



SCHWENK

**SCHWENK LATVIJA
SUSTAINABILITY REPORT 2023**



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ABOUT THE REPORT

SCHWENK Latvija SIA (also referred to as SCHWENK Latvija and the Company) sustainability report covers performance of all SCHWENK operations in Latvia. For some key performance indicators (KPIs) the reference is made to SCHWENK Northern Europe.

The report has been developed by expert and management team of 20 people, based on Global Reporting Initiative (GRI) guidelines, contributing to prioritized United Nations Sustainable Development Goals (SDGs), and advancing towards requirements of the Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS). Reported KPIs are defined based on the Company's relevant operational areas and sustainability issues, risks and opportunities.

Unless stated otherwise, all information included in this report refers to a full year of 2023, based on annual financial reporting cycle.

Message from CEO

2023 – FOR FUTURE GENERATIONS



Dear stakeholders,

One of our values is for future generations. It always means long-term thinking and responsible planning. Sometimes it means quiet and hard work. Exactly what we did in 2023. After finishing the biggest investment cycle in Broceni cement plant since its commissioning, year 2023 was the time we laid foundation of many future projects. With strong commitment for cement production to be a part of sustainable building materials and construction industries

in decades to come, SCHWENK Latvija maintained high standard in all sustainability areas – environment, social and governance.

In 2022 with investment of approximately 45 million euros we finished several projects in Broceni cement plant that are significant towards our commitment of CO₂ reduction – new and efficient cement mill, multicompartiment silo and SRF dryer. In 2023 we started to work further – two new cement

types with reduced climate impact through decreased clinker factor were developed in our cement plant and quality laboratory, extensive investment plans for further increase of supplementary cementitious materials in cement were prepared and analyzed. As a result, in first half of 2024 two new cement types are available for our customers and next big investment cycle approved for further decarbonization of cement production. Being one of the main electricity consumers in Latvia we also continued ongoing energy efficiency improvements and made first steps towards renewable energy – supply of solar energy from one of the biggest industrial solar parks in Latvia and development of another one within cement plants' territory. By 2025 they will provide approximately 9% of cement plant's annual electricity consumption.

Our industry's big thing for the next five years and decade is complete decarbonization through carbon capture, storage and utilization. In last two years this has been increasingly hot topic for many industrial producers, governments, infrastructure developers and other members of possible value chains. Adaptation of these technologies will completely transform the way we work, require huge investment, new skills and technologies, close collaboration among many stakeholders. In 2023 SCHWENK Latvija developed active cooperation with relevant stakeholders for development of these future technologies both within the plant and in national and regional levels. We see that some countries are already taking the lead in building carbon transportation and storage value chains seeing that as a huge economic and business opportunity. I hope our region will not lag behind and will become a strong player in green economy.

Nothing of mentioned above would be possible without

people. Our people, their health and safety remain first priorities for us day by day. In 2023 we managed to improve our health and safety performance, although with one lost time injury we failed to reach our Mission Zero target. No other figure is good enough, so our work continues with new initiatives, active engagement and further digitalization. We also work a lot to unify health and safety management and ensuring that all go home safe and sound in Group level – sharing experiences, integrating systems and solutions, being there to remind that nothing is as important as this. I am happy to see that word and practice is more and more widespread through our national initiative Mission Zero – by the end of 2023 initiative gathered already 93 companies and institutions reaching positive impact on more than 40 thousand employees.

We also maintained our social support programs and initiatives for active community members in Saldus region. I am extremely happy to see rapid increase in the rate of voluntary work engagement among our employees. This is how we grow stronger and see our main region becoming stronger.

I invite you to get familiar with our sustainability performance in 2023 and future goals. We will highly value your comments and any feedback on how we can improve and looking forward for future collaborations towards providing sustainable building materials for generations to come.

Reinhold Schneider

Chairman of the Management
Board SCHWENK Latvija
CEO SCHWENK Northern Europe

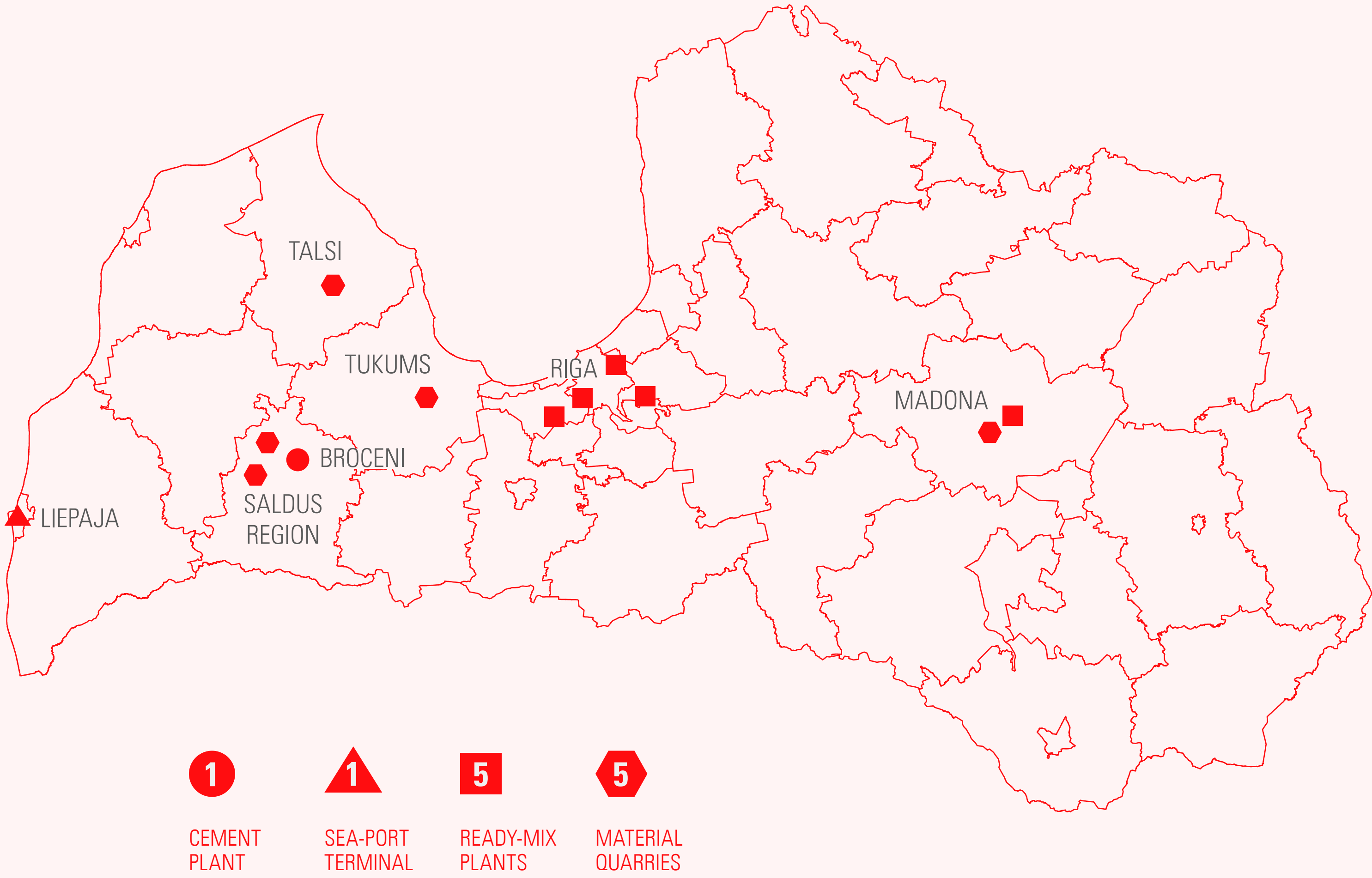
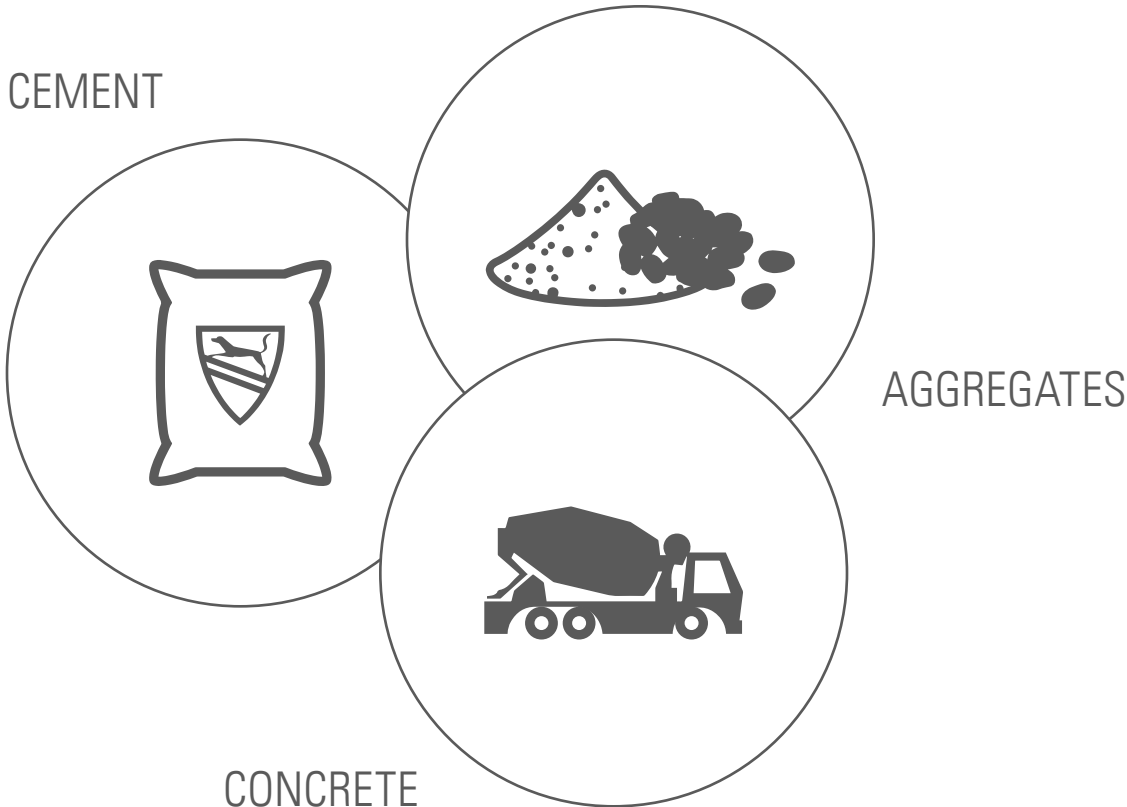
01 COMPANY OVERVIEW



SCHWENK AT A GLANCE

SCHWENK Latvija is the only cement producer and one of the leading building materials' producers in Latvia offering its customers high quality cement, aggregates, ready-mix and concrete. Part of SCHWENK Building Materials Group, with headquarters in Ulm, Germany.

In Latvia we produce cement in Broceni cement plant, ready-mix in five plants in Latvia and aggregates in five quarries. Our assets also include a sea-port terminal in Liepaja and two raw-material quarries – the biggest limestone quarry in Latvia Kumas and clay quarry Caunes.



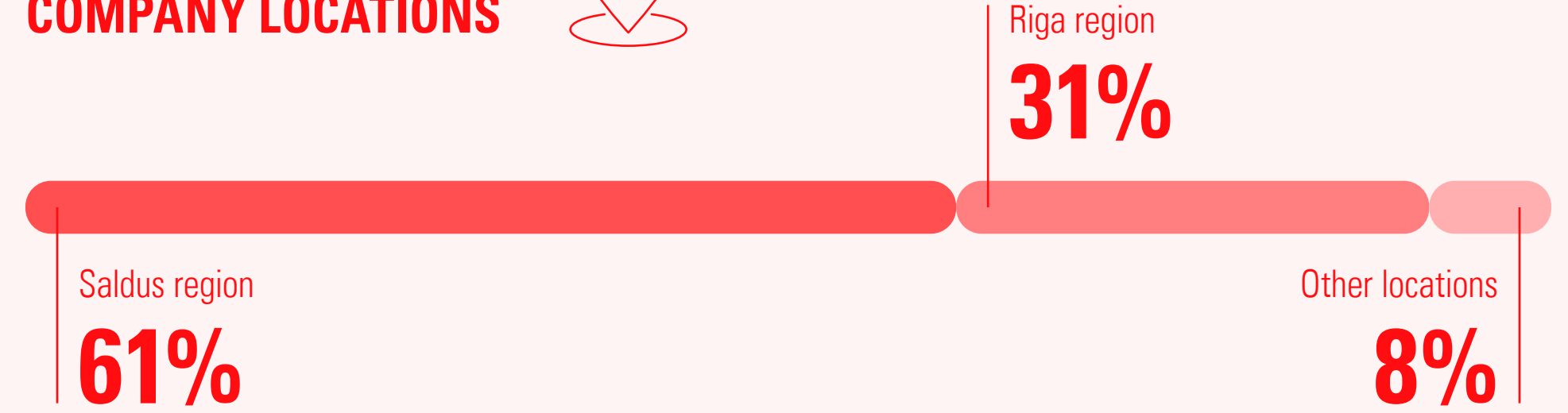
Being one of the main employers in Kurzeme region, we provide more than 350 direct working places in Latvia and provide work for more than 650 subcontractor's employees throughout the value chain.

> 350
directly
employed



> over 650
subcontractors'
employees

GEOGRAPHICAL DISTRIBUTION AMONG COMPANY LOCATIONS



OUR VISION, MISSION AND VALUES

VISION

Sustainable building solutions
for generations to come

MISSION

Combining excellent people with innovative
technology, developing net-zero CO₂ products
and processes with our partners



SUSTAINABILITY COMPASS



VALUES



FOR FUTURE
GENERATIONS

- Zero harm to human health and safety
- Zero harm to the environment and climate
- Continually monitor and optimize our processes
- Ensuring technology and equipment are always state of the art



TWO STEPS
AHEAD

- Recognize and participate in social changes
- Anticipate customer requirements
- Drive innovation and growth
- Focus on the research and development of new products and processes with partners and universities
- Encourage professional curiosity in our everyday work



MORE THAN THE
SUM OF OUR PARTS

- Respecting individuality and diversity
- Collaborate as a team with our customers, stakeholders and communities
- Foster the growth and development of our people
- Sharing knowledge and best practices within the Building Materials Group

ECONOMIC PERFORMANCE: KEY INDICATORS



Revenue
2023 €

146 M

Investment
2019 – 2023
in Latvia €

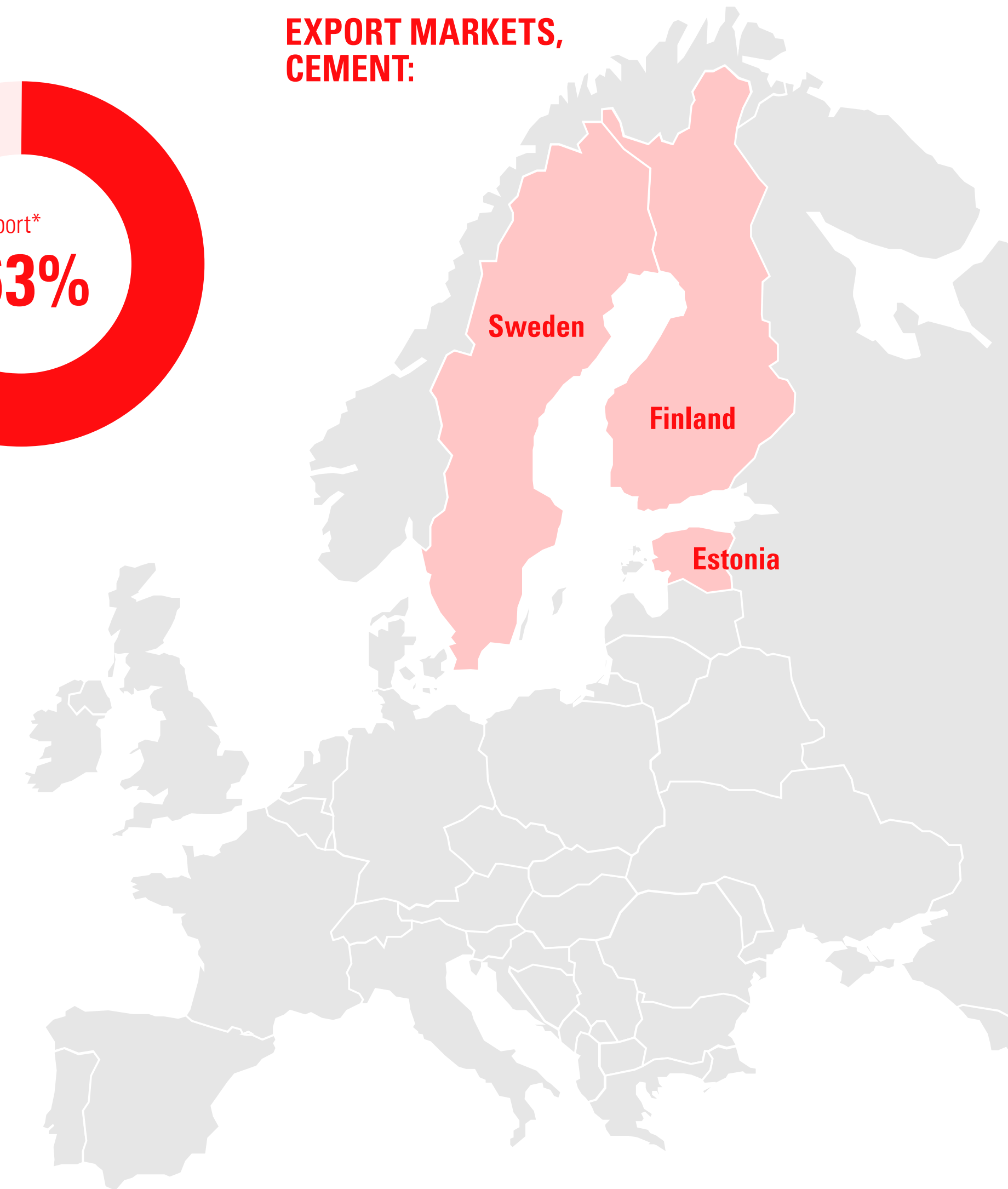
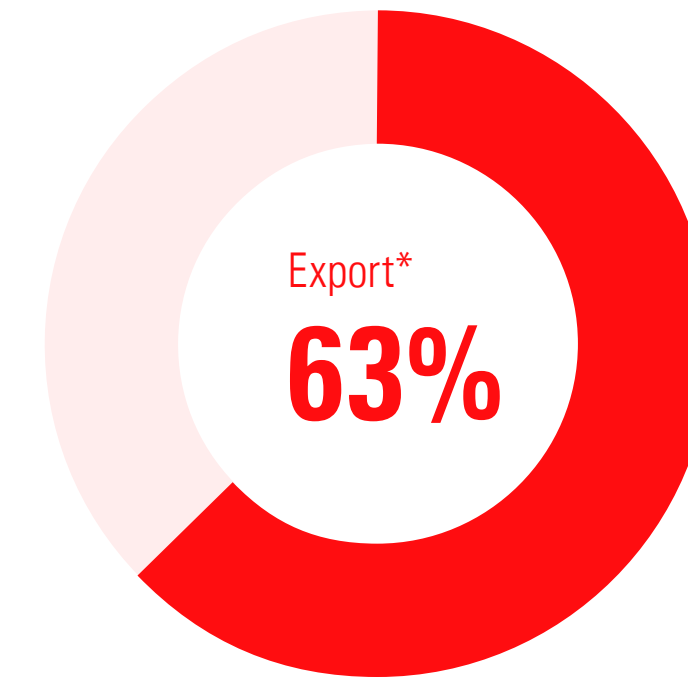
70.3 M

Investment
2023 in Latvia €

9.7 M

* Based on turnover

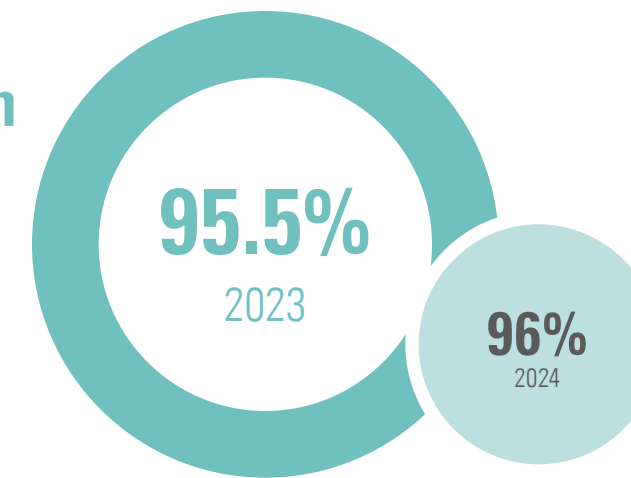
**EXPORT MARKETS,
CEMENT:**



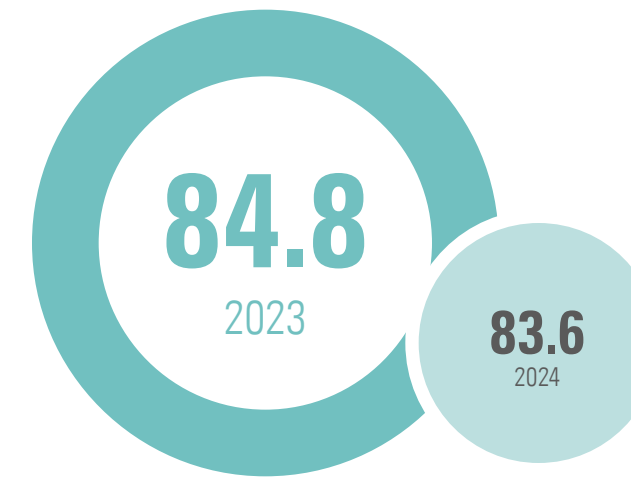
SUSTAINABILITY PERFORMANCE: KEY INDICATORS 2023, TARGETS 2024

CLIMATE

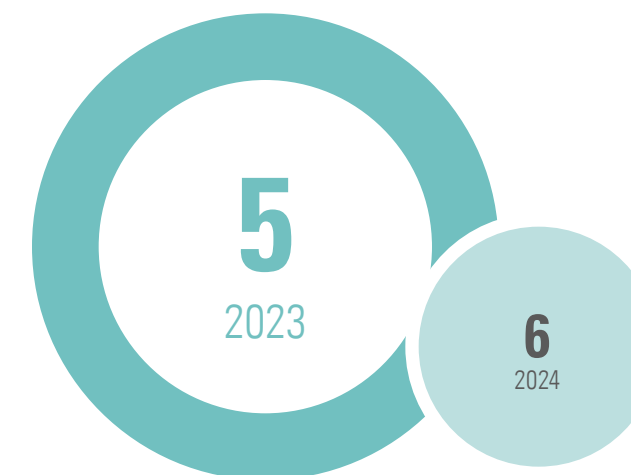
AF substitution rate



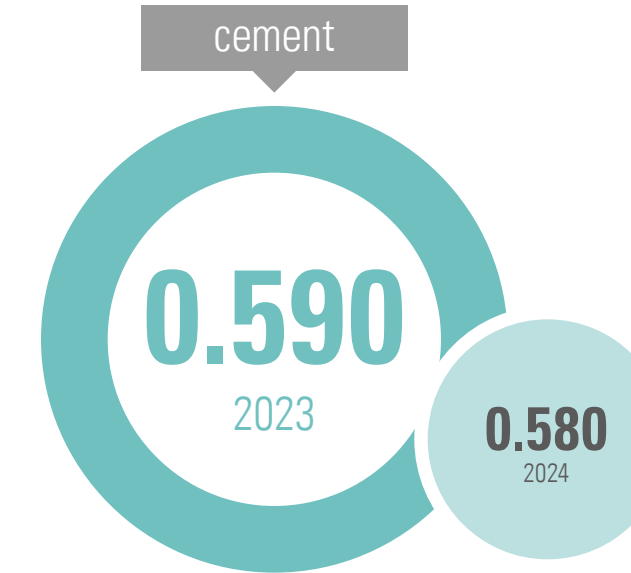
Clinker factor



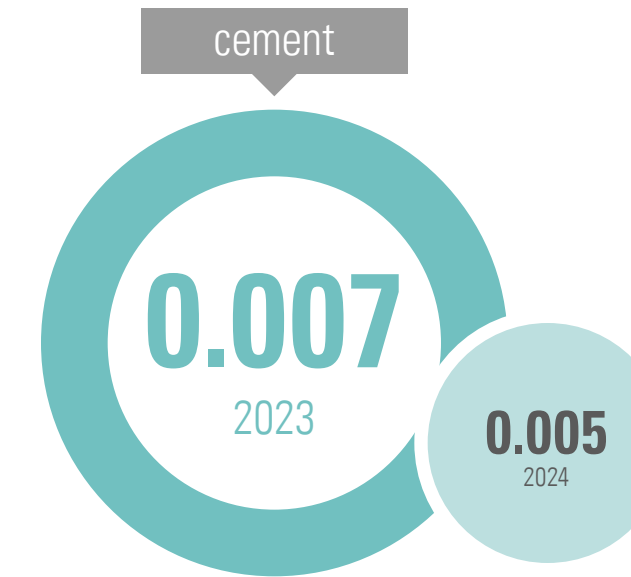
Number of cement types with EPD



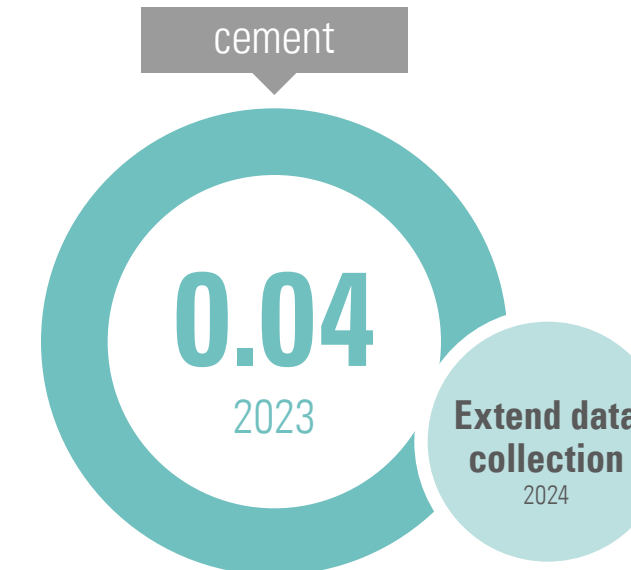
CO₂ emissions Scope 1, (CO₂ t per ton of cement)



CO₂ emissions Scope 2, (CO₂ t per ton of cement)



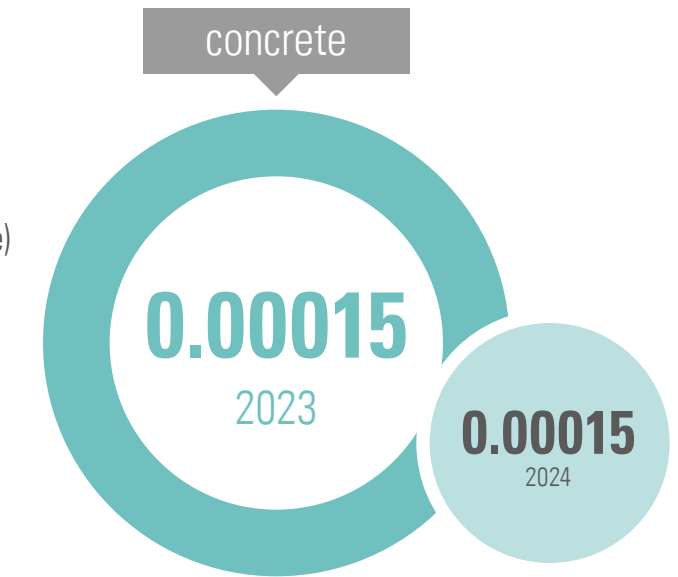
CO₂ emissions Scope 3, (CO₂ t per ton of cement)



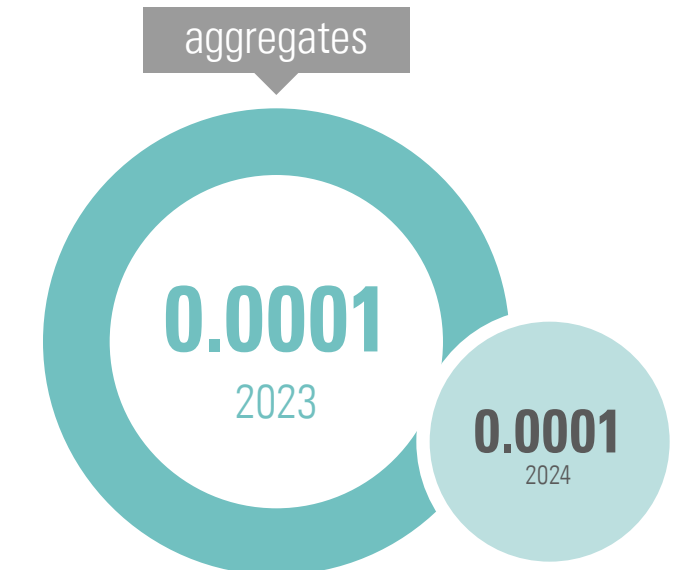
CO₂ emissions Scope 1, (t CO₂ per ton of clinker)



CO₂ emissions Scope 2, (CO₂ t per m³ concrete)

