



SCHWENK

SCHWENK LATVIJA SUSTAINABILITY REPORT 2022



Contents

About the report	3	Strategy and value creation	20	People: own and contracted workforce	42	Consumers and end users	58
Message from CEO	4	Business strategy and outlook	21	SCHWENK Latvia employees 2022	42	General overview	58
Company overview	5	Value chain	22	Employee engagement and satisfaction	43	Responsible customer relations	59
SCHWENK at a glance	6	Sustainability strategy	23	Engagement surveys	43	Sustainable products	60
Our values, mission and vision	8	Contributing to UN Sustainable Development Goals	25	Education, evaluation and career development	44	Cement	60
Economic performance: key indicators	9	Stakeholder engagement	27	Diversity and human rights	45	Concrete	61
Sustainability performance: key indicators	10	Impacts, risks and opportunities	29	Remuneration	45	Quarry products	61
Recognitions and acknowledgements	12	Enterprise risks	29	Communication and social dialogue	47	Distribution	62
		Materiality matrix	30	Health & safety and wellbeing	48	Main key performance indicators	
		Sustainability issue mapping	30	General overview	48	2022 consumers and end users	63
				Tools towards Mission Zero	49		
Governance	13	Sustainability performance in 2022	31	Injury and lost days	51	Industry and supply chain	64
Governance structure	14	Climate	32	Main key performance indicators		Engagement in industry development	64
Sustainability management	17	General overview	32	2022 people: own and contracted workforce	51	Social initiative Mission Zero	65
Ethics and compliance	18	Main projects in 2022	33			Suppliers and subcontractors	66
Reporting system and whistleblowing	19	CO ₂ reduction	34	Impact on local communities	53	Main key performance indicators	
Impacts, risks and opportunities management	19	Energy efficiency	37	Measuring impact	53	2022 industry	67
		Main key performance indicators		Community support	54		
		2022 climate	38	Science education support	55	Governance	68
		Environment	39	Donations	55	Activities in 2022	68
		Environmental performance cement plant	39	Voluntary work	56	Goals and tasks for 2023	68
		Nature preservation and conservation	40	Cement production legacy	56	Public policy support	68
		Water and marine	40	Main key performance indicators			
		Main key performance indicators 2022 environment	41	2022 impact on local communities	57		

About the report

SCHWENK Latvija (also referred to as the Company) sustainability report covers the 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 an 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 draft 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 2022, based on annual financial reporting cycle.



2022 – two steps ahead



Dear stakeholders,

As we started to breathe more freely with the global pandemic loosening the grip in 2022, a crisis even more worrisome hit us, making this year a time of turbulence and challenges. As all people in the democratic world, we were and still are in our thoughts with people in Ukraine. We see very clearly that democracy and security are ongoing tasks for each of us.

While expressing solidarity and support to people in Ukraine, we should proceed with our day-to-day activities and increase the resilience of our economies and businesses. Sky-rocketing inflation, increase of energy prices and disrupted supply chains showed how connected the world is. As one of the biggest industrial producers and member of one of the most energy intensive industries globally, SCHWENK Latvija was affected by all the challenges mentioned above. Our long-term sustainable business approach and decisions made years ago helped us to overcome them and ensure continuous production and high-quality product supply to customers in all our markets. Aside with solving ongoing issues, 2022 was a significant year for us in the means of reaching new sustainability

milestones. Our sustainability strategy is focused on the concept of Mission Zero – zero harm to people and environment, zero emissions and zero tolerance towards non-compliance.

In 2022 with an 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. This investment has helped us to increase AF level close to 100%. Apart from that, we are actively engaged in advancing towards climate neutrality in the near future by developments of technologies and infrastructure both in Latvia and on the group level. We work on new binding material types. Together with industry partners in joint project Catch4Climate we are building a test cement plant for carbon capture in Mergelstetten, Germany. We are taking an active role in possible development of carbon capture and storage infrastructure in our region. In addition, extended and modernized laboratory in Broceni cement plant contributes to our goal for clinker factor reduction.

