

**CITY SERVICE SE**  
**REGULATIONS OF THE SUPERVISORY BOARD**

These Regulations of the Supervisory Board of City Service SE (the “Regulations”) have been adopted by the supervisory board (*nõukogu*) (the “Supervisory Board”) of City Service SE (the “Company”).

**1. COMPETENCE OF THE SUPERVISORY BOARD**

- 1.1. The Supervisory Board shall plan the activities of the Company, organise the management of the Company and supervise the activities of the management board (*juhatus*) of the Company (the “Management Board”).
- 1.2. The Supervisory Board shall give orders to the Management Board for the execution of the management of the Company. The Supervisory Board shall have the competence set forth herein, as well as in applicable laws and the Company’s Articles of Association.
- 1.3. The prior consent (decision) of the Supervisory Board shall be required for conclusion of such transactions on behalf of the Company which are beyond the scope of everyday economic activities of the Company and, above all, for adopting the following decisions:
  - 1.3.1. to elect and remove from the office the members of the Management Board, set their remuneration, other terms of office (employment), approve Management Board regulations;
  - 1.3.2. to appoint and remove procurators;
  - 1.3.3. for the Company to become a founder or a member of other legal entities, to acquire, transfer or dissolve (liquidate) any such entities, as well as decisions to transfer or encumber any shares (parts, shares of stock) or rights assigned thereto held by the Company to other persons;
  - 1.3.4. to establish or terminate activities of affiliates or representative offices of the Company, approve their regulations;
  - 1.3.5. to transfer, lease or encumber immovables or registered movables of the balance value exceeding 1/20 (one-twentieth) of the Company's share capital (per each type of transaction);
  - 1.3.6. to make investments exceeding approved budget for the current financial year;
  - 1.3.7. to assume loans or debt obligations exceeding approved budget for the current financial year;
  - 1.3.8. to offer surety or guarantee of obligations of third parties for an amount in excess of 1/20 (one-twentieth) of the share capital of the Company;
  - 1.3.9. to acquire long-term assets at a price exceeding 1/20 (one-twentieth) of the Company's share capital;
  - 1.3.10. to engage the Company into new business activities or to discontinue any specific activity currently performed;
  - 1.3.11. to approve participation and (or) conclusion of peaceful settlement agreements in legal proceedings where the amount of claims made to or by the Company exceeds 1/5 (one fifth) of the share capital of the Company;
  - 1.3.12. to issue debentures of the Company or other forms of borrowing from any natural or legal persons (regardless of the amount);
  - 1.3.13. to conclude transactions between the Company and the Management Board members which are beyond the scope of everyday economic activities of the Company or exceed the market price;

- 1.3.14. to determine which information will be considered the Company's commercial (industrial) secret and confidential information;
- 1.3.15. to approve operating strategy, annual report, interim report, management structure of the Company, as well as positions of employees, positions to which employees are recruited by holding competitions;
- 1.3.16. to determine the methods used by the Company to calculate the depreciation of tangible assets and the amortization of intangible assets.
- 1.4. The Supervisory Board also has the right to decide on other issues which are not assigned to the competence of the Management Board or the general meeting of shareholders pursuant to law or the Articles of Association.
- 1.5. The Supervisory Board shall analyse and evaluate documents submitted by the Management Board of the Company on:
  - 1.5.1. the implementation of the operating strategy of the Company;
  - 1.5.2. the organization of the activities of the Company;
  - 1.5.3. the financial status of the Company;
  - 1.5.4. the results of business activities, income and expenditure estimated, stocktaking data, and other accounting data of changes in the assets.
- 1.6. The Supervisory Board analyses and assesses the Company's draft of its annual set of financial statement and draft of its profit/loss statement and with annual report of the Company submits them to the general meeting of shareholders.
- 1.7. The Supervisory Board also analyses and evaluates the project of the decision on dividends for a shorter period of the financial year, its interim financial statements, which together with the Company's interim report are submitted to the general meeting of shareholders.
- 1.8. In order to fulfil its tasks, the Supervisory Board has the right to examine all documents of the Company and to audit the accuracy of accounting, the existence of assets and the conformity of the activities of the Company with the law, the Company's Articles of Association and resolutions of the General Meeting.
- 1.9. The Supervisory Board has the right to obtain information concerning the activities of the Company from the Management Board and to demand an activity report and preparation of a balance sheet from the Management Board. Every member of the Supervisory Board has the right to demand the submission of reports and information to the Supervisory Board.
- 1.10. The Supervisory Board shall approve the annual budget of the Company.
- 1.11. The Supervisory Board shall decide on conclusion and terms and conditions of transactions with members of the Management Board and it shall also decide on the conduct of legal disputes with the members of the Management Board. The Supervisory Board shall appoint a representative of the Company for the conclusion of such transactions and conduct of such legal disputes.
- 1.12. The Supervisory Board must request the calling of the General Meeting from the Management Board if this is clearly in the interests of the Company.
- 1.13. If a General Meeting is called by the Management Board or the Supervisory Board, the agenda of the General Meeting shall be determined by the Supervisory Board.
- 1.14. Concerning each item on the agenda of a General Meeting, the Supervisory Board shall present its proposal which shall be included in the notice calling the General Meeting.