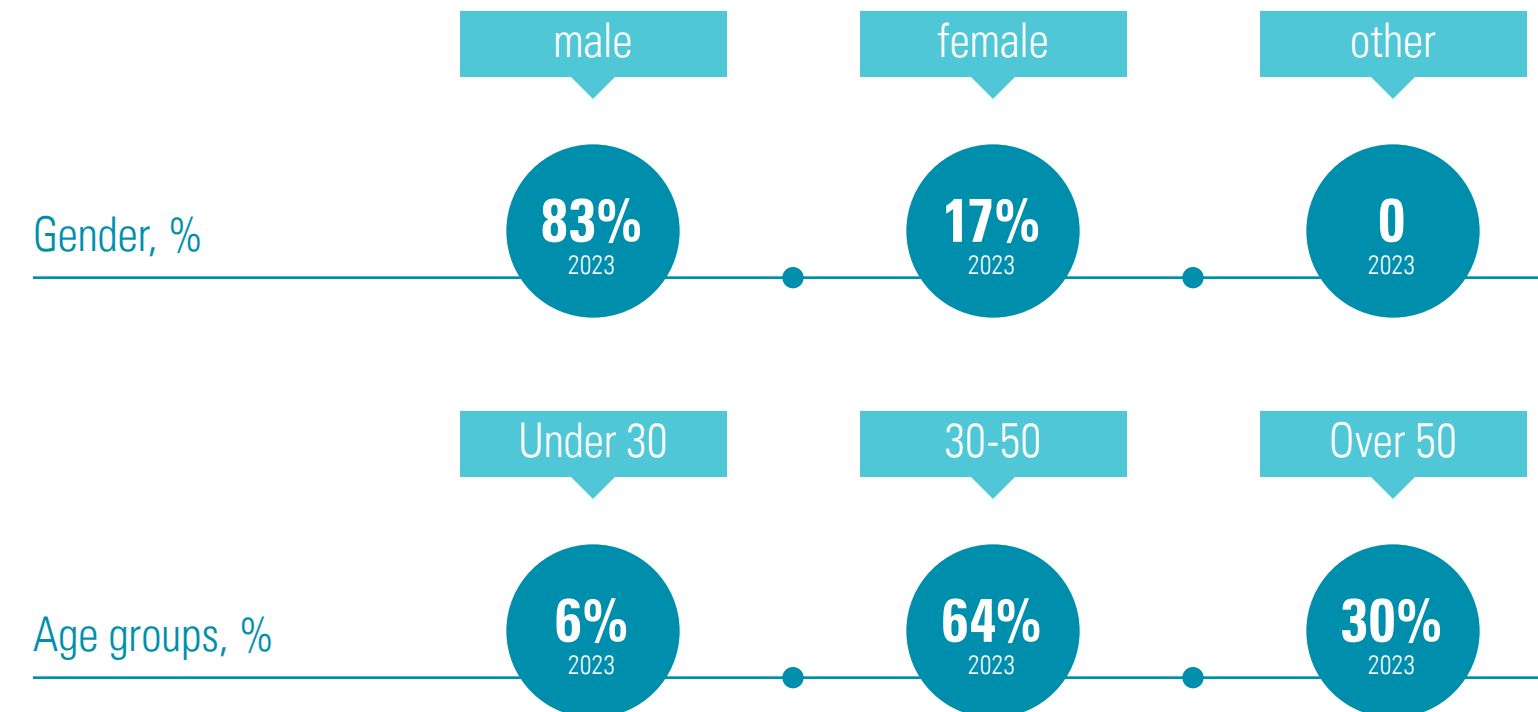


CO₂ emissions Scope 2, (CO₂ t per ton aggregates)



PEOPLE: OWN WORKFORCE

Diversity



Ratio of lowest base salary for entry worker over applicable benchmark salary in the country

1.3
2023

Attrition rate – voluntary leaves

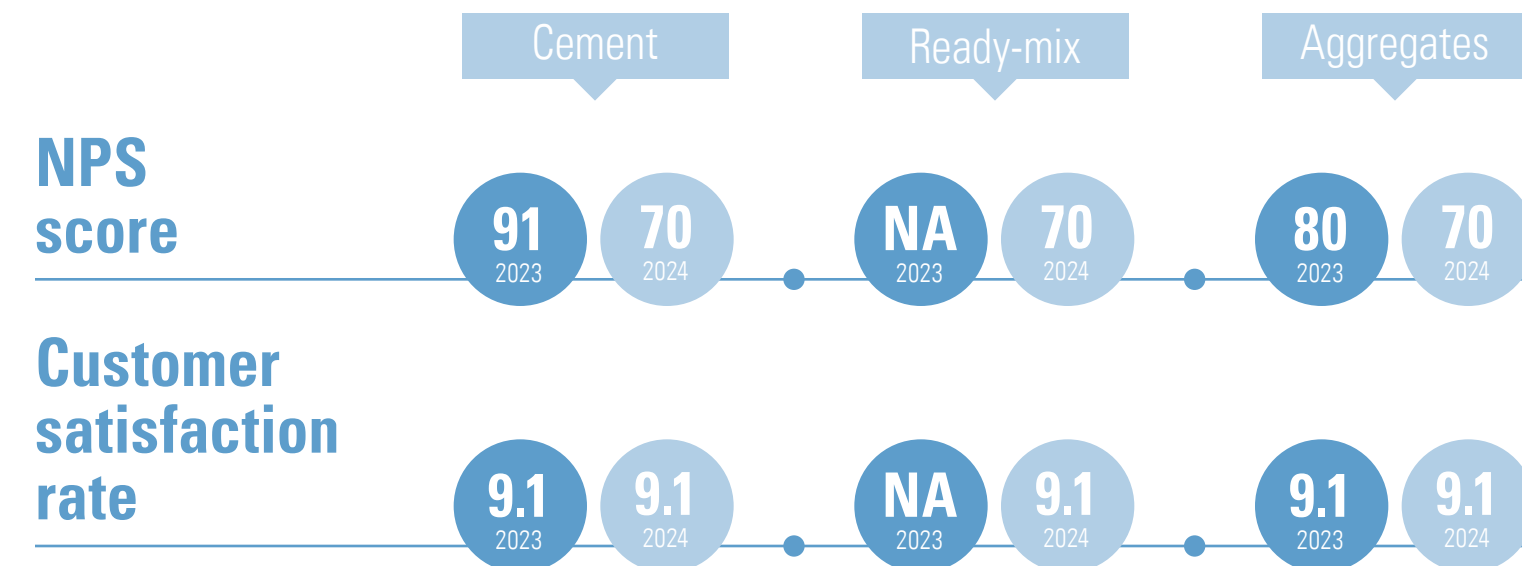
3.3%
2023

Employee Commitment Index

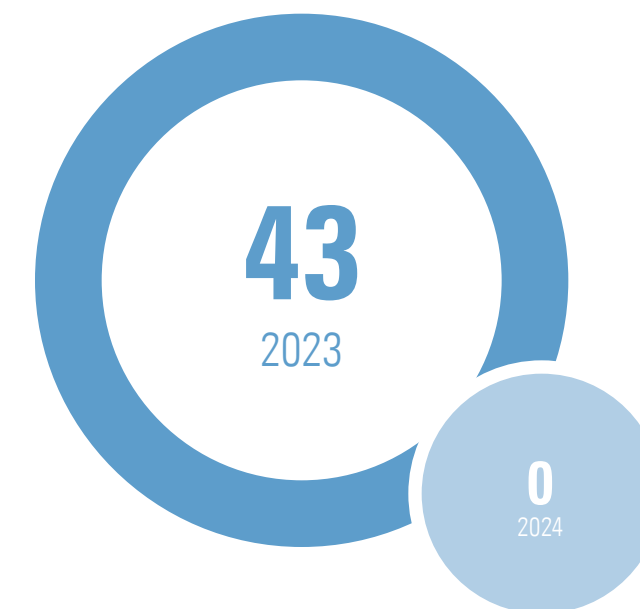
75
index points
2023

75
index points
2024

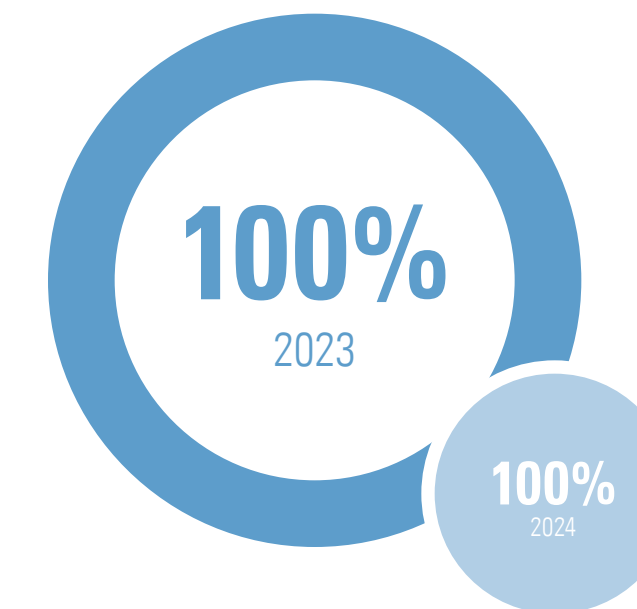
CONSUMERS AND END-USERS



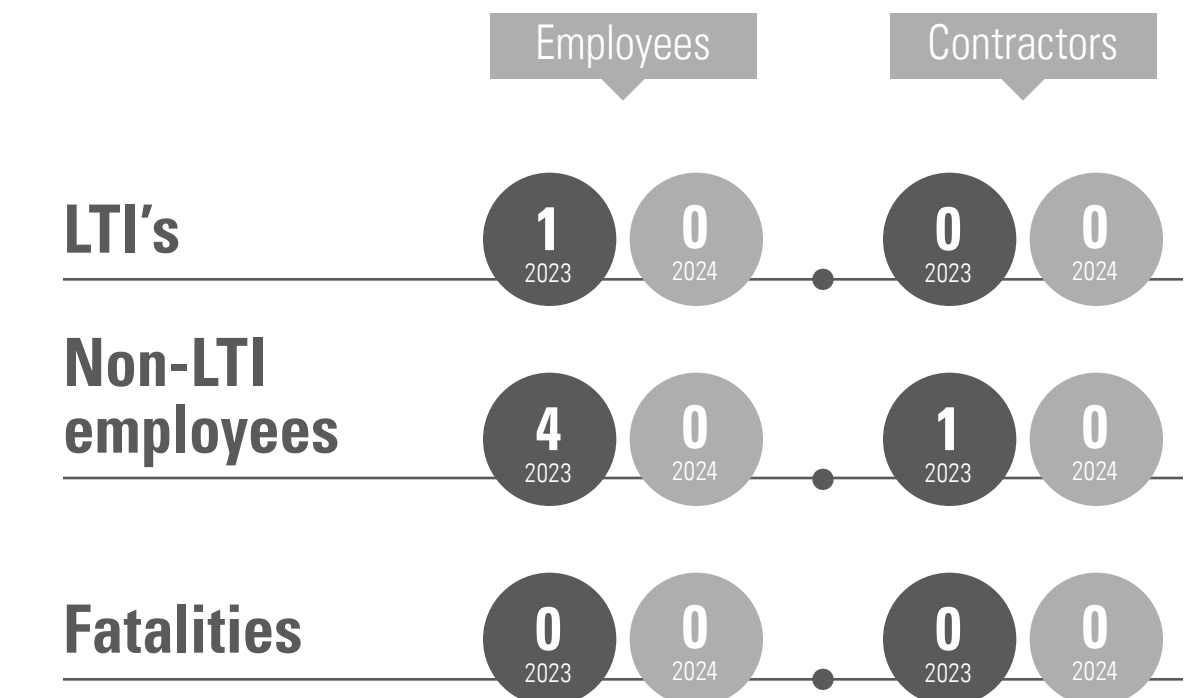
Claims received



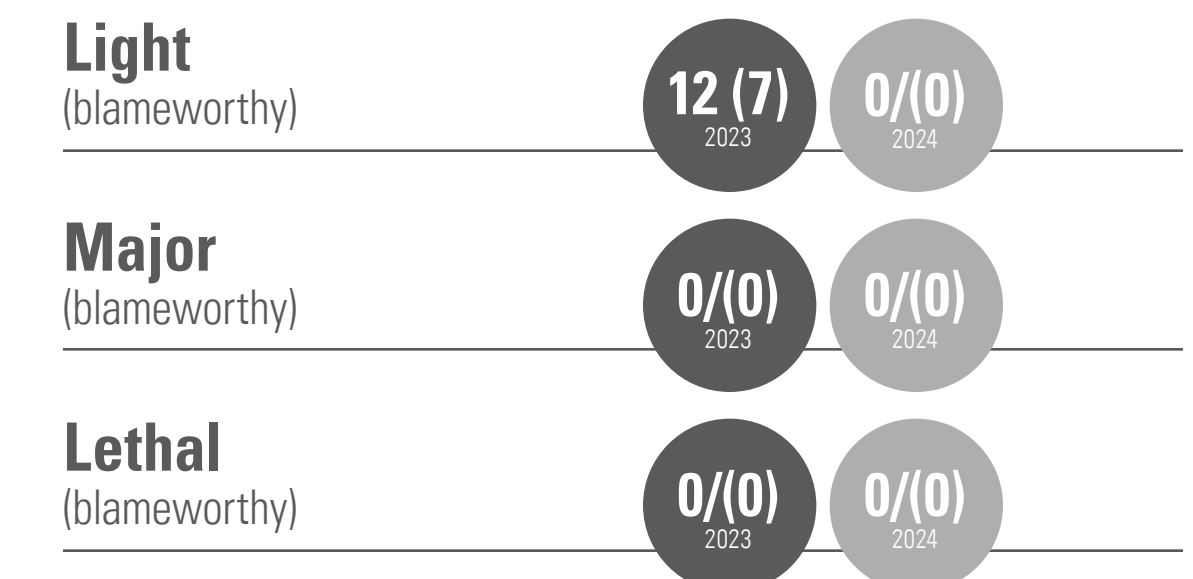
Claims resolved, %



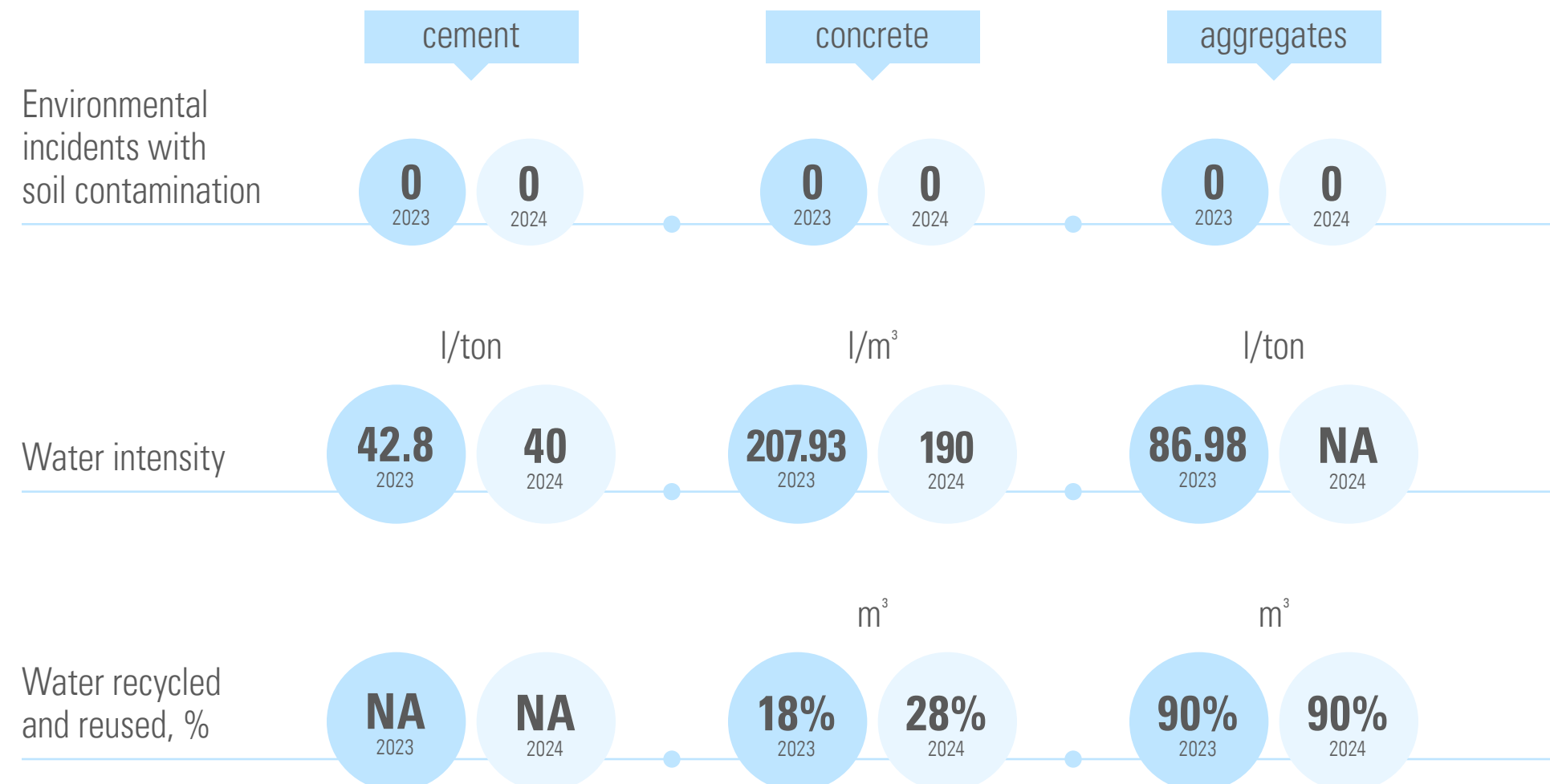
HEALTH AND SAFETY



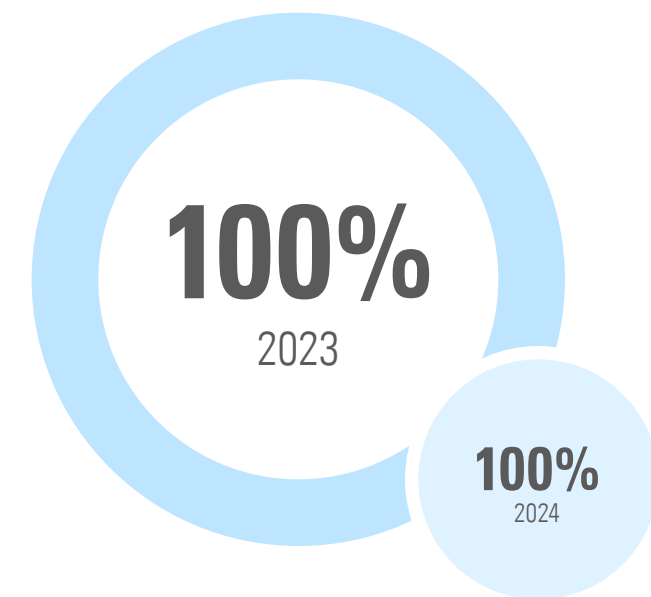
Traffic incidents involving product and raw materials transportation



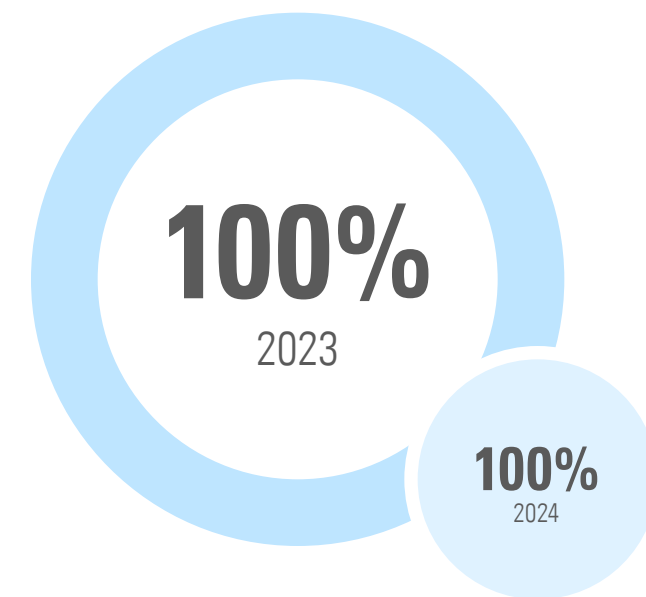
ENVIRONMENT



Clinker produced with continuous monitoring on main emissions
(SO_x, NO_x, dust, TOC, Hcl, HF, NH₃), %

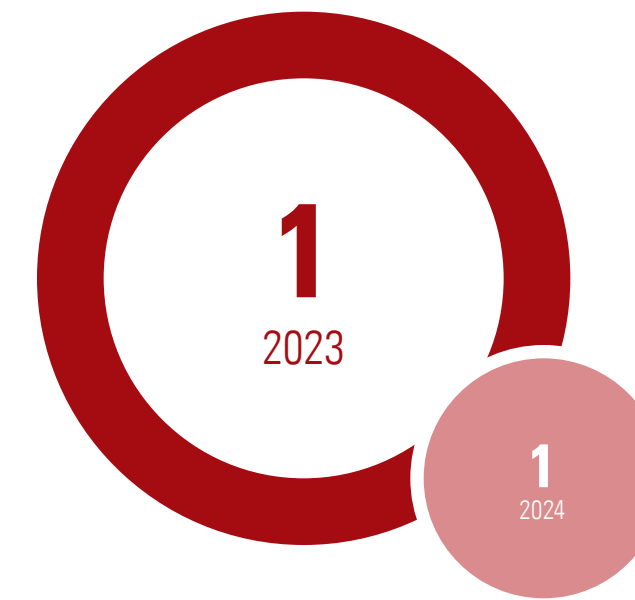


Quarries with rehabilitation and restoration plan

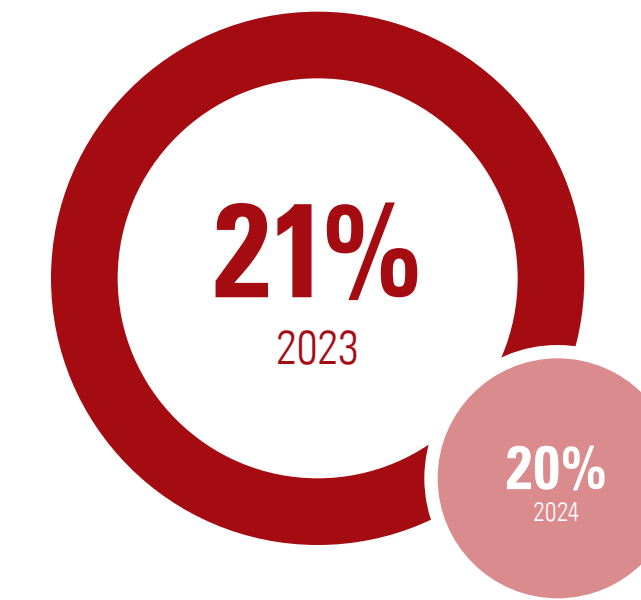


LOCAL COMMUNITIES

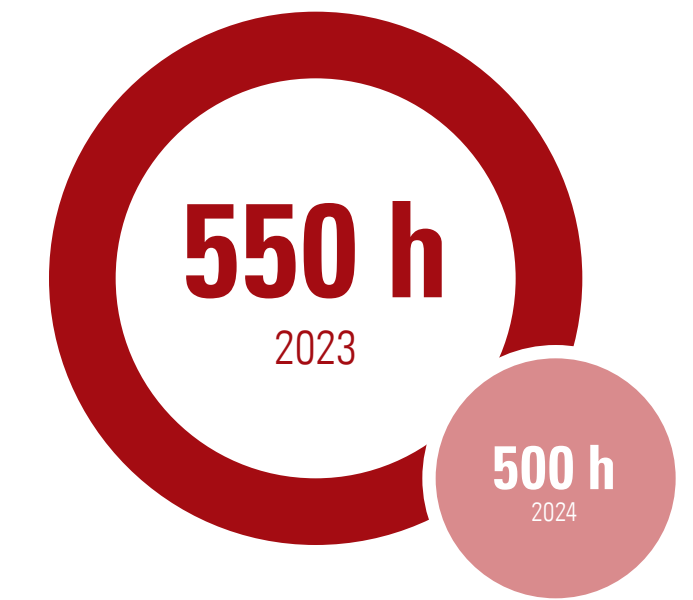
Stakeholder dialogues



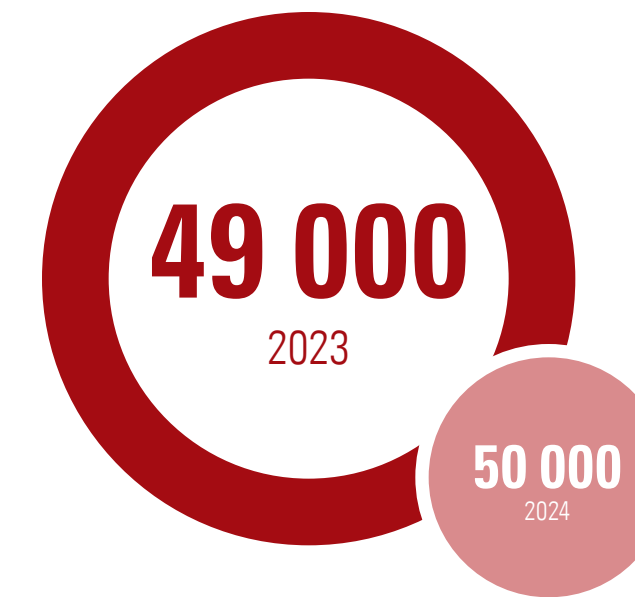
People engaged in voluntary work, % from all employees



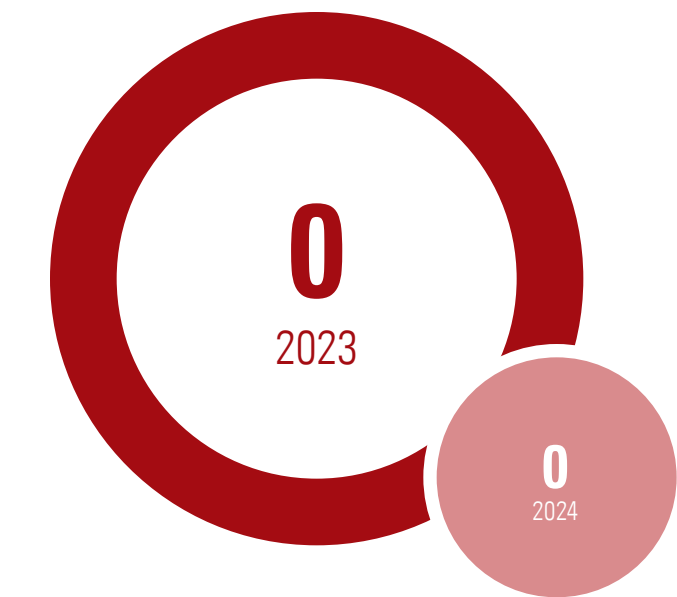
Voluntary work, human hours



People directly positively affected by social investment programs



Social protests and legal claims against Company



RECOGNITIONS AND ACKNOWLEDGEMENTS

We strongly believe that sharing ideas and best practices makes us all stronger. SCHWENK Latvija actively participates in events, seminars and conferences of corporate governance, environment protection and climate, health & safety to share the knowledge and learn from others. In 2023 our best practices are acknowledged by several industry awards.



“Employer of Honor 2023”
award of the Society
Integration Foundation



Corporate Sustainability
and Responsibility Institute Award
“Innovation Leader 2023”



**Diamond category
in the Latvian
Sustainability Index**



Best Practice
in Occupational Health
and Safety Award
“Golden Helmet”



Business Efficiency
Association Efficiency Award
“Driving Organization 2023”



**Silver status and special
recognition from the
Society Integration
Foundation for Employer
Open to Diversity 2023**



Gold Award in the category
**“Local (Baltic) freight forwarders
and special purpose fleets”**
in the competition “Safest fleet
of the company” of AAS BALTA
and the Ministry of Transport



**“Best Sustainability
Report in the Baltics”** by
the audit and consulting
services company Deloitte

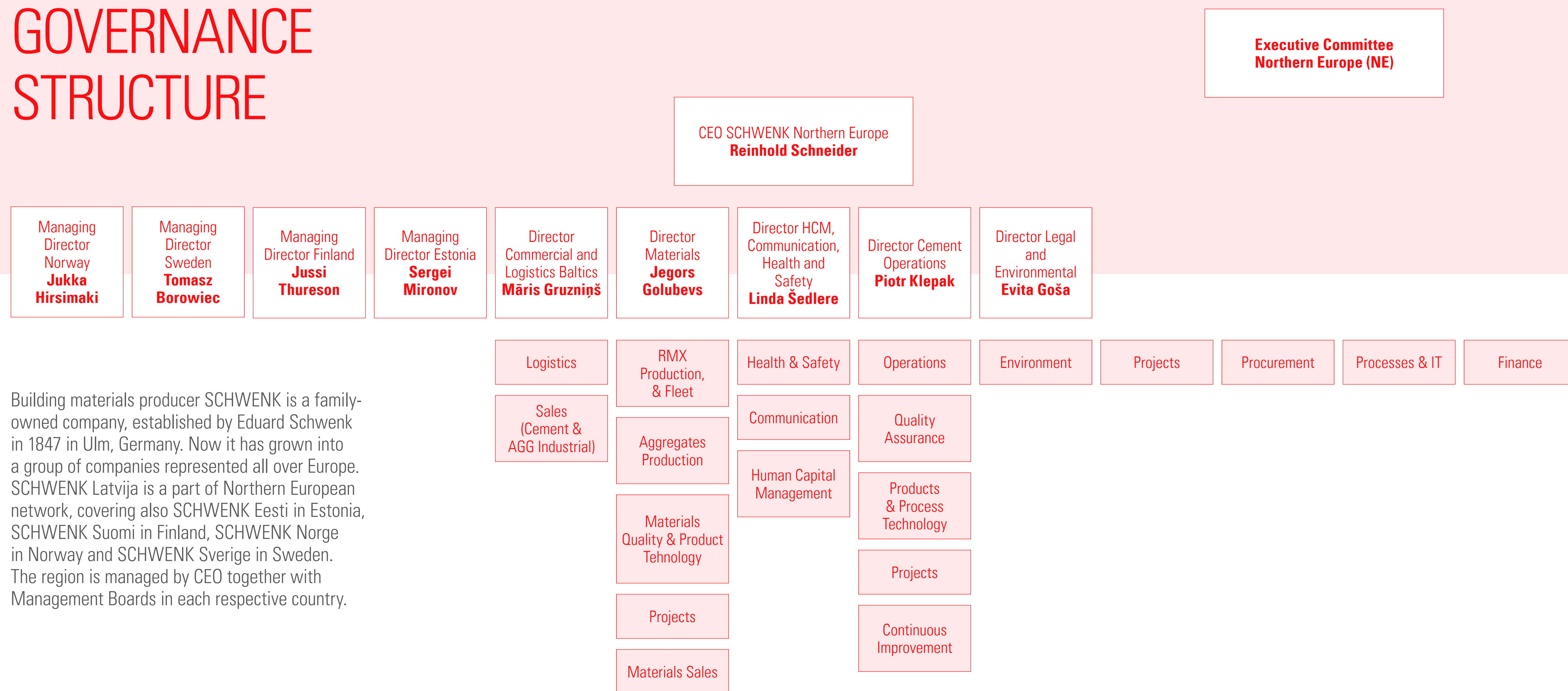


SCHWENK Latvija infrastructure
projects – cement silo and mill –
were awarded with the Grand Prix
in the **“Latvian Construction
Award 2022”** competition

02 GOVERNANCE



GOVERNANCE STRUCTURE



Building materials producer SCHWENK is a family-owned company, established by Eduard Schwenk in 1847 in Ulm, Germany. Now it has grown into a group of companies represented all over Europe. SCHWENK Latvija is a part of Northern European network, covering also SCHWENK Eesti in Estonia, SCHWENK Suomi in Finland, SCHWENK Norge in Norway and SCHWENK Sverige in Sweden. The region is managed by CEO together with Management Boards in each respective country.