Our responsible health and safety

culture and programs are at the core of all operations, aimed to reach and sustain our Mission Zero ambition – to ensure that our employees and business partners return safely to their families at the end of the workday or shift.

This year we didn't do well. We were shaken by five lost time injuries among our employees. These five incidents underscore the never ending operational and individual vigilance required to sustain our Mission Zero safety culture and prompted us to reevaluate existing safety procedures and introduce new ones. I feel relieved that all colleagues involved in above mentioned incidents have regained their health and returned to work. To spread health and safety culture outside the lines of our Company, we started social initiative Mission Zero, uniting companies from various sectors in one common goal – target zero harm to people at workplaces.

Health also includes wellbeing and by the end of the year the new building for employees in Broceni cement plant was ready to welcome people with extended working space, comfortable showers, changing rooms, kitchen, medical cabinet and other improvements.

Last year was challenging for many

of us – we felt that in conversations with our customers, suppliers and communities. I express deep respect to all joined forces in overcoming unprecedented energy cost increase, which also affected our customers, builders and further members of the downstream value chain.

I am happy about the additional support we were able to provide together with our close partners IBAU Hamburg and Christian Pfeiffer to our local community schools in Saldus region for an increase of STEM education capacity.

One of our values is being two steps ahead. In addition to many other innovations described in this report, we have set ourselves an ambitious agenda and started to integrate the standards of new Corporate Sustainability Reporting Directive in our sustainability reporting process. We still have much to learn, but we are very committed to do that.

Reinhold Schneider

Chairman of the Management Board SCHWENK Latvija
CEO SCHWENK Northern Europe



Company overview

SCHWENK at a glance

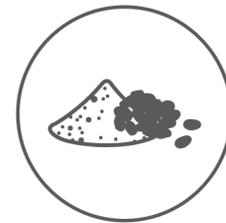
SCHWENK Latvia is the only cement producer and one of the leading building materials' producers in Latvia offering its customers high quality cement, aggregates, ready-mix and concrete. Part of SCHWENK Building materials group, with headquarters in Ulm, Germany.



