

“LATVIJAS GĀZE” CONSOLIDATED CORPORATE SOCIAL RESPONSIBILITY REPORT 2018

Prepared under Section 56⁴ of the Financial Instrument
Market Law

JSC "Latvijas Gāze"

Place of registration	Riga, Latvia
Registration number	40003000642
Address	Vagonu iela 20, Riga, Latvia, LV-1009
Website	www.lg.lv

JSC "Gaso"

Place of registration	Riga, Latvia
Registration number	40203108921
Address	Vagonu iela 20, Riga, Latvia, LV-1009
Website	www.gaso.lv

Abbreviations

JSC "Latvijas Gāze"	Latvijas Gāze
JSC "Gaso"	Gaso
United Nations	UN
Corporate social responsibility	CSR
Public Utilities Commission	PUC
Distribution system operator (Gaso)	DSO

CONTENTS

INTRODUCTION	4
HUMAN RIGHTS.....	5
STAFF HEALTH AND SAFETY	5
HOURS, WAGES AND LEAVE	6
FAIR TREATMENT AND PRIVACY	7
IMPACT OF THE DEVELOPMENT OF DISTRIBUTION NETWORKS UPON SURROUNDING RESIDENTS	8
DANGER OF NATURAL GAS	8
LABOUR.....	10
TRADE UNIONS	10
PROHIBITION OF DISCRIMINATION	11
ENVIRONMENT	12
ACCIDENT PREVENTION AND NETWORK SAFETY	12
ENVIRONMENTAL IMPACT.....	14
TECHNOLOGIES.....	16
ANTI-CORRUPTION AND BRIBERY	18
COMPANY'S CULTURE, PROCEDURES AND MEASURES	18

INTRODUCTION

Latvijas Gāze and its subsidiary Gaso has been the leading and most reliable natural gas supplier in Latvia for many years and is now actively expanding its presence in other countries of the region in a bid to become the customers' first choice in the Baltic natural gas market.

The consolidated Corporate Social Responsibility Report of Latvijas Gāze for the year 2018 is its second and follows the guidelines of the UN *Global Compact* programme (www.unglobalcompact.org) insofar as the matters of the guidelines are relevant to the company's actual operation.

This report details the main risks, the measures for prevention or mitigation thereof, and assesses the impact of those measures to the extent possible. Various specialists and trade union representatives were involved in the preparation of the report. We commit to continue improving the performance of the companies covered within the framework of issues discussed in the report.

The report has been prepared in Latvian, English and Russian. The graphic information concerns a five-year period.



Latvijas Gāze believes that the world should be based on true, equal and socially responsible values.

By corporate social responsibility we understand a systematic process where the company assesses the impact of its actions upon the environment, employees, customers, business and society and sets the operating principles that follow from the company's impact assessment and values. Furthermore, the company's reputation and employees' satisfaction is enhanced, business risks are reduced, and consequently the company's value is raised. The implementation of the corporate social responsibility goals is an integral part of the company's business strategy.

The report was reviewed and approved at the meeting of the Management Board of Latvijas Gāze on April 10, 2019 as part of the consolidated Annual Report and is signed on behalf of the Board by:

Aigars Kalvītis
Chairman of the Board

Sebastian Groebblinghoff
Vice-Chairman of the Board

Elita Dreimane
Member of the Board

HUMAN RIGHTS

- Principle 1** **Businesses should support and respect the protection of internationally proclaimed human rights; and**
- Principle 2** **make sure that they are not complicit in human rights abuses.**

Latvijas Gāze and Gaso fully comply with the regulatory framework of Latvia and the European Union which meets high standards of human rights. The company does not in any way get involved in the abuse of human rights and is committed to show an active stance in this regard to customers, partners and employees as well.

STAFF HEALTH AND SAFETY OVERALL ASSESSMENT

The Latvian regulatory framework of labour safety is essentially designed to be directly applied within

organisations, and both Latvijas Gāze and Gaso fully meet these requirements.

RISKS

More than a half of employees at Gaso are tasked with the direct maintenance of the natural gas distribution system, which entails an increased risk

in itself because of the explosiveness and inflammability of gas and the health impact of other harmful working environment factors.

MEASURES

There is a labour protection system in place, and there have been responsible persons designated for specific duties in labour protection, fire safety and civil protection. Employees are instructed on labour protection and fire safety pursuant to a schedule depending on work specifics. At least once per year there is training held on how to act in the event of fire. An assessment of risks of working and explosive environment is also conducted once per year.

Accidents at work are constantly registered and analysed. Employees undergo mandatory health

checks pursuant to a schedule depending on work specifics. In daily work they are provided with the necessary collective and individual safety equipment. The work equipment and machinery is regularly inspected and serviced in line with the manufacturer requirements. Employees are provided with health insurance.

In order to improve accessibility for disabled persons throughout the premises, regular reconstructions and enhancements take place. These requirements have been met at all buildings reconstructed since 2016.

KEY INDICATORS

*Complaints received**

In 2018 there were no complaints received over labour safety.