Reinhold Schneider

SCHWENK Latvija
Chairman of the
Management Board
CEO SCHWENK
Northern Europe

Joined the team of SCHWENK Latvija and Northern Europe right after company’s launch in the region – in June 2019. Has more than 25 years professional experience in building materials production sector in Europe. Holds an Engineering degree in Physics from Munich University.

> **Main focus in the context of sustainability:** sustainability strategy

> **Representation of Company in industry and business platforms:** President of German-Baltic Chamber of Commerce in Estonia, Latvia, Lithuania; Member of Executive Board Foreign Investors’ Council in Latvia.



Māris Gruzniņš

SCHWENK Latvija
Member of the
Management Board
Director Commercial
and Logistics Baltics

In Company since 2005, in 2007 joined the Management Board. Has gained wide experience in logistics, export and commercial areas. Actively represents company in various professional associations – Association for Building Materials Producers and Saldus Entrepreneurs club. Holds a master’s degree in engineering and business administration.

> **Main focus in the context of sustainability:** industry, consumers and end-users

> **Representation of Company in industry and business platforms:** Member of the Supervisory Council of Building Materials Producers Association, Member of Talsi Entrepreneurship Club, Member of Saldus Business Society, Member of Supervisory Council of Saldus Region Entrepreneurs’ advisory board.



Jegors Golubevs

SCHWENK Latvija
Member of the
Management Board
Director Materials

In company since 2006, in 2013 joined the Management Board. Previously has been the manager of cement production technology and project departments, as well as concrete and aggregates production manager. Before that has gained experience in various production and mechanical engineering companies in Latvia. Holds a bachelor’s degree in mechanical engineering and a master’s degree in transport and logistics.

> **Main focus in the context of sustainability:** environment, industry

> **Representation of Company in industry and business platforms:** member of Latvia’s Ready-mix Union, member of CPR Acquis Work Group for cement, building limes and other hydraulic binders, member of industry council in Latvian Chamber of Commerce and Industry (LCCI).



Linda Sedlere

SCHWENK Latvija
Member of the
Management Board
Director Human Capital
Management,
Communication,
Health and Safety

In company since 2006, in 2013 – joined the Management Board. From 2016 – Director HR and Administration, previously has worked also in concrete production and planning departments, held managerial positions in financial controllership and human resources. Has gained experience in various companies in production and service sectors, as well as worked in State Revenue service. Holds master’s degree in business administration.

> **Main focus in the context of sustainability:** own workforce, workers in the value chain, communities, industry, governance

> **Representation of Company in industry and business platforms:** Foreign Investor’s Council in Latvia, member of Labor force and re-qualification work group, initiator of national social initiative Mission Zero.



Evita Goša

SCHWENK Latvija
Member of the
Management Board
Director Environment
and Legal

In company since 2008, joined the Management Board in 2018. Before that has practiced business law in several leading law firms in Latvia. She has studied law in Estonia (bachelor’s studies in European Union law at Concordia International University Estonia) and Germany (master’s studies in business law at University of Mannheim).

> **Main focus in the context of sustainability:** governance, climate, environment, industry

> **Representation of Company in industry and business platforms:** Foreign Investor’s Council in Latvia, Leader of Shadow Economy Combatting work group and member of Energy and Green Economy work group; Chairperson of the Supervisory Council of Transparency International Latvia; Board Member of Swedish Chamber of Commerce in Latvia



Piotr Klepak

SCHWENK Latvija
Member of the
Management Board
Director Cement
Operations

Has extensive experience in cement industry since 2003, working in various operational fields. From 2005 to 2007 was involved in a project team for construction of Broceni cement plant and worked in various positions until 2011. From 2011 to 2020 worked in cement production in UK, then joined SCHWENK Latvija team in 2020. Holds master’s degree in engineering from University of Science and Technology in Cracow, Poland.

> **Main focus in the context of sustainability:** climate, industry

SUSTAINABILITY MANAGEMENT

Sustainability management is the core of the Company's strategy and deeply integrated in all operations, business directions and structural layers. Each area director holds accountability for sustainability related targets definition, assessment, execution and control.

Sustainability aspects are integrated in personal targets for all employees in the following structural groups – executive, management, specialist and expert level, which represents 31% of all employees.

In 2022 SCHWENK Latvija established a sustainability task force joining 20 experts, managers and executives from relevant operational areas to advance towards requirements of the Corporate Sustainability Reporting Directive and European Sustainability Reporting Standards (ESRS). Areas covered in task force – procurement and production, commercial and trade, insourcing, supply and deliveries, environment, human capital, health and safety, communication and corporate social responsibility, governance and compliance. In 2023 the task force continued to develop the Company's reporting practices, extending the ESG reporting scope and scale.

COMMITTEES AND WORKING GROUPS WITH INTEGRATED SUSTAINABILITY ASPECT:

	Environment and CO ₂ reduction	Health and safety committee	Energy efficiency committee	Sustainability	Process & Quality	Process and Product Technology	Integrated management	Transport and logistics	Ethics and Compliance	Carbon capture and storage / utilization	ESG risk management	
GENERAL INFORMATION	Number of participants	9	24	20	20	25	9	12	9	4	9	10
	Most senior management level included	CEO	CEO	Board Member	Board Member	CEO	CEO	Board Member	Board Member	CEO	CEO	CEO
	Meeting calendar	Bi-monthly	Bi-monthly	Monthly	Bi-monthly	Weekly	Daily	Annually	Bi-monthly	Upon need	Monthly	Quarterly
SUSTAINABILITY AREAS COVERED	Climate	x		x	x	x	x	x			x	x
	Environment		x	x	x	x	x				x	x
	Own workforce		x	x	x			x	x	x	x	x
	Workers in the value chain		x		x			x	x			x
	Communities		x		x			x				x
	Consumers and end-users		x		x	x	x	x	x		x	x
	Industry	x	x	x	x	x	x	x			x	x
	Governance	x	x		x			x	x	x	x	x

ETHICS AND COMPLIANCE

Being a family-owned company in operation for six generations we are certain that there is a direct link between the business principles and high ethical standards and continued growth and success. Our aim is to provide highest quality building materials to the customers, simultaneously reducing impact on the environment and implementing good business practices along the value chain. SCHWENK Latvija operations comply with several industry standards and corporate policies, many of them are applied also throughout the supply chain.

Company Management Board is directly responsible for the implementation of corporate governance in accordance with the highest standards and best practices. To ensure clear and transparent governance processes, SCHWENK Latvija has developed and maintains policies, procedures, instructions and guidelines covering all operational areas. They are published on Company's internal information

platforms and available for all employees. Governance aspects are included in all Management Board meetings and management meetings once monthly.

SCHWENK Latvija operates in accordance with applicable laws and standards. Apart from that, the Company has defined numerous internal policies that set higher requirements than external regulations.

SCHWENK Latvija has implemented and maintains integrated management system, including four certified management systems: Quality Management System ISO 9001:2015, Environmental Management System ISO 14001:2015, Occupational Safety and Health Management System ISO 45001:2018 and Energy Management System ISO 50001:2018 (for cement). The Company has 145 Policies and Procedures covering all operational areas. They are published on the Company's internal information platforms and available for all employees.

SCHWENK LATVIJA MANAGEMENT SYSTEM COMPLIANCE CERTIFICATES



> Quality Management System **ISO 9001:2015**

> Environmental Management System **ISO 14001:2015**

> Occupational Safety and Health Management System **ISO 45001:2018**



> Energy Management System **ISO 50001:2018** (for cement)

REPORTING SYSTEM AND WHISTLEBLOWING

SCHWENK Latvija implements wide range of reporting mechanisms that encourage employees to report about any kind of risks and violations, as well as suggest improvements in various areas.



In 2007 Company launched Code of Ethics, which is our core policy, equal to a constitution for a country. It defines our values and principles in all the aspects important to ensure highly responsible operations in accordance with applicable laws and ethical standards. It sets the principles for our professional collaborations and in decision making, both internally and externally, helping avoid failures, violations and other negative consequences. Values and requirements of the Code of Ethics apply both to SCHWENK operations and our value chain. It is treated as a road map that sets out the principles to guide daily work at SCHWENK. Over the years it has helped to strengthen responsible corporate culture, enhance responsibility in all levels and in cooperation with all stakeholders, increase the feeling of security among employees.

Among other aspects, the Code of Ethics also defines the framework of the Company's internal reporting mechanism – an effective tool for ensuring fair working conditions and support to solving ethical dilemmas and issues. Within the mechanism each employee or external party is encouraged to report in case of potential unethical behavior or any violations of the Code of Ethics. All reports are reviewed by the Ethics Committee, which consists of three permanent members and, if applicable, one or more ad hoc members. Permanent members of the Ethics Committee are the CEO and Directors of HCM and Legal areas. Other Directors may become ad hoc members of the Ethics Committee. Review of reports is carried out in a confidential, diligent, professional, objective, comprehensive, timely and legal manner. No retaliation against a reporter is tolerated by the Company. Reports regarding potential breach of the Code of Ethics by any of Directors are reviewed by the CEO. Reports regarding

potential breach of the Code of Ethics by the CEO are sent to the Managing Director of SCHWENK Building Materials Group.

In addition to the aforementioned reporting mechanism, SCHWENK Latvija also encourages the employees' right to report unlawful or unethical conduct by the Company or its employees by using the whistleblowing mechanism according to the Whistleblowing Law.

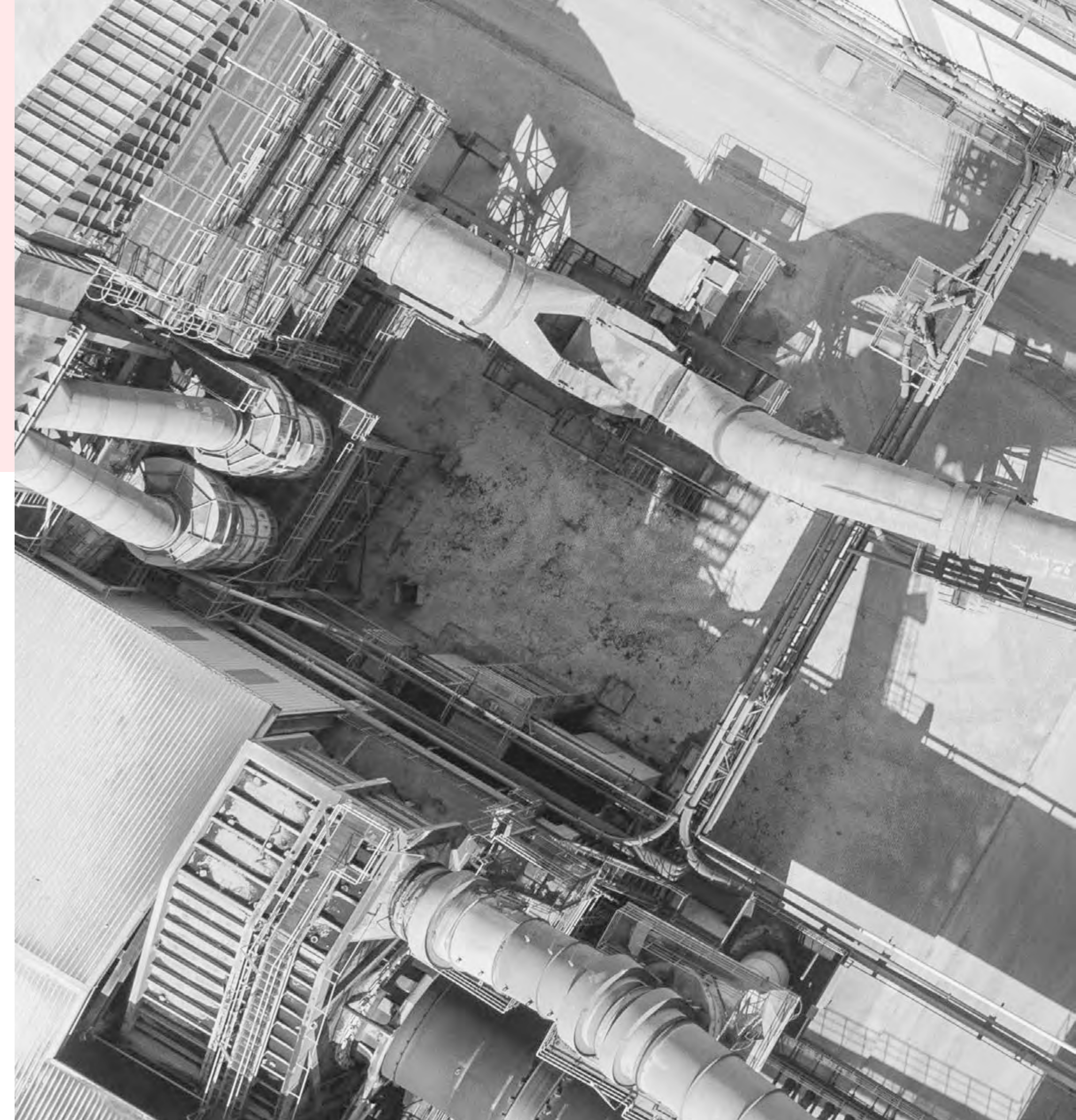


**CODE OF ETHICS
IS PUBLICLY AVAILABLE
ON OUR WEBSITE:** [🔗](#)

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

SCHWENK Latvija has long established process of risk and opportunity management, including enterprise risks and opportunities analysis and crisis management plan. Enterprise risk and opportunity agenda is coordinated by Strategic Project Coordinator, updated at least once a year through direct interviews with executives, managers, experts and specialists, as well as based on socio-economic, geopolitical developments. Process includes risk identification of top 10 – 12 risks and rating by probability and impact, looking from the perspective of double materiality, and mitigation strategies. Company also maintains Crisis Management process, which is updated at least every 2nd year – lists main sites responsible person for crisis handling, procedural aspects, external contacts. Main risks updates are discussed at monthly management meetings.

In 2023 SCHWENK Latvija extended the practice started in 2022, focusing on ESG risk and opportunity management. To identify Company's negative and positive impacts, first general external stakeholder dialogue was organized in Spring 2023. Its results are reflected in materiality matrix of this report's page 26. Along with that Company organized five targeted working groups with the goal to identify main impacts, risks and opportunities in the areas of environment and climate, own and contracted workforce, customers and end-users, industry and governance, neighboring communities. Results of working group meetings were further analyzed by the Management Board, deciding on action steps for impact and risk mitigation.



03 STRATEGY AND VALUE CREATION



BUSINESS STRATEGY AND OUTLOOK

SCHWENK is a family-owned company, building its strength on responsibility towards people and nature over generations, efficiency and high-quality building materials for a lifetime.

Our **core market is Europe** – we focus our strength in the region and thrive to provide high quality solutions mainly for customers in Europe. We unify our experience by combining our divisions for cement, concrete, sand & gravel and pumps in one **vertically integrated value chain**.

With thoroughly assessed investment in research and development our goal is to be an **innovation leader in the industry**. We work

together with universities and science centers for development of future production and climate neutrality technologies as well as constantly invest in our production sites for adapting newest technologies, increase efficiency and reach climate goals.

We build and maintain **trustful and open relationships** with communities and stakeholders, put great emphasis on human capital and motivated employees as a core asset for growth.



VALUE CHAIN

Cement in Broceni is produced from mainly locally sourced raw materials – limestone, clay, sand. Only specific additives like iron oxide, slag, opoka are imported from other European countries.

Raw materials:

main raw material for cement production is limestone – extracted with responsibility and in accordance with highest environmental standards in SCHWENK Latvija limestone quarry Kumas, located approximately 30 km from cement plant. Clay, which makes 15% of clinker composition is extracted in SCHWENK Latvija clay quarry Caunes, located approximately 5 km from cement plant. Sand and iron oxide are outsourced considering material availability, quality and geography.

Sourcing:

SCHWENK Latvija has approximately 1000 suppliers, from which over 70% are local. Almost all sourcing is EU based, except for very rare situations, when products are available only in specific markets. For example, spare parts for tire shredder equipment and limestone quarry stacker are sourced in the United States of America. In 2023 two suppliers of all were based in China. SCHWENK follows the highest procurement and sourcing practices in cooperation with all suppliers. All agreements include annexes defining compliance with high standards of human and labor rights, environment protection, anti-bribery principles, fair business practices, human safety. We put great emphasis on supplier evaluation, education and development.

Operations:

The heart of cement production is clinker kiln – 54 meters long with diameter of 4,6 meters and temperature of 1500 – 2000°C, where the mixture of limestone, clay, sand and iron oxide is burnt to produce main component of cement – clinker. After cooling down clinker is grinded in cement mills together with specific additives, based on cement type. Very important part in clinker production is usage of alternative fuel – main energy source for clinker kiln. More extensively usage of AF is described in page 42. Ready-mix is produced in three ready-mix plants in Riga and one in Madona, as well as one mobile plant, which is used for production directly on sites. Mineral resources are extracted in five quarries, including cement raw materials and aggregates quarries.

Distribution: Our products are delivered to customers with approximately 217 vehicles – bulk cement cisterns and aggregates trucks, ready-mix mixers. Our fleet also includes 10 ready-mix pumps to be used in construction sites. Apart from truck deliveries we also use railway to transport cement from Broceni plant to Liepaja sea-port terminal, as well as to customers in Riga and Daugavpils. For export to Sweden and Finland we use maritime transport.

Sales: SCHWENK Latvija cement is available to customers in Latvia, Estonia, Sweden and Finland. In Latvia we distribute both bulk and bagged cement. For bulk cement main markets are producers of products containing cement and construction companies. Bagged cement is distributed through retail stores and its main markets are individual users, small producers and construction companies. Our limestone product SCHWENK Agro is sold directly to farmers. SCHWENK Latvija ready-mix is available for customers in Latvia, mainly Riga region and Madona. Main market for aggregates is also domestic, small amount is exported to Sweden and Finland.

Customer relations:

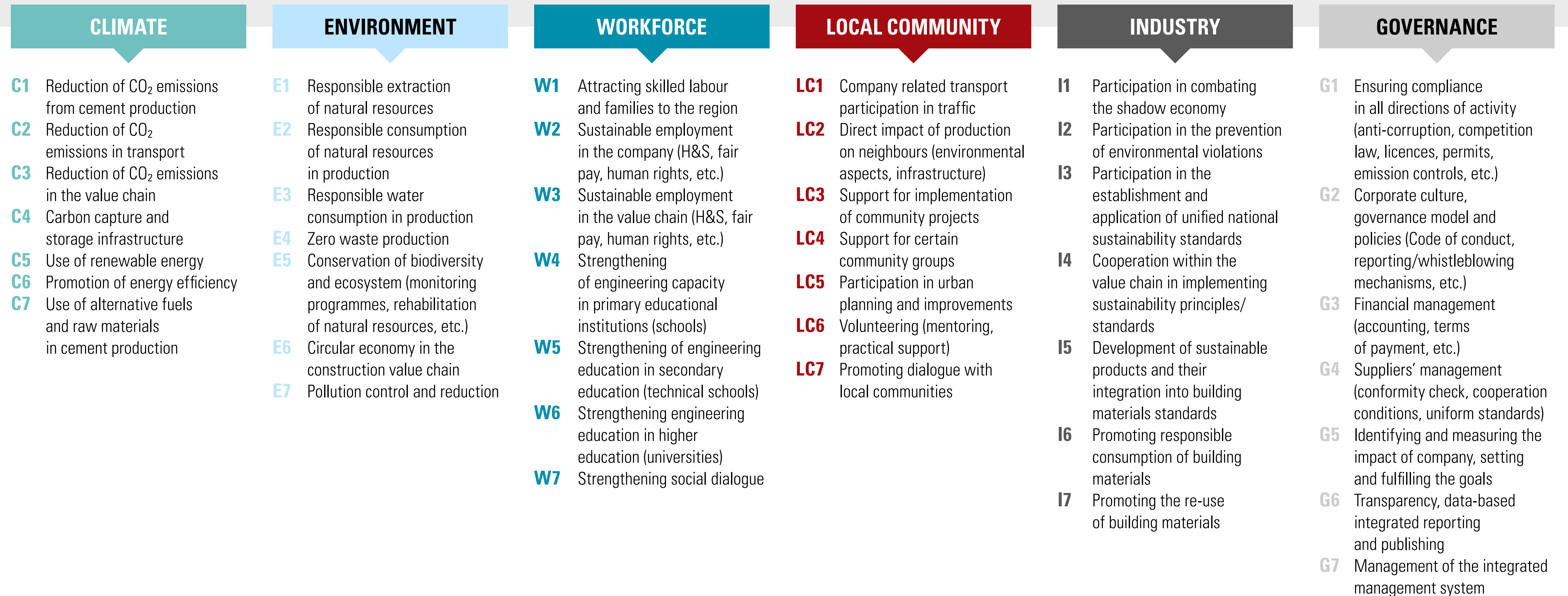
We maintain ongoing relationships with all B2B customers – producers, construction companies, retail stores, farmers. Our access to individuals and business sector, who have purchased cement in retail stores, is restricted due to data protection reasons. Information about contacting SCHWENK, usage instructions and safety regulations are available on all cement packaging. Customers are invited to contact SCHWENK Latvija also in various on-line platforms. All possible claims are managed in accordance with Company defined procedures.

SUSTAINABILITY STRATEGY

SCHWENK Latvija stands for sustainable business throughout all aspects of our operations and whole value chain. Our sustainability strategy is built on the concept of Mission Zero – zero harm for people, zero harm for environment and zero tolerance to corruption and non-compliance.



Based on Company's and industry specifics, as well as internal and external stakeholder views, our sustainability priorities are divided in six directions, each having seven sub-directions.



CONTRIBUTING TO UN SUSTAINABLE DEVELOPMENT GOALS

As a family company with long roots and long-term vision of better planet for our children, we recognize our responsibility to contribute to UN Sustainable Development Goals. With our daily operations, approach and culture, as well as sustainability agenda, we have prioritized seven SDG's. Description below includes main initiatives, approaches and activities towards each goal.





Good health and well being

- Mission Zero – our goal is zero harm to human health and safety. To maintain that, extensive educational, culture shaping and continuous improvement programs are at place. In 2022 SCHWENK Latvija initiated national level social initiative Mission Zero, joining employers and jointly working towards improving health and safety for people employed across all country and various industries.
- Our approach towards health and safety is the same high standard both for employees and subcontractors, including requirements for personal and group protection equipment, education and training for daily work, additional information campaigns and engaging activities for general physical and mental health aspects, as well as family health.
- Risk assessment and system for employee feedback and risk identification.



Decent work and economic growth

- Extensive programs and investment in employee wellbeing and safe work environment.
- Support for strong local communities – projects that enhance education, self-respect, economic growth, collaboration and inclusiveness.
- Projects to support those in need and encourage voluntary work, peer-to-peer support programs.
- Voluntary work and social investment for contributing to economic growth of local community.
- Programs and initiatives to improve employment environment in Latvia.



Industry, innovation and infrastructure

- On-going investment and innovation programs for reaching climate goals and zero pollution.
- Engagement in R&D partnerships for sustainable innovations in technology, infrastructure and products.
- Active involvement in developing technologies for carbon capture and storage (CCS) / carbon capture and utilization (CCU).



Responsible consumption and production

- Developed processes for enhancing circular economy – closed production cycle in the cement plant.
- Responsible and high standard operations.
- New product development for sustainable construction.
- Continuous development of production personnel, experience sharing and education of external stakeholders.
- Responsible raw material extraction, sourcing and usage.
- Ongoing quality assurance for all raw materials, fuel and products.



Climate action

- Ambitious roadmap towards climate neutrality by 2030, major investment, R&D and ongoing improvements to achieve annual decrease.
- Participation in projects for future technologies, for example, testing carbon capture.
- Research towards wider range of alternative raw materials.
- Alternative fuel as main fuel in cement production, investment and R&D to increase the ratio.
- Energy efficiency initiatives and investment.
- Experience sharing with various stakeholders.



Life on land

- Quarry rehabilitation and biodiversity programs.
- Engagement with stakeholders for quarry rehabilitation future initiatives.
- Participation in nationally significant environmental projects, for example – cleaning of Incukalnaš acid tar goudron ponds.



Partnerships for the goal

- Education of and support to young engineers and technicians, scholarships.
- Collaboration with industry partners and STEM education institutions – universities, technical schools.
- Support to scientific and technical creative work.
- Contribution to sector development in national and regional level, fight against shadow economy.
- Public activity for improving industry ethical and compliance standards.



STAKEHOLDER ENGAGEMENT

Relationships and open dialogues with internal and external stakeholders are an important part of our culture and daily operations. We do all it takes to develop sustainable and open dialogue and collaboration between employees, with our neighbors, local community, industry, suppliers, municipalities and state institutions. We stand for honorable, honest and equal collaboration among all involved parties.

Our stakeholders & how we engage

WAYS OF ENGAGEMENT

COLLABORATION DIRECTIONS

COLLABORATION DIRECTIONS

WAYS OF ENGAGEMENT

- Bi-annual on-line and on-site open dialogues for all.
- Regular open dialogues for each business direction.
- Engagement survey once in two years.
- Activities and events.
- Engaging employees in content creation, joint initiatives, voluntary work.
- On-line and off-line systems for expressing opinion, whistleblowing, suggesting LEAN, H&S and other improvements.
- Closed group for employees in Facebook platform.
- WhatsApp group, including all employees, monthly newsletters, digital screens in all locations, quarterly print magazines.
- Ongoing collaboration with trade union.
- Ongoing development activities.
- Extensive bonus system and wide range of collective agreement benefits.

- Surveys.
- System for claim management.
- Quarterly events for various customer groups.
- On-line and off-line educational events and initiatives regarding health and safety, sustainability, business ethics a.o.
- Joint initiatives and projects.

- Health & safety
- Ethics, human and labor rights
- Professional development
- Training and education
- Engagement
- Dialogue and feedback

- Human health and safety
- Climate action
- Product quality and safety
- Responsible consumption
- Product development

CUSTOMERS AND PARTNERS

- Stakeholder dialogues.
- Community support projects.
- Community engagement in Companies events and activities.
- Events and visits to company locations.
- Scholarships for engineering and technical studies.
- Voluntary work.
- Material donations.
- Educational projects.

- Direct impacts from company operations, including transportation
- Support for community wellbeing
- Strengthening STEM education
- Health and safety

NEIGHBORING COMMUNITIES

- National standards for sustainability, climate action, fair market conditions
- Combatting shadow economy, corruption and environmental violations
- Development of infrastructure
- Workforce and education
- Taxation
- Competitiveness in export markets
- Circular economy
- Waste management

- Active participation in industry associations and expert groups.
- Direct engagement of experts in specific advisory and working groups.
- Maintaining open dialogue.
- Experience sharing events and activities, visits to the plant.

- Workforce and education
- Environment protection
- Infrastructure
- Social investment

- Sustainability
- Raising industry, overall employment, and production standards in Latvia
- Environment protection and climate action

LEGISLATORS AND STATE INSTITUTIONS

- Open dialogues and on-going interaction.
- Visits and meetings in company locations.
- Support and cooperation for community projects and municipality institutions.

MUNICIPALITIES

- Dialogue on issues important for the whole sector.
- Memberships in business and trade organizations.
- Active engagement in corporate governance, ESG agenda in Latvia.
- Experience sharing, education and growth.

NGOs

IMPACTS, RISKS AND OPPORTUNITIES



Enterprise risks

Company risk and opportunity agenda includes five main directions and are covered and analyzed in Enterprise risk management and Crisis management plan and guidelines.

Labor force challenges

Due to various developments in education and industry sectors in Latvia in last couple of decades, there is a significant lack of engineers and highly skilled technical workforce, especially in regional areas. The cause is rooted in primary and secondary educational system and lack of STEM teachers, therefore we actively engage in promoting and supporting technical and engineering science education among schoolchildren and young adults.

Road infrastructure

Road infrastructure is widely used for ensuring inbound and outbound material flows. Conditions of state and municipal roads have strong effect on safe logistic processes, without the least possible impact on neighboring communities.

Electricity and fuel costs

High electricity costs in Latvia in comparison to other EU countries negatively affect competitiveness in export markets.

War effects

After beginning of Russia's full-scale invasion in Ukraine, companies in Latvia along with other companies based in the EU faced significant challenges due to sky-rocketing costs of fuel and electricity, as well as effect from globally disrupted supply chains. Negative impact is also felt through decrease of investment in private investment construction objects.

Shadow economy and unfair competition

Building materials production and specifically quarrying should be treated with great care and responsibility towards nature. For each of SCHWENK Latvija quarries we have

rehabilitation plan at place. Proportion of shadow economy in Latvia's concrete and aggregates markets reaches 30%¹ and that poses a great risk for all the companies working in accordance with all local and European legal acts and standards.

Slow development of circular economy and waste management

Already the majority of fuels used in SCHWENK Latvija Broceni cement plant are alternatives – solid recovered fuel, used tires, neutralized polluted soil. Poor availability of high-quality fuel in Latvia and poor habits of waste sorting negatively affect sourcing, availability and stability of local material. In broader context – due to increasing demand for alternative fuel in Europe, new challenges regarding availability of high-quality fuel emerge.