- 1.15. The Supervisory Board shall elect the Chairman of the Supervisory Board from among the members of the Supervisory Board.
- 1.16. The Supervisory Board shall elect and remove the members of the Management Board. If the Management Board has more than two members, the Supervisory Board shall elect the Chairman of the Management Board from among the members of the Management Board, who shall organise the activities of the Management Board.
- 1.17. The Supervisory Board shall resolve, whether a member of the Management Board may be:
  - 1.17.1. sole proprietor in the area of activity of the Company;
  - 1.17.2. a partner of a general partnership or a general partner of a limited partnership which operates in the same area of activity as the Company;
  - 1.17.3. a member of a managing body of a company which operates in the same area of activity as the Company other than a subsidiary of the Company.
- 1.18. The Supervisory Board shall determine the amount of remuneration payable to each member of the Management Board and the procedure for payment thereof. Upon determining the procedure for remuneration of the members of the Management Board and the amount of fees and other benefits, and upon concluding contracts with the members of the Management Board, the Supervisory Board shall ensure that the total amount of the payments made by the Company to the members of the Management Board are in reasonable proportion to the duties of the members of the Management Board and the financial standing of the Company.
- 1.19. The Supervisory Board shall establish the audit committee, adopt the regulations of the activity of the audit committee and elect and remove the members of the audit committee. If so required by applicable laws, the Company's Articles of Association or any other rules applicable to the Company due to listing in any stock exchange, the Supervisory Board shall also establish additional committees, adopt the regulations and elect and remove the members thereof.
- 1.20. The Supervisory Board also has other rights and obligations provided by applicable laws and the Company's Articles of Association.

## **2. SUPERVISORY BOARD MEETINGS AND RESOLUTIONS**

- 2.1. Meetings of the Supervisory Board shall be held when necessary but not less frequently than once every three months. A meeting shall be called by the Chairman of the Supervisory Board or by a member of the Supervisory Board substituting for the Chairman. Advance notice of at least one day shall be given of the holding of a meeting. The notice shall be sent by e-mail.
- 2.2. A meeting of the Supervisory Board shall be called if this is demanded by a member of the Supervisory Board, the Management Board, an auditor or shareholders whose shares represent at least one-tenth of the share capital. If the meeting is not called within two weeks after the date of receipt of the relevant request, such member of the Supervisory Board, the Management Board, the auditor or such shareholders have the right to call the meeting themselves.
- 2.3. A meeting of the Supervisory Board has a quorum if more than one-half of the members of the Supervisory Board participate in it. A member of the Supervisory Board may not be represented by another member of the Supervisory Board or by a third person at a meeting or in the adoption of a resolution. The quorum of the Supervisory Board or the validity of its resolutions is not affected by the fact that less members than prescribed by the Company's Articles of Association belong to the Supervisory Board.

