**Elering AS**

**ARTICLES OF ASSOCIATION**

1. **BUSINESS NAME AND REGISTERED OFFICE**
	1. The business name of the Public Limited Company (hereinafter ‘Company’) is Elering AS.
	2. The registered office of the Company is Tallinn, the Republic of Estonia.
2. **AREA OF ACTIVITY AND OBJECTIVE**

The objective of the activities of the Company is to ensure the security of energy supply to consumers.

1. **SHARE CAPITAL**

The minimum share capital of the Company is one hundred and thirty million (130,000,000) euros and the maximum share capital is five hundred and twenty million (520,000,000) euros. The share capital may be increased and reduced within the limits of the minimum capital and maximum capital without amending the Articles of Association.

1. **SHARES**
	1. The share capital of the Company has been divided into shares (hereinafter respectively ‘Share’ or ‘Shares’). The nominal value of each Share is one thousand (1,000) euros. Each Share grants the shareholder one (1) vote.
	2. A Share grants its holder the right to participate in the general meeting of shareholders and in the distribution of profit of the Company and of remaining assets upon dissolution of the Company as well as any other rights provided by law and prescribed by the Articles of Association of the Company (hereinafter ‘Articles of Association’).
	3. The Company has one class of Shares.
	4. A Share may be freely transferred.
	5. Shares are registered with the Estonian Central Register of Securities.
	6. Shares may be paid for by monetary or non-monetary contributions in accordance with a resolution of the general meeting of shareholders of the Company.
	7. Non-monetary contributions are valuated by experts appointed by the Supervisory Board of the Company and the valuation of non-monetary contributions is audited by an auditor in the cases provided by law.
2. **SHAREHOLDERS OF THE COMPANY**
	1. Shareholders exercise their rights in the Company at the general meeting of shareholders unless otherwise provided by law.
	2. Shareholders are authorised to:
3. amend the Articles of Association;
4. increase and reduce the share capital;
5. elect and remove members of the Supervisory Board;
6. issue convertible bonds;
7. elect (an) auditor(s) and determine the procedure for their remuneration;
8. designate a special audit;
9. approve the annual report and distribute profit;
10. decide on merger, division, transformation and/or dissolution of the Company;
11. establish the work procedure of the Supervisory Board;
12. decide on conclusion and determine the terms and conditions of transactions with members of the Supervisory Board, decide on the conduct of legal disputes with members of the Supervisory Board and appoint a representative of the Company in such claims or transactions;
13. acquire and transfer a qualifying holding held or to be held in another company by the Company or a subsidiary of the Company;
14. establish management and reporting principles of subsidiaries of the Company, which prescribe, *inter alia*, which resolutions must have the consent of the general meeting or the Supervisory Board of the Company in order for a subsidiary to adopt the same;
15. decide on other matters placed within the authority of the general meeting by law or on which the Shareholders decide that the resolution of the matter is within the authority of Shareholders.
	1. Shareholders adopt resolutions at a general meeting of Shareholders or without calling a meeting.
	2. The Management Board notifies each Shareholder of calling a general meeting of Shareholders in writing at least three (3) weeks before the general meeting of Shareholders takes place, sending a notice to the address entered in the share register.
	3. The general meeting of Shareholders is authorised to adopt resolutions if the Shareholders participating therein represent more than one-half of the votes represented by Shares.
	4. A resolution of the general meeting of Shareholders is adopted if more than one-half of the votes represented at the general meeting are in favour, except when deciding on the matters specified in sub-clauses 5.2(1), 5.2(2), 5.2(4), 5.2(7) and 5.2(8) of the Articles of Association, in which case a resolution is adopted if at least 2/3 of the votes represented at the general meeting are in favour. A resolution on other matters that, according to law, require a 2/3 or greater majority of votes is adopted if the number of votes required by law are in favour.
	5. Shareholders have the right to adopt resolutions without calling a general meeting pursuant to the procedure provided by law.