Health & safety

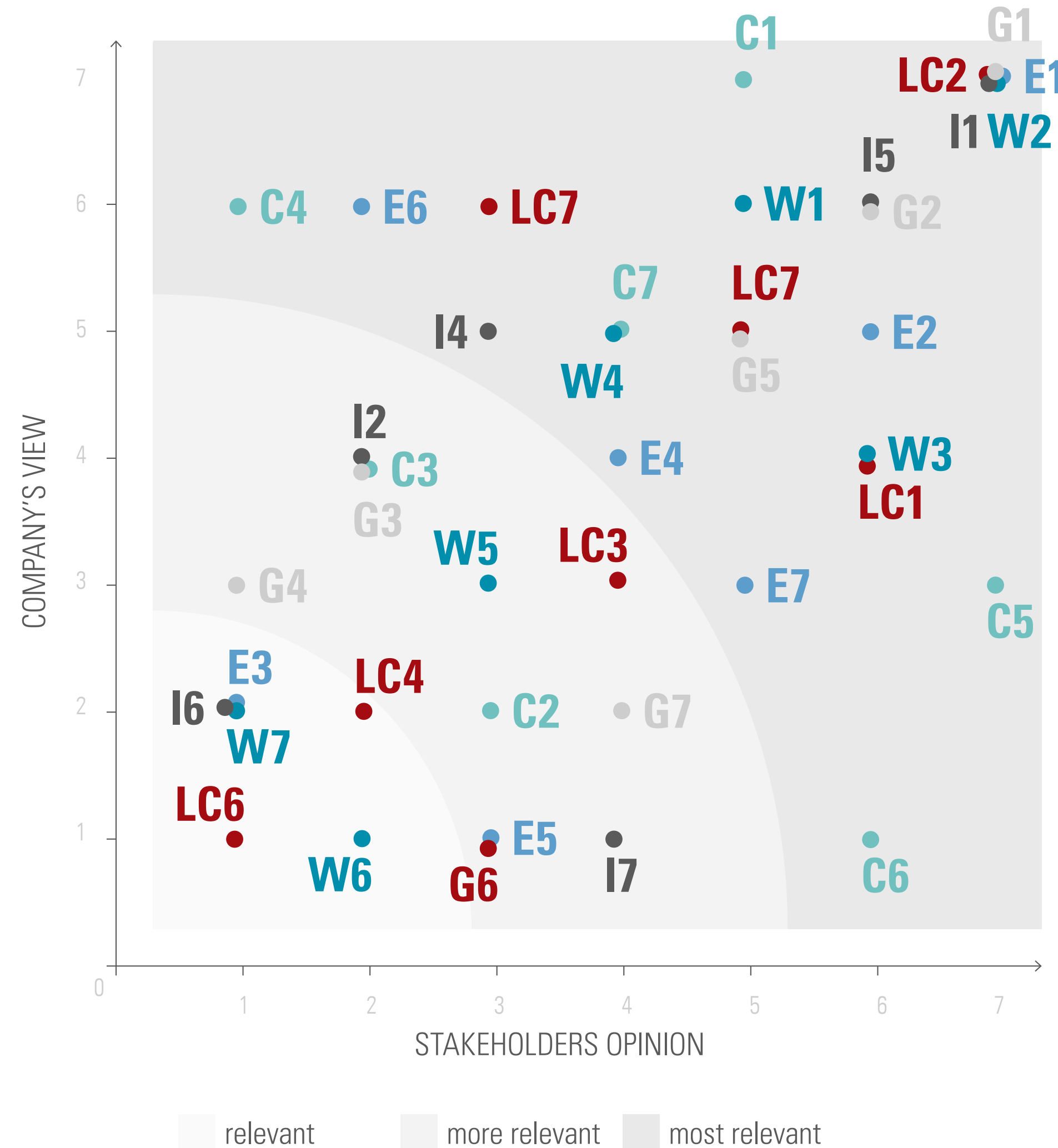
Industrial production is a high-risk industry and requires strong and extensive health & safety measures. Accidents or violations of H&S measures pose risk to human life, environment and operational continuity.

¹ According to annual survey by Business Against Shadow Economy (BASE)

Materiality matrix

Materiality matrix is the result of holistic analysis of sustainability issues, risks and opportunities in context of industry, company operations and impacts, stakeholder views and priorities. Relevant sustainability areas, risks and opportunities have been defined and rated through on-line and on-site surveys and discussions.

On April 2023 SCHWENK Latvia organized its first on-site stakeholder dialogue for external and internal stakeholders. Approximately 50 people from all stakeholder groups first participated in ranking Company's defined sustainability directions by importance according to stakeholder's specific, then discussed in working groups Company's performance and opportunities in the most important sustainability areas.



CLIMATE

- C1** Reduction of CO₂ emissions from cement production
- C2** Reduction of CO₂ emissions in transport
- C3** Reduction of CO₂ emissions in the value chain
- C4** Carbon capture and storage infrastructure
- C5** Use of renewable energy
- C6** Promotion of energy efficiency
- C7** Use of alternative fuels and raw materials in cement production

ENVIRONMENT

- E1** Responsible extraction of natural resources
- E2** Responsible consumption of natural resources in production
- E3** Responsible water consumption in production
- E4** Zero waste production
- E5** Conservation of biodiversity and ecosystem (monitoring programmes, restoration of natural resources, etc.)
- E6** Circular economy in the construction value chain
- E7** Pollution control and reduction

WORKFORCE

- W1** Attracting skilled labour and families to the region
- W2** Sustainable employment in the company (H&S, fair pay, human rights, etc.)
- W3** Sustainable employment in the value chain (H&S, fair pay, human rights, etc.)
- W4** Strengthening of engineering capacity in primary educational institutions (schools)
- W5** Strengthening of engineering education in secondary education (technical schools)
- W6** Strengthening engineering education in higher education (universities)
- W7** Strengthening social dialogue

LOCAL COMMUNITY

- LC1** Company related transport participation in traffic
- LC2** Direct impact of production on neighbours (environmental aspects, infrastructure)
- LC3** Support for implementation of community projects
- LC4** Support for certain community groups
- LC5** Participation in urban planning and improvements
- LC6** Volunteering (mentoring, practical support)
- LC7** Promoting dialogue with local communities

INDUSTRY

- I1** Participation in combating the shadow economy
- I2** Participation in the prevention of environmental violations
- I3** Participation in the establishment and application of unified national sustainability standards
- I4** Cooperation within the value chain in implementing sustainability principles/standards
- I5** Development of sustainable products and their integration into building materials standards
- I6** Promoting responsible consumption of building materials
- I7** Promoting the re-use of building materials

GOVERNANCE

- G1** Ensuring compliance in all directions of activity (anti-corruption, competition law, licences, permits, emission controls, etc.)
- G2** Corporate culture, governance model and policies (Code of conduct, reporting/whistleblowing mechanisms, etc.)
- G3** Financial management (accounting, terms of payment, etc.)
- G4** Suppliers' management (conformity check, cooperation conditions, uniform standards)
- G5** Identifying and measuring the impact of company, setting and fulfilling the goals
- G6** Transparency, data-based integrated reporting and publishing
- G7** Management of the integrated management system

ESG risks and opportunities

Along with external stakeholder dialogue SCHWENK Latvija organized five targeted working groups with internal experts to identify main impacts, risks and opportunities in the areas of environment and climate, own and contracted workforce,

customers and end-users, industry and governance, neighboring communities. Results of working group meetings were further analyzed by the Management Board, deciding on action steps for impact and risk mitigation.

ESG RISKS

1. CLIMATE RELATED RISKS

Risk type	Timeframe	Description	Potential financial impacts	Mitigation and management
Transition risks				
Policy & legal				
Inconsistent and changing regulatory framework of green transition	Short-medium term	Changing and unstable political environment and regulatory framework will increase challenges for enterprises to plan long-term investment for green transition	Increased costs, decreased income due to losing competitiveness, non-compliance	Ongoing monitoring of regulatory framework developments, active engagement in elaboration of legal framework
Inconsistent adaption of green transition regulation into Latvian market	Short-medium term	Inefficient application of EU regulatory framework at the national level will negatively affect competitiveness of companies operating in Latvia	Increased costs, decreased income due to losing competitiveness, non-compliance	Ongoing monitoring of regulatory framework developments, active engagement in adaption of EU law and elaboration of local legal framework
Inefficient implementation of CBAM	Short-medium term	Ensuring level playing field for third country and EU enterprises is crucial for reduction of global emissions and economic viability of EU	Decreased income and carbon leakage	Close monitoring of efficient control procedures

Risk type	Timeframe	Description	Potential financial impacts	Mitigation and management
Technology				
Adaption of technologies for carbon capture, transportation, storage and utilization	Medium – long term	Decarbonization of cement production is possible mainly through carbon capture at cement plants and further value chain. Development of these technologies involve many stakeholders, is investment and knowledge intensive, requires strategic long-term planning approach and adapted regulatory framework	Large-scale investment	Early planning, consistent and continuous research, implementation and development of new technologies and work methods
Technological advancement of human capital	Short – medium term	Succesful implementation of new technologies is to a great extent dependent on human competences, knowledge and technological capabilities	Education and training programs, infrastructure and equipment, technologies	Early planning, continuous development, adoption of new work methods, knowledge transfer
Market risks				
Customers' resistance & technical challenges towards transition to sustainable products	Short – medium term	Transition to more supplementary cementitious materials in cement affects the whole outbound value chain and end-products	R&D costs, decreased income, claim management	Investment to adapt new cement types into the market with technological and technical support, education
Supply chain resistance and practical challenges towards transition to more sustainable business and green economy	Short – medium term	Holistic transformation of business practices and transparency in supply chain is important for efficient integration of sustainability practices	Increased costs for supplies, non-compliance	Education, data collection and control mechanisms, supplier diversification
Insufficient availability of supplementary cementitious materials and alternative fuels	Short – medium term	SCMs and alternative fuels are important part of reducing impact on climate from cement production; development of green economy will affect their availability in EU	Research and tests of new materials, investment to introduce them into production, storages	Constant research & development, new technology adaption
Reputation risks				
Lack of awareness among stakeholders about importance of transition to green economy	Short – medium term	Transition to green economy involves new infrastructure, large-scale investment, new knowledge and skills; as in any sizeable change, it is important to engage all stakeholders in the process, educate and implement timely and open communication	Decreased income, increasing investment in stakeholder relations	Open and constant stakeholder dialouge and engagement, education and awareness rising, change management
Challenges to provide smooth transition process to green economy for customers	Short – medium term	Development of new products includes tests and mistakes in the process; it is crucial to mitigate any potential negative impact on customers	Decreased income, increased R&D costs, claim management	Active collaboration with customers in adoption of new products, technical and technological support

Risk type	Timeframe	Description	Potential financial impacts	Mitigation and management
Physical risks				
Acute risks				
Increased severity and frequency of extreme weather conditions (wind, hail, flood, extreme temperature changes within 24h)	Short-medium term	These conditions directly affect work environment conditions, increase health and safety, as well as fire safety risks for people and environment	Preventive measures, adjustments and crisis management	Extension of risk management, organizational and infrastructural changes, additional equipment.
Chronic risks				
Sustained higher temperatures	Medium – long term	Rapidly increasing temperatures affect human health and working capacity, poses heating and fire safety risks in operations	Increased costs to adapt to new circumstances and minimize negative impact, changes in organizational and operational processes	Close monitoring and measurements, early planning and adjustments
Spread of invasive species and bacteria	Medium – long term	More frequent and severe spread of unknown diseases and migration of invasive species will negatively affect human health and safety, operational efficiency and economic viability	Preventive measures, adjustments and crisis management	Close monitoring and measurements, early planning and adjustments

2. SOCIAL RISKS

Risk type	Timeframe	Description	Potential financial impacts	Mitigation and management
Human rights and employment standards over the value chain	Ongoing	Maintaining highest human rights and employment standards is an ongoing task and requires close attention	Ongoing investment to maintain the standards	Constant investment in employee programs, work environment, governance, etc.
Health and safety risks in operations	Ongoing	Production environment poses increased physical and psychological health and safety risk to people; unknown future impacts from new materials, technologies and external environment require even more closer monitoring, early adjustments and prevention	Preventive measures, education, crisis management	Holistic approach to ensuring high standard of health and safety, ongoing education, development and support programs.
Shortage of future workforce in the region	Short – medium term	Decreasing population in Latvia, lack of national immigration policy and uneven spread of inhabitants among regions, as well as undeveloped STEM education increase the risk of employee shortage	Increased human capital costs	Maintaining high standard of employment, ensuring supportive measures for employee education and development
Lack of STEM education capacity nationwide and in the region	Short – medium term	Cement production requires specific technical and technological skills and knowledge; long-term challenges in science education in Latvia put great pressure on companies in need for STEM professionals	Increased human capital costs	Close collaboration with educational sector, employee education and training, attracting highly qualified foreign experts

3. GOVERNANCE RISKS

Risk type	Timeframe	Description	Potential financial impacts	Mitigation and management
Challenges to comply with increasing requirements	Short – medium term	Dynamics of green transition, uncertainties in development of regulatory framework and complexity of adapting future technologies put great pressure on companies	Large-scale investment in uncertain environment and changing requirements	Ongoing monitoring of regulatory framework developments, active engagement in elaboration of legal framework
Non-compliance in supply chain	Short – medium term	Lack of awareness, companies' scale and abilities affect capacity to invest in transition to green economy and sustainable business practices	Increased sourcing costs, non-compliance, education and awareness raising	Close monitoring and control, awareness raising and education, practical support

04 SUSTAINABILITY PERFORMANCE IN 2023



CLIMATE



General overview

Cement production is one of the most emission intensive industries in the world. According to latest (year 2021) data², approximately 7% of Latvia's CO₂ emissions come from cement production. Therefore, reduction of climate impact and CO₂ emissions is among our top priorities.

In cement production process there are two main drivers of CO₂ emissions – fuel determined emissions and raw material determined emissions. The fuel-based emissions constitute 1/3 of the emissions and emerge using fossil and alternative fuel in the kiln. Two thirds of CO₂ emissions are raw material determined. They are bound in limestone and are released while burning processes. While SCHWENK Latvija has achieved almost 100% alternative fuel rate, thus annually improving its performance in reducing fuel-based emission rate, reducing other two thirds is a very complicated and challenging task, as limestone still is one of the core materials used in cement.

² National greenhouse gas emissions inventerization by State Limited Liability Company Latvian Environment, Geology and Meteorology Centre, 2023

SCHWENK Latvija's cement plant in Broceni is one of the modern industry examples in Europe where 95.53% of the fuel used in 2023 is alternative. Its use significantly reduces CO₂ emissions and contributes to enhancing principles of circular economy. 1500°C-2000°C temperature in the kiln prevents any waste and harmful emissions going into the environment and air. All emissions from the main stack are monitored on-line – showing real-time emission results for 11 parameters. Thus, data is available for relevant controlling institutions, municipalities and other stakeholders.

SCHWENK Latvija implements a wide program of activities to reduce consumption of non-renewable natural resources and decrease environmental impact. We perform constant improvements of processes and technologies, heat and modernize buildings, increase efficiency of logistics and use

of alternative fuel. We put great emphasis on implementation of circular economy principles in all production areas and restoration of biodiversity around our quarries.

SCHWENK Latvija puts great emphasis on measuring its climate and environmental impact by gathering a wide range of data and reporting in accordance with international guidelines. Measuring Company's direct CO₂ emissions under Scope 1 is already well-established practice. In 2023 SCHWENK Latvija reviewed its KPI lists in accordance to ESRS standards and extended data collection under Scope 2 and launched the system for data collection under Scope 3 emissions. First steps in data collection from upstream and downstream value chain included CO₂ emissions from main suppliers of fuel and raw materials, as well as from employees' commuting and business travel.

Main projects in 2023

Launch of using solar energy in cement plant

In September 2023 one of the biggest industrial solar parks in Latvia was opened in Broceni by PV Power, a joint venture of energy group AJ Power, BaltCap Infrastructure Fund and alternative investment fund manager AJP Capital. With total capacity of 6.3 MW, it will generate more than 5.500 MWh of green electricity annually that will be fully used by SCHWENK Latvija for self-consumption. Along with this, Company also worked on internal site preparation works and construction engineering for its own solar park with a similar capacity, to be commissioned in H1 2025. Co-funding from the energy efficiency and RES support programme (part of the Recovery and Resilience Facility) has been approved for this project.

Development of new cement types

Since July 2022 SCHWENK Latvija has been working towards development of new cement types with lower clinker factor. In 2023 we continued with ongoing research and industrial tests to finetune the recipe and optimize the grinding process. New CEM II/B cement types with clinker factor 62% – 72% are available for customers since Q1 2024.

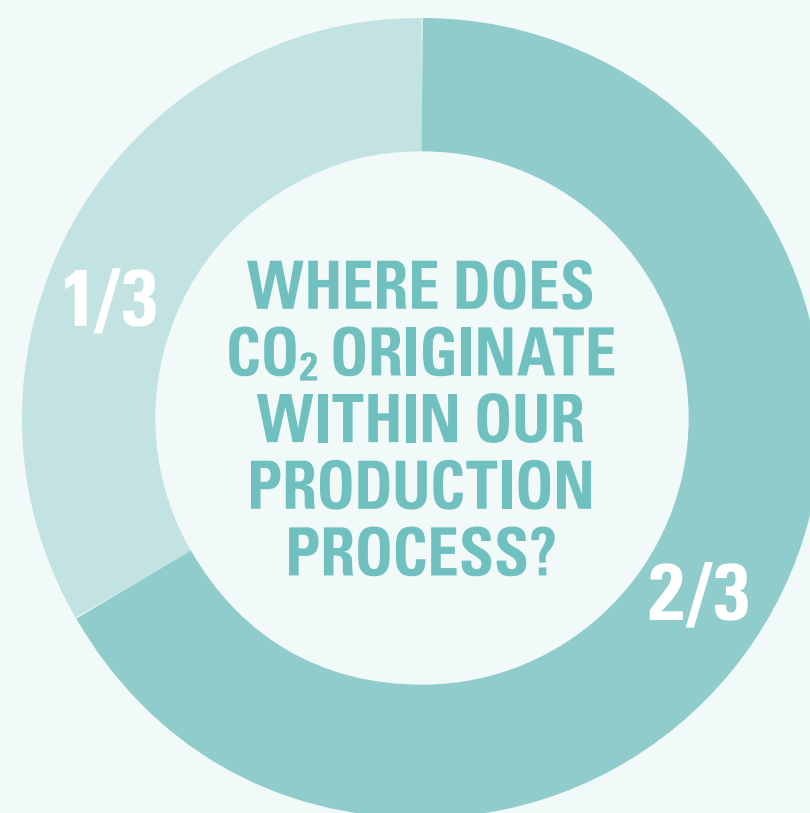
Preparation for several future projects

2023 marked the beginning of another big investment cycle in Broceni cement plant with analysis and feasibility studies, laboratory and industrial tests, project concept design, initial discussions with potential suppliers and financial planning for several big investment projects to be started in 2024. These include further steps towards reaching our clinker factor reduction goal. In 2023 SCHWENK Latvija extended its activities towards development of carbon capture, storage and utilization infrastructure development in the Baltic region. It includes establishment of internal project team for decarbonization of Broceni cement plant as well as active collaboration with external stakeholders in research of future possibilities for carbon transportation, storage and utilization.



FUEL DETERMINED EMISSIONS

The fuel-based emissions constitute 1/3 of the emissions. They emerge through the use of fossil and alternative fuel in rotary kiln.



RAW MATERIAL DETERMINED EMISSIONS

2/3 of the CO₂ emissions in clinker production are raw material determined. They are bound in limestone and released during burning processes:
 $CaCO_2 \rightarrow CaO + CO_2$

CO₂ reduction in production process

Investments in the construction and best available technology and constant improvement of processes in last 14 years have helped us reduce the amount of emissions by 37% or 405 kg per ton of clinker. Already now SCHWENK is one of the industry leaders in the reduction of CO₂ footprint and it is one of the most important investment targets also further. SCHWENK Latvija is a part of the EU Emissions Trading System (EU ETS).

In 2022 SCHWENK Latvija achieved further reduction of CO₂ emissions, reaching historically lowest emission factor per ton of clinker – 0.690 t. In 2023 this figure slightly increased reaching 0.696 t of CO₂ per ton of clinker. The main reason for this is lower biomass rate in alternative fuel mix used in clinker kiln. This is caused by improvements in waste sorting in the region thus providing alternative fuel with less biogenic additives as well as production of specific cement type used in big infrastructure projects. With this performance Broceni cement plant still rates higher than Europe’s 10% most efficient installations, based on latest official available data.

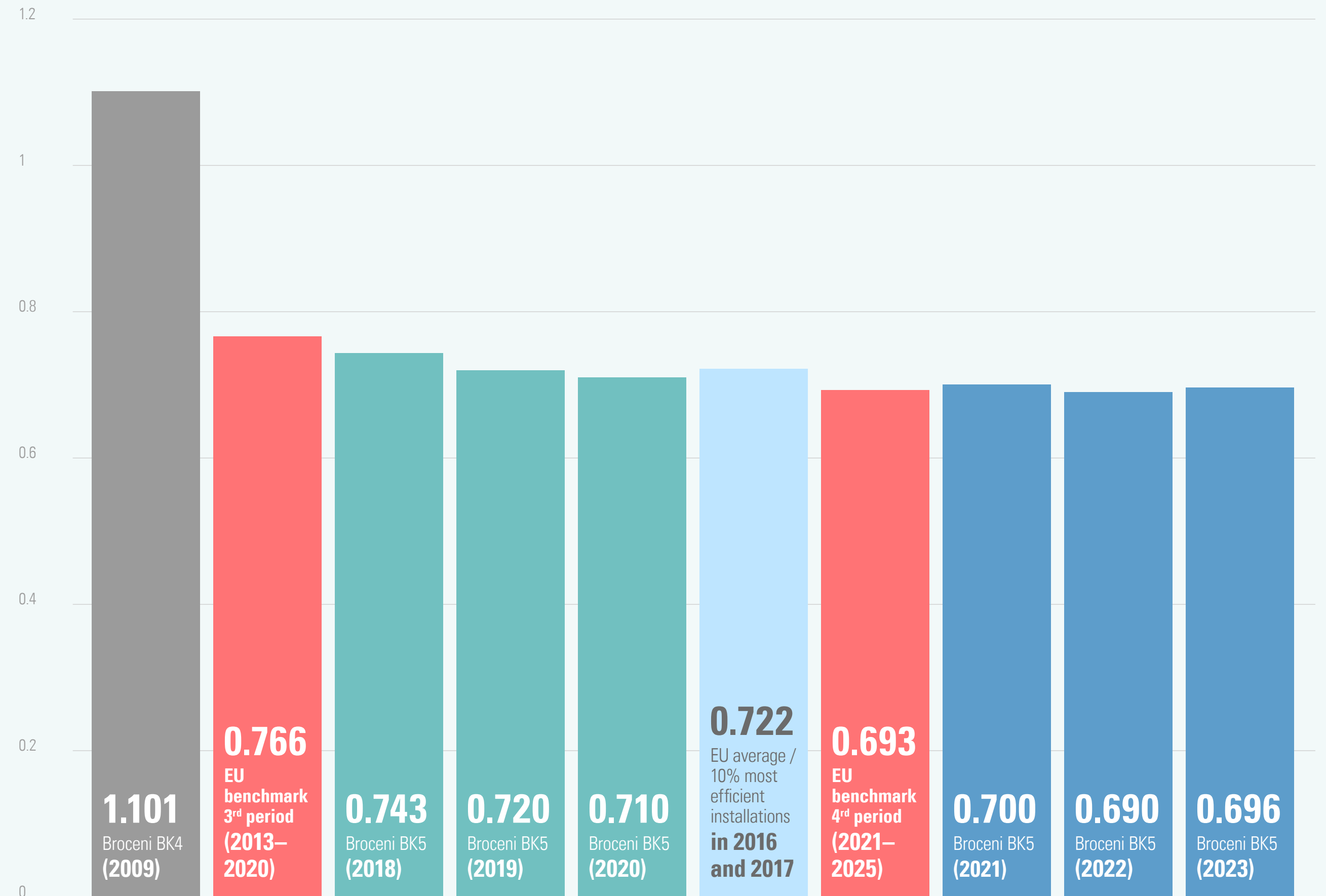
Calculations of Scope 1 CO₂ emissions are based on product quality certificates from suppliers, which provide information about biomass content in each fuel type, and emission factors

published by Latvian Environment, Geology and Meteorology Centre (LVGMC), defined in local legislation and published in open European data base DEFRA.

SCHWENK Latvija Scope 1 emissions include all fuels used in clinker kiln, internal transportation and equipment, refrigerants, alternative fuel and material deliveries to production locations, product deliveries to customers. As the most significant impact comes from clinker production and CO₂ emissions from it are part of EU ETS, The Company has set targets for CO₂ emission reduction in this process. In 2022 SCHWENK Latvija extended data gathering under Scope 1, including also other emission sources. Data for 2023 show emission rate of 0.004 t CO₂ / t of clinker and 0.0037 t CO₂ / t of cement.

CO₂ REDUCTION DYNAMICS IN BROCENI CEMENT PLANT

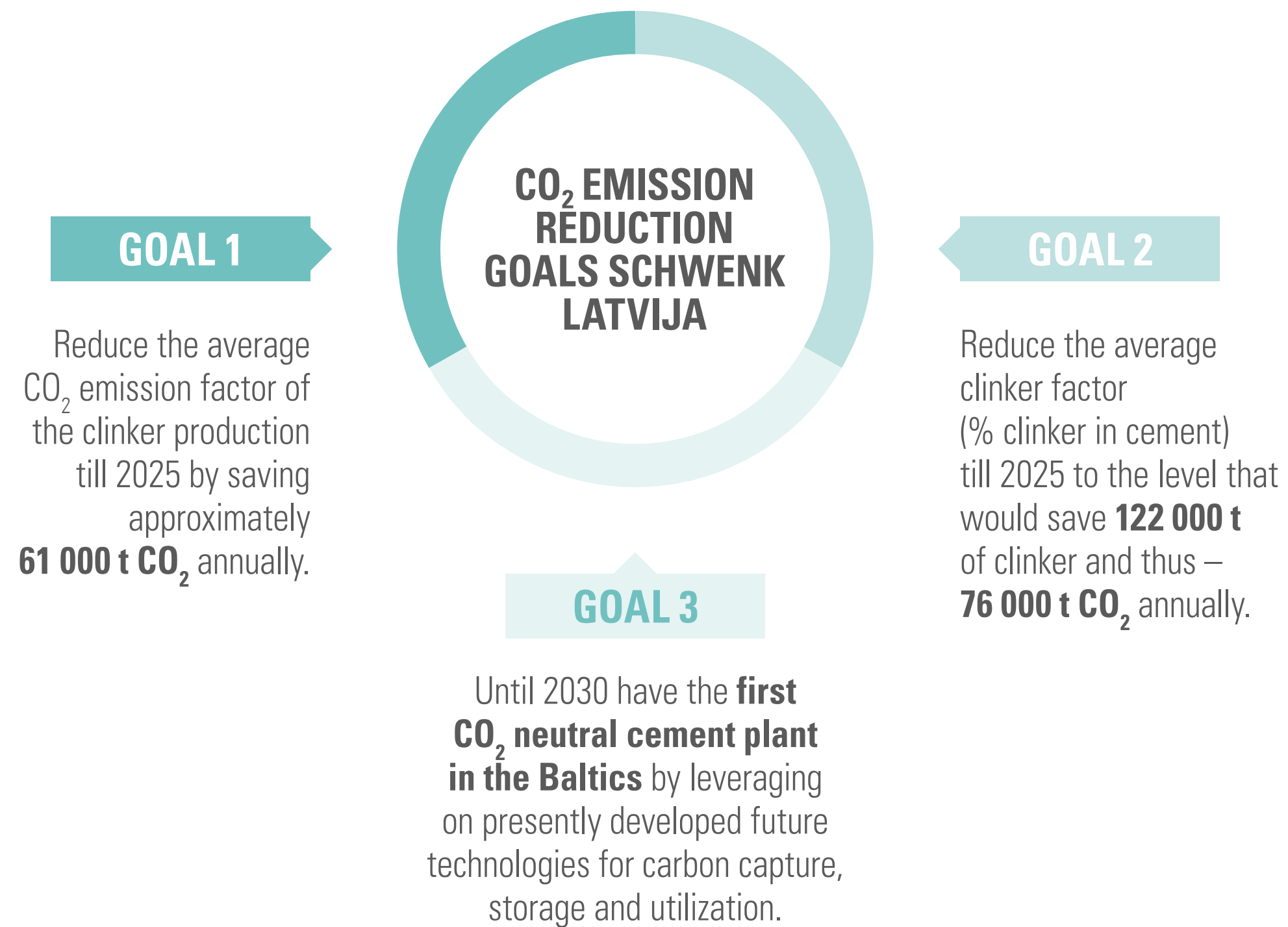
t CO₂/t clinker



Towards climate neutrality – CO₂ reduction roadmap

In 2019, right after the European Commission launched its ambitious strategy Green Deal, SCHWENK group launched its own CO₂ reduction roadmap. By fully supporting European climate goals, we have set and started to implement three climate goals also in Broceni cement plant.

In 2020 SCHWENK Group and SCHWENK Latvija established CO₂ sounding board – forum of internal experts for ensuring implementation of targeted and strategic actions towards climate neutrality. In 2024 Company's CO₂ reduction roadmap will be reviewed and goals – updated.



Goal 1: increased usage of alternative fuel

In production of cement, the limestone is heated in a rotary kiln up to 1500°C-2000°C and these high temperatures can be obtained only using appropriate fuel. Till early 1990ies fuel like coal, heavy oil or gas were exclusively applied. To protect non-renewable resources and reduce CO₂ emissions, SCHWENK is replacing fossil fuels almost entirely with alternative fuels, without affecting cement quality or the environment. Broceni cement plant was launched for operation in 2010, and specifically built for the use of alternative fuel. All fuel is regularly and strictly controlled before it is used in the SCHWENK Latvija plant. Suppliers perform a full chemical analysis of materials in the independent, accredited laboratory and submit the test results to SCHWENK Latvija before deliveries of these materials. Additionally, tests are also performed in our laboratory for each freight delivered to the Broceni plant. Use of alternative fuel is supervised and controlled with the operating console and laboratory, the fuel is stored in modern storages, but ashes produced during the burning process are used in production of clinker. In 2023 3385 laboratory tests were performed on alternative fuel used in cement production.

In 2023 alternative fuel rate reached 95.53% from all fuel used in cement production, which is 1% more than in 2022. Although this seems as a small step, in cement industry this is a significant improvement associated with huge investment and planning. In 2023 alternative fuel used in the plant was specially treated and prepared household and industrial waste (SRF), chipped tires and tire fluff. From all alternative fuels, 30% were locally sourced, which is by 10.5 percentage points more than in 2022. Usage of local alternative fuel, especially SRF, is highly affected by activity of SRF producers in Latvian market. After use of alternative fuel, zero amount of any kind of waste enters environment – production technology ensures that all ash from the kiln becomes part of clinker and later cement. SCHWENK Latvija constantly performs laboratory tests for new types of alternative fuel to evaluate opportunities of fuel mix development. In 2023 laboratory tests were performed for 18 new potential alternative fuels like polluted soil, various types of SRF, tire fluff and others.