- 2.4. A member of the Supervisory Board may participate in the meeting of the Supervisory Board also via phone or Skype call. Detailed information on how to participate in the meeting via phone or Skype call (phone number; PIN of the conference call, Skype username that must be called etc.) shall be outlined in the notice of the meeting of the Supervisory Board. A member of the Supervisory Board absent from a meeting may also participate in voting if he or she communicates his or her vote in a form which can be reproduced in writing (e.g. by e-mail or fax).
- 2.5. For the purpose of each item on the agenda, a specific and definite proposal must be presented to the Supervisory Board and, in case of necessity, a draft decision must be provided. Proposals and draft decisions shall be prepared by the interested member of the Supervisory Board, the Management Board member or other competent persons.
- 2.6. An issue which is not included on the agenda in the notice may be added to the agenda by the Supervisory Board only if all members of the Supervisory Board participate in the meeting and at least three-quarters of the members of the Supervisory Board are in favour of including such issue on the agenda.
- 2.7. Minutes shall be taken of a meeting of the Supervisory Board. The minutes shall be signed by all the members of the Supervisory Board who participate in the meeting and the recording secretary of the meeting. If a member of the Supervisory Board participated in the meeting via phone or Skype call, the Chairman of the Supervisory Board shall send the minutes to that member of the Supervisory Board for signing. The dissenting opinion of a member of the Supervisory Board shall be entered in the minutes or appended thereto, which shall be confirmed by his or her signature.
- 2.8. If the requirements of law or of the Company's Articles of Association are violated in the calling of a meeting of the Supervisory Board, the Supervisory Board shall not be authorised to adopt resolutions unless all the members of the Supervisory Board participate in the meeting. Decisions made at such meeting of the Supervisory Board are void unless the members of the Supervisory Board with respect to whom the procedure for calling the meeting was violated approve the decisions.
- 2.9. A resolution of the Supervisory Board shall be adopted if more than one-half of the members of the Supervisory Board who participate in the meeting vote in favour. Each member of the Supervisory Board shall have one vote. A member of the Supervisory Board does not have the right to abstain from voting or to remain undecided. Notwithstanding the above, a member of the Supervisory Board shall not participate in voting if approval of the conclusion of a transaction between him or her and the Company is being decided, or if approval of the conclusion of a transaction between a third person and the Company is being decided if the interests of the member of the Supervisory Board arising from such transaction are in conflict with the interests of the Company.
- 2.10. The Supervisory Board has also the right to adopt resolutions without calling a meeting unless any of the members of the Supervisory Board have prohibited that. In such case the following rules apply:
  - 2.10.1. In order to do that, the Chairman of the Supervisory Board shall send a draft of the resolution to all members of the Supervisory Board, specifying the term by which the member of the Supervisory Board must present his or her written opinion on it (such term to be at least 2 business days<sup>1</sup>). If a member of the Supervisory Board does not give notice of whether the member is in favour of or opposes to the resolution during this term, it shall be deemed that he or she votes against the resolution;

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<sup>1</sup> Business day is each day other than a Saturday, a Sunday, an Estonian public holiday or a day when trading does not take place in City Service SE.

- 2.10.2. If a resolution is made pursuant to the procedure provided for in this Section 2.10, the resolution shall be adopted if more than one-half of the votes of the members of the Supervisory Board are in favour;
  - 2.10.3. The Chairman of the Supervisory Board shall prepare a record of voting on the results of voting in lieu of minutes of the meeting and shall send the record promptly to the members of the Supervisory Board and Management Board. A record of voting shall set out: (a) the business name and registered office of the Company; (b) the adopted resolutions and the number of votes in favour (including the names of the members of the Supervisory Board who voted in favour of each resolution); and (c) other circumstances of importance with regard to the vote;
  - 2.10.4. The written opinions of members of the Supervisory Board specified in Section 2.10.1 shall be an integral part of the record of voting;
  - 2.10.5. A resolution may be formalised also without advance notice and record of vote if all the members of the Supervisory Board agree to and sign the resolution. A resolution shall set out the names of the members of the Supervisory Board and the time of passing the resolution.
- 2.11. The meeting of the Supervisory Board may be convened without observation of the above procedure and/or the members of the Supervisory Board may decide to discuss and vote on the items not included on the meeting agenda or adopt decisions the drafts whereof were not presented to the members in advance, provided the quorum, established in Section 2.3 above is present at the meeting, and each member of the Supervisory Board was duly notified of the meeting of the Supervisory Board.
  - 2.12. The meetings of the Supervisory Board shall be conducted by the Chairman of the Supervisory Board. In case of his absence, the meeting shall be conducted by the member of the Supervisory Board elected by majority of votes of the Supervisory Board members participating in the meeting.

### **3. ADDITIONAL REQUIREMENTS TO SUPERVISORY BOARD MEMBERS AND CANDIDATES**

- 3.1. The Supervisory Board shall require from each Supervisory Board member candidate that he or she, when consenting to his or her election to the Supervisory Board, irrevocably consents to:
  - 3.1.1. while being a Supervisory Board member candidate, (a) provide the Company with such information relating to him or her as is necessary in order for the Company to adhere to the recommendations set out in the relevant Corporate Governance Codes (the “Codes”); and (b) perform such tasks of a Supervisory Board member candidate as are necessary in order for the Company to adhere to the recommendations set out in the Codes; and
  - 3.1.2. while being a Supervisory Board member, (a) provide the Company with such information relating to him or her as is necessary in order for the Company to adhere to the recommendations set out the Codes; and (b) perform such tasks of a Supervisory Board member as are necessary in order for the Company to adhere to the recommendations set out in the Codes;
  - 3.1.3. publication of all information relating to him or her that is necessary in order for the Company to adhere to the recommendations set out in the Codes.
- 3.2. For the purpose of Section 3.1, the Supervisory Board shall be considered as the board of directors as may be referred to in the relevant Codes.