CEMENT

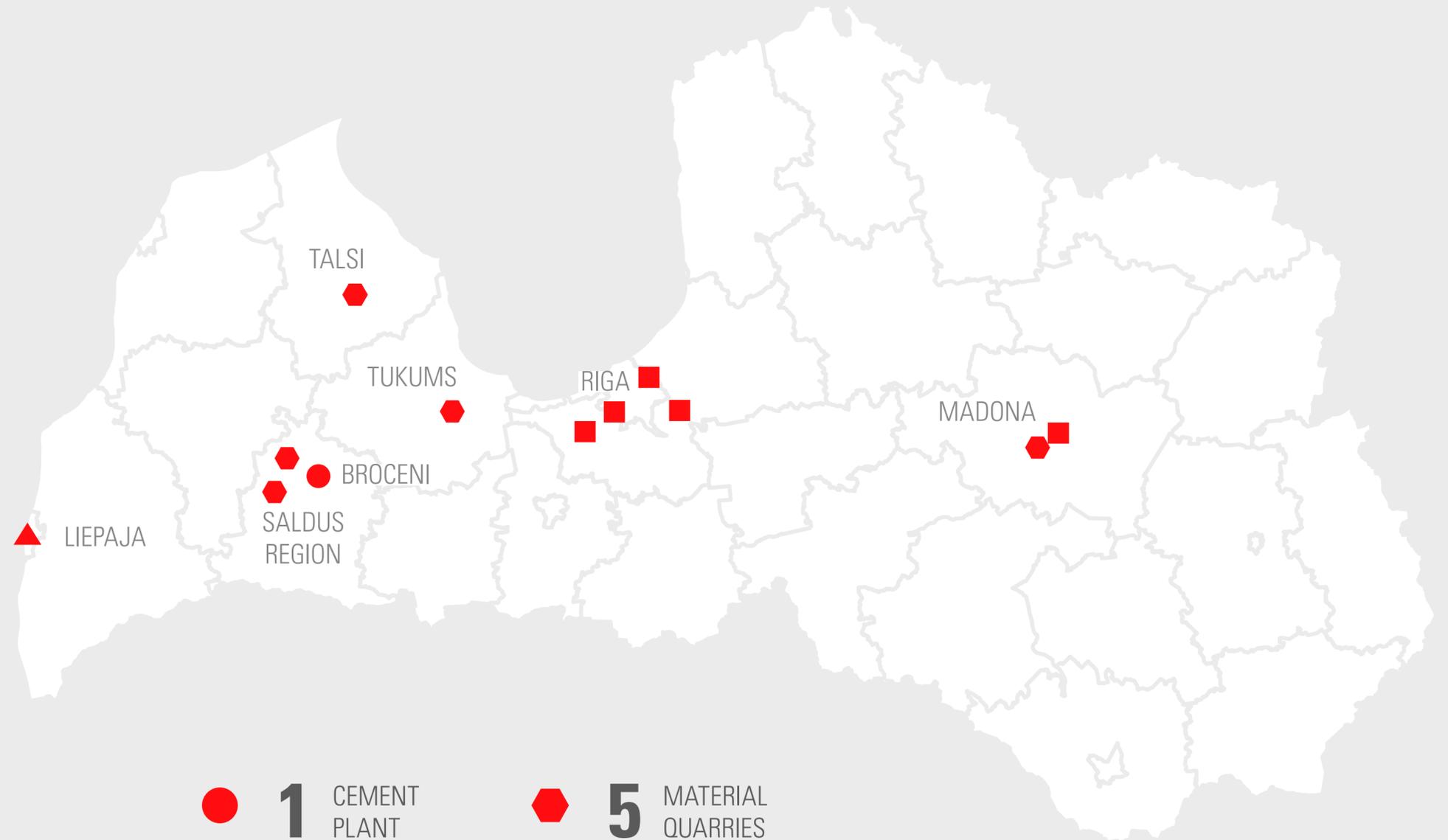


CONCRETE



AGGREGATES

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



1 CEMENT PLANT



5 MATERIAL QUARRIES



5 READY-MIX PLANTS



1 SEA PORT TERMINAL



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.

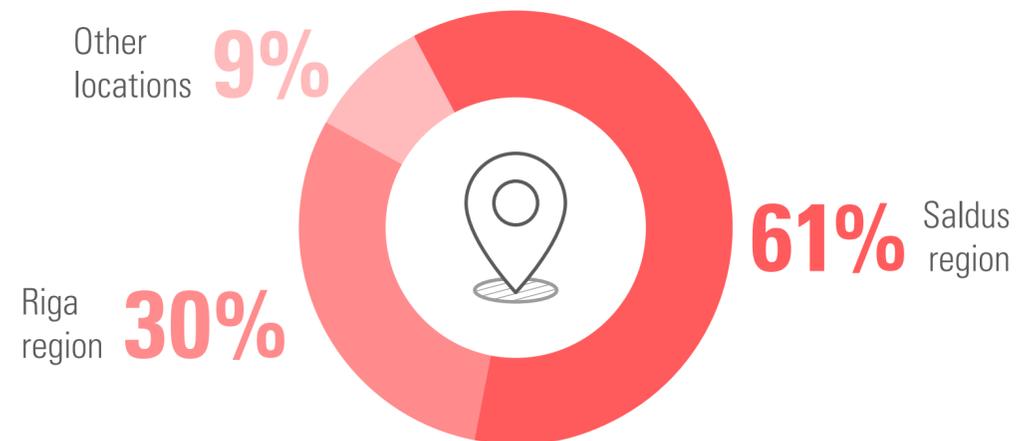
> 350

DIRECTLY
EMPLOYED

over
> 650

SUBCONTRACTORS'
EMPLOYEES

GEOGRAPHICAL DISTRIBUTION



Our values, mission and vision



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

FOUNDATION

Family values: responsibility, honesty, trust and mutual support



FOR FUTURE GENERATIONS

As a family business in its fifth generation, we are aware of our responsibility towards people, nature, environment and climate. We think across generations and place particular focus on the sustainability of our building material solutions.