TYPES OF ALTERNATIVE FUEL USED IN BROCENI CEMENT PLANT, 2023



SRF

83%



Chipped tyres

6%



Tire fluff

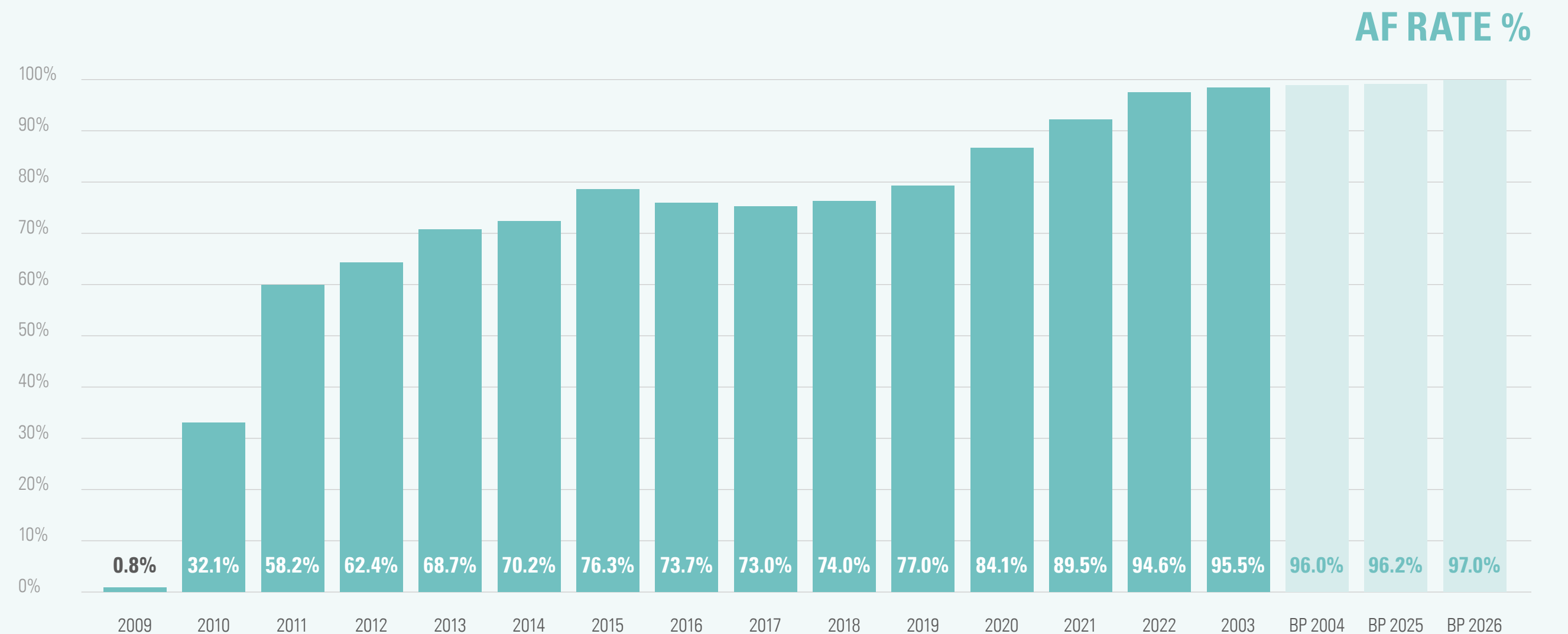
11%

Alternative fuel rate Broceni cement plant 2023

95,5%

↑ 1% more than in 2022

↑ 6% more than in 2021



Goal 2: towards clinker factor reduction

With commissioning of new cement mill in 2022, SCHWENK Latvija made a big step towards the possibility to extend the range of supplementary cementitious materials (SCM). Launch of new cement mill also helped to significantly increase operational and energy efficiency, improve product quality. In 2023 Company focused on laboratory tests for several potential supplementary cementitious materials and new cement recipes – in total 71 test was done, which is almost twice as much as in 2022, when 37 laboratory tests were done. As a result, two new cement types are certified by the first half of 2024. In 2023 the Company started to use natural pozzolanic material as SCM in grinding process and achieved 4% clinker factor reduction on one of the cement types. For future development 19 industrial grinding tests were performed in 2023, testing opportunities to develop new cement types and optimize existing ones. Our future goal is to continuously reduce clinker factor in cement by increased usage of supplementary cementitious materials. Goal dynamics is highly affected by technological capabilities and production process specifics.

Goal 3: towards carbon capture and utilization

Carbon capture, storage and utilization technologies are crucial to decarbonize cement production. In 2023 SCHWENK Latvija extended its activities towards development of carbon capture, storage and utilization infrastructure development in the Baltic region. It includes establishment of internal project team for decarbonization of Broceni cement plant as well as active collaboration with external stakeholders in research of future possibilities for carbon transportation, storage and utilization. Since 2022 SCHWENK Latvija is a part of the CCS Baltic Consortium³ – group of companies working together to develop carbon transportation and storage value chain. An important step was joint work on Project of Common Interest application process for the EU's 6th PCI list. For development of carbon capture at Broceni cement plant, Company started evaluation and analysis to select the most suitable technological options. Technological innovations towards decarbonization are in huge focus also on SCHWENK Group level in Germany. In 2019 four cement producers joined forces and established joint research corporation, CI4C – Cement Innovation for Climate with the aim to realize the joint research project catch4climate to investigate the practical applicability of the Oxyfuel Carbon Capture technology in the cement production process. SCHWENK plant in Mergelstetten, Germany was selected as the project site for development of a pilot plant, where active construction works were done in 2023.



3 CCS Baltic - CCS Baltic Consortium project (ccs-baltic.eu)

CO₂ emissions in the value chain

CO₂ emissions Scope 2

Scope 2 emissions include CO₂ emissions from consumed electricity and heat sourced from external suppliers. In calculations of 2023 Scope 2 emissions for electricity, SCHWENK Latvija used emission factor published by the Ministry of Climate and Energy of the Republic of Latvia. In 2023 SCHWENK Latvija's Scope 2 emissions decreased to 0.007 t of CO₂ per ton cement in comparison to 0.02 CO₂ t per ton cement in 2022. This effect on emission factor is caused by increased availability of green electricity in Latvia. Further emission decrease is planned in 2025 along with the launch of SCHWENK Latvija's own solar energy park. CO₂ emissions from heat are not applicable for SCHWENK Latvija as it is not externally sourced.

CO₂ emissions Scope 3

In 2023 SCHWENK Latvija established the procedure for collecting data for calculations of Scope 3 CO₂ emissions. Out of 15 required categories of upstream and downstream value chain, as first steps SCHWENK Latvija gathered the data from six: purchased goods and services (Category 1), fuel and energy related activities (Category 3), upstream transportation and distribution (Category 4), business travel (Category 6), employee commute (Category 7) and downstream transportation and distribution (Category 9). Calculations were made, based on categories with estimated higher impact. For categories 1, 3, 4, 6 and 7 Company used questionnaire among suppliers and employees. From these categories the highest response rate and thus available data scope was received from employees (Categories 6 and 7). The lowest response activity, as well as data availability comes from Categories 1, 3 and 4 – on average 25% response rate. In Categories 1, 3 and 4 emission factor was calculated based on information received from suppliers and public data bases of emission factors – Clima⁴ and Defra⁵.

⁴ Clima⁴ Data Explorer – Search Global Carbon Emission Factors

⁵ Greenhouse gas reporting: conversion factors 2023 – GOV.UK (www.gov.uk)

⁶ Based on Company data about its consumption and publicly available information about overall national consumption: <https://ast.lv/lv/electricity-market-review?year=2023&month=13>

Energy efficiency and renewable energy



Cement production is one of the most energy intensive industries globally. SCHWENK Latvija is among the biggest electricity consumers in Latvia with approximately 2% of Latvia's total electric power consumption in 2023⁶. Energy consumption is based on specific production processes, including milling, which is one of the most energy intensive processes in a cement plant. Energy efficiency and renewable energy is one of SCHWENK Latvija priorities towards climate neutrality and reduction of Scope 2 CO₂ emissions. SCHWENK Latvija has energy management system certification ISO 50001:2018 and since 2015 – an active energy efficiency work group constantly monitoring energy consumption and developing scenarios for its reduction. All largest consumers of power – devices and plants are equipped with separate power consumption meters. This allows following consumption in detail, analyzing, planning and introducing change of equipment and other improvements. Apart from decreasing electricity consumption, our focus is also finding ways to improve thermal energy efficiency in clinker production, replacing older devices with modern equipment and finetuning the production process.

In 2023 SCHWENK Latvija implemented several projects towards energy efficiency and renewable energy. Most significant electricity savings were achieved in the raw mill area with two separate projects, with more efficient heating in combination with insulation and by optimizing compressed air supply, resulting in more than 0.7 GWh annual savings of electrical energy. In 2022 and 2023 an additional energy efficiency working group was organized to enhance employee engagement in sharing suggestions related to their daily work and changing habits. Work group met monthly to discuss new energy efficiency project initiatives, employees were invited to submit their suggestions through on-line reporting tool Meemo. In total approximately 120 suggestions and ideas were received within the campaign, all of them were reviewed and rewarded. Along with continuous energy efficiency incentives, in 2023 SCHWENK Latvija started solar energy supply from an external solar park in Broceni. Active construction works are ongoing in the cement plant land unit's southern part, with a 6.5 MW solar park scheduled for commissioning in the first half of 2025. Combined these should provide 8-9% of plant's annual power consumption.

Main key performance indicators 2023

climate

KPI	2021	2022	2023		2024
			GOAL	FACT	GOAL
CO ₂ emissions Scope 1, (t CO ₂ / ton of clinker)	0.700	0.690	0.695	0.696	0.694
CO ₂ emissions Scope 1, (CO ₂ t per ton cement)	NA ⁷	0.601	0.600	0.590	0.580
Specific net CO ₂ emissions (CO ₂ t per ton cement equivalent)	0.495	0.472	0.470	0.464	0.463
Specific net CO ₂ emissions (CO ₂ t per ton clinker)	0.569	0.557	0.550	0.547	0.546
AF substitution rate, %	89.45	94.65	95.1	95.53	96%
Clinker factor	87.0	84.7	83.3	84.8	83.6
CO ₂ emissions Scope 2, (CO ₂ t per ton cement)	NA ⁸	0.02	0.02	0.007	0.005
CO ₂ emissions Scope 2, (CO ₂ t per m ³ concrete)	No data	No data	No data	0.00015	0.00015
CO ₂ emissions Scope 2, (CO ₂ t per ton aggregates)	No data	No data	No data	0.0001	0.0001
CO ₂ emissions Scope 3, (CO ₂ t per ton cement)	No data	No data	Start data collection	0.04	Extend data collection
Number of cement types with EPD	4	5	5	5	6

⁷ Before 2022 different calculation method applied, thus data are not comparable.

⁸ Before 2022 different calculation method applied, thus data are not comparable.

ENVIRONMENT



Environmental performance production units

SCHWENK Latvija analyzes its environmental impact in all operational areas. Cement plant in Broceni is among the most modern and environmentally friendly industry examples in Europe with completely closed production cycle – production process does not produce wastewater or other waste. Ash from fuels in the clinker kiln becomes a part of our product – clinker. Plant is equipped with best available techniques (BAT) for reduction of nitrogen oxides emissions (low-NOx burner), selective non-catalytic reduction (SNCR) method is used for decreasing ammonia emissions and fabric filter system for reducing dust emissions. Continuous monitoring system provides tracking of 11 emission parameters, including dust, NOx (Nitrogen oxides) and SOx (Sulphur oxides). All indicators are under the legally required benchmark. Raw materials and fuel are stored in closed storages. More than 50 aspiration installations are installed for dust emission

reduction throughout the process. Biggest emission sources like clay dryer, cement mills, coal mill are equipped with continuous dust monitoring devices.

In 2023 SCHWENK Latvija did not exceed any of allowed emission limit values and constantly maintained all emissions far beyond requirements. However, the Company experienced an increase in SOx (Sulphur oxides) emission rate in comparison to its 2022 data due to production of specific clinker type SR3 required for huge infrastructure projects. In 2023 SCHWENK Latvija started the installation of lime injection best available technique (BAT) for further reduction of SOx (Sulphur oxides) and HCl (chloride) emissions. Its commissioning is planned for June of 2024.

SCHWENK Latvija implements a strict internal waste management system. Waste generated in cement production process like ash and dust is completely recycled and used

as a raw material in cement. In ready-mix and aggregates production the main waste is packaging associated with incoming raw materials and spare parts, as well as waste oils and other technical liquids from equipment maintenance, used tires. In addition, in ready-mix waste is also mixed raw materials, process water, washouts and returned concrete. 18% of water used in ready-mix production is secondary process water. This ratio is highly affected by seasonal conditions – in cold weather this practice is not possible. The Company is working towards a plan to extend the usage of recycled water also in cold weather conditions. Since 2021 almost 100% of returned concrete is used in production of concrete blocks. In 2023 SCHWENK Latvija experienced high demand for this product category reaching the figure of more than 2400 blocks sold. Development of this product was driven by the goal to reduce returned concrete waste and has proven to be very efficient and successful. Production waste recycling is defined in internal procedures.

Other waste generated from daily operations (household waste, construction waste) is sorted and collected by certified waste management companies.

In 2023 SCHWENK Latvija implemented major improvements in ready-mix production by installing a new, modern ready-mix batching plant in Riga with improved energy efficiency and dust emission limitation. The plant is equipped with closed aggregates storage with the de-dusting system, where material reception is done directly from trucks. It will allow further reduction of dust emissions. The storage has six compartments for storage of various aggregates, including secondary aggregates.

According to Articles 57 and 59 of Regulation (EC) 1907/2006 (REACH), SCHWENK Latvija is not using substances of very high concern in its operations.

Nature preservation and conservation

SCHWENK Latvija perform aggregate extraction in six quarry farms in compliance with environmentally friendly quarry maintenance principles and nature reserves – implementing responsible rehabilitation, flora and fauna variety preservation. The Company extracts material only based on production and market demand, leaving the rest of the quarry territory for other usage – as cultivated soil, pasturage or woods. Land is rented to local farmers for agricultural and farming purposes. Our production sites are open for customer and other stakeholders' visits, as well as experts are engaged in educational initiatives in cooperation with customers and schools. We always maintain balance between the manufacturing needs and preservation of natural values. In accordance with Latvian legislation, all SCHWENK Latvija quarries have an approved rehabilitation plan.

Where applicable, rehabilitation takes place already during the quarry development period. Thus, partial rehabilitation is implemented in clay quarry Caunes and limestone quarry Kumas – levelling of soil is performed, and forest planted. The total area reforested in quarry Kumas is 27.74 ha, where over 70 thousand trees have been planted: white alder, black alder, warty birches and firs. In 2023 in quarry Kumas in the area of 4.12 hectares birches and black alder were planted. In 2023 rehabilitation took place also in sand-gravel quarries Nitava and Rudeni, Tukums region, where SCHWENK Latvija operates based on an agreement with third party landowner. In total area of 9.92 ha grassland was restored and freshwater pond created in the area of 5.96 ha. In total SCHWENK Latvija has rehabilitated 18.38% of disturbed land, in 2023 – 5.89% of all disturbed land.

Along with development, underground water drainage is continuously ensured in the quarry. In average 10 000 m³ of water is pumped out and diverted into the Zania River a day. The results of independent measurements on the fish population in the river confirm that the introduction of water increases the amount of oxygen, which has a positive effect on the fish population and reproduction. There are two active biodiversity monitoring programs around our limestone quarry Kumas focusing on bird monitoring and preservation of a protected plant – butterfly orchid. On regular basis we monitor groundwater level around clay and limestone quarries to ensure that quarry operation has no negative effect on water availability on nearby households, the flow of Zania river and impact on nearby Natura 2000 area Satini ponds.



Water and marine

Water consumption is continuously monitored – in cement production process water is not used, for equipment cooling purposes we use glycol system. In ready-mix and aggregates production water is a very important component and our goal is maximum use of recycled water. For ensuring efficient use of wastewater we use recycling units that helps to re-use 18% of water in ready-mix and 90% water in aggregates. The amount of water used in aggregates is directly connected to product demand and portfolio. In 2023 86% of all produced aggregates were washed sand and gravel resulting in significantly higher water usage per ton of materials produced than in 2022 (86.98 l of water per ton of aggregates in comparison to 54.19 l/ton).

Main key performance indicators 2023

environment

KPI	2021	2022	2023		2024
			GOAL	FACT	GOAL
Clinker produced with continuous monitoring on main emissions (SOx, NOx, dust, TOC, HCl, HF, NH3), %	100%	100%	100%	100%	100%
Limit value sulfur (SOX) emissions clinker, mg/m ³	200	200	200	200	200
Sulfur (SOX) emissions clinker, mg/m ³	24.34	18.29	200	39.88	200
Sulfur (SOX) emissions cement, kg/t	0.106	0.086	0.086	0.189	0.086
Limit value NOx emissions clinker, mg/m ³	500	500	500	500	500
NOx emissions clinker, mg/m ³	399.9	377.64	500	386.72	500
NOx emissions cement, kg/t	1.686	1.595	1.595	1.726	1.595
Limit value dust emissions clinker, mg/m ³	20	20	20	20	20
Dust emissions clinker, mg/m ³	8.96	9.75	10	7.51	10
Dust emissions cement, kg/t	0.053	0.065	0.065	0.056	0.060
Dust emissions ready-mix, kg/m ³	N/A	0.016	0.016	0.016	0.016
Limit value mercury emissions clinker, mg/m ³	0.05	0.05	0.05	0.05	0.05
Mercury emissions clinker, mg/m ³	0.00013	0.0024	0.05	0.0028	0.05
Mercury emissions cement, g/t	0.0025	0.012	0.05	0.012	0.012
Environmental incidents with soil contamination					
cement	0	0	0	0	0
concrete	0	0	0	0	0
aggregates	0	0	0	0	0
Quarries with rehabilitation and restoration plan	100%	100%	100%	100%	100%
Rehabilitated land, total % of disturbed	10.5%	12.6%	18.38%	18.38%	NA
Rehabilitated land in reporting year, % of disturbed	5.83%	2.03%	5.89%	5.89%	NA
Water intensity					
cement l/ton	40.37	37.49	38	42.8	40
ready-mix l/m ³	231.41	232.11	207,93	207,93	190
aggregates l/ton	35.9	54.19	86.98	86.98	NA
Water recycled and reused, %					
cement	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
ready-mix, m ³	28%	28%	28%	28%	18%
aggregates, m ³	90%	90%	90%	90%	90%



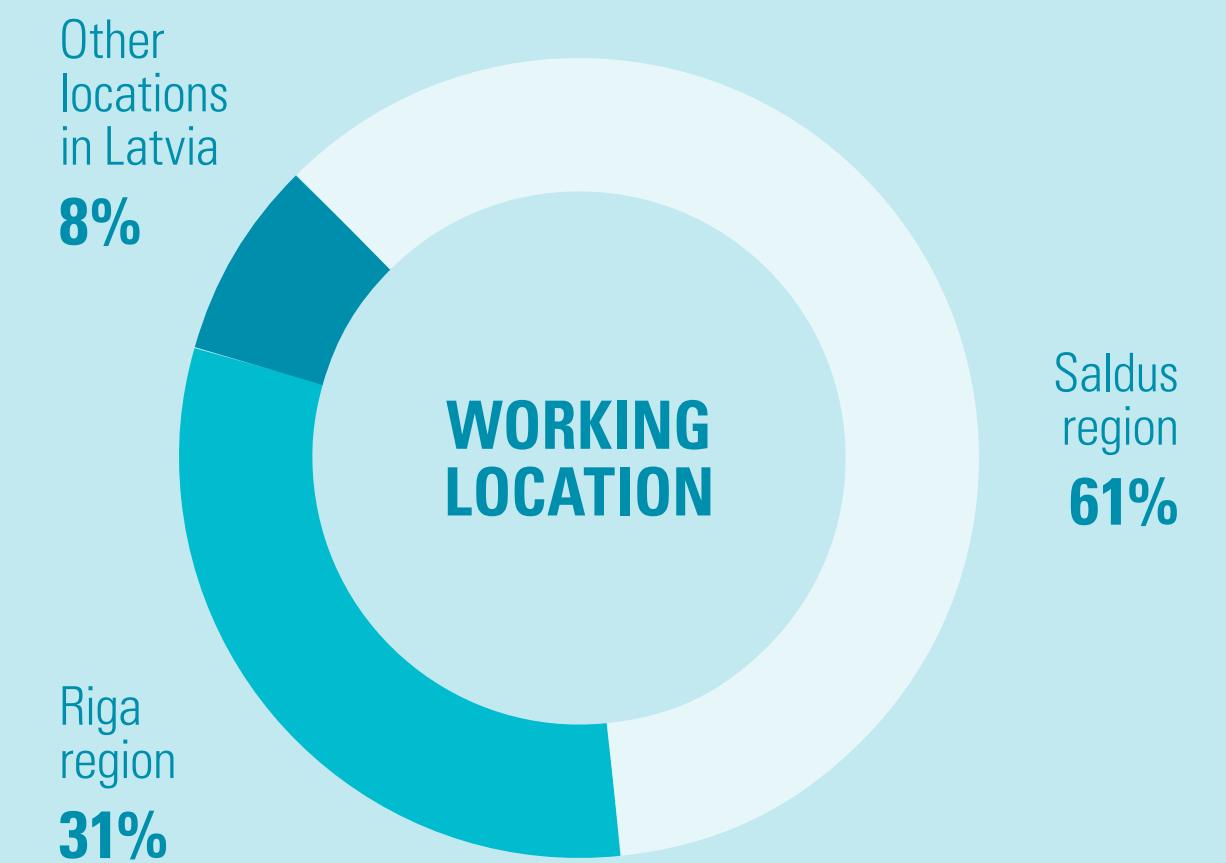
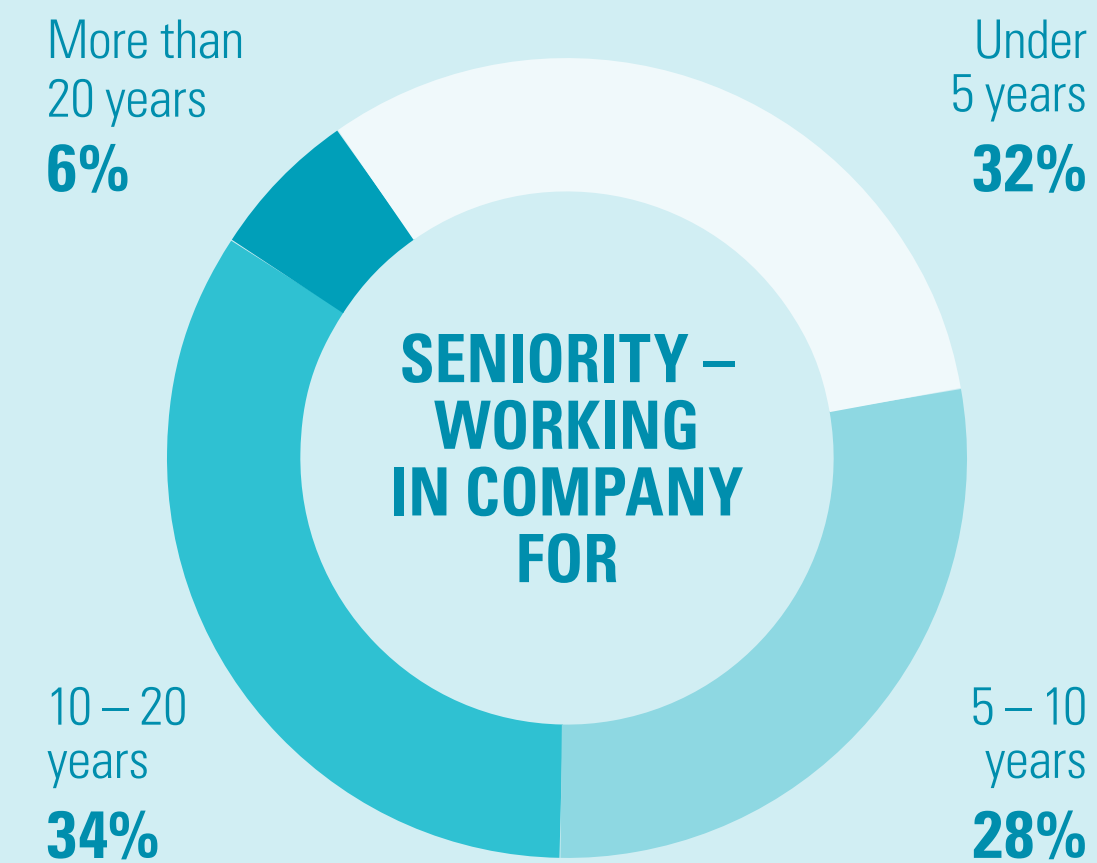
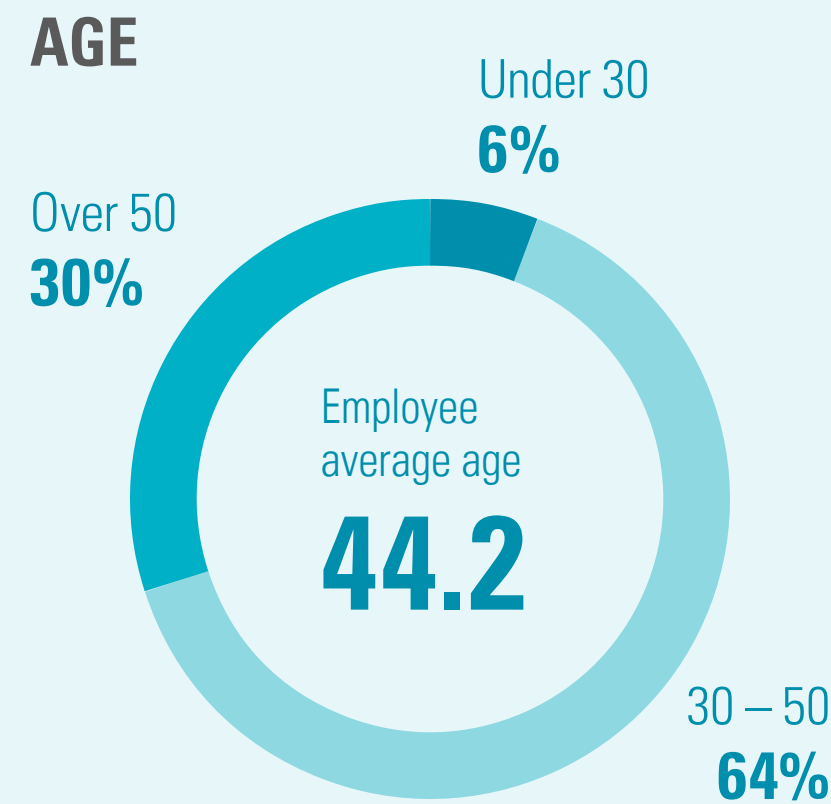
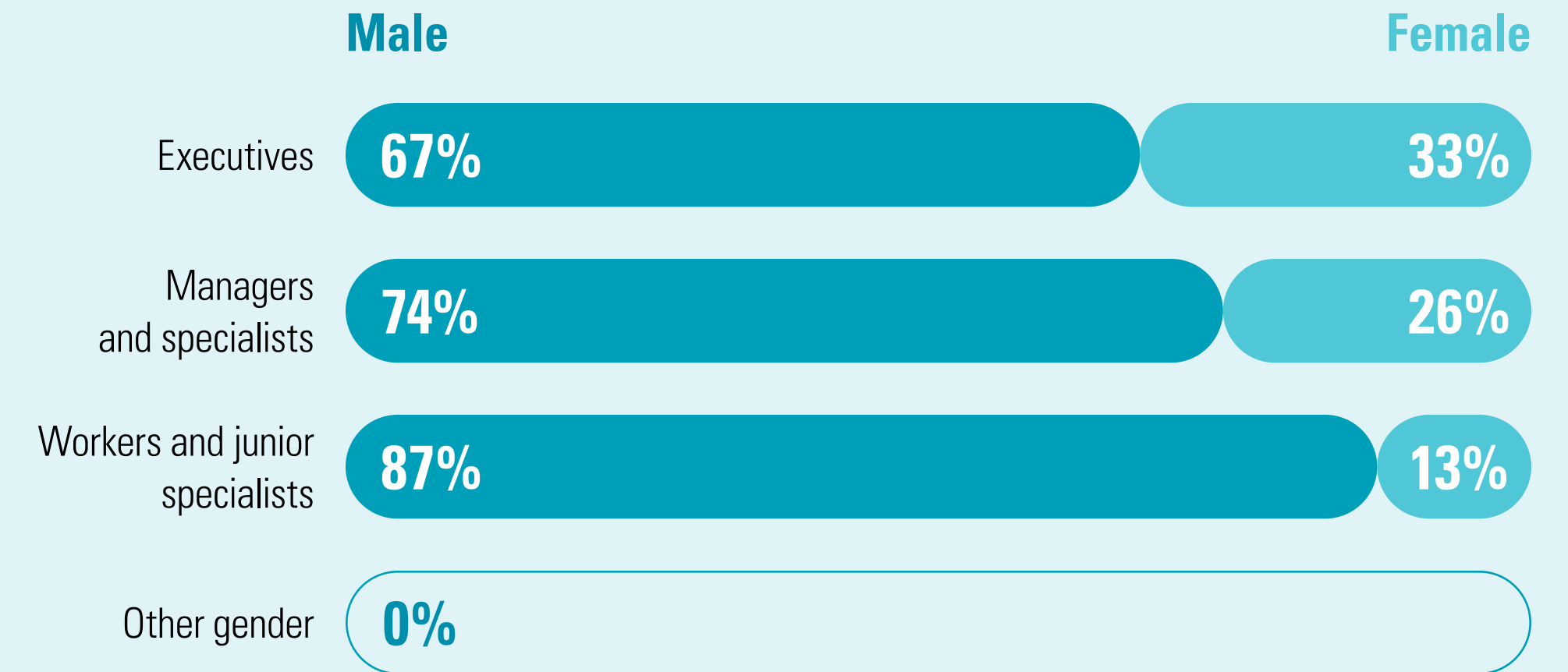
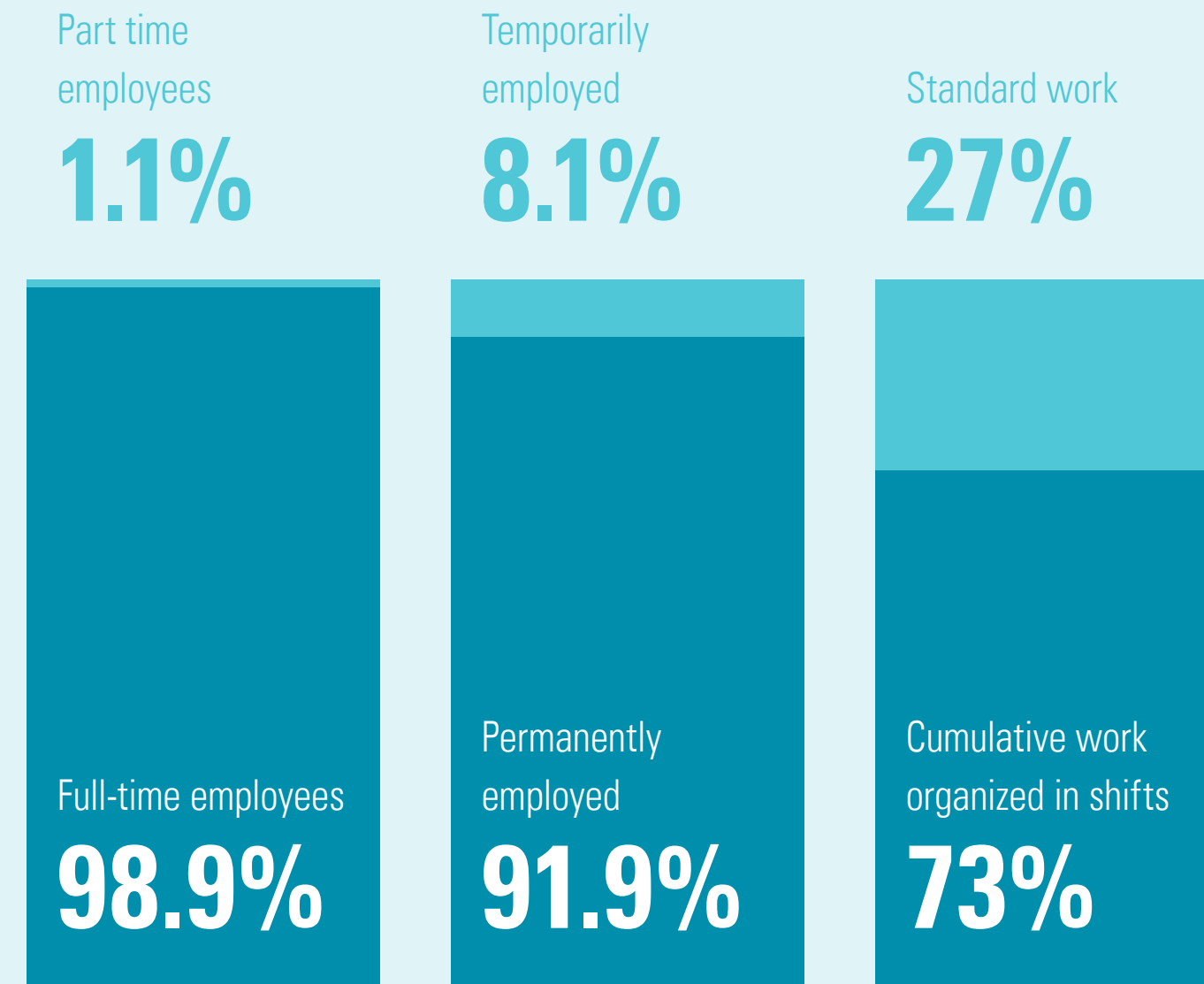
PEOPLE: OWN AND CONTRACTED WORKFORCE

SCHWENK Latvija employees 2023

SCHWENK growth and success are in the hands of our employees. We highly value talents who understand sustainability and fair business principles, are always ready to learn and appreciate health and safety as the main priority of everyday work. In Latvia our team consists of around 360 people working in Riga, Broceni, Talsi, Tukums, Liepaja and Madona. Human rights, diversity and equality are core principles in our team's development, advancement and remuneration. Due to the specifics of heavy industry, on average 83% of company employees are male.

