

APPROVED

in the regular meeting of shareholders  
of JSC „Ditton pievadķēžu rūpnīca”  
dated 31.05.2011 (protocol Nr.1)

APPROVED

in the Council meeting of JSC  
„Ditton pievadķēžu rūpnīca” dated  
15.04.2011, protocol No.147

## ***REGULATIONS OF THE MANAGEMEN BOARD OF JSC „DITTON PIEVADĶĒŽU RŪPNĪCA”***

Daugavpils

15 March, 2011

*Adopted on the basis of:*  
1) *The Commercial Law, Articles 301, 302;*  
2) *Corporate Governance Principles of*  
*„NASDAQ OMX Riga”;*  
3) *Articles of the JSC „Ditton pievadķēžu rūpnīca”*  
*Paragraph 6.4*

### **§ 1**

#### **General procedure of work organisation of the Management Board**

The Management Board is the executive institution of the joint stock company (hereinafter – the company), which manages and represents the company.

The Management Board manages and supervises the company’s property and manages its funds in accordance with laws of the Republic of Latvia, Articles of the company and decisions of meetings of shareholders.

Election and recall of Management Board members and the chairman of the Management Board is performed in accordance with the Commercial Law of the Republic of Latvia and Articles of the company.

Work of the Management Board is managed by the chairman of the Management Board. The chairman of the Management Board appoints by his resolution a deputy chairman of the Management Board for the period of his absence if there is such necessity.

Decisions of the Management Board are taken in its meetings. Meetings of the Management Board are convened by the chairman of the Management Board in cases specified in Latvian laws and internal normative acts of the company, if it is necessary to adopt an important collegiate decision which is important for the company, or at the request of the Management Board member.

The Management Board has the right to take decisions if according to the Articles of the company more than one half of the members of the Management Board take part in the meeting, and in case if the number of the members of the Management Board is less – the quorum shall be determined according to the Articles of the company.

Decisions are taken with simple majority of votes of present Management Board members, but in the event of tied vote the vote of the chairperson of the Management Board shall prevail.

Formalities for drawing up minutes of the meetings are stated in the Commercial Law of the Republic of Latvia.

Secretary of the company informs the Management Board members on appointing of the meeting.

All decisions of the Management Board are recorded. Decisions adopted by the Management Board, as well as documents approved by the decision are compulsory for execution by the employees' of the company.

In the event if the Management Board and the Council hold joint meetings with a common agenda, the meeting is chaired by the Chairman of the Council, but in the event of his temporary absence – by one of the Deputy Chairmen of the Council. Vote for decisions of the Management Board and the Council is separate and independent, in the same order the minutes of the Management Board and the Council meetings shall be drawn up.

The member of the Management Board can appeal against a decision taken by the Management Board in the manner prescribed by the Commercial Law of the Republic of Latvia.

## **§ 2**

### **Composition of the Management Board**

- Chairman of JSC AS „Ditton pievadķēžu rūpnīca”;
- Member of JSC AS „Ditton pievadķēžu rūpnīca, Head of Financial Department;
- Member of JSC AS „Ditton pievadķēžu rūpnīca.

## **§ 3**

### **Powers of the Management Board members**

All members of the Management Board have representation rights.

The Management Board members manage the company jointly by exercising their rights in the Management Board meetings and in the frames of the Articles of the company, in accordance with the Commercial Law, Articles of the company and these Regulations.

Decision on any matter in economic, financial and internal situation, which is taken in the meeting of the Management Board of the company, has a priority.

At the same time, for optimization and efficiency of the company's management and taking decisions, on a voluntary basis, without fraud, deceit and coercion the members of the Management Board delegate each other and accept of their free will limitations of their representation functions and rights by distributing their totality in the following way:

3.1. Representation functions and rights in relationship with third persons, among them institutions of state authorities and administration, local government bodies, commercial and public structures are granted to the Chairman of the Management Board. In his absence these powers are exercised by the Management Board member, who is appointed by the Chairman of the Management Board as his deputy for the time of his absence. The Chairman and Deputy Chairman of the Management Board are entitled to sign powers of attorney individually on behalf of the company. Representation functions and rights in relationships with financial structures and institutions, including State Revenue Service of Ministry of Finance of the Republic of Latvia, financial and credit institutions are also granted to the member of the Management Board, Head of Financial Department.

