

**APPROVED**

at the extraordinary Council meeting  
of the Joint Stock Company "Latvijas Gāze"  
held on April 28, 2022,  
minutes No. 2 (2022)

Joint Stock Company "Latvijas Gāze"

## **Audit Committee Regulation**

1. The Audit Committee of the Joint Stock Company "Latvijas Gāze" (hereinafter – *the Audit Committee*) has been set up and works in order to meet the requirements of Part D (Public Circulation of Financial Instruments) Chapter III (Audit Committee) of the Financial Instrument Market Law.
2. *The Audit Committee* works in line with the requirements of the Financial Instrument Market Law (hereinafter – the Law) and Regulation No.537/2014. The Company provides the financial and other resources needed for the operation of *the Audit Committee* as well as the information requested by the Committee for the performance of its tasks.
3. *The Audit Committee* follows the effective regulatory enactments of the Republic of Latvia, the Articles of Association of the Joint Stock Company "Latvijas Gāze" (hereinafter – *the Company*), the Collective Agreement of *the Company*, the decisions of the management bodies of *the Company*, this Regulation (hereinafter – the Regulation), the Regulation of the Board of *the Company*, and other regulatory enactments of *the Company*.
4. The Regulation lays down the procedure of establishment of *the Audit Committee* as well as the tasks of *the Audit Committee*, supplementary tasks, and the procedure of fulfilment of these tasks.
5. The Audit Committee has the following tasks:
  - 1) To supervise the process of preparation of *the Company's* annual accounts and give recommendations to the Council of *the Company* for ensuring the credibility and impartiality of the annual accounts and the consolidated annual accounts.
  - 2) To supervise the effectiveness of *the Company's* internal control, risk management and internal audit system, insofar as it pertains to ensuring the credibility and impartiality of annual accounts, and give recommendations for eliminating the flaws of the system.
  - 3) To supervise the course of the audit of *the Company's* annual accounts. In supervising the course of the audit referred to in this point, *the Audit Committee* shall also take into account the conclusions drawn by the Ministry of Finance (as the competent authority under the Law On Audit Services) during the inspection of compliance with the audit service quality control requirements and published on the website of

the Ministry of Finance regarding the professional quality of the certified auditor or commercial company of certified auditors (hereinafter also – the certified auditor) appointed by *the Company*.

- 4) To verify and supervise whether before and during the audit of *the Company's* annual accounts the certified auditor appointed by *the Company* complies with the independence and impartiality requirements set out in the Law On Audit Services, the provisions of Article 6 of Regulation No.537/2014 regarding preparation for the said audit and the assessment of threats to independence, and the prohibition of provision of non-audit services stipulated in Article 5 of the said regulation.
  - 5) To notify *the Company's* Council of the conclusions drawn by the certified auditor in the audit of the *Company's* annual accounts and to give an opinion on how the audit has contributed to the credibility and impartiality of the annual accounts prepared by *the Company*, and to report on what the role of *the Audit Committee* has been in this process.
  - 6) To ensure that the selection of certified auditor candidates at *the Company* take place in compliance with Article 16 of Regulation No. 537/2014 and recommend to the Shareholders' meeting of *the Company* a certified auditor candidate for the provision of audit services. (Except where under Article 16(8) of the said regulation the Shareholders' meeting of *the Company* has set up another structure tasked with recommending a certified auditor to the Shareholders' meeting of *the Company*).
  - 7) *The Audit Committee* shall also perform the tasks assigned to the audit committee under Regulation No. 537/2014.
6. The additional tasks of the *Audit Committee* and the action of the management bodies of *the Company* in relation to the annual report of *the Audit Committee*:
- (1) In addition to the tasks set out in Section 55<sup>3</sup> of the Law, *the Audit Committee* shall:
    - 1) at least once a year present to the Council of *the Company* a written report on its activity and performance of the tasks assigned to *the Audit Committee* (hereinafter — the Annual Audit Committee report);



2) report to the Council of *the Company* on the flaws and violations found (if any) in the process of preparation and audit of *the Company's* annual accounts, *as well as in terms of efficiency of internal control, risk management and internal audit system in the context of ensuring the quality of these accounts*;

3) immediately report to the Council of *the Company* if it is found that a certified auditor has insufficient qualification or professional experience for a quality performance of audit or has not complied with the independence requirements set out in the Law On Audit Services.