* Complaints that are registered if the conflict or situation is not settled within a reasonable timeframe or satisfying the parties.

HOURS, WAGES AND LEAVE OVERALL ASSESSMENT

Employees predominantly have 40 working hours per week. Where necessary, there is work in shifts. The number of overtime hours is limited, employees are given appropriate break and rest time. They also have a paid annual leave and paid off-days for children, for length of service on top

RISKS

The recruitment policy is implemented so as to avoid the risk of lack of qualified specialists jeopardising compliance with the industry

MEASURES

Amendments taking effect in 2019 have been made to the Collective Agreements, and new internal rules of procedure have been drafted. Gaso has set up a new standing pension management commission

KEY INDICATORS

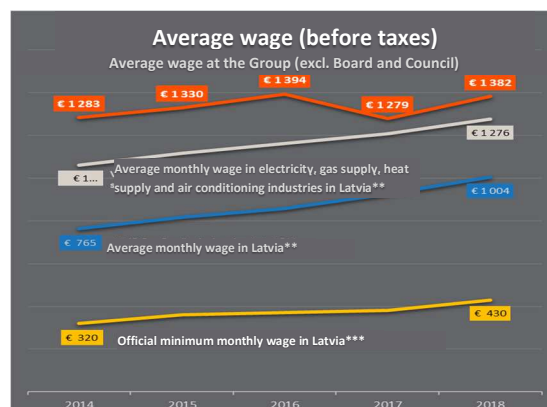
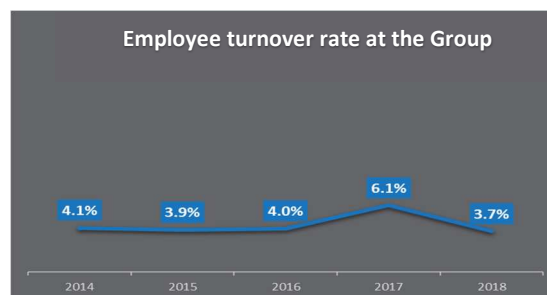
The development of the employee turnover ratio reflects the events at the company and the situation on the labour market. The increase in 2017 stems from the reorganisation process which saw restructuring of functions and jobs (the methodology of calculation has been improved from the previous report).

At Latvijas Gāze, incl. the distribution system, the average wage exceeds the minimum wage by multiple times and is higher than both the official average monthly wage and the wage paid in similar industries.

of those stipulated by the legislation. Under the Latvian laws, employees are allowed incapacity absence. All employees have written employment contracts signed and issued and all taxes related to the employment relationship paid.

standards in respect of the safety and operational continuity of the natural gas distribution system.

and approved a new financial incentive system which also took effect in 2019. Under the new system, employees are systematically evaluated and rewarded based on work quality, initiative, intensity, and contribution.



* According to the profit or loss statement

** Source: Central Statistics Bureau

*** Source: Ministry of Welfare

In comparison with the guidelines of the International Labour Organisation, the company has a very low number of overtime hours worked. It is a strict policy of the company to limit overtime hours.



Complaints received

In 2018 there were no complaints received over violations of working hours, wages or leave of absence.

FAIR TREATMENT AND PRIVACY

OVERALL ASSESSMENT

Given the substantial number of employees and customers, the company pays special attention to matters of professional ethics.

There is a strict regulatory framework in the field of personal data protection both at national and

EU level. These requirements are met, and there are proportionate and proactive measures taken to streamline processes.

RISKS

With the completion of the first full year after the company's reorganisation, a future vision and understanding of the company's functional objectives and upcoming challenges has stabilised.

Hence,

“

the risks previously associated with uncertainty in the labour environment – which, in turn, could have caused tense working relationships and employees rotation – have diminished.

MEASURES

A comprehensive audit of personal data processing has been conducted, and the improvements have been implemented. The internal regulatory enactments governing the processes of personal data processing have been revised, and the relevant processes and mechanisms of control thereof have been implemented. Much attention has been devoted to the training of employees in the field of

personal data protection, explaining the regulatory requirements and analysing examples and cases.

Gasol introduced a Business Code of Conduct, which essentially applies to customer and partner relations, and an Employee Code of Conduct, which contains guidelines of how employees should act when facing various infringements.

KEY INDICATORS

Complaints received

In 2018 there were no complaints received over infringements or privacy violations.

IMPACT OF THE DEVELOPMENT OF DISTRIBUTION NETWORKS UPON SURROUNDING RESIDENTS

OVERALL ASSESSMENT

The field of infrastructure development is subject to extensive regulation, and the DSO complies with all regulatory requirements at both design and construction stages. On a daily basis the DSO

communicates with a broad range of persons involved in development projects, thus gaining support and ensuring the implementation of projects.

RISKS

When building infrastructure, the DSO is subject to private owners' right to property and usage thereof and may affect natural sites. Hence, it is essential to cooperate with the public, the local governments, and the state authorities in charge of environmental matters. The gasification of new housing estates frequently requires building gas pipelines through areas where there have been no usage restrictions before, with the owners

discontent due to encumbrance. It is therefore of particular importance to involve all landowners, notifying them of the common practical benefits from the infrastructure. Risks associated with the impact of construction upon protected areas, however, are low, as Latvia has a stringent regulatory framework in respect of environmental protection that requires seeking environmentally friendly solutions.