	6. Shareholders may vote on the draft resolutions prepared in respect of the items on the agenda of a general meeting using electronic means prior to or during the general meeting if this is possible in a technically secure manner. The procedure for electronic voting is determined by the Management Board.
16. **MANAGEMENT OF THE COMPANY**
	1. The managing bodies of the Company are:
17. the Supervisory Board (hereinafter ‘Supervisory Board’);
18. the Management Board (hereinafter ‘Management Board’).
	1. The following persons may not be members of managing bodies of the Company:
19. whose wrongful acts or omissions have resulted in the bankruptcy of a person;
20. whose wrongful acts or omissions have resulted in the revocation of an authorisation granted to a legal person;
21. who is subject to a prohibition on business;
22. whose wrongful acts or omissions have caused damage or loss to a legal person;
23. who has been convicted of an economic criminal offence, criminal official misconduct or a criminal offence against property;
24. who has substantial business interests in relation to the Company, expressed, *inter alia*, by having a significant holding in this legal person for the purposes of § 9 of the Securities Market Act or membership of the managing bodies of such a company that is a significant seller or purchaser of goods or a provider or customer of the services of that legal person in private law.
	1. The restrictions specified in clauses 6.2(1) to 6.2(4) of the Articles of Association remain in effect for five (5) years after the declaration of bankruptcy, revocation of the authorisation, termination of the prohibition on business or compensation for the damage or loss caused. The prohibition provided by clause 6.2(5) of the Articles of Association does not apply to a person if information concerning their punishment has been deleted from the criminal records database.
	2. Supervisory Board
		1. The Supervisory Board provides the Management Board of the Company with guidelines for organising the management of the Company and supervises the activities of the Management Board.
		2. The Supervisory Board consists of three (3) to five (5) members. The number of members of the Supervisory Board is decided by Shareholders and the members of the Supervisory Board are elected by Shareholders. The number of members of the Supervisory Board must be determined on the basis of the size and economic situation of the Company as well as the objective to ensure effective performance of the duties of the Supervisory Board.
		3. The term of office of the members of the Supervisory Board is three (3) years.
		4. The following persons may not be elected a member of the Supervisory Board:
25. a sole proprietor operating in the same area of activity as the Company, who is not a shareholder of the Company;
26. a partner of a general partnership or a general partner of a limited partnership operating in the same area of activity as the Company if the person is not a shareholder of the Company;
27. a person whose shares represent at least 1/10 of the share capital in a company operating in the same area of activity as the Company and that company is not a shareholder of the Company;
28. a member of a managing body of another company operating in the same area of activity as the Company, except if the other company is a partially state-owned company, or a company belonging in the same group as that partially state-owned company, or a company that is a shareholder of the partially state-owned company.
	* 1. Members of the Supervisory Board elect a chairperson from among themselves, who organises the activities of the Supervisory Board and chairs meetings of the Supervisory Board.
		2. The Management Board must obtain the consent of the Supervisory Board for transactions and operations that are beyond the scope of everyday economic activities of the Company, including:
29. the acquisition or termination of holdings in other companies, except to the extent in which it is within the authority of the general meeting;
30. the foundation or dissolution of subsidiaries;
31. the acquisition or transfer of an enterprise, or the termination of its activities;
32. the transfer and encumbrance of immovables and registered movables;
33. the foundation or closure of foreign branches;
34. the transactions as a result of which the sum of the investments or the expenses of the operating budget prescribed for the corresponding financial year is exceeded;
35. the assumption and guarantee of long-term debt obligations;
36. the assumption and guarantee of other debt obligations if this is beyond the scope of everyday economic activities of the Company;