3.2. Rights to sign financial documents on behalf of the company are granted to the Chairman of the Management Board (with no restrictions to the transaction amount). In his absence the rights to sign financial documents on behalf of the company are granted to the Management Board member whose signatory powers are presented to credit and financial institutions (banks) in an appropriate form upon decision of the Management Board. Without a

consent of another Management Board member he is not entitled to accept financial transactions exceeding 100 000 Ls.

3.3. Signatory rights on behalf of the company under any kind of contracts (commercial, business and financial contracts, loan (credit) agreements and collateral agreements, which encumber the company with obligations or take over the rights), are granted to the Chairman of the Management Board without restrictions to the contract amount, but in his absence – to the Management Board member who is appointed as a deputy for the time of absence of the Chairman of the Management Board. In the latter case signatory rights under financial agreements (credit, loan, investment agreements and any other related to this) are granted to the member of the Management Board, Head of Financial Department. In these cases the Management Board member is not entitled to accept by his signature any kind of contract exceeding the amount of 100 000 Ls without a consent of the second Management Board member.

3.4. By occurring situations and circumstances, which require effective taking of decisions and approving of documents on behalf of the company, each member of the Management Board members has the right to represent the company individually and act in its name and this shall not be regarded as violation of these Regulations. The same condition also applies to decision taken by the Management Board member during the official travel.

3.5. Signatory rights on behalf of the company under labour contracts with paid employees of the company, as well as rights to issue decrees and orders in respect of the staff are granted to the Chairman of the Management Board, but in his absence – to the Management Board member who is appointed as a deputy for the time of absence of the Chairman of the Management Board.

3.6. Rights to take decisions and issue (approve) administrative documentation, technological, technical and similar documents, which regulate production processes, are granted to the Chairman and both members of the Management Board.

3.7. Rights to take decisions and issue (approve) documents of an analytical and promotional nature (analytical reports, business plans, marketing materials, new projects) are granted to the Chairman and both members of the Management Board.

3.8. Each of the Management Board members is entitled to exercise other representation rights not mentioned above in connection with his position, area of work and scope of issues to be managed. Restrictions to exercising of representation functions are applied to the Management Board members only within the law of the Republic of Latvia, Articles of the company and these Regulations.

3.9. Representation functions are exercised by all Management Board members in accordance with records about their competence in public registrar of the Republic of Latvia – in Commercial Register Office of the Register of Enterprises of the Republic of Latvia without any additional powers of attorney or other documents supporting the powers. Powers of the Management Board members come into force in relation to the company from the day when they are elected by the Council, powers and restrictions of the Management Board members after their election come into force in relation to the third persons in accordance with the Commercial Law of the Republic of Latvia.

3.10. Appointment of Deputy Chairman of the Management Board for the time of his absence shall be performed by an oral or written order from among the Management Board members, and it is, like distribution of competence mentioned in paragraphs 3.1-3.8 only an

internal matter of the company and does not restrict statutory powers of the Management Board member to perform representation of the company.

#### **§ 4**

#### **Responsibility of the Management Board members**

The Management Board is liable for the business activity of the company and for accounting record-keeping in accordance with laws of the Republic of Latvia.

The Management Board members are liable for taken decisions and their representation activity in front of the company within the law of the Republic of Latvia.

The Management Board members are solidarily liable for a collegial decision. Only the Management Board member who has voted against adoption of a decision and at his request his objections are recorded in the minutes of a Management Board meeting, is released from responsibility for the decision of the Management Board. For decisions taken individually and documents signed individually there is the Management Board member liable who has adopted (signed) them.

Infringement of powers stated by these Regulations by the Management Board member may be a ground for the Council to recall him in accordance with paragraph 6.4.4 of the Articles of JSC „Ditton pievadķēžu rūpnīca”.