MEASURES

The prospective system development plans take into account the municipal territorial plans, the wishes of local governments and their residents and businesses, and the national and municipal restrictions on protected areas.

Upon infrastructure reconstruction or repairs, Gaso always timely notifies of planned supply

interruptions and ensures a continuous gas supply as far as possible.

In 2018 work began on an environmental policy that will address the potential environmental impact of network construction and set the core principles of the environmental impact of the development of the DSO system.

KEY INDICATORS

Complaints received

In 2018 there were no complaints received from residents of the territories affected.

DANGER OF NATURAL GAS

OVERALL ASSESSMENT

If used improperly, natural gas is a dangerous substance. Hence, one of the main tasks of the DSO is to instruct people on how to act in the

event of an accident or threats thereof (for information on the Emergency Service and the measures to avoid emergency situations, see the "Environment" section).

RISKS

The potential danger of natural gas is one of the key aspects in the operation of the DSO. A lack of knowledge on the physical properties of natural gas and its use may cause adverse effects to the

consumers themselves and their assets, an increase in the number of emergency calls and accidents, and additional expenditures on the Emergency Service.

MEASURES

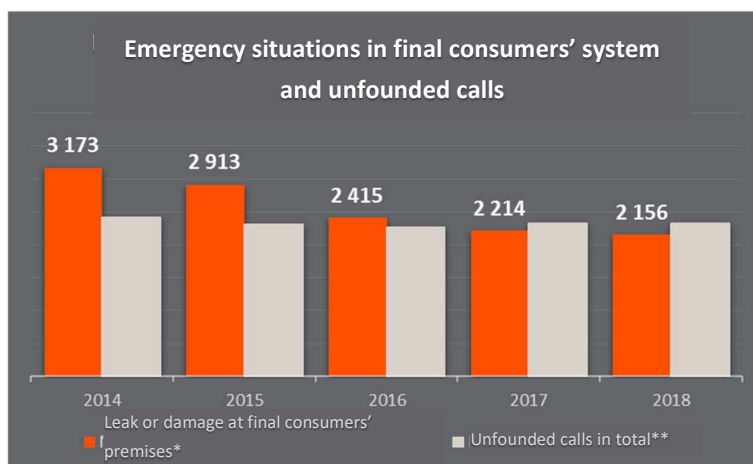
Information on the website and booklets on the safety measures to be taken when using natural gas, guidelines on the proper use of gas appliances, and instructions for emergency situations. Informational materials on the safe use of natural gas. Participation in events held by local governments, public organisations and operational services to educate on the safe use of natural gas. Regular

educational campaigns at schools and events for children. In 2018 – participation in the annual contest for schools "Esi drošs, neesi pādrošs" ('Be Brave, Not Rash') and three similar events in Sigulda, Līvāni and Dobeļe. In partnership with rescue and emergency services, informational materials have been prepared and are publicly distributed.

KEY INDICATORS

Since 2014 there has been a sharp decrease in the number of emergency calls caused by the consumer's own action or leakages or damage at the final consumer's premises. This has a number of reasons, such as a gradual decrease in the number of connections specifically at apartments, consumers upgrading their appliances, being more aware of how to treat natural gas, etc.

The total number of unfounded calls remains steady, but this is not a negative trend, as the DSO is supportive of precautionary calls to the Emergency Service.



*Emergency situations include consumer action and equipment whose operation falls under the final consumer's responsibility – the natural gas consumption meter, shut-off devices, natural gas hardware and pipelines within the final consumer's premises.

** Unfounded calls are calls where there is no relevance to the natural gas system or there proves to be no emergency situation.

LABOUR

- Principle 3** **Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;**
- Principle 4** **the elimination of all forms of forced and compulsory labour;**
- Principle 5** **the effective abolition of child labour; and**
- Principle 6** **the elimination of discrimination in respect of employment and occupation.**

The employees' rights are fully observed in terms of freedom of association and non-discrimination, and this is promulgated to the companies' customers, partners and employees through the CSR report and the regulatory framework of ethical matters.

In line with the legislation, forced or compulsory work or child labour is not conceivable. Hence, these matters are not further discussed in the report.

TRADE UNIONS

OVERALL ASSESSMENT

Employees are enabled and encouraged to join trade unions and collectively discuss collective agreements.

RISKS

No substantial risks are seen in this field.

MEASURES

There are collective agreement discussion meetings held, attended by representatives of the company's management, employees and trade unions. Once per year there is a joint report made on the performance of the obligations due under the Collective Agreement.

A labour dispute commission has been set up, featuring representatives of the employer and trade unions. Premises are made available for holding

trade union meetings, as are permanent premises and means of communication for the head of the trade union. At the trade union's request, the required information about the company's operation is provided. The trade union also takes part in the selection of health insurance policy for employees.