37. the approval and amendment of the investment and operating budget of the Company;
38. the adoption of resolutions on concluding transactions and holding legal disputes between the Company and members of the Management Board and appointment of a representative of the Company in the transactions and legal disputes.
	* 1. Meetings of the Supervisory Board are held when necessary but not less frequently than once every three (3) months. The work procedure of the Supervisory Board is established by a resolution of the general meeting.
		2. The Company follows the requirements established by the Minister of Finance for drawing up the minutes of a meeting of the Supervisory Board and for the information to be recorded in the minutes, provided that such requirements have been established.
		3. A meeting of the Supervisory Board has a quorum if more than one-half of the members of the Supervisory Board participate therein. A resolution of the Supervisory Board is adopted if more than one-half of the members of the Supervisory Board who participated in the meeting voted in favour. Each member of the Supervisory Board has one (1) vote. Upon an equal division of votes, the chairperson of the Supervisory Board has the deciding vote. A member of the Supervisory Board does not have the right to abstain from voting or to remain undecided.
		4. The Supervisory Board has the right to adopt resolutions in writing without calling a meeting of the Supervisory Board if all members of the Supervisory Board consent to it.
		5. The amount and procedure for payment of the remuneration payable to members of the Supervisory Board are decided by the general meeting. Equal remuneration is granted to members of the Supervisory Board unless otherwise provided by law. Higher remuneration may be granted to the chairperson of the Supervisory Board.
		6. A member of the Supervisory Board is paid remuneration taking into account their participation in the meetings of the Supervisory Board and in the activities of the bodies of the Supervisory Board. Upon removal of a member of the Supervisory Board from the Supervisory Board, the member is paid no compensation. In the cases provided by law, the general meeting may decide to suspend payment of the remuneration to the chairperson of the Supervisory Board.
	1. Management Board
		1. The Management Board is a managing body of the Company that represents the Company and organises the management and accounting of the Company.
		2. The Management Board consists of one (1) to three (3) member(s). The number of members of the Management Board is decided by the Supervisory Board. Members of the Management Board are elected by the Supervisory Board for five (5) years unless the Supervisory Board decides otherwise.
		3. If the Management Board has at least two members, the Supervisory Board appoints a chairperson of the Management Board from among the members of the Management Board. The chairperson of the Management Board organises the work of the Management Board as well as the everyday management and economic activities of the Company.
		4. A person authorised by the Supervisory Board enters into contracts with members of the Management Board which set out more detailed rights and obligations of members of the Management Board in respect of the Company.
		5. Remuneration may be paid to a member of the Management Board only in accordance with a contract of a member of the Management Board entered into with the member. If, in addition to the duties of a member of the Management Board of the Company, the member of the Management Board performs other duties necessary for the Company, remuneration may be paid for such duties only if this is prescribed in a contract of a member of the Management Board.
		6. Additional remuneration may be paid to a member of the Management Board according to their performance. The amount of the additional remuneration must reasoned, having regard to the attainment of the objectives set for the Company and any added value and market position created by the Company. The total amount of the additional remuneration paid during the financial year may not exceed the amount equivalent to four times the average monthly remuneration paid to the member of the Management Board in the previous financial year.
		7. Severance pay may be paid to a member of the Management Board only if the member is removed at the initiative of the Supervisory Board before the term of office of the member expires. Severance pay may be paid to the extent of the remuneration of up to three months effective at the time of removal of the member of the Management Board.
39. **REPRESENTATION**