#### **§ 5**

#### **Procedures for convening of shareholders meetings by the Management Board**

The Management Board convenes regular and extraordinary meetings of shareholders in accordance with the Commercial Law of Latvia and Articles of the company. When convening the regular meeting of shareholders the Management Board is obliged to comply with the statutory deadline for approving of an annual report.

When convening shareholders meetings the Management Board is obliged to:

5.1. ensure a publication on convening of a meeting in accordance with law of the Republic of Latvia;

5.2. ensure a publication of an agenda of the meeting convened by the Management Board, but if a shareholder's request to include an extra issue into the agenda is received – publication of the amended agenda;

5.3. ensure a publication of draft decisions adopted by the Management Board, but if alternative draft decisions are received from shareholders – their publication;

5.4. provide an opportunity to shareholders to get acquainted with information on issues included into the agenda in cases and order specified by the law;

5.5. ensure making a list of shareholders present in the convened meeting which shall be available to the shareholders;

5.6. ensure an opportunity to hold the shareholders meeting at legal address of the company, by covering necessary material costs;

5.7. perform the necessary procedures for publication of the decisions adopted, as well as other procedures in state authorities and administrative bodies for implementation and/or registration of the decisions adopted in the shareholders meeting.

The Management Board is obliged to convene extraordinary meetings of shareholders in special cases specified in the Commercial Law of the Republic of Latvia.

The Management Board members have a duty to take part in shareholders meetings and at their request to provide the necessary information within the issue of the agenda.

## § 6

### **Other provisions of the Management Board work**

In cases not covered by these Regulation the Management Board members are guided by existing laws of the Republic of Latvia, Articles of the company, decisions of shareholders meetings, regulatory documents of the exchange of financial instruments (AS „NASDAQ OMX Riga”), decisions of the Council of the company, internal regulatory documents of the company, which determine mission, goals, business planning of the company, as well as procedures for their realization.

The Management Board members have to be independent. By occurrence of any circumstances which interfere with this independence, as well as by occurrence of any attempts to exert an illegal influence or pressure on the member of the Management Board, this member of the Management Board has is obliged to inform immediately about it the Management Board and the Council.

The Management Board member may relinquish his office at any time, complying with a period of notice pursuant to provisions of the civil contract (labour contract or authorization contracts) concluded with him and on the basis of which he fulfils duties of the Management Board member. Before this term the Management Board member has to fulfil his duties in good faith so as it is fair to expect from his experience, qualification, previous work.

The Management Board member may be recalled by the Council, if there is an important reason. Such important reason shall, in any case, be considered to be gross violations of authority, failure to perform or to appropriately perform his or her duties, an inability to manage the company, or causing harm to the interests of the company, as well as loss of confidence expressed at a meeting of shareholders. The Management Board member recalled by the Council stops fulfilment of his representation functions immediately from the moment when the decision of the Council is presented to him. If this member of the Management Board continues to use representation rights it is considered that harm is caused to the company.

In any case, remuneration of the Management Board member, as well as compensations provided for by the law of the Republic of Latvia shall be paid prior to date of formal termination of a civil contract concluded with him in accordance with “Remuneration Policy of the Council and Management Board Members” adopted in the company.

The Management Board member has the right to appeal against his recall from the position in the order specified by statutory acts of the Republic of Latvia.

## § 7

### **Formalities of Regulations**

Regulations come into force from 1 June 2011 and are effective up to their cancellation.

At the same time Regulations of the Management Board of JSC „Ditton pievadķēžu rūpnīca” dated 07.01.2007 become inoperative.

Regulations of the Management Board are adopted and approved with the decision of the Management Board (protocol No.02/2011 from 15.03.2011).

## § 8

### **Signatures of the members of the Management Board**

Chairman of the Management Board

\_\_\_\_\_ P.Dorofejevs

Member of the Management Board \_\_\_\_\_ J.Sokolovskis

Member of the Management Board \_\_\_\_\_ N.Redzoba

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