(2) The Council of *the Company* shall include in its report to the Shareholders' meeting of *the Company*, prepared under Section 175 of the Commercial Law, an assessment of the performance of *the Audit Committee* and append the Annual *Audit Committee* report thereto.

(3) The Council of *the Company* shall as an honest and careful manager review the Annual *Audit Committee* report and decide upon further action.

7. For the purposes of ensuring the performance of the tasks set out in Articles 5 and 6 of the Regulation, the Audit Committee has the following rights:

(1) In addition to the rights set forth in Regulation No. 537/2014, *the Audit Committee* is eligible to:

1) Request and receive information and documents from the Board of *the Company* and a certified auditor as well as from the auditor of the Internal Audit Department for conducting an internal audit, as well as from the structural units of *the Company* where necessary in order to perform the tasks set forth in the Law and Regulation No. 537/2014.

2) Participate in the Shareholders' meetings of *the Company*.

3) Present to the Shareholders' meeting and Council of *the Company* an opinion and report on issues falling within the competence of *the Audit Committee*.

(2) The institutions, structural units and persons referred to in Article (1) 1) herein shall provide *the Audit Committee* or its members with the information needed for the performance of its tasks if the specific information requested is relevant thereto.

- (3) *The Audit Committee* shall take independent decisions in relation to the tasks assigned to it under Section 55<sup>3</sup> of the Law and Regulation No. 537/2014.
8. *The Audit Committee* is a collegial body elected at the Shareholders' meeting of the Company and consisting of multiple but no less than three members, with at least one of them being member of the Council of *the Company*.
9. *Audit Committee* member candidates are subject to the following requirements:
- 1) Impeccable reputation.
  - 2) The majority of *Audit Committee* members shall be knowledgeable in the industry which *the Company* is active in. At least one *Audit Committee* member shall have acquired higher education in the domain of economics, management or finance and have at least three years of appropriate professional experience in auditing annual accounts, or be a certified auditor.
10. The majority of *Audit Committee* members shall be independent. An *Audit Committee* member shall be deemed independent if none of the following applies to him/her:
- 1) A holding (over 20 percent of capital shares or voting shares) in *the Company* or the commercial company controlled by it (subsidiary).
  - 2) A current or recent (within last three years) employment relationship with this *Company*.
  - 3) A marriage, or relationship by kinship or affinity up to the second degree with a Board member or shareholder of this *Company* with a holding of at least 20 percent in this *Company*.
  - 4) Other personal or material interest that might jeopardise his/her independence and has been deemed as such by the Shareholders' meeting of *the Company*.
11. At the first meeting the *Audit Committee* members shall elect from among themselves a *Chairman of the Audit Committee* who shall manage the day-to-day work of *the Audit Committee*. During the absence of the Chairman of *the Audit Committee* his/her duties shall be performed by a Committee member designated by the Chairman.
12. *The Audit Committee* shall pass decisions at a meeting.