We are proud of a very low attrition rate for voluntary leaves from the company with average seniority being 9.6 years. In 2023 Company experienced the lowest attrition rate in last 15 years – 3.3%. We put great emphasis on career development within a company – all vacancies are initially announced internally. In 2023 all open management and specialist positions were filled by internal candidates.

EMPLOYEE PROFILE



Employee engagement and satisfaction

Engagement surveys

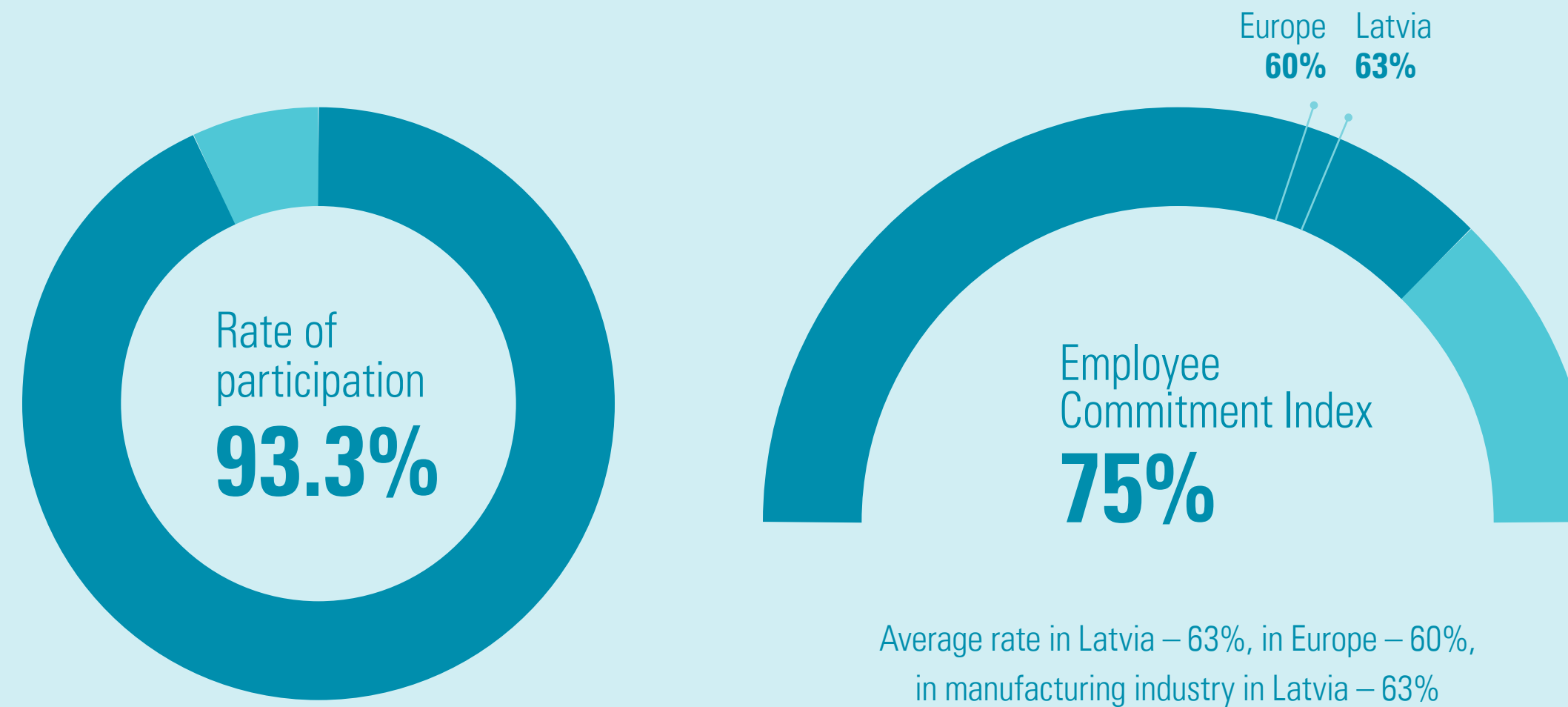
Engagement surveys are done once in two years, covering all company employees. After each survey, results are thoroughly analyzed, and managers discuss them within teams for further improvements of working conditions and employee happiness.

Latest employee engagement and satisfaction survey in Latvia was conducted in 2022, next one is scheduled for 2024. Surveys are implemented in cooperation with independent third-party service provider and using TRI*MTM Employee Commitment Methodology⁹. According to the survey results in 2022, total employee commitment index in the company was 75, which is two index points lower as in 2020. However, this result is still valued as very high in the context of market and industry in general, where engagement drop was faster. General reasons for employee satisfaction deterioration was geopolitical instability, cost inflation and pandemic effects.

In comparison to external benchmarks from the survey company, SCHWENK employee commitment is significantly higher and exceeds the average rates of Latvia, Baltic states, Northern Europe and Europe. It also significantly exceeds the results in Latvian manufacturing sector, as well as exceeds the average results of Latvian companies with more than 250 employees. SCHWENK Latvija's commitment index data dynamics reveal that satisfaction increases with each year of employment.



⁹ TRI*MTM index – Employee Commitment
Measurement expressed in single number, study including five components: overall satisfaction, recommendation, rejoining, motivation of colleagues, performance and market strength.



EMPLOYEE COMMITMENT SURVEY 2022

Highest commitment among employees working more than 16 years

78

Lowest commitment among employees working less than one year

67

Education, evaluation and career development

Our team consists of representatives of around 130 professions, 40% have worked in the company for more than ten years. One of our priorities is to provide the opportunity for employee innovation and growth, we put great emphasis on the continuing education and professional improvement, career advancement within the company. All level employees receive regular performance and career development review as well as have access to professional training programs facilitated both by internal and external experts. Employees are supported with a scholarship in obtaining higher education in engineering sciences.

Around 50 positions are part of succession planning program – targeted initiative of employee evaluation and training in order to provide succession of critical skills in order to provide continuity. Our commitment towards highest standards, stakeholder satisfaction, climate neutrality, as well as operational and energy efficiency have accelerated innovation processes and cross-border collaboration among our expert teams creating strong basis for current and future investment projects. This has resulted in custom-made solutions for our processes, products and equipment ensuring constant development of our people.



SUPPORT FOR UPGRADING EMPLOYEE SKILLS

- professional training
- internal training
- scholarships
- internships
- succession programs



TRAINING PARTICIPATION RATE



Diversity and human rights

Respect for human rights is the cornerstone of our operations. We support and respect the protection of internationally recognized human rights principles – the Universal Declaration of Human Rights and International Labor Organization’s Declaration on Fundamental Principles and Rights at Work, and the ten principles of the United Nations Global Compact.

In our view, the diversity of our employees holds great value, and employees with their unique professional and life experience make a significant contribution to the growth and success of SCHWENK. We undertake to ensure inclusive work environment and equal opportunities for our employees, regardless of location and business unit, and to categorically prevent discrimination against employees based on race, religion, age, nationality, gender, sexual orientation, political views, trade union membership, marital or disability status, and other personal characteristics. Through various benefits and flexible approach to work organization, we thrive to support various employee groups, including women, young parents, seniors and retired employees, people with disabilities and various forms of family institution. In 2023 5% of employees were in parental

leave, from which 82% were men and 18% women. All employees in parental leave returned to their professional duties within the Company. 2% of all SCHWENK Latvia employees are people with disabilities.

We condemn human rights violations in our business, including in the supply chain, and in the operations of our cooperation partners. Our approach on inclusiveness, diversity and human rights, as well as the procedure of whistleblowing are described in Code of Ethics (see page 23). In 2023 6 reports received within Code of Ethics reporting mechanism. All cases were resolved within 8 weeks. Two cases were related to own work environment and employees, four cases – to situations involving external stakeholders. There were no court cases involving employment relationship.



Remuneration

We recruit, hire and promote employees solely on basis of their professional qualifications and experience in the performance of the respective work, and do not allow our decision to be influenced by the personal characteristics or beliefs.

We strive for long-term employment and are proud in our low attrition rate, as well as length of employment in the company for significant part of our employees. The rate of lowest base salary for entry worker in SCHWENK Latvia over country level base salary is 2; the rate of lowest base salary for entry worker in SCHWENK Latvia over applicable benchmark salary in the country – 1.3¹⁰. Comparison is based on equal qualification level and job category, according to the above-mentioned salary survey. In SCHWENK Latvia remuneration is reviewed on annual basis. In 2023 according to the data of State Revenue Service for the companies with at least 250 employees, SCHWENK Latvia rated among TOP 50 highest employment taxpayers in Latvia per person employed.

SCHWENK Latvia stands for equal rights and salary for both men and women. Our remuneration system is based solely on evaluation of competencies, market situation and required skills. General male-female pay gap in SCHWENK Latvia is connected to relatively low number of female workers in Company in general, but relatively higher proportion of women in specialist, management and executive positions. Pay gap by employee structural layers is highly affected by variety of professions and competences – 360 employees in 130 different professions.

All company permanent employees are covered in collective agreement, which is the base for our substantial benefits package. According to Company data, the monetary value of additional benefits is on average 10% of annual salary.

¹⁰ Data about applicable benchmark salary in the country based on the Salary survey 2023 by company Figure Baltic Advisory.

BENEFITS FOR SCHWENK LATVIJA EMPLOYEES

Standard benefits for permanent employees after trial period

Our working regulations include:



- Fair remuneration with all applicable taxes paid, by 5th date of next month
- Open and inclusive work environment in accordance with principles defined in the Code of Ethics
- Zero alcohol and other intoxicants policy in the workplace
- Bonus system for all employees
- Equalized wage throughout the year for employees in positions with aggregated working time
- Flexible working forms and hours, remote work, if possible according to job specific
- Company paid smart phone with unlimited internet connection for daily use*
- Digital systems for employees' applications and communication
- Effective and active dialogue between employees and company, including joint effort for improvements on work environment, risk reporting, whistleblowing etc.
- Partial transport compensation for employees in production facilities
- Partial compensation of energy resource costs in especially high inflation peak periods
- Attractive shift work schedule for employees with aggregated working time in cement production, planned one year ahead - 4 working days + 4 holidays

Additional health related benefits



- Comprehensive health insurance program, including dentistry, purchase of medicines, rehabilitation and sports, psychotherapy*
- Life, critical illness and accident insurance 24/7*
- Regular payment of vision correction products and optical safety glasses for work purposes*
- Paid holidays for employees and family members for health promotion, vaccination*
- Online physiotherapy classes twice a week
- Vitamins for health promotion for all for employees once a year and fruit in the off-season
- Availability of water, tea, coffee in all locations
- Access to disinfectants and face masks
- Several sets of work clothes and personal protective equipment (PPE) for different seasons
- Freely available personal protective equipment at any time in places, where production takes place 24/7
- Mandatory health examination once a year, available at company locations
- During campaigns - medical examinations, counseling and vaccination in the workplace
- Lectures and training on health promotion and maintenance
- Health promotion activities for the whole family during special events

Additional family related benefits



- Three additional vacation days for all employees*
- Paid holidays and/or financial support in special life situations (birth of children, wedding, funeral)*
- Financial support for employees with schoolchildren – financial support for each child's school bag from 1st through 12th grade, paid holiday for the start of the school year from 1st to 3rd grade, paid holiday on graduation day*
- Possibility to purchase health and accident insurance for first degree relatives*
- Interest-free loan in the amount of average monthly wage with repayment term for 12 months**
- Support for setting up a remote workplace*
- Opportunity for children of office workers to stay in parents' working places
- Consultations and practical help in solving personal issues, for example, legal and other kind of advice and assistance
- Christmas gift for employees and their children up to 10 years of age
- Events for employees and families
- Excursions for children to get familiar with parent's working places

Additional benefits related to growth and development



- Regular internal and external training for all employees
- Support for engineering studies, if related to professional development in the company
- Flexible working hours for study attendance
- Paid qualification and competence trainings, vocational retraining
- Opportunities for growth and development within the company

* after three months of employment
 ** after one year of employment

Communication and social dialogue

Ongoing dialogue within Company people is an important part of sustainable daily operations and development. Corporate culture promotes sharing best practices, reporting risks and submitting ideas – open and fair communication throughout the whole structure. In 2023 the focus of employee engagement through ideas was dedicated to energy efficiency.

Employee open dialogues are taking place on regular basis for discussing important topics for each business area, company business results, investment plans and strategy. Company employees are actively engaged in monthly podcast Domu Deglis for interaction on relevant matters concerning Company activities and personal growth. Twice a year all employees meet for bigger celebration – SCHWENK Summer festival and Winter ball. Approximately once per quarter employees are invited to join in various smaller activities, based on interest groups, geographical locations and shared hobbies, for example, national sports and culture events, city festivals, voluntary work etc.

Already for several years all employees in SCHWENK Latvija are provided with a company smartphone and unlimited internet. Company has digitalized the processes of human capital management and health and safety to significantly improve efficiency and information flow. Corporate WhatsApp group is used as the main tool for fast communication of important news and announcement. Apart from that news are circulated in monthly newsletters, on boards and TV screens in all locations.

Regular surveying is implemented on regular basis to indicate employee opinion and preferences on important matters, planned activities etc. Employees are invited to actively engage in various forms of feedback and improvements – mainly submitting suggestions for continuous improvement, energy efficiency and health and safety improvements.

Each employee has the opportunity and right to join Broceni Regional Labor Union. Established in 1949, it has always joined the employees of cement and related industries in Broceni. It has around 90 members – both employees of SCHWENK Latvija and former employees of the industry. We maintain open and constructive dialogue in all matters related to employment and labor rights. Manager of labor unit is actively engaged in employee open dialogues and has regular meetings with company's management.

We maintain ongoing interaction with former employees by engaging them in Company's information channels and events, as well as providing practical support. In 2023 SCHWENK Latvija organized a celebration afternoon for previous industry employees, celebrating 85th anniversary of cement production in Broceni.

FORMS OF EMPLOYEE ENGAGEMENT

COLLABORATION DIRECTIONS

- > Health & safety
- > Ethics, human and labor rights
- > Professional development
- > Training and education
- > Engagement
- > Dialogue and feedback

WAYS OF ENGAGEMENT

- > Bi-annual on-line and on-site open dialogues for all.
- > Regular open dialogues for each business direction.
- > Engagement survey once in two years.
- > Activities and events.
- > Engaging employees in content creation, joint initiatives, voluntary work.
- > On-line and off-line systems for expressing opinion, whistleblowing, suggesting LEAN, H&S and other improvements.
- > Social media accounts in Facebook and LinkedIn, monthly podcast, quarterly print magazine, monthly online newsletter, live screens in all Company locations.
- > Closed group for employees in Facebook platform.
- > WhatsApp group including all employees.
- > Ongoing collaboration with trade union.
- > Ongoing development activities.
- > Extensive bonus system and wide range of collective agreement benefits.

Health & safety and wellbeing

General overview

SCHWENK mission is zero harm – health and safety is our priority and core value. Each day in all our locations and outside them we put great focus on strengthening this value not only on corporate level, but even more as a personal one. We believe that strong corporate leadership and active care can influence individual mindset also outside work, making peoples’ lives better and safer.

In all SCHWENK Latvija locations every day we apply Mission Zero concept – to spend a working day free of accidents and make sure all employees return home to their families safe and sound. This is our joint responsibility – company ensure safe working conditions, personal protection equipment depending on the work specifics, education and training of employees and contractors. On their turn, every employee is aware – safety is the priority of SCHWENK Latvija and everyone is responsible for that with their actions. Employees are actively involved in the improving of work environment –

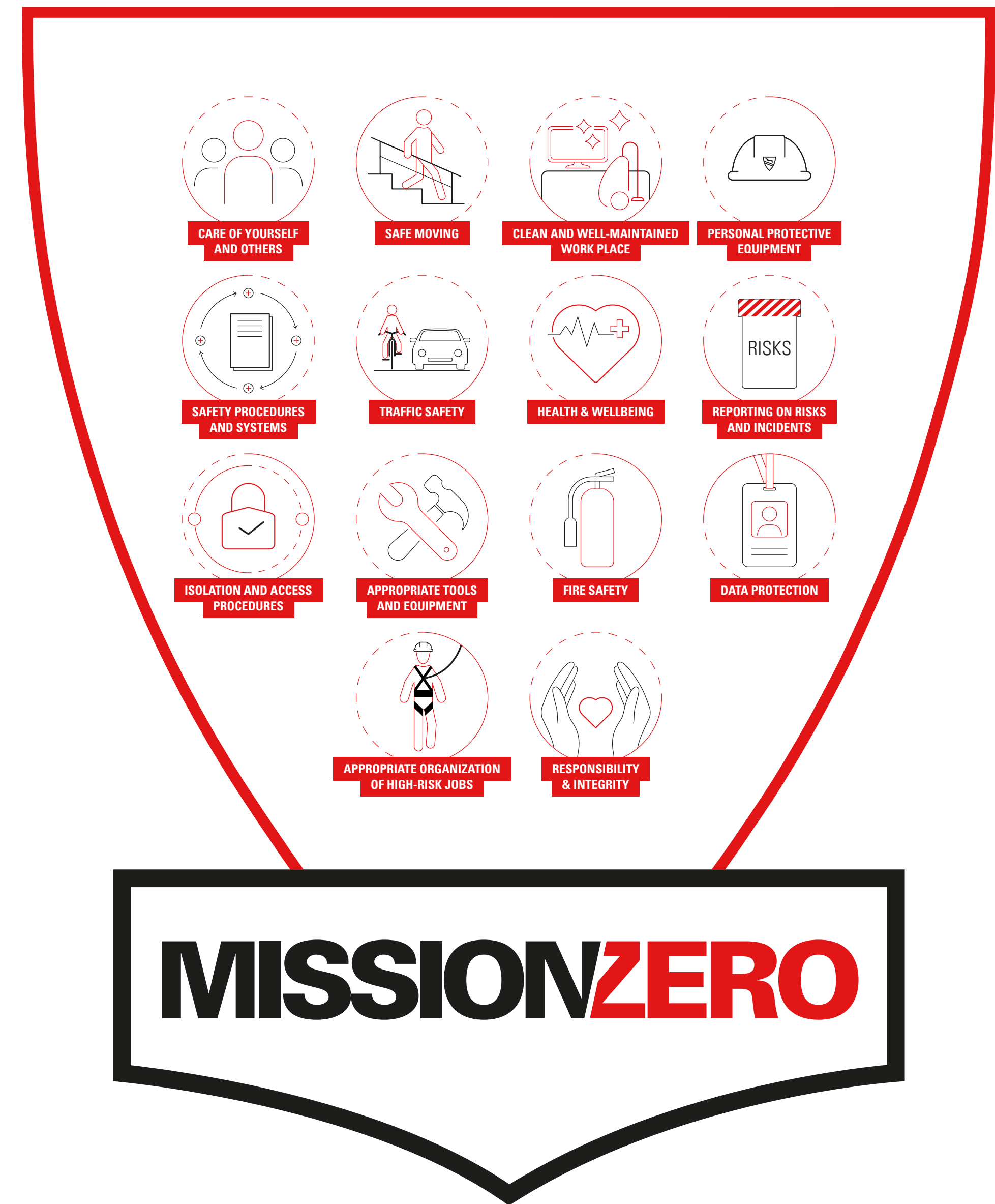
they identify potential risk factors in everyday life and initiate activities for preventing them. Safety violations and endangering others is the most serious violation of the internal regulations of SCHWENK Latvija.

On a monthly basis Health and Safety Committee meetings are organized to discuss issues and possible improvements. The Committee consists of 24 members, including all executives and managers from all operations. Health and safety aspect is included in all employees’ goals and evaluation, as well as there are five positions in the company specifically focused on H&S agenda implementation¹¹.

Our health and safety activities cover a wide range of operational and every-day aspects and are covered in Health & Safety roadmap with 14 elements.

SCHWENK Latvija’s Health & Safety culture and approach refer not only to our own employees, but cover also our contractors and haulers.

¹¹ Director of HCM, H&S and Communication, H&S manager, two H&S specialists, one traffic safety controller.



Tools towards Mission Zero

Holistic Health and safety management system

We work 24/7 in high-risk environment with numerous health and safety hazards. Our H&S management approach is holistic and focuses on prevention and education, risk monitoring and analysis, constant improvements and development. We define and follow highest H&S standards and apply the same approach both for employees, subcontractors and guests. In 2023 Company continued to improve its digital solution, where everyone can follow up and complete necessary tasks to ensure compliance with H&S regulations, including inductions, risk reporting, PPE control, etc. For mandatory actions such as safety induction twice a year, the system is used by 100% of Company employees. By the end of 2023 approximately 65% of all employees were daily users of additional functionalities like risk reporting, PPE management etc. In 2024 the Company's goal is to achieve 100% coverage in daily engagement with the system.

Clear statements, leadership and role model

Health and safety as a core value is embedded in each decision and each action by every employee. It prevails over the amounts produced, miles driven, products delivered. Each employee knows – his and her responsibility is to improve safety, his and her rights are to refuse any work

and avoid any location which may pose risk or danger. This also refers to locations outside the Company. For example, deliveries can be stopped in case circumstances in construction site are not safe. We believe that living the health and safety means living it 24 hours a day and thus making the right decisions at home and at work, being a role model to our family members and colleagues and stopping wrongful actions as we see them.

Education and training

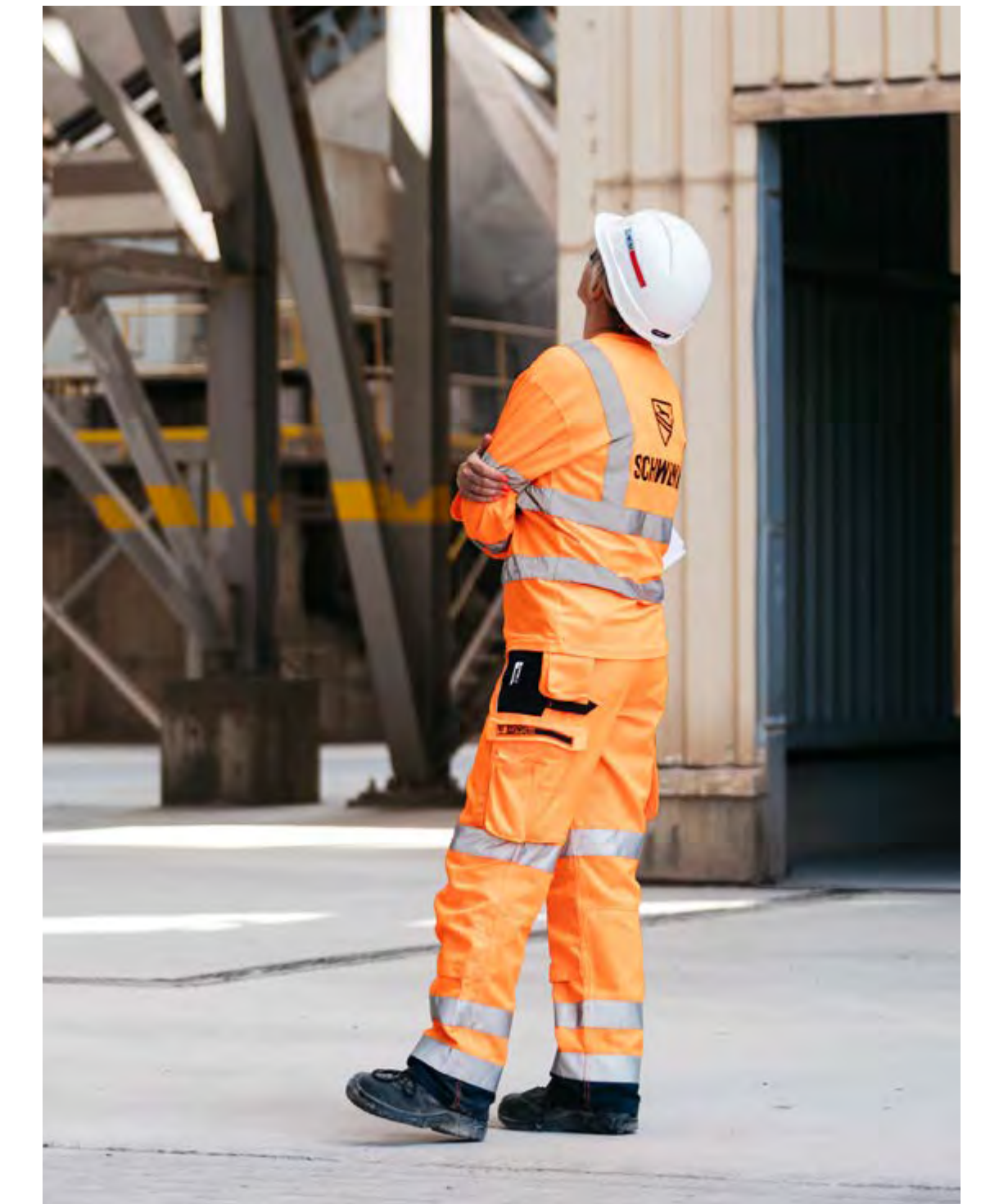
The Company organizes regular H&S induction and trainings for all employees with periodicity of six months for high risks jobs and one year for all, hosted by internal and external lecturers. In addition, employees are invited to participate in various informative seminars and webinars to improve their understanding and awareness on various

health and safety related issues. In 2022 SCHWENK Latvija internal experts started the roll out of extensive training program Mission Zero – full day training for small groups of employees about various aspects of safe behavior, life choices and personal values. By the end of 2023 the program covered 100% of Company staff and was extended to contractors' employees, as well as other stakeholders, for example educational institutions. In 2023 approximately 80% of subcontractors' employees participated in the training, remaining will be rolled-out in 2024. Mission Zero trainings have received only positive references from participants and the Company's goal is to further extend it to other stakeholders. In 2024 SCHWENK Latvija's goal is to launch additional modules of Mission Zero training for the audience of managers as well as additional internal training for usage of defibrillators.



Full set of Personal Protective Equipment

Wearing sufficient PPE is mandatory in all company locations. Each employee receives winter and summer sets of clothing, footwear, helmets, glasses and other PPE's to be used in specific conditions. Company also provides individual optical safety glasses to improve comfort, as well as very specific protection gear for high-risk jobs. Broceni plant has two vending machines with small size personal protective equipment available at any moment, including nights.



Constant risk assessment for working conditions

All SCHWENK Latvija locations are ISO 45001:2018 certified, various H&S and environmental measurements like dust, noise, vibration, chemicals and others are constantly carried out in relevant sites. Company continuously improves working conditions – in 2023 main health and safety related projects include new relaxation room mainly for shift employees in cement plant, fully equipped medical room in cement plant, provision of isotonic drinks for employees working in high temperature zones and environment, Mission Zero training for employees and subcontractors, education on using health and safety internal digital management system Meemo and accident reporting system Rubis.

