



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

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

Rīga,  
April 22, 2024

In the reporting period since the previous report to the Council of the Joint Stock Company "Latvijas Gāze" signed on April 24, 2023, 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 2023 annual report of the Joint Stock Company "Latvijas Gāze" (hereinafter also – the Company);
- supervision of the effectiveness of the internal control, risk management and internal audit system of the Joint Stock Company "Latvijas Gāze" in terms of ensuring credibility and fairness of the 2023 annual report;
- supervision of the procedure of audit of the 2023 annual report of the Joint Stock Company "Latvijas Gāze";
- verification whether before and during the audit of the annual report of the Joint Stock Company "Latvijas Gāze" the certified auditor appointed by the Company complies with the independence and objectivity 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 set out in 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 report, to provide an opinion on how this audit has contributed to the credibility and fairness of the annual report prepared by the Company, and to explain the role of the Audit Committee in this process.

Under the resolutions adopted by the extraordinary Shareholders' meeting of the JSC "Latvijas Gāze" held on February 22, 2024, there were changes made in the composition of the Audit Committee:

- Anton Belevitin, Anita Kaņepa and Juris Savickis, elected for three years under the resolution of the extraordinary Shareholders' meeting of the Joint Stock Company "Latvijas Gāze" held on November 4, 2021, were released as members of the Audit Committee of the Company.

- Anton Belevitin, Jānis Mežiels, Marks Maizenbergs and Nikolajs Dorofejevs were elected members of the Audit Committee of the JSC "Latvijas Gāze" for three years, with the term of office starting on February 22, 2024.

Under the Regulation of the Company's Audit Committee approved at the extraordinary Council meeting of the Company held on April 28, 2022, the members of the Audit Committee elected Jānis Mežiels Chairman of the Audit Committee at their first meeting on March 6, 2024.

The Audit Committee believes that its members provide the set of competences required for the effective work of the Audit Committee (including the knowledge necessary in the industry the Company is active in). Jānis Mežiels is a Latvian certified auditor with 23 years of experience in auditing financial statements, Nikolajs Dorofejevs is also a member of the Company's Council and has experience in the energy sector, real estate development, metalworking, project management, business analysis, financial analysis, market research, project financing, and distressed asset management. Marks Maizenbergs has experience in corporate finance and investment project management. Anton Belevitin has been a member of the Audit Committee for the previous three years. The Audit Committee is assisted in its work by a secretary whose duties are set out in the Regulation of the Audit Committee.

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

- There were 6 Audit Committee meetings held, including 2 by the previous Committee and 4 by the new Committee, all quorate under the Regulation of the Audit Committee;
- At its meetings, the Audit Committee listened to the presentations by the leaders of the audit working group of the Company's external auditor JSC "Nexia Audit Advice" (hereinafter also – the Auditor) on the plan, course, results and conclusions of the audit;
- At its meetings, the Audit Committee got acquainted with and assessed the information delivered by the members of the Company's Board on the risk management and internal control systems in context with the preparation of the annual report and critical estimates, judgments and evaluations;
- At its meeting, the Audit Committee listened to the presentations by the Chairman of the Company's Board, the Head of the Company's Reporting and Accounting Department and the Company's Operational Risk Manager on the key transactions and events of 2023 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 reviewed the report by the Company's Internal Audit Department on the performance of the 2023 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;
- The members of both the previous and the current Audit Committee had several meetings, including remote ones, and correspondence with the leaders of the working group of the Company's Auditor and with the Head of the Company's Accounting and Reporting Department on specific matters related to the Company's 2023 annual report and its audit;
- The members of the Audit Committee have reviewed the Company's 2023 annual report;
- 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 2023 financial statement

prepared in accordance 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 the effective performance of its tasks, including the auditors' additional report to the Audit Committee with appropriate content.

The Audit Committee found the following:

- The Auditor's report to the shareholders is unmodified and states that the financial statement included in the annual report of the JSC "Latvijas Gāze" gives a true and fair view of the Company's financial position as at December 31, 2023 and of its financial performance and cash flow in the year ended December 31, 2023 in accordance with the IFRS Accounting Standards as adopted by the European Union.
- 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 are covered in the auditors' report to the shareholders.
- The Auditor has proved 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 fairness of the 2023 annual report prepared by the Joint Stock Company "Latvijas Gāze".
- The Audit Committee holds that the critical accounting estimates and judgments are presented in Note 11 to the Company's 2023 financial statement "Inventories" and Note 24 "Key accounting policies" – "Inventories", as well as the explanatory information provided in the Management report.
- 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 performance of the 2023 audit working plan that, based on the results of the work carried out by the internal auditor in 2023, 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 no such services provided to the Company.

As the transaction of sale of the Joint Stock Company "Gasol" was completed within 2023, the remuneration due to the commercial company of certified auditors JSC "Nexia Audit Advice" for the audit of the 2023 financial statement of the Joint Stock Company "Latvijas Gāze" prepared in accordance with the International Financial Reporting Standards as adopted by the European Union was EUR 28,000 (excl. VAT).

It has been reported to the Audit Committee that at the end of the audit stages the JSC "Nexia Audit Advice" was also required to carry out unplanned audit procedures to meet the request for additional information by JSC "Rietumu banka" and the requirements of the audit instructions of the "KPMG Baltics" LLC Group, including directions for the audit of financial statements, but this did not affect the previously determined remuneration for the audit of 2023.

In the spring of 2024, the Audit Committee arranged an auditor selection procedure and conducted the selection of auditor candidates for the audit of the 2024 and 2025 financial statements. In the course of its duties, the Audit Committee invited three commercial companies of certified auditors – the LLC PricewaterhouseCoopers, the JSC “Nexia Audit Advice”, and the LLC “ERNST & YOUNG BALTIC” – to submit their audit service offers till March 21, 2024. The JSC “Nexia Audit Advice” was the only one to submit an offer. There was an audit refusal e-mail received from the LLC PricewaterhouseCoopers, and a refusal e-mail by the LLC “ERNST & YOUNG BALTIC” in reply to the invitation letter was received after the offer submission deadline.

The total fee quoted in the audit service offer by the JSC “Nexia Audit Advice” for the audit of the 2024 and 2025 financial statements was EUR 50,000 (EUR 60,500 including VAT).

Having assessed the offer submitted by the JSC “Nexia Audit Advice”, the Audit Committee found it compliant with the qualification criteria set out in the Technical specification of the request for quotations drawn up by the Audit Committee. Furthermore, the auditor has an appropriate qualification and has acquired experience and understanding of the Company’s operation, risks and other factors while auditing the financial statements of previous years.

Based on these considerations, the Audit Committee does not object to continuing the cooperation with the auditor and recommends the JSC “Nexia Audit Advice” for approval as the auditor of the 2024 and 2025 financial statements.

Respectfully,

Chairman of the Audit Committee  
of the Joint Stock Company “Latvijas Gāze”

/signature/

Jānis Mežiels