



**Joint Stock Company "Latvijas Gāze"  
AUDIT COMMITTEE**

**Report to the Council of the Joint Stock Company "Latvijas Gāze"**

Riga,  
April 24, 2023

In the reporting period since the previous report to the Council of the Joint Stock Company "Latvijas Gāze" signed on April 26, 2022, the Audit Committee of the Joint Stock Company "Latvijas Gāze" has performed the duties stipulated by the Financial Instrument Market Law and the Regulation of the Audit Committee (available on [www.lg.lv](http://www.lg.lv)), including:

- Supervision of the process of preparation of the 2022 annual accounts and consolidated annual accounts of the Joint Stock Company "Latvijas Gāze" (hereinafter also – the Company);
- Supervision of the efficiency of the internal control, risk management and internal audit system of the Joint Stock Company „Latvijas Gāze” in terms of ensuring credibility and impartiality of the annual accounts and consolidated annual accounts;
- Supervision of the procedure of audit of the 2022 annual accounts and consolidated annual accounts of the Joint Stock Company "Latvijas Gāze”;
- Verification whether before and during the audit of the annual accounts and consolidated annual accounts of the Joint Stock Company "Latvijas Gāze” the certified auditor appointed by the Company complies with the independence and impartiality requirements prescribed by the Law On Audit Services, the provisions of Article 6 of Regulation No.537/2014 on preparation for the said audit and assessment of threats to independence, and the prohibition to provide non-audit services under Article 5 of the said Regulation;
- Preparation of this report in order to inform the Council of the Joint Stock Company "Latvijas Gāze” of the conclusions drawn by the certified auditor from the audit of the Company’s annual accounts and consolidated annual accounts, provision of an opinion on how this audit has contributed to the credibility and impartiality of the annual accounts and consolidated annual accounts prepared by the Company, and explanation of the role of the Audit Committee in this process;
- Ensuring the process of selection of certified auditor at the Company under Article 16 of Regulation No. 537/2014, and in this report it recommends to the Shareholders’ meeting of the Company a certified auditor candidate for the performance of the audit of the Company’s 2022 and 2023 financial statements and consolidated financial statements.

The Audit Committee was approved in its current membership of four people for a term of three years with a resolution of the extraordinary Shareholders’ meeting of Company held on

November 4, 2021. The Audit Committee was appointed because one of the members of the previous composition of the Audit Committee left the position in 2021 and, under Section 55<sup>7</sup> Paragraph nine of the Financial Instrument Market Law, a new member of the Audit Committee is to be elected by re-electing the entire Audit Committee. The Chairman of the Audit Committee is Juris Savickis, its members are Anton Belevitin, Anita Kaņepa and Juris Lapše (in office until September 23, 2022). The Audit Committee believes that its members possess the set of competences required for an effective work of the Audit Committee (including the knowledge necessary in the industry the Company is active in) because Juris Savickis is a long-standing member of the Company's Council; Juris Savickis, Anita Kaņepa and Anton Belevitin have been members of the Audit Committee for the previous three years; Anita Kaņepa is a Latvian certified auditor with twenty-nine years of experience in the audit of financial statements. The Audit Committee is helped in its work by its secretary whose duties are detailed in the Regulation of the Audit Committee.

In the reporting period, the Audit Committee has performed the above tasks by doing the following:

- There have been 3 Audit Committee meetings held, all quorate under the Regulation of the Audit Committee. Chairman of the Audit Committee Juris Savickis and its member Anita Kaņepa attended all 3 meetings, while member Anton Belevitin attended 2 meetings;
- At its meetings, the Audit Committee listened to the presentations by the leaders of the audit working groups of the JSC "Nexia Audit Advice", the external auditor of the Company and its subsidiary Joint Stock Company "Gasol" (hereinafter also – the Auditor), on the plan, course, results and conclusions of the audit;
- At its meetings, the Audit Committee listened to the presentations by the Board members of the Company and its subsidiary Joint Stock Company "Gasol" on the risk management and internal control systems in context with the preparation of the annual accounts and critical estimates, judgments and assessments;
- At its meeting, the Audit Committee listened to the presentations by the Chairman of the Company's Board, the Head of the Company's Accounting and Reporting Department, and the Company's Operational Risk Manager on the key transactions and events of 2022 and their impact upon the financial statements, including the impact of post balance sheet events upon the financial statements and going concern, on the key areas where the management had to make assumptions and estimates while drafting the financial statements, and on the control procedures applied by the Company in respect of compliance with the internationally imposed sanctions;
- The Audit Committee has reviewed the report by the Company's Internal Audit Department on the execution of the 2022 audit working plan;
- At its meeting, the Audit Committee listened to the presentation by the Head of the Company's Internal Audit Department on the Company's internal audit working plan and its results;
- Audit Committee member Anita Kaņepa had several meetings, including remotely, and correspondence with the leaders of the Company's audit working group and the Head of the Company's Internal Audit Department to discuss specific matters related to the Company's 2022 annual accounts and consolidated annual accounts and audit thereof;
- The members of the Audit Committee have reviewed the Company's 2022 annual accounts and consolidated annual accounts;
- The members of the Audit Committee have reviewed the report by the Company's auditor JSC "Nexia Audit Advice" to the shareholders on the Company's 2022 financial statements and consolidated financial statements prepared in compliance with the International

Financial Reporting Standards as adopted by the European Union, and the auditors' report to the Audit Committee.

