

APPROVED

by the meeting of the Council
of the Joint Stock Company „Latvijas Gāze”
on March 19-20, 1998, minutes No.1(98);
Amendments approved by the decision
of the Council
of June 11, 1999, minutes No. 2(99);
of March 30, 2000, minutes No. 1(2000)
of June 10, 2005, minutes No. 2(2005);
of July 4, 2014, minutes No. 4(2014)
(effective as of July 10, 2014)

**REGULATION OF THE BOARD
OF THE JOINT STOCK COMPANY
“LATVIJAS GAZE”**

The Regulation of the Board (hereinafter – the Board) of the Joint Stock Company “Latvijas Gaze” (hereinafter – the Company) has been developed according to the Articles of Association of the Company (hereinafter – the Articles of Association).

The Regulation of the Board (hereinafter – the Regulation) sets down the general principles for operation of the Board, its competency, agenda and responsibility.

1. Members of the Board

- 1.1. Operations of the Company are managed by the Board. The Board is an executive institution managing and representing the Company.
- 1.2. The Board is composed of 5 (five) members – Directors. Directors are elected by the Council of the Company for a 3 (three) years term.
- 1.3. The Chairman of the Board and 2 (two) Deputy Chairmen of the Board are elected by the Council of the Company (hereinafter – the Council) from among the Directors.
- 1.4. The Board notifies the commercial registration institution of all changes in the Board, as well as changes in representation rights of the Directors, and such changes are effective as of the day of their announcement.
- 1.5. An employment agreement with the Chairman of the Board and Deputy Chairmen of the Board, and Directors is signed by the Chairman of the Council.

2. Competency of the Board

- 2.1. The Board passes decisions on the issues falling within its competency in the meetings of the Board.
- 2.2. The Board oversees and manages all affairs of the Company and manages assets of the Company according to legislative acts, the Articles of Association and decisions of the Meeting of Shareholders. The Board decides on all issues concerning the Company's operations which do not fall into competency of the Council or the Meeting of Shareholders.
- 2.3. The Board:
 - 2.3.1. prepares proposals and materials and submits them for review of the Council and passing of decision on:
 - a) draft budget of the Company;
 - b) Annual Accounts of the Company;
 - c) proposals for the use of profit;
 - d) approval of signing of a transaction between the Company and a Director or auditors;
 - e) issues which upon initiative of the Board are proposed for discussion in the Meeting of Shareholders;
 - f) issues where the Board needs approval of the Council for passing a decision;
 - 2.3.2. upon its own initiative or following the orders of the Meeting of Shareholders or the Council prepares and issues reports and statements to the Meeting of Shareholders or the Council on the issues listed in the Articles of Association and the Regulation;
 - 2.3.3. summons regular Meetings of Shareholders by the deadlines and according to the procedure set in the Articles of Association;
 - 2.3.4. summons ad hoc Meetings of Shareholders in the cases, by the deadlines and according to the procedure set in the Articles of Association;
 - 2.3.5. if necessary, requests summoning an ad hoc meeting of the Council by motivating the reason and objective of summoning of such meeting;

- 2.3.6. once per month prepares and submits to the Council and once per year – to the Meeting of Shareholders – a written report on its operations and main plans for commercial activities and management of the Company, on the results of financial operations, cash flow, main operational activities of the Company, realisation of goods and services, securities circulation and other key activities of the Company;
- 2.3.7. organises expenses within the framework of the Company's budget and is in charge of the Company's expenses, especially their compliance with the budget and justification;
- 2.3.8. within one month's time from the end of quarter reviews the course of annual budget performance and introduces necessary adjustments in the approved budget;
- 2.3.9. organises accounting and statistical accounting, draws up annual accounts according to legislative acts and submits it by the deadline set in the Articles of Association for auditing to an internationally admitted commercial company of sworn auditors registered in the Republic of Latvia or a sworn auditor (hereinafter – the auditor);
- 2.3.10. according to the procedure set out in the legislative acts publishes in newspapers the annual results of the Company's financial and economic activities approved by the Meeting of Shareholders;
- 2.3.11. within the framework of the plan of economic activities plan organises the economic activities, develops the fundamental principles of business policy, performs the realisation of products and the development and modernisation of the related area of services;
- 2.3.12. according to the procedure and volumes stipulated by the Meeting of Shareholders performs the issue and distribution of securities;
- 2.3.13. organises the record-keeping of registered shares and their holders in the Register of Shareholders;
- 2.3.14. decides on the insurance of the Company's assets, defines its scope and form;
- 2.3.15. approves the organisation structure of the Company and regulations of structural units;
- 2.3.16. develops the key areas of the Company's human resources policy, defines the system for remuneration and material benefits, work regime, social insurance and other employment related issues, decides on all critical issues concerning the Company's employees;
- 2.3.17. approves social and day-to-day benefits to the Company's employees in addition to benefits provided by the legislative acts;
- 2.3.18. approves internal rules of order of the Company and other internal legal acts binding to the employees;
- 2.3.19. reports to the commercial registration institution all changes in the Articles of Association, the Council and the Board;
- 2.3.20. decides on the nomination of an authorised representative of the Company for representation of the Company's interests in the Meeting of Shareholders and the nomination of candidates for membership in managing institutions of the companies where the Company holds capital shares or stock;
- 2.3.21. approves model forms of contracts for commercial activities of the Company, including contracts for the supply of natural gas;
- 2.3.22. appoints persons for signing of financial (bank) documents of the Company;
- 2.3.23. upon coordination with the Council approves the procedure of management of the Company's assets;
- 2.3.24. decides on the writing off of bad debts of natural and legal entities;
- 2.3.25. decides on the encumbering of any movable assets of the Company, cession of rights of claim;