13. *The Audit Committee* shall keep records in Latvian. Documents shall be archived in compliance with the record-keeping regulations of *the Company*.
14. *The Chairman of the Audit Committee* shall manage the work of the Committee by:
- 1) Determining the timing of meetings.
  - 2) Determining the agenda.
  - 3) Convoking and designating the chairman of each meeting.
  - 4) Designating the *Secretary of the Audit Committee*.
  - 5) Inviting other employees of *the Company* who are competent in the relevant matters to take part in *Audit Committee* meetings.
  - 6) Annually reporting at the meeting of the Council of *the Company* on the performance of *the Audit Committee* and submitting the Annual report.
15. Every *Member of the Audit Committee* has the following duties:
- 1) To participate in the meetings of the Committee.
  - 2) To analyse the issues under review in good faith and express an opinion on the issues under review at a Committee meeting with a view to enforce the requirements set out in the Financial Instrument Market Law and in the Regulation.
  - 3) To notify *the Chairman of the Audit Committee* in writing of an expected absence from an announced meeting, specifying the reason thereof.
16. *The Secretary of the Audit Committee* has the following duties:
- 1) To take minutes of Committee meetings.
  - 2) To draw up the agenda of Committee meetings under assignment of *the Chairman of the Audit Committee*.
  - 3) To secure premises for Committee meetings.
  - 4) To execute and send the *Audit Committee* resolutions to the responsible structural units of *the Company*.
  - 5) To follow the implementation of the *Audit Committee* resolutions at *the Company* and notify the members of the implementation of the resolutions on a quarterly basis.
  - 6) To store the materials of *Audit Committee* meetings (in electronic and paper form) in compliance with the record-keeping regulations of *the Company*.



17. The operating principles of *the Audit Committee* are as follows:
- 1) Scheduled meetings shall be held at the time set by *the Chairman of the Audit Committee* but no less than three times a year based on the schedule coordinated and approved at the beginning of the year. A scheduled meeting (in person or remotely) shall be authorised to vote if attended by more than half of the *Audit Committee* members.
  - 2) Extraordinary meetings may be held if convoked on the grounds of necessity by a written proposal of the Chairman or other members of *the Audit Committee* specifying the date, time and form of the meeting and the agenda if announced two weeks in advance. Extraordinary meetings may be held in person or remotely (for instance, online, using Skype, in IT system conference mode, etc.) if necessary for the purposes of the duties referred to in Articles 5 and 6 of the Regulation and holding such extraordinary meeting has been voted in favour of by more than half of the members.
  - 3) At extraordinary meetings, *the Audit Committee* shall be authorised to vote if attended by more than half of the members.
  - 4) The agenda of a scheduled or extraordinary meeting, along with the materials which *the Audit Committee* is to decide upon by open ballot, shall be distributed two weeks before the meeting. If the materials need translation to another language, this shall be requested to the Secretary of *the Audit Committee* at least one week in advance.
  - 5) *The Audit Committee* shall pass resolutions based on the results of open vote. All present members shall take part in voting. A resolution of *the Audit Committee* shall be deemed passed if voted in favour of by more than half of the *Audit Committee* members present at the scheduled or extraordinary meeting. If the voting is tied, the vote of the Chairman of *the Audit Committee* shall be decisive.
  - 6) Meetings may be attended at their own initiative by *Audit Committee* members only. If necessary, the *Audit Committee* shall itself determine whether a meeting should be attended by additional participants (such as an auditor, members of the Board of *the Company*, representatives of the management of *the Company*, representatives of the Council of *the Company*, representatives of other committees, internal audit function managers, the Finance Director, external experts and other persons at the committee's discretion) and invite them to that meeting (or part thereof) in order to discuss specific matters.