Amendments to the Collective Agreements were made in 2018 and took effect in 2019.

KEY INDICATORS

Complaints received

In 2018 the trade union was involved in the settlement of a disagreement on one occasion.

PROHIBITION OF DISCRIMINATION

OVERALL ASSESSMENT

The prohibition of discrimination is observed. No specific groups of people are obstructed. The current staff has been recruited by balancing the required professional competences against supply

on the labour market. It is made sure that decisions in respect of employees be based on appropriate and objective criteria.

RISKS

Overall, the risks associated with discrimination are low. Given the specific nature of the business

of the DSO, there is a relatively low proportion of women amongst employees.

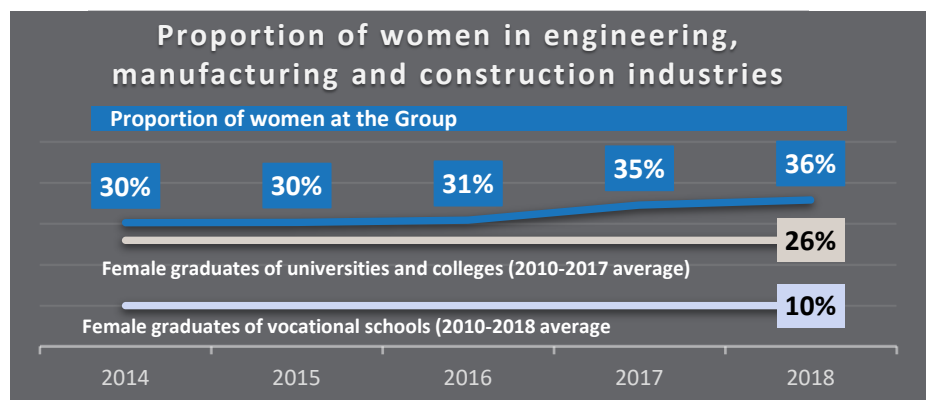
MEASURES

Job advertisements set out specific requirements for employees based on the professional competences required for the company and are worded in a non-discriminatory way. During the recruitment process,

no sensitive information about applicants, including their religious or political conviction, family status, sexual orientation, ethnic origin, political beliefs etc., is requested.

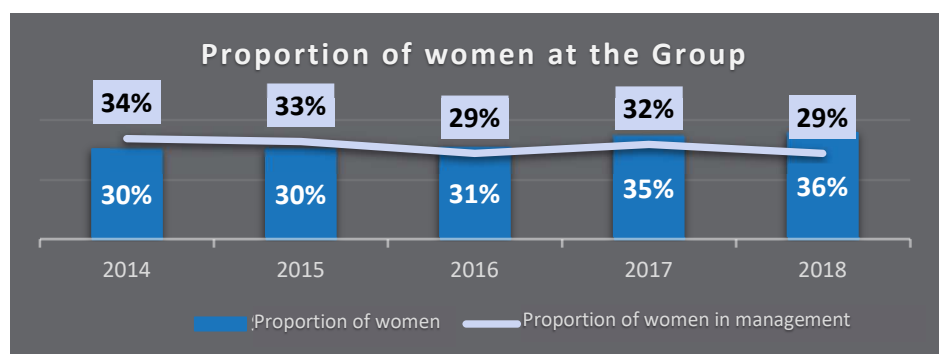
KEY INDICATORS

The proportion of female employees highly depends on the professional orientation of youth. As shown by the chart, there is a very low proportion of women among graduates in the related industries. Hence, there is a small share of women at Latvijas Gāze and Gaso, in reflection of the labour market.



*Source: Central Statistics Bureau

The overall proportion of women reflects the specific nature of the industry when it comes to education. While at Gaso there are relatively few women in managerial positions, their proportion is consistent with the overall proportion of women.



Complaints received

In 2018 there were no complaints received over discrimination at work.

ENVIRONMENT

- Principle 7** **Businesses should support a precautionary approach to environmental challenges;**
Principle 8 **undertake initiatives to promote greater environment responsibility; and**
Principle 9 **encourage the development and diffusion of environmentally friendly technologies.**

Natural gas is the most environmentally friendly fuel that emits the least amount of greenhouse gases in the combustion process. Hence, this business has sustainable foundations and contributes substantially to environmental protection.

The company both helps others acquire environmentally friendly fuel and itself actively makes use of the benefits of developing environmentally friendly technologies.

The operation and maintenance of the natural gas system and methane emissions are under strict control, and system safety is taken care of. The operational sphere is highly regulated, and there is a natural resource tax for methane emission into the atmosphere which further incentivises limitation of emissions.

Overall, the greatest concern is the limitation of methane emissions. In other fields though, the environmental impact is rather low, especially from the viewpoint of potential risks.

ACCIDENT PREVENTION AND NETWORK SAFETY

OVERALL ASSESSMENT

Natural gas may be very dangerous in use, inflicting harm on people, property, and the environment. Therefore, the company ensures a

safe supply of natural gas, the education of people, and a prompt response to emergency situations.