The Company may be represented in all legal acts by two members of the Management Board jointly or the chairperson of the Management Board alone.

1. **AUDIT COMMITTEE**
	1. The audit committee is an advisory body of the Supervisory Board of the Company in matters relating to accounting, auditing, risk management, internal control and audit, exercising of oversight and budget preparation and legality of the activities. The Supervisory Board approves the work procedure of the audit committee on the basis of the Regulation that has been established by the Minister of Finance and governs the principles of formation, remuneration and work procedure of the audit committee.
	2. The audit committee consists of up to five (5) members. Members of the audit committee are elected and removed by a resolution of the Supervisory Board. Members of the audit committee are elected for a fixed term of three (3) years.
	3. Members of the audit committee elect a chairperson from among themselves who organises the activities of the audit committee. The chairperson of the Supervisory Board may not be the chairperson of the audit committee.
2. **INTERNAL CONTROL AND INTERNAL AUDIT**
	1. The Management Board is liable for the functioning of the internal control of the Company. To ensure the functioning of the internal control system, the Company creates the position of an internal auditor or organises commissioning the services of an internal auditor from an audit firm. The Company may forgo creating the position of an internal auditor or commissioning the services of an internal auditor from an audit firm if, in the view of the Supervisory Board, this may prove economically inexpedient. Such a resolution of the Supervisory Board must be approved by the general meeting of Shareholders beforehand.
	2. A shareholder has the right to request that a special audit be conducted and use for that purpose a structural unit of an institution managed by the shareholder.
3. **FINANCIAL YEAR, BUDGET, LEGAL RESERVE AND DISTRIBUTION OF PROFIT**
	1. The financial year of the Company starts on 1 January and ends on 31 December.
	2. The Company prepares the budget which is in conformity with the financial plan of the Company, the budget position rules set out in § 6 of the State Budget Act, the net debt rule set out in § 10 of the same Act, and the restrictions imposed in accordance with § 11 of the same Act. Each year the Company draws up and presents, in accordance with the requirements provided by § 12 of the State Budget Act, a financial plan that serves as a basis for the preparation of the budget of the Company.
	3. Legal reserve is formed from annual net profit transfers and other transfers entered in the legal reserve pursuant to law and the Articles of Association. The amount of the legal reserve is 1/10 of the share capital unless otherwise provided by law. Shareholders decide on the amount to be transferred to the legal reserve each financial year in accordance with law and the Articles of Association and it may not be less than 1/20 of the net profit. When the legal reserve reaches the amount prescribed, the increase of the legal reserve on the account of net profit is terminated.
	4. The distribution of profit is decided by Shareholders adhering to the provisions of law.
	5. The Company submits a copy of the audited and approved annual report to the Ministry of Finance and to the National Audit Office within four months following the end of the financial year. An overview of how the Supervisory Board has organised, managed and supervised the activities of the Company within the accounting period is presented along with the report, and the amount of remuneration paid to members of the Supervisory Board and Management Board during the financial year is also indicated. The other shareholders of the Company have the right to request the said report and overview for examination within the same term.
	6. The Company publishes its income statement, balance sheet and cash flow statement on its webpage once a quarter by the end of the month following the quarter, at the latest.
4. **COMPLIANCE WITH GOOD CORPORATE GOVERNANCE**

The Company manages the Company adhering to the good corporate governance and describes the compliance therewith in the corporate governance report that forms part of the annual report.

1. **PROCEDURE FOR PAYMENT OF GRANTS AND MAKING OF DONATIONS**
	1. The Company may pay grants and make donations only for research and development purposes in the area of activity of the Company. The procedure for payment of grants and making of donations, including the principles of payment of grants and making of donations, payment terms, limits or marginal rates thereof per financial year, and the decision-making procedure are established by the Management Board by its resolution. During any calendar year, the Company, together with the subsidiaries which are part of the consolidation group of the Company, may pay grants and make donations to the extent of up to 0.5 percent of the Company’s average consolidated net profit of the previous three financial years.
	2. The Management Board decides on the payment of grants and making of donations in accordance with the terms and conditions of payment of grants and making of donations as established by a resolution of the Management Board.
	3. Information concerning the grants paid and the donations made (the name of the recipient of the grant or donation, the amount of the grant or donation) is published on the website of the Company within three working days after adopting a corresponding resolution along with the explanation as to how the payment of the grant or making of the donation contributes to the achievement of the operating and financial objectives of the Company and the corresponding information remains publicly available on the website for at least four years following the end of the payment of the grants.
2. **MERGER, DIVISION, TRANSFORMATION AND DISSOLUTION OF THE COMPANY**

The merger, division, transformation and dissolution of the Company take place in accordance with law.

These Articles of Association have been approved by a resolution of the sole shareholder of the Company of 30 August 2017.