

Explanation of the draft Articles of Association of AS Tallinna Vesi presented to the shareholders for the adoption

1. Changes related to General Meeting

1.1. The restricted right to vote arising from the B-share is revoked.

1.2. The competence of the General Meeting is amended:

- (a) The issue of shares, convertible bonds, stock options and other equity linked instruments or other rights is specified;
- (b) The acquisition and sale of treasury shares is specified;
- (c) Decision on listing or termination of listing of the shares on stock exchange is added;
- (d) The threshold for adopting certain General Meeting material resolutions is increased from 2/3 of the votes to 83% of the votes represented by A-shares;
- (e) Possibility to adopt resolutions of the shareholders without convening a meeting pursuant to procedure provided by law is added.

2. Changes related to Supervisory Council

2.1. The competence of the Supervisory Council is amended:

- (a) Approval of business plan, annual budget and changes thereto, changes to gearing policy, and approval of certain material transactions and (corporate) operations is extended to subsidiaries as well and thereof specified;
- (b) The requirement to obtain the consent of the Supervisory Board for the Management Board to carry out certain transactions and activities is specified;
- (c) Approval of expenditures, development projects and investments, and provision of guarantees, sureties, etc., of the company and its subsidiaries is specified;
- (d) Transactions with related parties is specified;

2.2. The term of office of the members of the Supervisory Council is extended from 2 years to 3 years.

2.3. The appointment and removal of 4 members of the Supervisory Council is amended as follows:

- (a) Each of the top 2 shareholders of the Company who own most A-shares is entitled to appoint and remove 2 members of the Supervisory Council by unilateral resolution submitted to the Management Board;
- (b) No single shareholder of the Company may appoint or remove more than 2 members of the Supervisory Council;

(c) A shareholder may remove only the same members of the Supervisory Council who have previously been appointed into office by that same shareholder.

2.4. In addition to Chairman of the Supervisory Council, a Vice Chairman of the Supervisory Council is foreseen.

2.5. The convening, the right to convene, and the organizing of the Supervisory Council meeting is specified.

2.6. The adoption of the resolutions of the Supervisory Council is specified and for adoption of certain material resolutions, affirmative votes of the members of the Supervisory Council are required.

3. Changes related to Management Board

3.1. The maximum number of members of Management Board is decreased from 5 to 3.

3.2. The term of office of the members of the Management Board is extended from 3 years to 5 years.