RISKS

The impact of the product and the services rendered upon people is one of the company's major risks when it comes to CSR, as natural gas is inflammable, explosive and asphyxiant in enclosed spaces. The main risks are associated with outdated infrastructure and gas appliances owned

by consumers and human action both when consuming natural gas and making unwarranted manipulations of gas appliances.

The most severe losses to the DSO are caused by bursts of underground pipelines resulting from third-party activity.

MEASURES

At the Riga Unit of Gaso, which is in charge of more than half of consumers, there is a separate emergency service, while other units have separate emergency teams. In addition to the unified emergency phone 112, there is a dedicated natural gas emergency number 114 where calls are

forwarded to the call operators of the Emergency Service of Gaso.



Emergency calls and solution of emergency situations are free of charge for consumers.

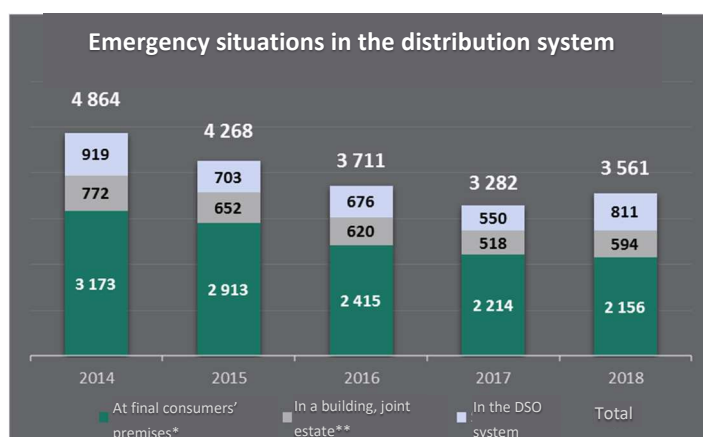
The Emergency Service and units of Gaso are under contract with the operational services and communication holders on cooperation in emergency situations. Where there is disruption to a centralised natural gas supply to multiple consumers at a time, Gaso notifies the customers.

The employees of the Emergency Service and teams regularly undergo certification. Every year there are approximately 400 test calls made that include training together with other operational services. The employees are equipped with modern devices for the detection of gas leakages and the elimination of consequences.

KEY INDICATORS

Since 2014 the number of final consumers has not changed much, yet the number of emergency calls has substantially dropped.

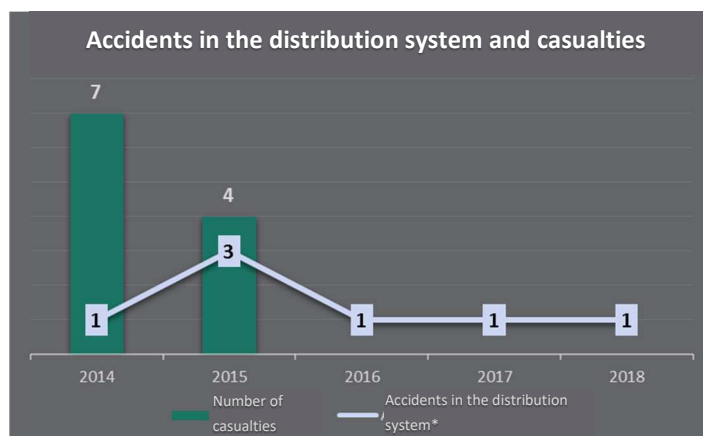
The most part of emergency situations are damages to the equipment owned by final consumers, so it is extremely important to instruct people on how to act in the event of leakage or equipment damage.



* Includes equipment whose operation falls under the final consumer's responsibility – the natural gas consumption meter, shut-off devices, natural gas hardware and gas pipelines within the final consumer's premises.

** Includes facade gas pipelines at individual and apartment houses, as well as riser and internal pipes up to the meter at apartment houses.

Overall in the distribution system there are few accidents that qualify as emergency situations with severe consequences.



* Accidents are understood as situations where natural gas has caused a fire, an explosion, where there have been substantial supply disruptions, a substantial harm to the environment, where premises have been filled with gas above the lower threshold of explosion hazard or there are human casualties.

ENVIRONMENTAL IMPACT

OVERALL ASSESSMENT

The group constantly monitors and takes action to limit the emission of substances causing the greenhouse effect and improve energy efficiency. Particular attention is devoted to the possible emission of methane into the atmosphere and energy efficiency in the company's electricity consumption, vehicles and premise heating.

The contribution of the main component of natural gas – methane – to the greenhouse effect over a 100-year stretch is estimated as 25-34 times that of carbon dioxide (CO₂), which is why its emission into the atmosphere must be limited to the extent possible. However, the total emissions from the distribution system in the European Union account for just 0.2-0.3% of the total impact of human-generated greenhouse gas emissions.

The operation of the natural gas distribution system within the meaning of the law “On Pollution” is not a polluting activity and does not require a pollution license of category A, B or C or a greenhouse gas emission permit. The DSO has

RISKS

Main environmental risk is associated with methane emissions during pipeline repairs, during operation, and as a result of accidents. While during natural gas distribution and repairs the expected amount of emissions is known and may be limited long-term through processes and

MEASURES

In 2018, as part of responsible care for the environmental impact of the company's operations, work began on the DSO Environmental Policy.