- 2.3.26. within the framework of economic activities forms commissions for the investigation, control of various issues and preparation of proposals, and determines the remuneration for work of such commissions;
- 2.3.27. according to the procedure set in the legislative acts passes decisions on sponsorship considering tax reliefs;
- 2.3.28. reviews any issue requested for hearing of the Board by any Director;
- 2.3.29. decides on the signing of agreements whose value exceeds the amount set in the Paragraph 4.4 of this Regulation;
- 2.3.30. reviews draft contracts for the procurement of natural gas;
- 2.3.31. approves the procedure for application of prices and tariff rates, and the procedure for settlement of payments for the supply of natural gas to consumers.
- 2.4. The Board requires approval of the Council for deciding on the following issues:
 - 2.4.1. obtaining of shareholding interest in other companies, its increase or decrease;
 - 2.4.2. incorporation of subsidiary companies;
 - 2.4.3. purchase and sale of critical operational assets of the Company;
 - 2.4.4. founding or winding up of companies, branches and representative offices, as well as approval of their regulations (articles of association); purchase, sale and lease of company's assets or suspension of a company's operations;
 - 2.4.5. in the cases when not provided for in the Company's annual budget of the respective year:
 - 2.4.5.1. purchase of a real estate object for a price exceeding EUR 100,000 (one hundred thousand euros);
 - 2.4.5.2. purchase of any real estate object, if the total annual value for purchase of unplanned real estate objects by the Company exceeds EUR 400,000 (four hundred thousand euros);
 - 2.4.5.3. sale of a real estate object for a price exceeding EUR 200,000 (two hundred thousand euros);
 - 2.4.5.4. lease of real estate for a lease fee where the annual aggregate value exceeds EUR 100,000 (one hundred thousand euros);
 - 2.4.5.5. encumbrance of real estate;
 - 2.4.6. issue of guarantees, except guarantees which have to be issued for the performance of measures provided for in the Company's economic operations plan or in the approved budget;
 - 2.4.7. signing of transactions between the Company and its related persons (Shareholders, members of the Council and Directors);
 - 2.4.8. signing of transactions not included in the Company's annual budget of respective year when their value exceeds EUR 300,000 (three hundred thousand euros) or when their term exceeds 1 (one) year;
 - 2.4.9. involvement of law firms, brokerage companies, advisers, investment consultants or auditors in the preparation of public issue prospect of the Company's securities;
 - 2.4.10. signing of cooperation agreements of strategic importance, as well as signing of cooperation agreements where the Company's financing in excess of EUR 300,000 (three hundred thousand euros) is required;
 - 2.4.11. issue of loans not included in the Company's annual budget for the respective year and taking of loans;
 - 2.4.12. waiver of exclusive licence in full or in part;
 - 2.4.13. initial review of merging with another company or joining to another company;
 - 2.4.14. passing of the economic operations plan of the Company;