- 7) *The Audit Committee* may classify specific minutes of meetings, parts thereof, and other prepared documents as confidential.
  - 8) The recommendations of *the Audit Committee* are mandatory to the Board of *the Company* which shall review and take a decision in respect of them immediately upon receipt. The decision taken by the Board shall be sent to *the Audit Committee* upon taking effect.
  - 9) The meetings of *the Audit Committee* shall be recorded in minutes. The minutes shall be signed by *the Secretary of the Audit Committee* and all *Audit Committee* members present at the meeting. Each *Audit Committee* member with a different opinion on the issue under review may request that his/her opinion be recorded in the minutes.
  - 10) The minutes of *Audit Committee* meetings shall be available without special authorisation to all *Audit Committee* members. The minutes of *Audit Committee* meetings or extracts thereof shall be available to other persons in the event of necessity if *the Chairman of the Audit Committee* has decided so and notified other *Audit Committee* members of granting such access.
  - 11) Within three working days from signing the minutes of an *Audit Committee* meeting, the members of the Board of *the Company* shall receive a copy or extract of the minutes and the employee in charge of implementing the *Audit Committee* resolution shall receive a relevant extract of the minutes.
18. *Audit Committee members* shall be elected and recalled as follows:
- 1) *The Audit Committee* shall be elected at the Shareholders' meeting of *the Company* for a term no longer than three years.
  - 2) A person standing for the position of *Audit Committee* member shall confirm his/her consent to taking the position of *Audit Committee* member in writing and state that none of the restrictive conditions listed in Section 55<sup>6</sup> Paragraph four and five of the Law is in place in respect of him/her and neither are the additional restrictive conditions (if any) set out in the Articles of Association of *the Company* that would prevent him/her from taking the position of *Audit Committee* member. In addition, an *Audit Committee* member candidate nominated as independent member shall confirm in writing that none of the conditions listed in Section 55<sup>6</sup> Paragraph three of the Law applies to him/her.
  - 3) A shareholder or a group of shareholders of *the Company* holding at least five percent of the voting capital is eligible to nominate one *Audit Committee* member candidate. Each candidate nominated shall be included in the list of elections of *Audit Committee* members.



- 4) Voting shall take place in respect of all *Audit Committee* candidate members in one ballot, with all shareholders casting votes simultaneously. A shareholder is eligible to cast all their votes for one or multiple *Audit Committee* candidate members in any proportion in whole numbers.
- 5) The persons with most votes shall be deemed elected in *the Audit Committee*, subject to the maximum number of Audit Committee members specified in the Articles of Association of *the Company*. If two or more candidates receive the same number of votes and it therefore cannot be determined which of them is elected, the issue shall be re-reviewed at the same shareholders' meeting and resolved with a repeated ballot on each of the candidates remaining in contention for the position of *Audit Committee* member. The candidate with most votes in the repeated ballot shall be deemed elected.
- 6) An *Audit Committee* member may at any time be recalled from the position with a resolution by the Shareholders' meeting of *the Company*.
- 7) An *Audit Committee* member may at any time leave the position of *Audit Committee* member subject to written notice to the Company.
- 8) If an *Audit Committee* member learns of conditions that prevent him/her from continuing as member or that jeopardise his/her independence, he/she shall notify *the Company* thereof in writing within three days thereafter. If upon receiving the written information referred to in the first sentence of this point *the Company* finds that *the Audit Committee* no longer meets the requirements of Section 55<sup>6</sup> Paragraph three of the Law, *the Company* shall ensure that within three months from the day when it found non-compliance of *the Audit Committee* with the requirements of Section 55<sup>6</sup> Paragraph three a Shareholders' meeting be convoked in order to decide upon the necessary changes in the composition of *the Audit Committee*.
- 9) If an *Audit Committee* member leaves his/her position or is recalled from the position before the expiration of his/her term of office, *the Company* shall ensure that within three months from the day of receiving a notice of resignation or from the day as of which he/she is recalled from the position a shareholders' meeting be convoked in order for the shareholders of *the Company* to decide on the election of a new *Audit Committee* member to attain an appropriate number of *Audit Committee* members. A new member shall be elected by re-electing the entire *Audit Committee*. The term of office of the re-elected *Audit Committee* shall begin on the day of its re-election.

19. The liability of *Audit Committee* members is as follows:

- 1) If an *Audit Committee* member acts unlawfully, exceeds his/her authority or disregards regulatory enactments, the Articles of Association of *the Company* or resolutions of the Shareholders' meeting, or acts maliciously or negligently, he/she shall be held liable for any losses thus caused to the capital company and other persons.
- 2) *The Company* may bring action against *Audit Committee* members pursuant to the procedure stipulated in the Commercial Law in respect of actions brought by *the Company*.

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