TWO STEPS AHEAD

Together with our partners, we constantly strive to be two steps ahead. We consistently focus on the research and development of new products and procedures and have high quality standards. We drive innovation and growth in a targeted manner.



MORE THAN THE SUM OF OUR PARTS

Within the building materials group we have a keen sense of cohesion based on the exchange of knowledge and procedures. The focus is on the continuous support and growth of our employees and a long-term collaboration with our customers.



Economic performance: key indicators

REVENUE 2022 €

133 M

EXPORT
71%

EXPORT MARKETS,
CEMENT

SWEDEN
FINLAND
ESTONIA

INVESTMENT 2020 –
2021 IN LATVIA €

43.7 M

INVESTMENT
2022 IN LATVIA €

8.6 M

2020

2021

2022

2023

Sustainability performance: key indicators 2022 target 2023

CLIMATE

CO ₂ emissions scope 1, (t CO ₂ / ton of clinker) 2023	0.690 0.695	Number of cement types with EPD 2023	5 5
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AF substitution rate 2023	94.65 95.1	Clinker factor 2023	84.73 83.3
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INDUSTRY

Investment in industry development

financial ¹ 2023	85 000 90 000
human hours ² 2023	3720 3800

ENVIRONMENT

Clinker produced with continuous monitoring of main emissions (SO _x , NO _x , dust, TOC, Hcl, HF, NH ₃), % 2023	100% 100%	Quarries with rehabilitation and restoration plan 2023	100% 100%
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Environmental incidents with soil contamination

cement 2023	0 0	concrete 2023	0 0	aggregates 2023	0 0
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Water intensity l/ton

cement 2023	37.49 38	concrete 2023	232.11 NA	aggregates 2023	54.19 NA
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Water recycled and reused, %

cement 2023	Not applicable Not applicable	concrete 2023	28% 28%	aggregates 2023	90% 90%
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LOCAL COMMUNITY

Stakeholder dialogues 2023	0 1	People engaged in voluntary work, % from all employees 2023	6.5% 10%	Voluntary work, human hours 2023	310 h 500 h	People directly positively affected by social investment programs 2023	10 500 50 000	Social claims and incidents 2023	0 0
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¹ Association membership fees, educational materials and activities.

² Overall engagement from 10 people with most involvement in industry development activities – Members of the Management Board, experts and managers.

CONSUMERS AND END-USERS

NPS score

Cement 2023	80 80	Ready-mix 2023	NA 80	Aggregates 2023	65 80
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Claims received 2023	45 0
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Customer satisfaction rate

Cement 2023	9.1 9.1	Ready-mix 2023	NA 9.1	Aggregates 2023	9.1 9.1
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Claims resolved, % 2023	100% 100%
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HEALTH AND SAFETY

LTI

employees 2023	5 0	contractors 2023	0 0
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TRI

employees 2023	2 0	contractors 2023	1 0
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Fatalities

employees 2023	0 0	contractors 2023	0 0
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Transport incidents among haulier employees

Light (blameworthy) 2023	8 (2) 0	Major (blameworthy) 2023	3 (3) 0	Lethal (blameworthy) 2023	1 (0) 0
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PEOPLE: OWN AND CONTRACTED WORKFORCE

Ratio of lowest base salary for entry worker over applicable benchmark salary in the country	1.28
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Employee Commitment Index 2023	75 index points 75 index points
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Attrition rate – voluntary leaves	4%
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Gender, %

male	83%	female	17%	other	0
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Age groups, %

Under 30	7%	30-50	64%	Over 50	29%
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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 2022 our best practices are acknowledged by several industry awards.