- 2.4.15. approval of the annual budget of the Company;
- 2.4.16. formation and use of the Company's reserves;
- 2.4.17. approval of regulations of the Board;
- 2.4.18. deciding on other critical issues.
- 2.5. The split of obligations among the Directors:
 - 2.5.1. The Board determines the split of obligations among the Directors. Every Director is in charge of a certain range of issues. The Directors shall serve their obligations with a view of common interests of the Company pursuant to legislative acts of the Republic of Latvia, the Articles of Association and this Regulation.
The split of obligations among the Directors is appended to this Regulation.
 - 2.5.2. None of the Directors is entitled to act within the range of issues assigned to another Director except in urgent cases, especially for the purpose of preventing losses to Company. In such case the Director acting within the range of issues assigned to another Director shall immediately notify the Director in charge of the respective issue and the Chairman of the Board.
During the absence of a Director on holidays, as well as in the case when respective Director is out of reach, his obligations are reassigned to another Director.
 - 2.5.3. All Directors shall periodically report to other Directors on all significant events occurring in the areas for which he is in charge.
 - 2.5.4. The Directors are entitled to request at any time the provision of reports from employees of the Company on the overall standing of the Company and to receive complete information on the operations of and transactions entered into by the Company and its branches, companies and representative offices, to audit the budget, balance sheet, audit reports on the Company and its branches, representative offices and companies, to inspect other registers and documents of the Company.
 - 2.5.5. If cooperation of several Directors is necessary, especially in the cases when the ranges of issues for which the Directors are in charge overlap, the Board after hearing from the respective Directors shall set up the cooperation procedure.
 - 2.5.6. The Board may assign the preparation of certain issues and the collection of necessary documents to any of the Company's employees, who shall report to the Board on the work completed.

3. Competency of the Chairman of the Board

The Chairman of the Board manages work of the Board and organises daily operations of the Company, including:

- 3.1. ensures the passing and execution of decisions on issues provided by the laws, the Articles of Association and this Regulation of the Board;
- 3.2. informs the Council on every critical aspect of the Company's operations;
- 3.3. develops and submits for approval of the Board the Company's structure;
- 3.4. organises the execution of decisions of the Meeting of Shareholders, the Council and the Board;
- 3.5. reports to the Council on transactions signed with Shareholders and other related persons of the Company;
- 3.6. signs agreements as ordered by the Meeting of Shareholders in the cases provided by the law and decisions of the Board according to the procedure set in this Regulation;

- 3.7. in a lengthy absence of the Chairman of the Board (sickness, holidays, business travel) the obligations of the Chairman of the Board in the management of the Board and the organisation of daily work of the Company are fulfilled by a Director appointed by the Chairman of the Board;
- 3.8. the Chairman of the Board is in charge of all types of cooperation with the Council;
- 3.9. at every meeting of the Board provides information on the main developments in the Company and its economic activities;
- 3.10. is liable for the fulfilment of requirements set in legislative acts for managers of commercial companies and employers;
- 3.11. the Chairman of the Board represents the Company separately;
- 3.12. operating with handles the assets and funds of the Company according to legislative acts, the Articles of Association and this Regulation;
- 3.13. signs financial and other documents of the Company, as well as agreements according to the procedure set in this Regulation, issues powers of attorney, incl. with rights of further authorisation and opens accounts with banks;
- 3.14. jointly with one of the Directors according to the Chairman of the Board signs important correspondence;
- 3.15. organises a timely signing of agreements on the procurement of natural gas and other centralised procurements;
- 3.16. ensures the development of the Company's budget and annual accounts pursuant to the procedure set in the law, their further review and approval according to the Articles of Association and the Latvian legislation;
- 3.17. coordinates the development of the Company's budget, economic activities plan;
- 3.18. organises the development of the Regulation of the Board and its approval by the Council;
- 3.19. represents the Company in the Saeima, the Cabinet of Ministers, state and municipal institutions and courts, as well as in relations with natural persons in addressing issues of interest to the Company;
- 3.20. ensures the fulfilment and control of measures provided in the budget and the economic activities plan;
- 3.21. according to the procedure set by the Board hires and fires employees of the Company and determines the amount of their remuneration;
- 3.22. according to the procedure set by the Board determines the competency of heads of structural units;
- 3.23. issues orders and gives instructions mandatory for all employees of the Company;
- 3.24. personally coordinates the cooperation with the Public Utilities Commission, the commission of Saeima and the Government on issues concerning tariff rates of natural gas and amendments to the Energy Law;
- 3.25. The Chairman of the Board upon approval of the Board may delegate some of his rights to the heads of structural units of the Company and other officials.