A person in charge of monitoring the environmental issues has been appointed. A report on the release of greenhouse gases contained by natural gas (primarily methane) into the atmosphere is made on a quarterly basis.

three environmental pollution permits of category C for the boiler houses heating the premises of the company's regional units in Riga, Bauska and Ogre.

The distribution system does not use high-capacity equipment, unlike, for instance, natural gas transmission systems or storages. Hence, GASO emits CO₂ primarily through heating its premises and driving vehicles. In order to reduce the environmental impact and boost the economic efficiency of its business, GASO devotes effort towards increasing the share of natural gas in its own consumption by purchasing natural gas powered cars and installing a natural gas cogeneration plant.

There are no harmful chemicals used, no natural resources used, and no material amounts of waste generated in the operation of the distribution system. Gas pipeline leakage tests use nitrogen, which is lighter than air and therefore vented out.

technologies, accidents are unpredictable and uncontrollable with an increased risk of emissions.

As concerns CO₂ emissions, the risks are low, as the company has no high-capacity manufacturing equipment and boiler houses.

Since 2016 there is an energy management system compliant with the LVS EN ISO 5001 standard in place, and both Latvijas Gāze and Gaso continue applying this standard. An internal energy audit takes place once per year.



More than 30 energy efficiency measures have been implemented,

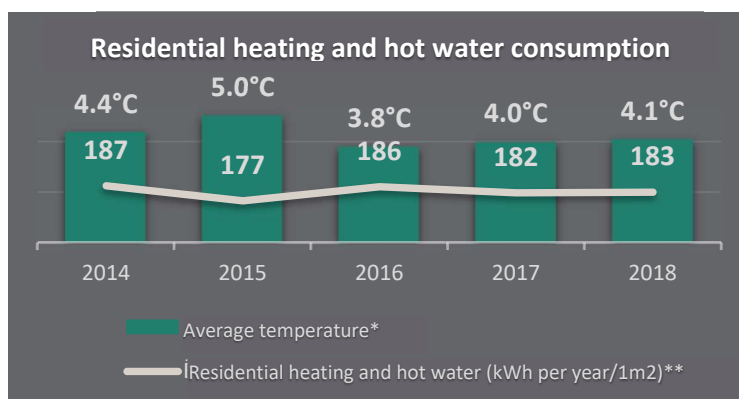
leading to a decrease in the total energy consumption by 363 MWh.

Part of its vehicle fleet is systematically upgraded every year, ensuring an overall compliance with the current environmental requirements.

Scrap metal, construction materials and tyres are sorted and disposed of separately. The majority of units of Gaso also sort and separately dispose of paper, plastic, lamps and batteries.

KEY INDICATORS

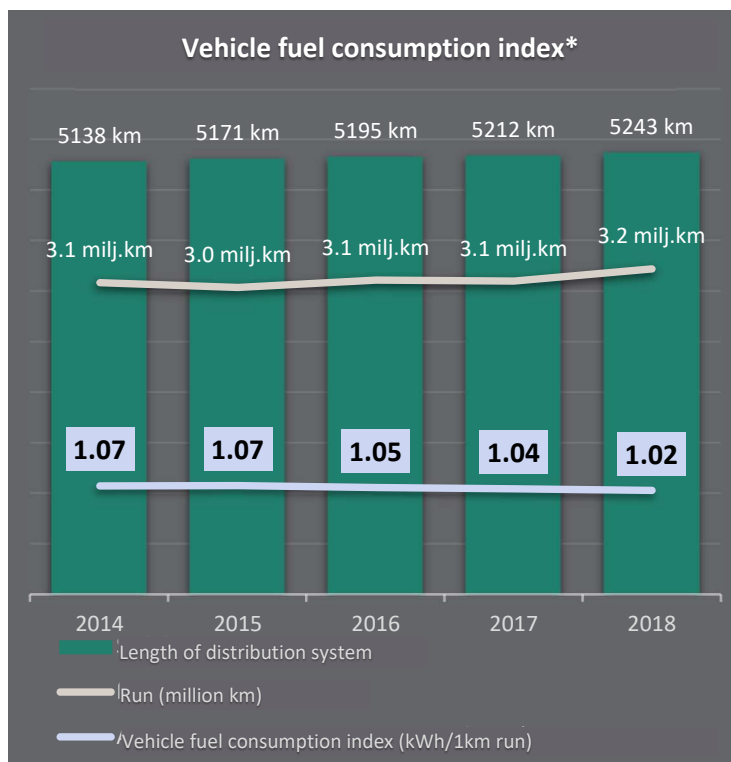
A key role in residential heating and hot water consumption is played by thermal energy in the heating season. Data suggests that there is a correlation between the air temperature and the total consumption, characteristic of Northern countries (the calculation methodology has been improved from the previous report).