In 2023 SCHWENK started Health & Safety harmonization initiative on group level, focused on constant experience exchange among countries, integration of policies and processes and development of unified H&S management approach.

In 2023 significant investment were made in improving safety conditions for quarry employees and visitors. For example, road construction and new security premises in limestone quarry Kumas. In 2024 the Company plans wide investment improving working conditions for ready-mix and quarry employees and subcontractors, as well as development of gym in cement plant.

Significant part of potential risks are indicated in Risk reporting system by all employees.

Visible Felt Leadership visits

All executives and managers involved in operations are engaged in Visible Felt Leadership process – it means visiting all production sites on annual bases, specifically focusing on analyzing H&S risks in various locations. Significant part of the process is dialogue with people on site, speaking about daily challenges and needs they have on daily basis. Together with risk reporting system this has been important contributor to maintaining health and safety culture alive. 626 visible felt leadership visits were organized in 2023.

Risk reporting system

A system launched 15 years ago is encouraging each employee or guest at our locations to spot the risks, inform about them and ask for improvement. The system is based on principles of LEAN, where employees can fill in either digital or print risk card. Since the system’s launch nearly 22 000 risk cards have been submitted and thousands of improvements implemented in all our locations. This has significantly helped to transfer health and safety from being only a corporate value to a personal level, raised awareness of possible risky situations in our lives and made our people and company stronger. In 2023 66% of people were actively engaged in submitting Risk cards and our goal is to constantly increase this level of engagement.

Wellbeing trustees

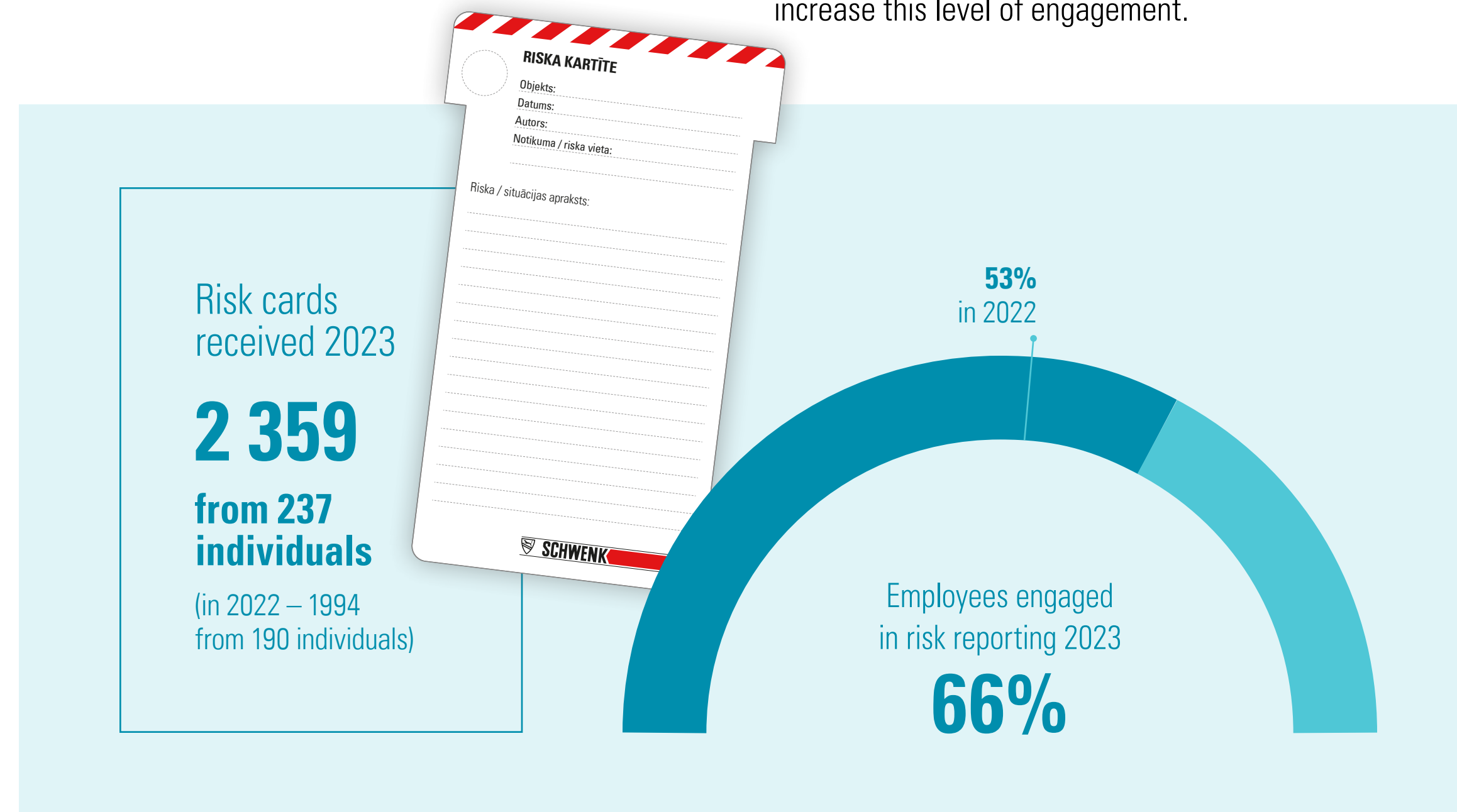
SCHWENK Latvija has developed and maintains the system of wellbeing trustees. Seven employees representing various business units and competencies are specially trained to identify issues and gaps in working conditions and safety. All Company employees are informed about opportunities to consult with them, share their concerns, observations and suggestions about possible challenges and improvements. In 2023 SCHWENK Latvija renewed its Wellbeing Trustee Policy and extended the number of people involved.

Annual health check-ups

Although national legislation defines health check-ups once in two or three years, depending on associated risk evaluation, our requirement is annual health check-up for all employees. We believe that this way our employees can monitor their health situation in a timely manner. In addition to basic health checkup needs, the Company provides also extended opportunities for health-related measurements and consultations with medical professionals. In 2023 employees were able to receive additional consultancy and tests for prevention of cancer and cardiovascular diseases. In the biggest locations Company provides mandatory health check-up at workplace.

Insurance

Health and life insurance is covered for all permanent employees after end of trial period, accident insurance – for all employees from the first working day.



Wellbeing

Apart from insurance program we implement various health and wellbeing activities for both employees during worktime and their family members. Twice a week all employees can join on-line physiotherapy sessions, attend regular educational lectures. Each autumn all employees receive vitamin pack – useful items for maintaining good health during winter season. Seasonal fruit are provided at all Company locations, as well as drinking water, isotonic water supplement, hot drinks, small snacks. All locations are equipped with first-aid, life-saving and health monitoring appliances – defibrillators, blood pressure measuring devices, thermometers, sunscreens, feminine hygiene products, eye rinsing and basic first aid kit. Each summer families of all employees are invited to attend annual Summer festival, which, apart from sports and entertainment activities, include also special part for wellbeing. In case of extreme weather conditions – very high or low temperatures, specific work and rest time procedure is in place. During annual main outage, medical personnel is available at cement plant. Specially equipped medical room is available throughout the year 24/7 and can be used by employees, who are specifically trained to provide first aid treatment. In addition, also relaxation room in cement plant is available 24/7. Certain areas in our biggest production site – cement plant is equipped in accordance to accessibility principles. Production units are equipped with clothing and footwear drying devices. All employees are provided with two paid holidays annually for own or family member's health care or improvement.

With a total investment of 2.5 million euro, in 2023 SCHWENK Latvija opened a new House of Employees in Broceni cement plant uniting people previously located in three separate buildings. It includes office rooms for all



departments working in Broceni cement plant, quality control facilities – laboratory, locker rooms and showers, conference rooms, social and relaxation rooms, medical cabinet as well as inner yard as an extension to the dining room. Extending our effort towards nature friendly mobility, SCHWENK Latvija has increased the number of bicycle stands and launched electric car charging stations.

Support to sports

We support employee participation in various sports events, individual trainings are included in insurance package. By providing secure bicycle stands and showers at our main locations, we support bicycle as preferred choice of daily transport. In 2024 a gym will be developed in Broceni cement plant.

Enhancing Health & Safety throughout value chain

We strive to be ambassadors of H&S as a core value of each living person and spread this belief also among our customers, cooperation partners, community and other stakeholders. We constantly organize experience visits from other companies to mutually learn and inspire for a safer work environment as well as participate in workshops

and conferences to share best practice and challenges. In 2022 SCHWENK Latvija launched social national-level initiative Mission Zero, inviting other employers to join effort and thrive for zero accidents at workplaces. More information about the initiative – in page 78.

Number of people involved in H&S committee

24

Number of employees represented in H&S committee

100%

Number of **employee training** hours on H&S

3 837

Number of **subcontractors' employee training** hours

3 039

Scope of employees and contractors covered in H&S trainings

100%

Injury and lost days

In 2023 SCHWENK Latvia employees experienced one lost time injury (LTI) and four non-LTI's. Lost time injury was related to SCHWENK Latvia employee suffering a wrist injury in customer's site. Among subcontractors one non-LTI in SCHWENK Latvia location was registered in 2023. All aforementioned cases and near miss incidents were thoroughly analyzed, and further measures were launched in order to prevent such cases in the future. All incidents can be classified as mild, and all people recovered completely. Although these results do not reach our target – Zero Harm, the situation is significantly better than in 2022, when with five LTI's Company registered a historically highest rate since 2010. The LTI rate, indicating number of LTIs per one million working hours, in 2023 was 1.6. In comparison – according to Europe Cement Association's (CEMBUREAU) data from 2022, an average frequency rate of LTI's for directly

employed in cement industry in European Union member states is 5.25.

We are constantly monitoring the rate of sickness days and put greater focus on long-term sick leaves to identify opportunities to support employees in their health-related struggles. In 2023 we experienced 2949 sickness days, which is significantly lower than in 2022 (4000 lost days largely affected by Covid-19 effect). However, in long-run Company monitors growing trend of annual sickness days, mainly due to ageing employee profile.

Although in 2023 Company operations were not affected by wide spread of virus diseases, maintaining best practices launched during pandemic, Company still implemented virus spread control measures like increased hand washing and sanitizing options, rapid testing, body temperature measurements, face mask availability, etc.



Main key performance indicators 2023 people: own and contracted workforce



KPI	2021	2022	2023	2024
			FACT	GOAL
Diversity				
Gender, %				
male	83%	83%	83%	
female	17%	17%	17%	
other	0	0	0	
Male				
executives	71%	67%	67%	
managers and specialists	73%	73%	74%	
workers and junior specialists	87%	88%	87%	
Female				
executives	29%	33%	33%	
managers and specialists	27%	27%	26%	
workers and junior specialists	13%	12%	13%	
Age groups, %				
Under 30	9%	7%	6%	
30-50	62%	64%	64%	
Over 50	29%	29%	30%	
Persons with disabilities employed				
male	6	6	7	
female	100%	100%	100%	
other	0	0	0	



Remuneration and satisfaction

	2021	2022	2023		2024
			GOAL	FACT	GOAL
Employee Commitment Index	77	75 index points	75 index points	75 index points	75 index points
Ratio of lowest base salary for entry worker in Company over country level base salary is	2.14	2.18	2.00	2.00	
Ratio of lowest base salary for entry worker over applicable benchmark salary in the country	NA	1.28	1.18	1.18	
Male-female pay gap					
General	NA	109%	112%	112%	
Executives	NA	79%	82%	82%	
Managers and specialists	NA	90%	98%	98%	
Workers and junior specialists	NA	91%	90%	90%	
Attrition rate – voluntary leaves		4%	3.3%	3.3%	5%
Employees covered in collective bargaining agreement, %	100%	100%	100%	100%	100%
Average training hours per person annually	7.9	12.3	10	11.9	10
male	8.1	12.6	10	14	10
female	6.8	10.6	10	18	10
executives	17.8	9.2	10	15.6	10
managers and specialists	9.6	13.7	10	16.7	10
workers and junior specialists	6.4	11.6	10	12.6	10

Engagement in work environment improvement

Count of H&S risk cards	1757	1994	2000	2359	2000
Employees engaged, %	48%	53%	60%	66%	80%
Risk cards resolved, %	84%	80%	85%	80%	85%
Count of Code of Ethics reporting	7	8	6	6	
Cases resolved, %	100%	100%	100%	100%	100%



	2021	2022	2023		2024
			GOAL	FACT	GOAL
Health and safety					
LTI's					
employees	2	5	0	1	0
contractors	2	0	0	0	0
Non-LTI's					
employees	2	2	0	4	0
contractors	0	1	0	1	0
Transport incidents					
employees	0	0	0	0	0
contractors	0	0	0	0	0
Transport incidents					
Light (blameworthy)	8 (5)	8 (2)	0 (0)	12 (7)	0 (0)
Major (blameworthy)	2 (1)	3 (3)	0 (0)	0 (0)	0 (0)
Lethal (blameworthy)	1 (0)	1 (0)	0 (0)	0 (0)	0 (0)



IMPACT ON LOCAL COMMUNITIES

Measuring our impact, maintaining open dialogue and close cooperation with neighboring communities is an integral part of SCHWENK Latvija daily activities. We believe in the power of Latvian regions, local communities and importance of social responsibility. We put great emphasis in providing daily operations with as less impact on neighbors as possible, strive to implement initiatives that improve environment, quality of life, accessibility of education and individual responsibility. Our community support program includes financial support to community projects, collaboration with local producers and creatives, charitable donations, voluntary work, engineering and technical education scholarships and community events.

Measuring impact

Our biggest location with most significant impact is cement plant, located in Broceni, Saldus region. Advanced technologies, high safety and environmental standards completely closed production cycle and responsible overall attitude help to reduce possible negative impact as much as possible. No harmful emissions or wastewater go into air or soil. Closest neighbors of cement plant are people living in Broceni – population of nearly 3000 people. Important stakeholder is also closest communities living around SCHWENK Latvija quarries, especially quarries of our raw materials, where operations and transport traffic are most intense – limestone quarry Kumas and clay quarry Caunes. To ensure silence during nighttime and safety of our haulers' employees, production and deliveries of limestone are done only during daytime. During peak periods clay is extracted and transported 24/7 according to production schedule. Geographical location of the quarry ensures that no neighboring households are directly affected by noise or other production effects. Significant common issue around quarries is state and municipal road quality. For transporting clay and limestone to provide 24/7 cement production, approximately 250 journeys by cargo vehicles are performed daily from limestone quarry to cement plant and 136 – from clay quarry to cement plant. The Company regularly monitors driving conditions, following

its traffic flow's impact on road cleanliness. In case of increased mud or dust during long periods of rain or dryness, respective cleaning activities are provided in cooperation with responsible state and municipal road operators. SCHWENK Latvija implements ongoing dialogue with state and municipal institutions to enhance road modernization and renovation.

We have several ongoing monitoring programs for measuring quarrying impact on local ground-water resources and we take relevant action in case of any issues. In 2015 the Company provided 3 well deepening for 3 households who faced challenges with water availability.

Apart from above mentioned neighbors in Broceni and around raw material quarries, our community stakeholders also involve neighbors in other production locations: around quarries in Talsi, Tukums and Madona region, ready-mix plants in Riga. In 2023 SCHWENK Latvija started the first activities and stakeholder relations in newly acquired dolomite quarry in Iecava, Bauskas region. Quarry preparation works are scheduled for the second half of 2024 with full time operations starting in 2025, but now the Company implements active communication and dialogue.

In the last years SCHWENK Latvija has organized several open dialogue meetings with neighboring communities around existing or developing quarries. In April 2023 we organized first general open dialogue, covering all groups of relevant stakeholders and gathering 50 participants. During the meeting the Company's sustainability strategy was discussed and developed, including impact on climate and environment, social aspects, as well as governance and industry. In 2024 the Company intends to organize at least one open dialogue for a dedicated stakeholder group, focused on specific issues.

Contribution to economic activity in the region

SCHWENK Latvija operations in Saldus region provides employment to approximately 600 people in various fields – starting from haulers and long-term partners working in cement plant, to cooperations with service providers in events etc. We believe that economic growth is one of the most important aspects of regional development. Together with 24 other entrepreneurs in Saldus region, SCHWENK Latvija is an active member of Saldus Entrepreneurs Club, focusing on economic growth, boosting community engagement and education. When possible, SCHWENK Latvija invites local community organizations, small enterprises and individual artists for cooperation in events, choose local crafts as gifts for our partners and friends and are constantly looking for other ways to improve local prosperity and welfare.



Donations

We are proud of the material we produce and happy to support projects and ideas with cement, concrete and aggregate supplies. From 2020 to 2022 SCHWENK Latvija supported the renovation of historical building of Agenskalns market in Riga, supplying nearly 500 m³ of concrete. There were no major donations in 2023.



Science education support

In 2023 SCHWENK Latvija supported a science education program in Saldus primary school. It included 37 lessons over the academic year, involving approximately 1000 children from the whole region, who were able to attend additional science classes dedicated to various topics. At the end of the project, SCHWENK Latvija's experts attended an open class and introduced schoolchildren to environmental aspects of our industry, as well as production process of cement and concrete.

Every year we provide support to youth of Saldus region who see their future in the native region and want to obtain technical or university education in engineering sciences

in any of education schools of Latvia. Graduates can apply for the scholarship each year in September in cooperation with RTU Development fund. Apart from that SCHWENK Latvija experts regularly support school youth from Broceni Secondary school in development of scientific works. SCHWENK Latvija has a long-term collaboration with children and youth technical non-formal education initiative Ripo Auto. Company regularly supports annual competition of young technicians, this year gathering record number of attendants – around 200 children from all over Latvia. In 2023 we supported erudition competition in Broceni secondary school, providing prizes.



Cement production legacy

As the only cement producer in Latvia and successor of a company with a history of more than 85 years we feel a sense of a mission for maintaining cement production legacy in Broceni alive. In previous years SCHWENK Latvija has technically supported gathering of historical material about Broceni and cement industry's history as well as launched silver coins honoring long-term cement production employees. In 2023 celebrating 85th anniversary since beginning of cement production in Broceni, SCHWENK Latvija organized an event for industry former employees, inviting them to cement plant. Altogether approximately 40 people attended to share memories, learn about present days in cement production and celebrate. In May 2023 SCHWENK Latvija traditionally participated in Museum



nights, organizing unique opportunity for community members to visit the biggest limestone quarry in Latvia – Kumas. During the day approximately 200 people used this opportunity.



Voluntary work

Each year we gather for voluntary work-day in order to support local community organizations and institutions with practical help. In addition, people from various departments are engaged in supporting schoolchildren and students in their science projects, participating as evaluation committee members in community project competitions, as tour guides and hosts during community events. In 2023 engagement in voluntary work returned to its pre-pandemic levels – approximately 24% of Company

employees were engaged in at least one form of voluntary work. Total human hours dedicated to this was approximately 450. In 2023 voluntary work activities included employee participation in Museum Night 2023 in Saldus region, joint workday in Liezeres primary school in Madona region, activities in various professional organizations, guiding tours for cement plant guests and contributing to national social initiative Mission Zero.

Community support

In 2023 SCHWENK Latvija continued to organize community project competition for supporting initiatives benefiting people in Saldus region. Project calls have been organized for more than ten years already, supporting numerous projects and initiatives from the local community. Instead of setting clear boundaries for project types and areas, we trust that people are those who know their community's needs the best. From Company perspective is important that ideas support community development and foster our values, as well as are implemented according to high ethical, health and safety and human rights standards.

In 2023 15 project applications were submitted and presented, 4 project teams received financial support – development of sundial in the yard of Saldus History and Art Museum, establishment of bicycle maintenance station in Saldus city, support for community activation events' series Zelta Lāpsta and business education support for families raising children with special needs. Funding distributed was approximately 15 thousand euros.

Main key performance indicators 2023

impact on local communities

KPI	2021	2022	2023		2024
			GOAL	FACT	GOAL
Stakeholder dialogues	0	0	1	1	1
People engaged in voluntary work, % from all employees	2%	6.5%	10%	21%	20%
Voluntary work, human hours	190	310 h	500 h	550 h	500 h
People directly positively affected by social investment programs	NA	10 500	50 000	49 000	50 000
Social protests and legal claims against Company	0	0	0	0	0

CONSUMERS AND END USERS



General overview

SCHWENK is one of the most innovative building materials producers in Europe and strives to be the leading in sustainable business practice. With responsibility towards environment, global resources and people, we produce highest quality building materials for a broad range of customers. Our environmental standards are one of the highest globally. We constantly monitor the impact of manufacturing on the environment, implementing various environmental protection and preservation activities. We care for preserving of global resources and it is pictured in our sustainable business strategy and responsibly manufactured products. Almost all of our raw materials are locally and responsibly sourced,

reducing logistic network and therefore – fuel consumptions and emissions of the motor transport.

Our product range includes bulk and packed cement, ready-mix, sand, gravel and their mixes, as well as soil liming material used in agriculture. Approximately 60% of cement and 12% of aggregates are exported, other materials are produced mainly for the local market.

Our customers are very important stakeholders, with whom we maintain an open and collaborative relationship and engagement. They represent various business areas – industrial producers, retailers, individuals, road construction companies, builders and developers.

Responsible customer relations

SCHWENK Latvija maintains regular and close relationships with customers and constantly measures their sentiment and engaging in decision making. Depending on business direction, we implement several customer surveys annually and measure Net Promoter Score (NPS). They cover questions like communication with sales people and service providers, delivery, product quality, packaging quality, availability of information about the product and its use, purchasing and delivery process.

Through various initiatives, platforms and activities we maintain open dialogue and constantly engage all our customer segments in further decision making. In 2023 forms of engagement included – direct meetings and discussions; educational seminars and webinars on matters like product development and quality, responsible use and sustainability; special events and customer survey.

Customer survey in 2023 was implemented in November and covered all our customers in segments of cement, aggregates for industrial clients and soil liming material SCHWENK Agro in Latvia, as well as cement customers in Estonia. Customers expressed their opinion, rating four aspects of collaboration – product, performance of sales department, purchase and delivery process and SCHWENK as a cooperation partner.

Response rate among cement customers was 42%. The average rating of all aspects was over 9 points in scale of 10. Looking into more detail, most highly evaluated areas were

politeness and kindness of sales people – 9.5 points, order process and delivery quality, compliance with delivery time, attitude of customer service staff, accessibility of SCHWENK contact people and availability of product information – 9.3 points. The lowest rating was 8.8 points for packaging quality of cement pallets. In general, SCHWENK Latvija values these results as very good and the action plan for year 2024 is focused on maintaining high quality customer service, open dialogue and proactive approach in problem solving.

Among industrial customers for aggregates and SCHWENK Agro response rate was 51. Results were similar as in cement customers – the average rating of all aspects was over 9 points in a scale of 10. The most highly evaluated area was responsiveness of the sales person with 9.7 points, lowest – 7.4 for importance of being recognized as cooperation partner of SCHWENK Latvija. Nevertheless, SCHWENK Latvija as collaboration partner is rated very highly – with 9.3 points. Action plan for customer relations in 2024 includes several practical improvements in product quality and delivery (closed product storages to reduce moisture, improvement of scale accuracy), as well as maintenance of open dialogue and ongoing improvements and problem solving.

In 2023 SCHWENK Latvija implemented customer survey also among customers in Estonia, where response rate was 56%. With an average result of 9.6, the highest ranking was 10 points for communication, politeness and kindness of sales representatives. The lowest ranking was 8.9 for professionalism and politeness of truck drivers.

These customer segments participated also in NPS score survey and valued SCHWENK Latvija with high rate of 91 (in 2022 – 80) points for cement collaboration in Latvia and 98 points for Estonia, 80 (in 2022 – 65) points for aggregates and SCHWENK Agro. Rapid improvement of results in 2023

versus 2022 can be explained by the fact that 2022 was a year with many external crises and challenges, including war outbreak in Ukraine, high uncertainty, inflation, rapid increase of energy and supply costs affecting the whole value chain of building materials production and usage. In 2023 the situation was more stable and predictable.

For customers of ready-mix no survey was implemented in 2023, it is scheduled for summer of 2024.

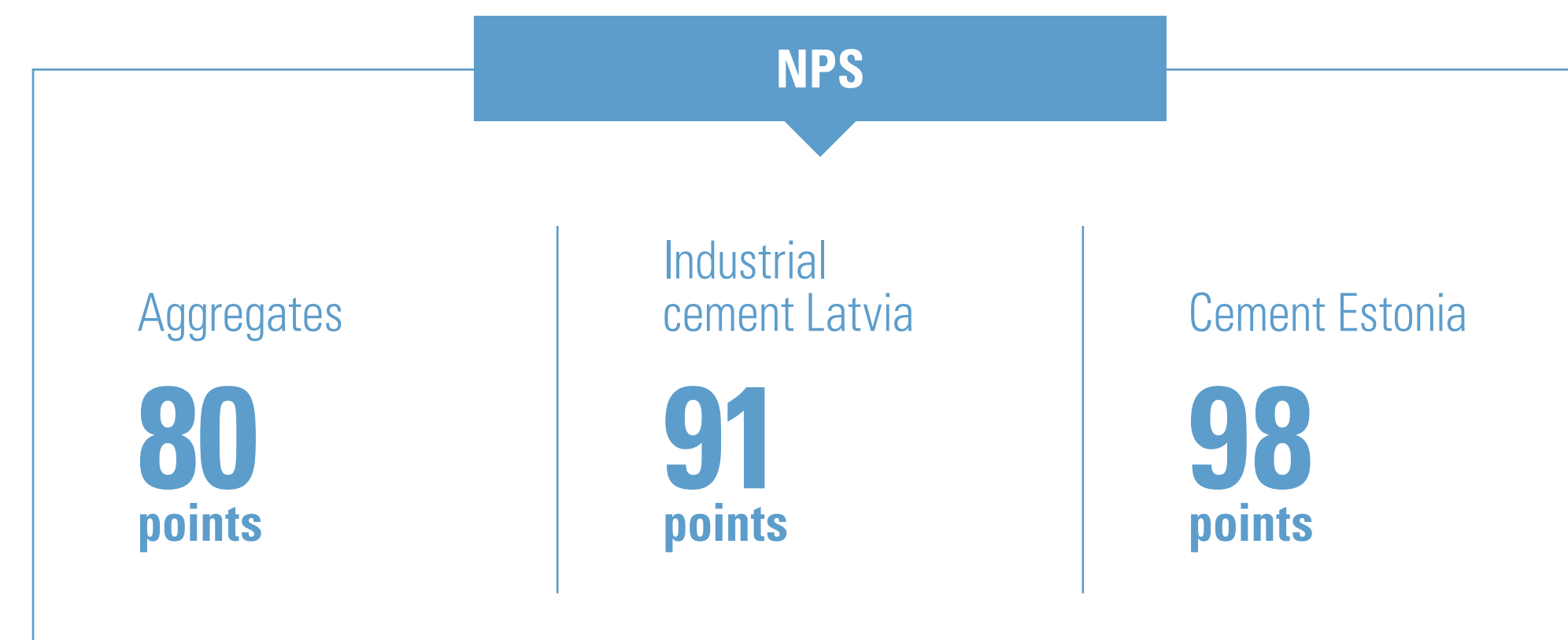
Health and safety being our core value, SCHWENK Latvija puts great emphasis on communicating safe product use, as well as provides all relevant certificates and labels according to the EU legislation like product safety data sheets, CE product labelling etc.

Claim handling

There is a system in place registering all incoming customer claims and their resolution. Customers can submit any feedback in various ways – direct contact with salesperson,

through contact form in webpage, in e-mail, through retailer, directly by phone or contacting us in social media. Contact information is available publicly on Company’s web page and product packaging (when applicable). SCHWENK Latvija has centralized customer claim handling system for all markets – domestic in Latvia, as well as export – Sweden, Finland, Estonia.

In 2023 SCHWENK Latvija received 31 (in 2022 – 28) customer claims for cement, 3 (IN 2022 – 7) claims for aggregates and 9 (in 2022 – 10) for ready-mix. All received claims were collected in a system, analyzed in relevant working groups, based on claim specifics, and customers received feedback. In cement 45% of claims received were about broken product packaging, all of situations were resolved by the Company by replacing damaged packaging with new one or compensating the value of the product. In aggregates and ready-mix most widespread subject of customer claims was product quality aspects.



Sustainable products

Cement

As stated in the cement standard LVS EN 197-1, cement is hydraulic binder – finely ground inorganic material which, when mixed with water, forms a paste. It sets and hardens by means of hydration reaction and processes. After hardening it retains its strength and stability even under water. Cement production contains two significant phases – first, production of Portland cement’s main component – clinker. Second phase – production of cement, where clinker is grinded together with additives to make different cement types. Main components of cement clinker are limestone, clay, sand and iron oxide. Depending on other constituents, for example, pozzolanic materials, blast furnace slag, limestone, etc., different types of cement can be produced.

SCHWENK Latvija is the only cement producer in Latvia, manufacturing in most advanced and environmentally friendly cement plants in Europe in Broceni. Our cement is used for making various concrete constructions, bridges, panels, reinforced concrete and concrete paving units, ready-mix and building of high endurance objects, for example, bridges and building foundations. In 2023 cement customers in Northern Europe were provided with eight types of cement – six types of bulk cement produced in Broceni, Latvia and two types of packed cement produced in SCHWENK groups cement plant in Akmene, Lithuania. Cement is delivered to Latvian market and exported to Estonia, Sweden and Finland by using road and marine transport.