4. Procedure for signing of agreements

- 4.1. Agreements for the procurement of natural gas on behalf of the Company are signed according to the procedure set in the Paragraph 4.5 of this Regulation.
- 4.2. Natural gas supply agreements with consumers:

- 1) model agreements with consumption up to 1 (one) million m³ per year are signed by the Director in charge of the respective issue on the basis of a commercial power of attorney or by two employees authorised by the Company;
 - 2) with consumption from 1 (one) up to 5 (five) million m³ per year are signed by the Director in charge of the respective issue on the basis of a commercial power of attorney;
 - 3) with consumption above 5 (five) million m³ per year are signed by the Chairman of the Board and a Director in charge of the respective issue.
- 4.3. Agreements (of construction and assembly, procurement of materials and equipment, and other economic activities) within the framework of funds provided in the Company's budget are signed by:
- 4.3.1. the Chairman of the Board or, on the basis of a commercial power of attorney, the Director in charge of the respective issue, or two employees authorised by the Company, if the value of agreement does not exceed EUR 30,000 (thirty thousand euros);
 - 4.3.2. the Chairman of the Board and the Director in charge of the respective issue, if the value of agreement is from EUR 30,000 (thirty thousand euros) to EUR 150,000 (one hundred fifty thousand euros).
- During a lengthy absence of the Director in charge of the respective issues an Agreement instead of him is signed by the Chairman of the Board or another Director appointed by the Board on the basis of a commercial power of attorney.
- 4.4. The agreements within the framework of funds provided in the budget, the signing of which falls in the competency of the Board and where the value exceeds EUR 150,000 (one hundred fifty thousand euros), are reviewed by the Board and the Board appoints the persons who will sign the respective agreement. Such agreements shall be signed by at least two duly authorised persons.
- 4.5. Agreements, for the signing of which the Board needs approval of the Council, are signed by the Chairman of the Board along with another Director appointed by the Board upon receipt of approval of the Council or conditional upon entering of the agreement into force only after receipt of approval of the Council.

5. Preparation and summoning of meetings of the Board

- 5.1. Meetings of the Board are summoned when necessary, but at least once (1) per month.
- 5.2. Regular meetings of the Board are summoned by the Chairman of the Board on dates set by the Board itself.
- 5.3. Ad hoc meetings of the Board are summoned by the Chairman of the Board following a proposal of any of the Directors. The request for summoning of the ad hoc meeting of the Board shall contain the reason and purpose of summoning. Copy of such request shall be immediately forwarded to all Directors.
- 5.4. For deciding on the inclusion of any issues in the agenda of the following meeting of the Board, the Chairman of the Board may assign any employee of the Company with preparation of a draft decision and collection of necessary documents and materials.
- 5.5. A proposal for an issue to be included in the agenda of a meeting of the Board shall be submitted to the Chairman of the Board. The proposal shall include the subject matter of the issue to be heard, the person reporting on it at the meeting of the Board and the persons to be invited to attend the meeting of the Board.
- 5.6. A person submitting the proposal or preparing the draft decision is liable for completeness and accuracy of facts and data referred to in the submitted materials, as well as for

compliance of the prepared draft decision with legislative acts, and is reports on the draft decision to the Board.

A person submitting the draft decision prior to submission of the draft to the Chairman of the Board coordinates it with departments, divisions or sectors of the Company, if the issue to be decided on concerns any of them.

- 5.7. The Chairman of the Board initialises the submitted proposals by stating that they shall be included in the agenda and transfers them along with other submitted materials to the Secretary of the Board.
- 5.8. The Secretary of the Board summarises the proposals submitted, requesting additional data, documents and materials if necessary.
- 5.9. Proposals not compliant with the requirements of this Regulation are returned by the Secretary of the Board to the person submitting them by indicating that the Regulation has not been complied with and what amendments are required.
- 5.10. The Secretary of the Board prepares a draft agenda of the meeting of the Board and along with draft decisions, documents and other materials submits it to the Chairman of the Board for approval, indicating also the reporting persons and other invited attendees.
- 5.11. The Secretary of the Board notifies the Directors on the date and time of the meeting of the Board not later than 3 (three) business days prior to the meeting, as well as submits the draft agenda of the meeting along with appended draft decisions, documents and materials required for review of the issues included in the agenda.
Upon his election every Director shall indicate to the Secretary of the Board the language (Latvian, English, Russian) in which he is willing to receive notices and draft decisions.
- 5.12. In urgent cases, when agreed by all Directors, the Chairman of the Board summons an immediate meeting of the Board.
- 5.13. The Secretary of Board notifies on the meeting of Board also the invited attendees.
- 5.14. Unless the notice on the meeting of Board provides otherwise, the meetings of Board are held in the headquarters of the Company – 20 Vagonu Street, Riga.