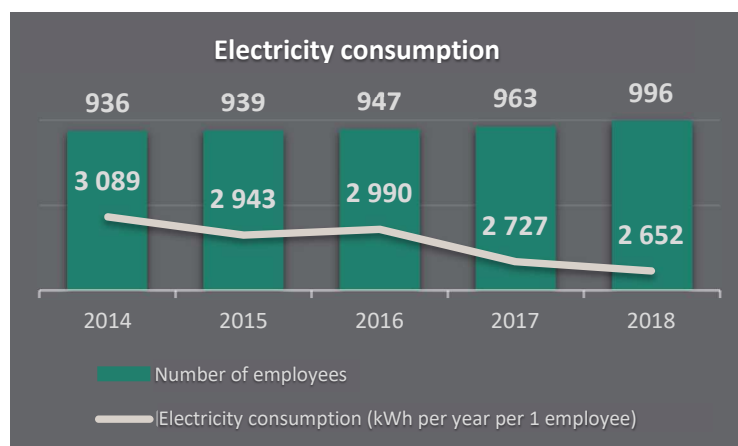
*The average air temperature in Latvia during the heating season (Jan-May and Sep-Dec); source: Central Statistics Bureau.

**The heat purchased in 2014-2015 has been calculated on the basis of the average consumptions of 2016-2018.

Overall, the vehicle fuel consumption index has not much changed (the calculation methodology has been improved from the previous report). The natural gas trader's fleet, included in the calculations, accounts for about 10% of all vehicles.



Despite an increase in the total number of employees, the set of energy efficiency measures taken has yielded a decrease in the consumption of electricity.



Complaints received

In 2018 there were no complaints received over environmental impact caused.

TECHNOLOGIES OVERALL ASSESSMENT

There is support for the use of new and environment-friendly technologies in the natural gas distribution system and in the provision of its functionality.

Furthermore, technologies take an increasing role in both notification of the public and business partners over the company's activities and communication with customers.

RISKS

Given the technologies and processes used in the natural gas distribution system, the overall

emission risks associated with technologies are low.

MEASURES

Distribution system operation

For many years the company has been using technologies that allow installation and repairs of natural gas connections with a negligible release of natural gas into the atmosphere. Advanced gas leakage detectors are used, such as car-mounted laser gas detectors for inspecting gas distribution system pipelines.

Housekeeping

In Riga and at almost all regional units of Gaso, the environment-friendly natural gas is used for heating. Riga and most units have individual heating boiler houses that have been gradually upgraded over several years, thus making energy supply

efficient. At the Vagonu Street complex, control electricity meters are installed for each individual building to implement monitoring and assess consumption. In 2018 there were four *Gridlink* power monitoring devices installed at 20 Vagonu Street. They allow sending the measurement data to an online analysis and visualisation system. There were also heat flow meters installed in two buildings.

59 of 244 cars use natural gas as fuel. This is not only efficient from the cost viewpoint, but also positive from the emission viewpoint. The cars of GASO are equipped with GPS and fuel metering devices which has enabled savings of around one third in terms of fuel consumption.

Communication

In order to provide extensive and up-to-date information to customers, investors, potential employees and anyone interested, the company continues expanding the use of modern technologies. Such information for customers and on the financial performance, shares and corporate governance of Latvijas Gāze is available on the

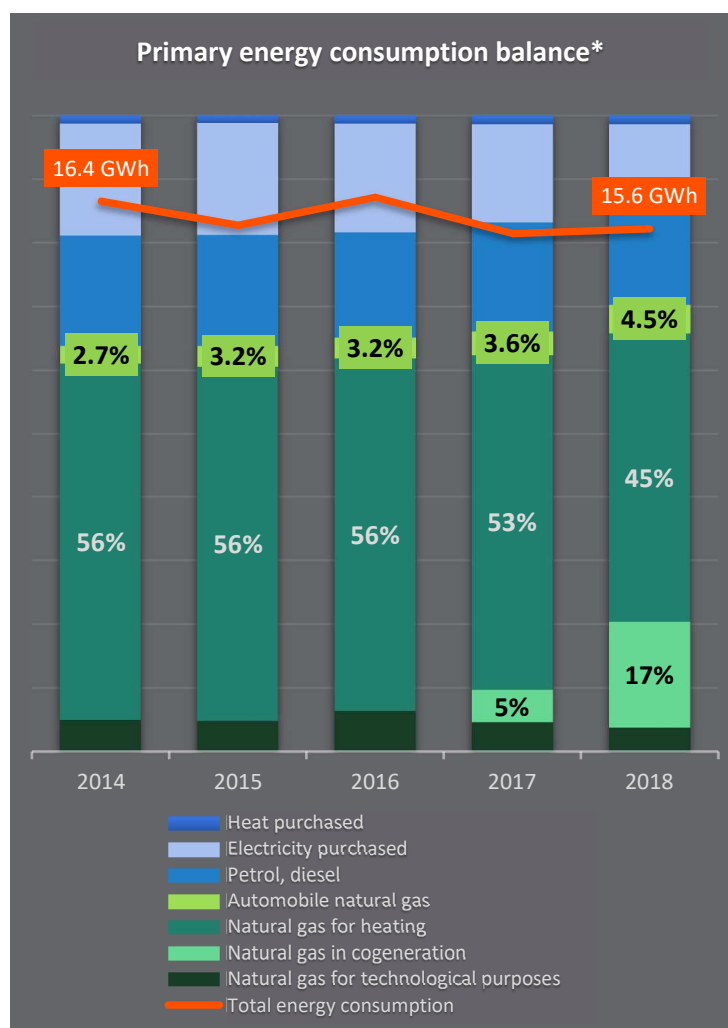
Latvijas Gāze website www.lg.lv (in Latvian, English and Russian) and on the Gaso website www.gaso.lv. Information on the company's activities, job vacancies and events is also posted on social media.