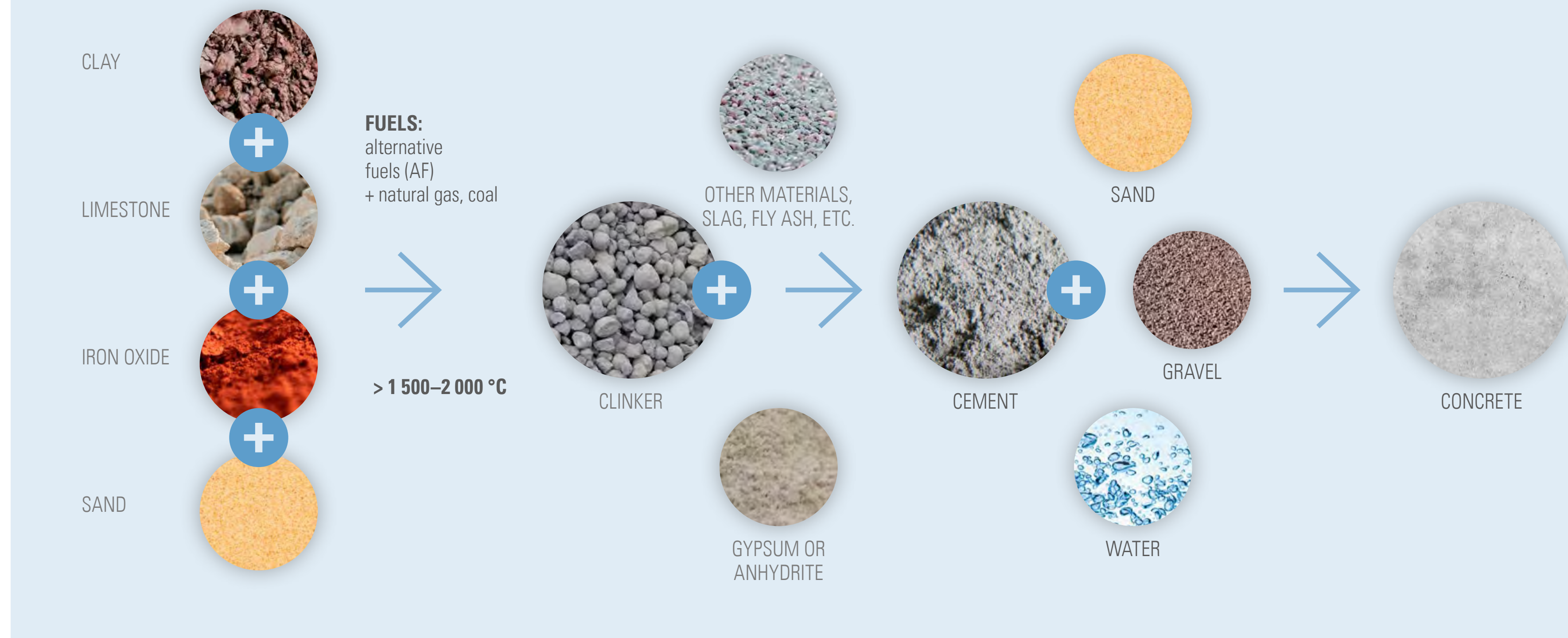
In Broceni plant all raw materials, production process and

products are object of thorough testing and control. There are approximately 40 various tests implemented on a regular basis in cement production – covering process, fuels and cement. In 2021 SCHWENK Latvija implemented major renovation and expansion of laboratory, adding new section for fuel testing and expanding analytical laboratory. Laboratory development is an organic part of production expansion and increase of alternative fuel and raw material usage. Since July 2022 SCHWENK Latvija has been working towards development of new cement types with lower clinker factor.

In 2023 we continued with ongoing research and industrial tests to finetune the recipe and optimize the grinding process. New CEM II/B cement types with clinker factor 62% – 72% are available for customers since Q1 2024.

In 2023 for five cement types produced in Broceni we have performed evaluation of the cement manufacturing cycle and received EPD certificate. It analysis ecological footprint of the cement manufacturing process – beginning with obtaining aggregates up to the final product.

PRODUCTION OF CEMENT AND CONCRETE





Concrete

Concrete deliveries and pumping are mainly done with our owned transport units and renewal of the fleet is one of our mid-term goals. Our ready-mix delivery trucks' emission standard varies from Euro 4 to Euro 6. In 2020 SCHWENK Latvija partially renewed its ready-mix delivery fleet, adding 12 new mixers complying to EURO 6 emission standard. In 2023 Company added four more ready-mix trucks to its fleet and install new ready-mix plant in Riga.

We provide technical and consultative support to our customers in more efficient use of concrete for sustainable construction. There are 14 tests implemented on regular basis or available upon request on raw materials and products in our concrete laboratory. Concrete quality experts

are constantly involved in educational work in cooperation with universities of Latvia and various trade and professional organizations, engaged in development of industry standards and sustainable construction practices. Concrete production is done according to standards LVS EN 206:2014 and LVS 156-1:2017.

An important aspect for measuring impact and ensuring quality is full control of the whole ready-mix supply chain – starting from raw material extraction in quarries, to cement production, ready-mix production and delivery. Since 2021 SCHWENK Latvija uses returned from construction sites ready-mix to produce concrete blocks thus completely eliminating returned concrete waste.

Quarry products

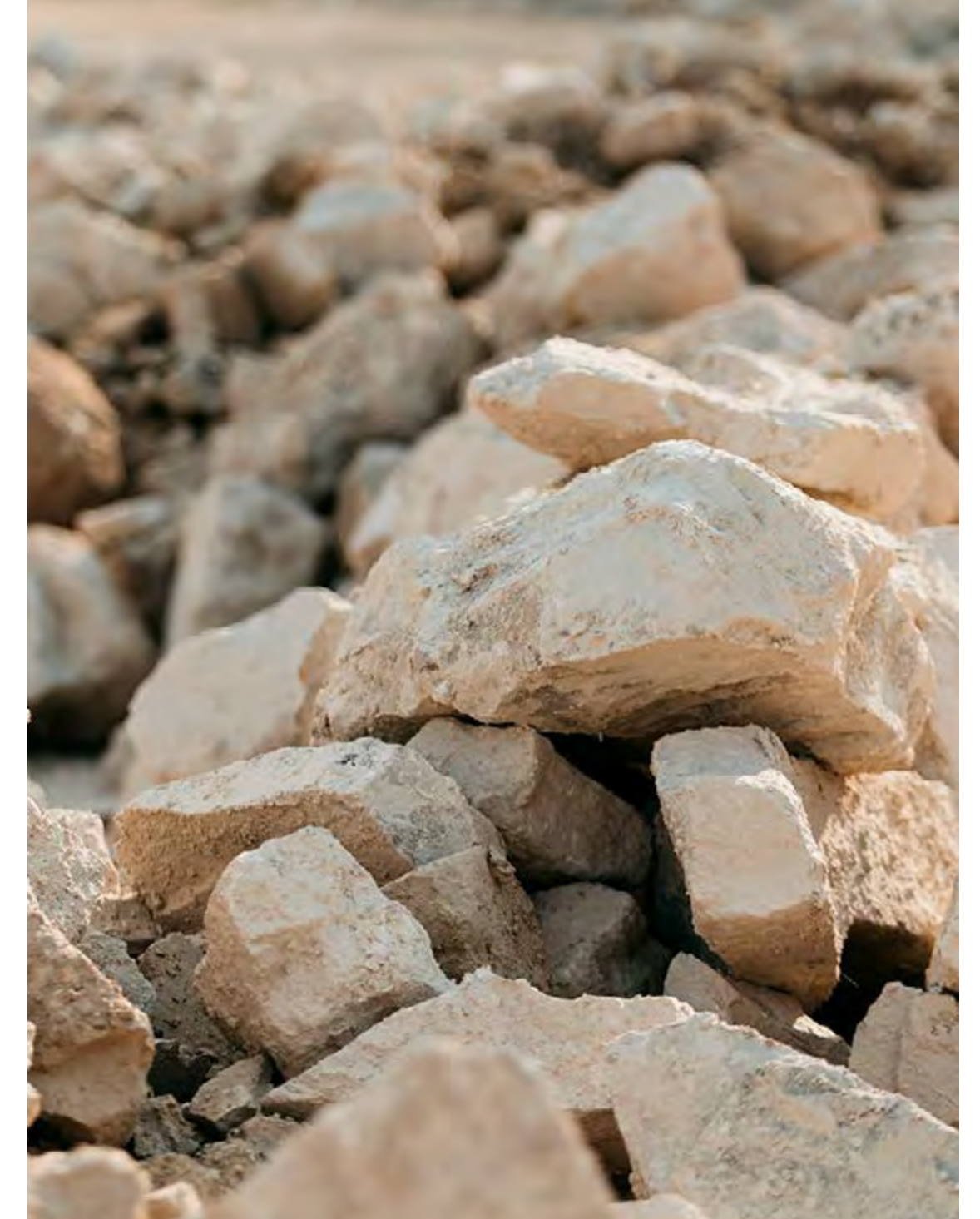
From mineral resources extracted in five quarry operations, SCHWENK Latvija produces different types of quarry products – certified aggregates for construction and road building, soil liming material SCHWENK Agro, crushed limestone and clay for cement production.

Manufacturing takes place in compliance with environmentally friendly quarry maintenance principles and using most advanced technologies, which help to reduce negative impact on environment. We implement responsible rehabilitation, flora and fauna variety preservation. Our production sites are open for customer and other stakeholders' visits, as well as experts are engaged in educational initiatives in cooperation with customers and schools.

SCHWENK Latvija's biggest quarry is limestone quarry Kumas, located approximately 30 km from Broceni cement plant. Its total area is 306 ha, in 133 ha extraction works are already finished and rehabilitation works are in progress. To access the limestone layer, overburden must be removed to an average thickness of 8.5 m, removing approximately 650,000 m³ of overburden per year. It is being moved to already extracted part of the quarry according to the specification of recultivation project. When proper ground level is reached, reforestation works are started already in parallel with quarry extraction.

On average, 1.5 million tons of limestone are produced annually. 95% of it is used in the production of cement, the rest is used to produce soil liming material SCHWENK Agro and sold to customers.

Clay quarry in Caunes is located in Broceni II clay deposit, where the production of clay was started in 1996. The area of Caunes quarry is 46.97 ha, which is only 1/5 of the entire area of the deposit. The thickness of the clay in the quarry area

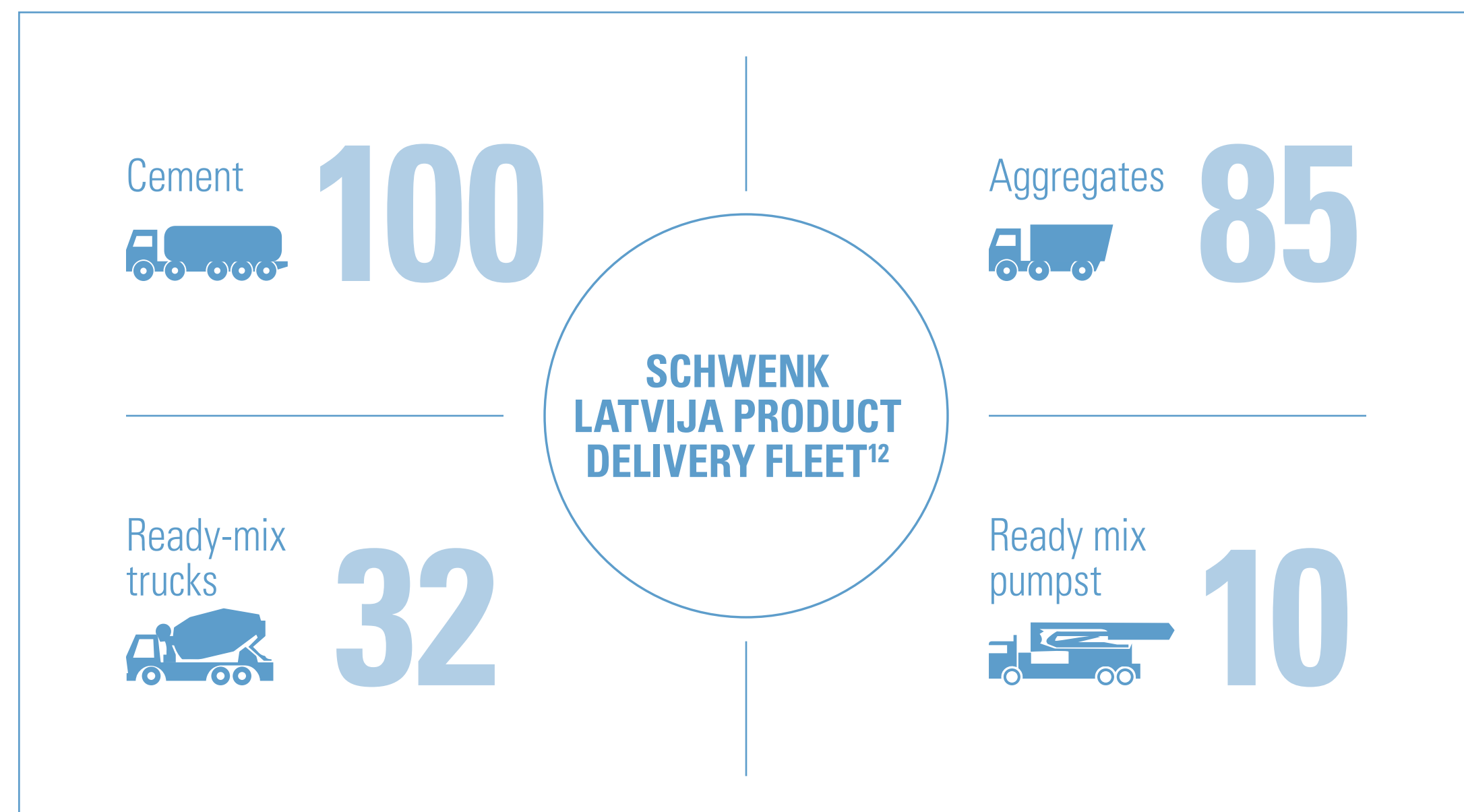


reaches up to 32 m. According to the project, the material can be extracted up to a depth of 22 m to maintain the stability of the slopes. On average, 300 thousand tons of clay are produced annually.

High quality aggregates for various construction purposes are manufactured in several sand and gravel quarries in Kurzeme and Vidzeme regions. Sand and gravel mixes are widely used in construction of roads, crushed gravel is used to produce asphalt, pebble and washed sand are used to manufacture ready-mix and concrete products. Aggregates are produced according to standards LVS EN 12620:2008, LVS EN 13242:2009 and LVS EN 13043:2002. There are 12 regular tests implemented on regular basis in our laboratories.

Distribution

SCHWENK Latvia products are delivered with 217 vehicles – bulk cement cisterns, aggregates trucks, ready-mix mixers. Deliveries of cement and aggregates are provided by our long-term contractors – haulers. Ready-mix is transported to our customers’ sites by Company’s own transport fleet. Ready-mix pumps are part of our transport fleet and used to provide pumping service in construction sites. For export markets we use also railway and maritime transport.



¹² Including owned and contracted transport units

It is very important for us that SCHWENK freight forwarders are responsible and highly valued road users adhering to safe and courteous driving principles. Sustainable approach in transport organization is an important part of the logistics team activities. Deliveries are carefully planned, selecting shorter routes with less intensive traffic, and to maximum extent performing deliveries during periods of low traffic. Important aspect in route planning is avoiding places with intensive pedestrian movement, roads near schools and kindergartens, complicated traffic points etc. All our and haulers’ drivers

are undergoing wide training program for ensuring highest standards of transport safety and courtesy on the road. In addition to ongoing training programs, ready-mix truck drivers receive separate training and instructions in case of high risk and specific sites. Drivers are very responsible towards the cargo and vehicle, they do everything it takes to become a safe and friendly road user.

Our goal for health and safety is zero harm. That refers also to transport safety – our goal is zero accidents. We put great emphasis on incident prevention and thoroughly analyze each accident and risky situation. Each incident has been evaluated in H&S committees, experienced shared between divisions and discussed in drivers’ team meetings; information used for further educational needs. There is a permanent job position of traffic safety controller and on-going work of Transport safety committee consisting of 9 members.

Important factor affecting safety is work and rest time balance. We put great emphasis on timely and thorough logistics planning, over the years implementing many changes, so that deliveries are done mainly during daytime and in the way that ensure proper work and rest time for haulers’ drivers. Simultaneously with providing all conditions of proper work and rest time, we also strongly follow how it has been respected.

Once annually haulers are audited for compliance to SCHWENK Latvia standard and additional requirements for transport safety. All vehicles should be equipped with digital video recorder, cyclist warning sign, traffic safety feedback call plate, additional reflecting marking on trailer, wheel nut indicators, full set of PPE for driver, eye washing fluid and wide angle mirrors for vehicles produced before 2014. Our minimum acceptable tire tread is 4 mm (legal requirement is 2 mm).

MILEAGE 2023 / PRODUCT DELIVERIES

Cement **12.9 M km**

Aggregates **1.35 M km**

RMX **1.1 M km**

TRANSPORT INCIDENTS 2023¹³

Light incidents

12 Blameworthy
7

Major incidents

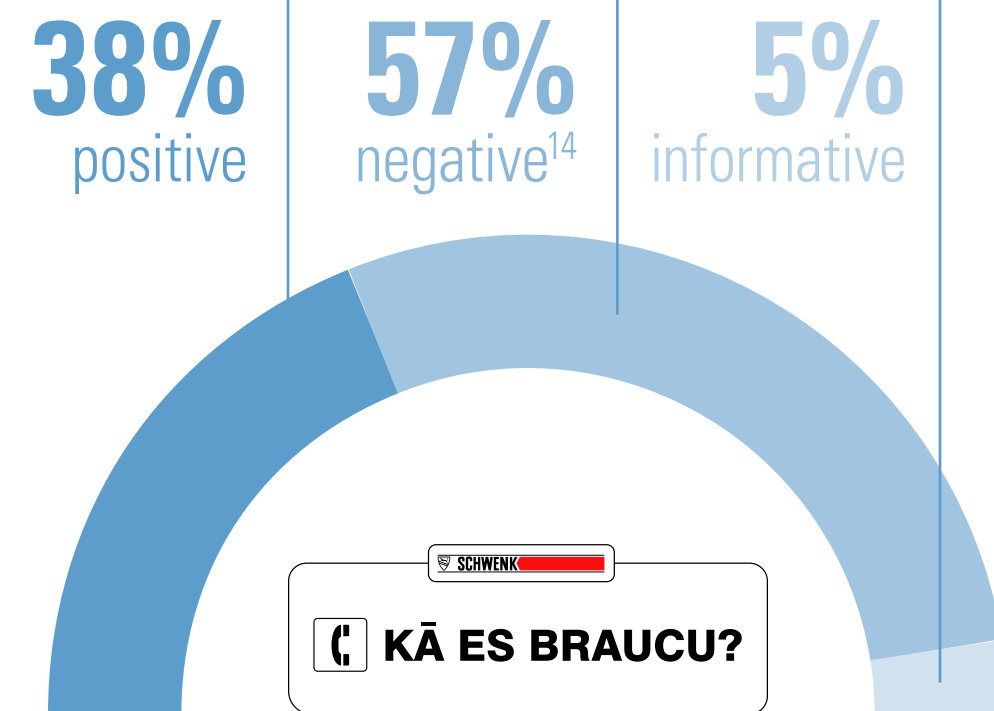
0 Blameworthy
0

Lethal incidents

0 Blameworthy
0

We also invite other road users to participate in the improving of the driving style of our vehicles. On the back of SCHWENK Latvija vehicles you will find a phone number for reviews. We are proud about high rate of positive feedback calls, at the same time being concerned about the fact that complaints are mainly received about vehicles driving in legally allowed speed, which, according to callers, is too slow. SCHWENK Latvija and one of our main haulers DELTA LV have repeatedly received the Safest Fleet Awards of the insurance company Balta contest – Safest Company Fleet.

164 FEEDBACK CALLS IN 2023



¹³ All transport incidents are rated according to damage done: in light incidents no human harm is done, vehicles are able to safely leave incident place on their own; major incidents – people need medical assistance and/or vehicle has to be evacuated.

¹⁴ Including information about vehicles driving too slow – in legally allowed speed.



Main key performance indicators 2023 consumers and end users

KPI	2021	2022	2023		2024
			GOAL	FACT	GOAL
NPS score					
Cement	93	80	65	91	70
Ready-mix	NA	NA	65	NA	70
Aggregates	70	65	65	80	70
Customer satisfaction rate					
Cement	9.1	9.1	9.1	9.1	9.1
Ready-mix	NA	NA	9.1	NA	9.1
Aggregates	9.3	9.1	9.1	9.1	9.1
Ratio of customers covered in surveying, %					
Cement	38.7%	32.6%	40%	42%	40%
Ready-mix	NA	NA	40%	NA	40%
Aggregates	32.8%	25%	30%	50%	40%
Claims received					
Cement	16	28	0	31	0
Ready-mix	13	10	0	9	0
Aggregates	3	7	0	3	0
Quality claims resolved, %					
Cement	100%	100%	100%	100%	100%
Ready-mix	100%	100%	100%	100%	100%
Aggregates	100%	100%	100%	100%	100%



INDUSTRY AND SUPPLY CHAIN

Engagement in industry development

SCHWENK Latvija is an active corporate citizen and part of various professional organizations – Foreign Investors Council of Latvia (FICIL), Baltic Institute of Corporate Governance (BICG), Building Material Producers’ Association of Latvia, European Cement Association (CEMBUREAU), German-Baltic Chamber of Commerce (AHK), Swedish Chamber of Commerce in Latvia (SCCL), Latvian Concrete Society, Employer’s Confederation of Latvia and Latvian Chamber of Commerce and Industry. At the level of executives and experts

SCHWENK Latvija participates in various working groups dedicated to industry and overall economic improvement in Latvia. In 2023 SCHWENK Latvija representatives spent approximately 1700 human hours in aforementioned activities. Company’s main focus areas are combatting shadow economy and enhancing sustainability principles in Latvian corporate environment and society in general. More information about the Company’s Board members’ engagement in associations and working groups is available on page pages 16 and 17.

SCHWENK LATVIJA MEMBERSHIPS



Building Material Producers’ Association of Latvia



Foreign Investors Council of Latvia (FICIL)



German-Baltic Chamber of Commerce (AHK)



European Cement Association (CEMBUREAU)



Latvian Concrete Society



Baltic Institute of Corporate Governance (BICG)



Swedish Chamber of Commerce in Latvia (SCCL)



Employer’s Confederation of Latvia



Latvian Chamber of Commerce and Industry



Business efficiency association



Social initiative Mission Zero

In 2023 SCHWENK Latvija continued national social initiative Mission Zero. Launched in 2022 with the goal to unite employers caring for employee's health and safety, by the end of 2023 initiative gathered already 93 companies and institutions reaching positive impact on more than 40 thousand employees.

During 2023 initiative members organized two informative and educational forums, two experience exchange visits and one safety festival. Ongoing issues and challenges are shared and discussed on daily basis in joint WhatsApp group. Mission Zero members represent various sectors, like manufacturing, construction, energy supply, services, waste management, competent authorities in labour protection, as well as relevant ministries un state agencies.

In 2024 its planned to extend initiatives activities and implement a whistleblowing mechanism.

According to publicly available official statistics data about demography dynamics in Latvia¹⁵, on average 23 thousand

people annually lose life due to external factors, including accidents at work and in leisure time, traffic incidents, suicides, etc. High rate of shadow economy and lack of awareness and understanding about health and safety being a core value in everyone's life are among the main reasons for risky actions and regular incidents. Employers have a significant role and power to improve the situation by putting health and safety in the core of each business activity and daily operation. SCHWENK Latvija launched national social initiative Mission Zero in 2022 to address the tragic reality in Latvia of many lost lives due to external factors, including work. Initiative includes measuring impacts and understanding real situation, analysing risks and pain points, launching improvements and sharing best practices. It sets a common goal – to make health and safety as a value and priority of everyone.

Mission Zero's long-term goal is to unite at least as much Latvian employers to cover and positively impact 50% of workforce in Latvia or 400 thousand people.

¹⁵ Demography 2023, in Latvian | Oficiālās statistikas portāls

Suppliers and subcontractors

Important part of SCHWENK effort to improve overall business environment is approach to cooperation with suppliers and subcontractors. We strive to apply sustainable business practices not only within a Company, but also among external stakeholders. We are constantly looking for opportunities to increase the positive impact of our operations throughout the value chain. We believe that by putting emphasis on responsible governance, healthy and safe working places, fair pay and transparency, we help to create stronger communities and better business environment.

SCHWENK Latvija cooperates with approximately 1000 suppliers and contractors in various fields. Our procurement processes are implemented according to the procedures and guidelines, ensuring equal treatment towards all suppliers. All potential suppliers should be ready to sign affirmation stating that their business practices are highly ethical, compliant to all relevant rules and regulations, including high standards for health and safety, environment protection and fair working conditions. Requirements are available publicly on SCHWENK Latvija web page and are equal for all.

Also during the cooperation we implement various initiatives in order to raise suppliers' and contractors' awareness on various issues, especially health and safety. On regular basis we meet for health and safety workshops with contractors' management and H&S experts, contractors' audits are implemented to evaluate the level of health and

safety standards at contractors' locations and encourage sustainable practices along the value chain.

The biggest number of contractor's employees are involved in works in Broceni cement plant – approximately 1500 workers from various contractors annually perform different types of work. All third-party employees working on our locations should take health and safety instructions twice a year, comply with our health & safety standards and procedures for use of Personal Protective Equipment (PPE), equipment and tools, safe execution of works and behavior in our territory.

To monitor contractors' flow in cement plant in 2019 a registration system based on biometrics (fingerprint) was introduced. It helps to ensure that employee has undergone H&S instruction and has no violations, tracks hours spent at the plant, etc. In time of pandemic big effort was put on ensuring epidemiological safety measures for all employees of subcontractors working in the plant. It included body temperature measurements, extended sets of health-related PPEs, thorough planning of people flow, testing and self-isolation procedures for employees travelling from abroad in critical cases.

Specifics of our operations restrict us from fully local supplies, however, when possible, we do support local producers and suppliers. In 2023 70% of SCHWENK Latvija suppliers were local companies.

In 2023 SCHWENK Latvija established the procedure for collecting data for calculations of Scope 3 CO₂ emissions.

Out of 15 required categories of upstream and downstream value chain, as first steps SCHWENK Latvija gathered the data from six: purchased goods and services (Category 1), fuel and energy related activities (Category 3), upstream transportation and distribution (Category 4), business travel (Category 6), employee commute (Category 7) and downstream transportation and distribution (Category 9). Calculations were made, based on categories with estimated higher impact. For categories 1, 3, 4, 6 and 7 Company used questionnaire among suppliers and employees. From these categories the highest response rate and thus available data scope was received from employees (Categories 6 and 7). The lowest response activity, as well as data availability comes from Categories 1, 3 and 4 – on average 25% response rate. In Categories 1, 3 and 4 emission factor was calculated, based on information received from suppliers and public data bases of emission factors – Clima¹⁶ and Defra¹⁷.

In 2024 and 2025 Company plans to extend data collection in other Scope 3 categories as well as develop collaboration roadmap for more accurate and constant information from the supply chain. Categories 5 (waste generated in operations), 8 (upstream leased assets), 13 (downstream leased assets), 14 (franchises) and 15 (investments) – are not applicable to cement industry.

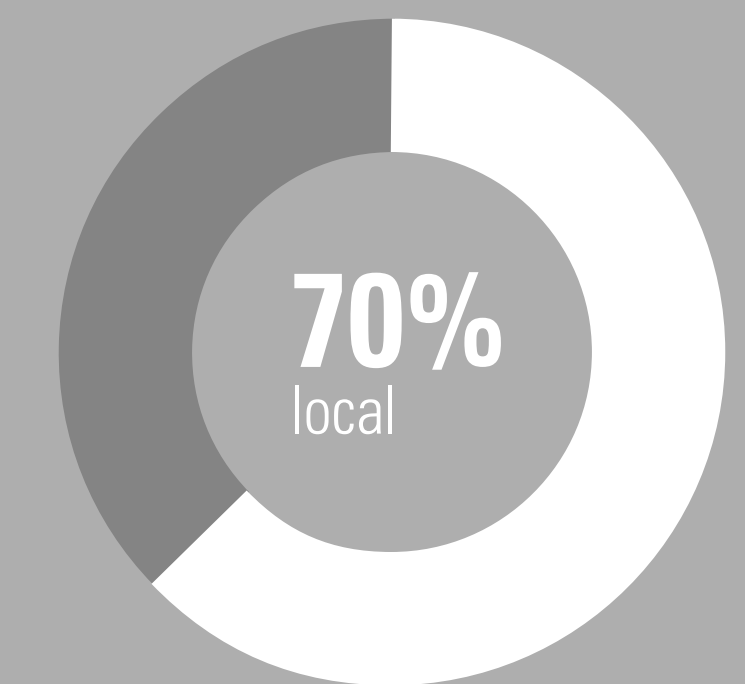
¹⁶ Clima¹⁶ Data Explorer – Search Global Carbon Emission Factors

¹⁷ Greenhouse gas reporting: conversion factors 2023 – GOV.UK (www.gov.uk)

Nearly
130 million
euro

/ economic value spread
via supply chain

Approximately
1000
suppliers
in 2023



GOVERNANCE

SCHWENK Latvia corporate culture and governance principles intertwine all Company's operations. Our governance practices are described in this report's section Governance (page pages 14 – 21).



Activities in 2023

SCHWENK Latvia implements extensive and holistic training program on various ethics and compliance aspects, including safe work environment, anti-corruption, fair competition, conflict of interest, etc. Code of Ethics is an integral part of employment contracts and applicable to all SCHWENK Latvia employees. Code of Ethics training is mandatory for all employees and is organized once in 3 years.

Last training cycle was in 2022 and covered 100% of all employees. New employees are trained within onboarding process.

Additional annual compliance trainings are organized for executive, management and expert level employees, based on their work specifics. In 2023 compliance trainings were focused on anti-corruption and competition law and were organized for all relevant target audience – 70 employees in Latvia and 18 in Sweden, Norway, Finland and Estonia. In 2024 the training program will be focused on conflict of interest and sanctions risk.

In 2023 surveillance audits for ISO 9001:2015, ISO 50001:2018, ISO 14001:2015 and ISO 45001:2018

were conducted with zero non-conformities. 15 internal audits were conducted. Four non-conformities were detected and necessary corrective activities implemented.

To increase process efficiency, user friendliness, monitoring and feedback, SCHWENK Latvia is moving towards completely digitalized systems and processes. In 2023 SCHWENK Latvia extended its health and safety digital system, adding three new modules. In 2024 Company plans to extend digitalization in logistics management, extend the functionality of employee portal and digitalize work permit system.

Goals and tasks for 2024

CSRD will be applicable to SCHWENK Latvia from reporting year 2025. In 2022 we started to advance towards integrating CSRD and draft ESRS in our sustainability reporting practices. First step was a review of existing KPIs and adjustment to upcoming standards. In 2023 Company proceeded with further integration of aforementioned standards into reporting system, including more extensive due diligence of supply chain and starting collection of Scope 3 emission data, analysis of ESG impacts and risks. In 2024 SCHWENK Latvia plans to implement the reporting requirements of EU Taxonomy and extend activities over supply chain.

Support to political parties

According to national regulations SCHWENK Latvia is not providing any financial support for any political party or figure. Company recognizes the fundamental right of employees to freedom of expression and supports employees' rights as individuals to participate in the political process, including donating to political parties, in accordance with applicable laws, but it is important to distinguish public activities and expression on behalf of SCHWENK from personal public activities and expression.



SCHWENK

2023