6. Course of meetings of the Board

- 6.1. Decisions can be passed by meetings of the Board if attended by at least 3 (three) Directors.
- 6.2. The Directors unable to attend a meeting of the Board shall duly notify the Secretary of the Board.
- 6.3. The Board hears only the issues included in its agenda. Other issues may be decided upon only if all Directors present at the meeting of the Board agree with hearing of such issues and the draft decision of the Board is prepared according to requirements of the Paragraphs 5.5 and 5.6 of this Regulation.
- 6.4. Meetings of the Board are chaired by the Chairman of the Board or in his absence by another Director according to Para. 3.7.
- 6.5. Meetings of the Board are held in the Latvian language, providing an interpretation in the Russian and/or English language if necessary.
- 6.6. Every Director has one vote. The Board passes decisions with a simple majority of votes of Directors.
- 6.7. When the interests of the Company collide with the interests of any Director, his spouse, relative or in-law relative, considering relationship up to the second degree and in-law relationship up to the first degree, the issue is passed by a meeting of the Board where the concerned Director is not entitled to vote, and that shall be noted in the minutes of the meeting of the Board. The Director is obliged to report on such interest prior to opening of the

meeting of the Board. The Director in breach of this requirement is liable for losses caused to the Company.

6.8. Unless any of the Directors objects, a meeting of the Board may be held by use of a conference call or other means of communications ensuring that all Directors are able to hear each other simultaneously. The Secretary of the Board draws minutes of the meeting of the Board, which is signed by the Chairman of the Board and the Secretary of the Board. In such case the decision is effective as of the moment of its signing.

The Directors sign and approve the minutes during the next meeting, which is duly noted in the minutes.

6.9. In the capacity of advisors the meetings of the Board may be attended by members of the Council, as well as other persons invited by the Board.

6.10. Persons invited to attend a meeting of the Board in relation to hearing of a particular issue shall be present at the meeting only while the issue for hearing of which they have been invited is being reviewed.

6.11. Minutes of the meetings of the Board are made by the Secretary of the Board or, in his absence, by another person appointed by the Board.

6.12. The minutes shall contain indication of:

- 1) the Company's firm;
- 2) the time and place of meeting of the Board;
- 3) the attendees of the meeting;
- 4) the issues included in the agenda;
- 5) the course and content of discussions on the issues of the agenda;
- 6) the results of voting by indicating the "pro" or "contra" voting of each Director for each decision;
- 7) the decisions passed.

If a Director disagrees with a decision of the Board and votes against it, his distinctive opinion upon his request shall be recorded in the minutes of the meeting of the Board.

6.13. Minutes of meetings of the Board are signed by the Chairman of the meeting of the Board, the Secretary of the Board and all Directors attending the meeting of the Board. Every Director attending the meeting is entitled to object to the draft Minutes by the following meeting, indicating the reasons for objection.

The objection is reviewed at the following meeting of the Board, and the minutes of the Board meeting are approved and signed.

6.14. A transcript from the minutes of the meeting of Board may be issued if the draft of this decision of the Board is signed by all Directors present at the meeting of the Board and the Secretary of the Board.

6.15. A decision of a meeting of the Board is dated with the day when it was passed at the meeting of the Board.

7. Execution of decisions of the Board

7.1. Decisions of the Board are effective as of the day of passing, unless the decision states otherwise.

7.2. Not later than 2 (two) business days from signing of the minutes of the meeting of the Board the Secretary of the Board prepares and issues copies of particular decisions to the persons in charge for their execution.

7.3. A decision of the Board may provide that a person in charge of the execution of the decision shall report to the Board within a certain deadline. The Secretary of Board is obliged to propose the inclusion of such reports in the agenda of meeting of the Board.

8. Secretary of the Board

- 8.1. The Secretary of the Board is appointed by the Board.
- 8.2. The Secretary of the Board registers minutes and decisions of meetings of the Board in the registration log by assigning sequence numbers to them.
- 8.3. A notice on the meetings of Board along with originals of appended documents and minutes are stored by the Secretary of Board until their transfer to the archive according to procedure set by the laws.
- 8.4. Not later than 2 (two) business days after signing of the minutes of the meeting of the Board the Secretary of the Board issues copies of minutes of meetings of the Board to all Directors.
- 8.5. The Secretary of the Board is in charge of the preparation of meetings of the Board, a timely forwarding of notices and documents, the notification of invited persons, an accurate reflection of the course of meetings in minutes, a timely signing of minutes, the issue of copies of decisions and the forwarding of transcripts from the decision to the concerned persons.

9. Obligations, rights and responsibility of Directors **Releasing of Director from the office**

- 9.1. The Directors shall serve their duties pursuant to legislative requirements, the Articles of Association and this Regulation.
- 9.2. A Director may at any time submit a request for releasing him from the office. In such case the Chairman of the Board shall suggest convening Council meeting to decide on releasing the Director from the office and electing a new Director.
- 9.3. The Directors shall coordinate their leaves of absence with the Chairman of the Board.

Riga, 04.07.2014 No. 3/13