The Audit Committee confirms that there was sufficient and timely information made available to it by the management and the auditor for an effective performance of its tasks, including the auditors' additional report to the Audit Committee with appropriate content.

The Audit Committee found the following:

- The auditors' report to the shareholders is unmodified, i.e., it does not contain objections, but there is an emphasis of circumstances in respect of future events and in connection with the amendments to the Energy Law concerning households, with the natural gas market to be fully opened as of May 1, 2023;
- The Auditor's explanations and report to the Audit Committee present more detailed information on the audit conducted and are consistent with the information presented in the report to the shareholders. The Audit Committee believes that the professional scepticism applied by the auditors in the process of audit was appropriate;
- The key audit matters of audit are covered in the auditors' report to the shareholders;
- The Auditor has proven its independence and no circumstances suggesting threat to independence have come to the Audit Committee's attention;
- Based on the above, the Audit Committee believes that the audit conducted has contributed to the credibility and impartiality of the 2022 annual accounts and consolidated annual accounts prepared by the Joint Stock Company "Latvijas Gāze";
- The Audit Committee holds that the critical accounting estimates and judgments are presented in Note 26 to the Company's 2022 financial statement;
- Having gotten acquainted with the Company's internal controls in respect of the preparation of financial statements and having assessed these controls as part of the audit pursuant to the international audit standards, the Auditor has confirmed to the Audit Committee that it has not found major deficiencies in the said controls;
- The Company's internal auditor has stated in its report on the execution of the 2022 audit working plan that, based on the results of the work carried out by the internal auditor in 2022, the Company's internal control system is mostly well organised as far as the audited activities are concerned.

In the reporting period, there was no need for the Audit Committee to assess the provision of non-audit services and threats to the independence of the JSC "Nexia Audit Advice" arising from such services, as there were none provided to the Company.

In the spring of 2022, the Audit Committee arranged the procedure of auditor selection and conducted the selection of auditor candidates for the audit of the 2022 and 2023 financial statements. In the course of its duties, the Audit Committee initially invited the 4 largest international auditor firms to submit their audit service offers, but only one offer was submitted and subsequently revoked. Hence, the Audit Committee made a repeated request for quotations, inviting all fifteen commercial companies of certified auditors featured on the list of certified auditors of public-interest entities available on the website of the Ministry of Finance as at March 14, 2022. The Audit Committee received two offers and two written refusals to submit an offer. The Audit Committee considered one of the two applicants non-compliant with the independence criteria set out in the regulatory enactments because in 2022 it had provided non-audit services listed in Article 5 of the Regulation No. 537/2014 which may not be provided to a company by its auditor and, in the Audit Committee's opinion, this applicant's offer was not acceptable. The other applicant, based on the offer submitted, met the qualification criteria set out in the Technical specification of the request for quotations drawn up by the Audit Committee. On these grounds,

the Audit Committee does not object to continuing the partnership with the Company's 2022 auditors and appointing the JSC "Nexia Audit Advice" as auditor of the 2023 financial statements.

Provided that the transaction of sale of the Joint Stock Company "Gasol" shares is not completed within 2023 – to recommend for the Shareholders' meeting of the Joint Stock Company "Latvijas Gāze" to elect the commercial company of certified auditors Joint Stock Company "Nexia Audit Advice" as auditor of the 2023 financial statement and consolidated financial statement of the Joint Stock Company "Latvijas Gāze" prepared in compliance with the International Financial Reporting Standards as approved by the European Union, with a remuneration of EUR 41,900 (excl. VAT) for the audit of 2023, including the audit of the 2023 financial statement and consolidated 2023 financial statement of the Joint Stock Company "Latvijas Gāze".

Provided that the transaction of sale of the Joint Stock Company "Gasol" shares is completed within 2023 – to recommend for the Shareholders' meeting of the Joint Stock Company "Latvijas Gāze" to elect the commercial company of certified auditors Joint Stock Company "Nexia Audit Advice" as auditor of the 2023 financial statement of the Joint Stock Company "Latvijas Gāze" prepared in compliance with the International Financial Reporting Standards as approved by the European Union, with a remuneration of EUR 28,000 (excl. VAT) for the audit of 2023, including the audit of the 2023 financial statement of the Joint Stock Company "Latvijas Gāze".

Yours sincerely,

Chairman of the Audit Committee  
of the Joint Stock Company "Latvijas Gāze"

/signature/

Juris Savickis