The year 2018 saw the introduction of an option of remote contract signing, further simplifying and streamlining communication with our household customers.

KEY INDICATORS

The company sees natural gas as a resource for a green and financially efficient housekeeping and therefore purposefully increases the share of natural gas in its primary energy consumption basket. It also invests in the energy efficiency of buildings and equipment, which, in turn, facilitates a decrease in the total consumption and efficiency.

The total energy consumption has dropped since 2014, yet it should be noted that the outdoor air temperature may substantially affect the total consumption and an a cold winter may increase the consumption of energy resources (the calculation methodology has been improved from the previous report)



*The primary energy consumption balance shows the energy amount consumed, so the electricity and heat generated by the cogeneration plant is represented by the natural gas quantity consumed by the cogeneration plant. The DSO accounts for over 90% of consumption.

ANTI-CORRUPTION AND BRIBERY

Principle 10 Businesses should work against corruption in all its forms, including extortion and bribery.

In 2018 Latvia was ranked 41st in the Corruption perception index by *Transparency International*. The company does not engage in corruptive activities and bribery, fully condemns such actions, and makes a clear statement thereof to its customers, partners and employees through the CSR report and the Employees' Code of Conduct and the Business Code of Conduct of Gaso.

As a company quoted at stock exchange, Latvijas Gāze is subject to and strictly observes a number of requirements in respect of transparency and openness of corporate governance, circulation and disclosure of inside information.

COMPANY'S CULTURE, PROCEDURES AND MEASURES OVERALL ASSESSMENT

Special procedures and requirements have been implemented to substantially mitigate the risks of corruption. As part of a good corporate governance, special attention is paid to removing any possibility of corruption and bribery in business in respect of services rendered and received.

Both Latvijas Gāze and Gaso are public service providers and comply with the requirements of the Law On Procurements of Public Service Providers in respect of announcement of public procurements. Procurements that do not reach the threshold set by the law are held in compliance with detailed internal regulations. The status of public service provider also means that the company's conduct is judged not only by the company itself, but also the Public Utilities Commission and general public.

The companies' general approach envisages no use of intermediaries, while agents are only hired

for clear purposes defined in mutual contracts (debt collection etc.).

Gaso applies an internal regulatory framework whereby multiple people are involved in decision-making, thus reducing the risks of corruption in procurements and in the rendering of service. Being the only provider of natural gas distribution system service for now, Gaso is aware of the risks associated with building the infrastructure necessary for customers, giving permissions etc. Hence, Gaso actively works against bribery and extortion in the communication of the company's employees with customers, notably in technical services.

There are no active legal proceedings against Latvijas Gāze and Gaso over anti-competitive or competition-restrictive activities.

RISKS

In general, the potential risks of corruption are present in two areas – services and procurements.

As concerns natural gas distribution services and natural gas sale to households, it is important to note that these services are fully regulated by the state, i.e., through common service tariffs. The risks

of corrupt dealings in the provision of these services are therefore very low.

There are risks in the provision of technical services of the natural gas distribution system, but again there are no decisions taken by one person, there are specific procedures and documentation in respect of service provision and cost

MEASURES

Under the Articles of Association of Latvijas Gāze, the company shall be represented by the Chairman of the Board or by at least two Members of the Board together. In the case of Gaso, at least two Board members are required for representation.

In 2018 both Latvijas Gāze and Gaso newly drafted the procedure of entering into contract, Gaso – also the procedure of holding procurements.

Gaso has set up standing and non-standing procurement commissions. Open tenders are announced on the relevant company's website and

determination, and internal control mechanisms. In order for a poor bid selection not to adversely affect the company's reputation, efficiency and service prices, the field of procurements has always been subject to detailed regulation, incl. the Articles of Association, and the measures taken substantially reduce the risks of corruption.

in the Procurement Supervision Bureau's system. An outsourced electronic procurement system is now being tested and set to be used as one of the options for future procurements. The system will give more transparency and an electronic control of stages of tenders and information flows, mitigating the risks of unwarranted intervention in procurements.

A new procedure of handling of complaints and proposals has been drawn up and approved. It details the registration and review of complaints concerning specific areas of CSR.

KEY INDICATORS

Complaints received

In 2018 there were no complaints received over corruption, competition infringements, or manipulations on the wholesale natural gas market.