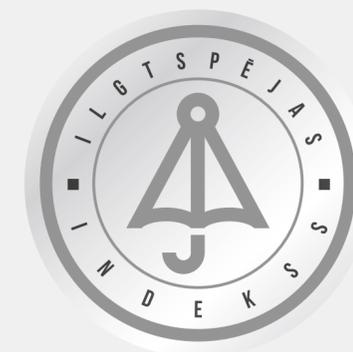
Decade Diamond Award in the category “Local (Baltic) Cargo Carriers and Special Purpose Vehicle Fleets” – competition “**Safest Company Fleet**” organized by AAS BALTA (PZU Group) and the Ministry of Transport



Social initiative
“**Mission Zero**” launched by SCHWENK Latvija was recognized as an important sustainability initiative – recognition by Corporate Social Responsibility Platform (CSR Latvija).



Second place in national competition
“**Golden Helmet**” for good practice in the field of labor protection, organized by State Labour Inspectorate



Platinum category award in Sustainability Index Latvia 2022



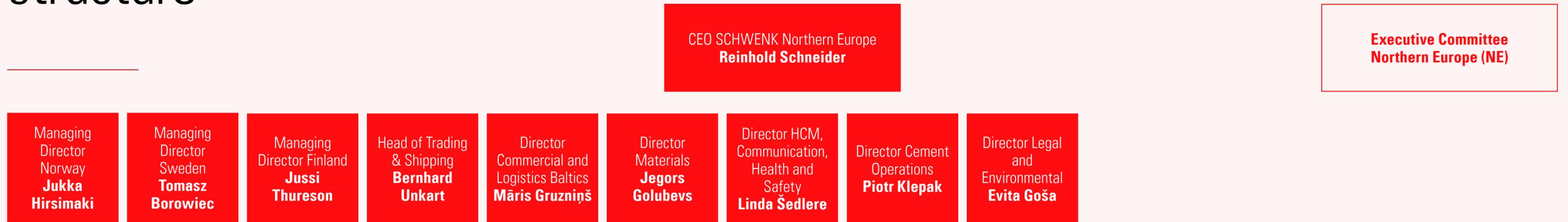
ĢIMENEI DRAUDZĪGA DARBAVIETA

Family friendly enterprise status by Society Integration Foundation.



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



Māris Gruzniņš

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



Jegors Golubevs

SCHWENK Latvija
Member of the
Management Board
Director Materials

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 of 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 the 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.

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

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

Representation of of the 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

In the 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 master's degree in transport and logistics.

Main focus in the context of sustainability:
environment, industry

Representation of the Company in industry and business platforms:
member of Latvia's Ready-mix Union, member of Standardization Committee in Latvian State Standard, member of CPR Acquis Work Group for cement, building limes and other hydraulic binders.



Linda Šedlere

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



Evita Goša

SCHWENK Latvija Member of the Management Board
Director Environment and Legal



Piotr Klepak

SCHWENK Latvija Member of the Management Board
Director Cement Operations

In the 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 a 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 the 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.

In the 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 the 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.

Has extensive experience in cement industry since 2003, working in various operational fields. From 2005 to 2007 was involved in 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 a 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 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 following structural groups – executive, management, specialist and expert level, which represents 31% of all employees.

In 2022 SCHWENK Latvia 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 draft 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.

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
GENERAL INFORMATION									
Number of participants	9	24	20	20	25	9	12	9	5
Most senior management level included	CEO	CEO	Board Member	Board Member	CEO	CEO	Board Member	Board Member	CEO
Meeting calendar	Bi-monthly	Bi-monthly	Monthly	Bi-monthly	Weekly	Daily	Annually	Bi-monthly	Upon need
SUSTAINABILITY AREAS COVERED									
Climate	x		x	x	x	x	x	x	
Environment		x	x	x	x	x	x		
Own workforce		x	x	x			x	x	x
Workers in the value chain		x		x			x	x	x
Communities		x		x			x		
Consumers and end-users		x		x	x	x	x	x	
Industry	x	x	x	x	x	x	x		
Governance	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 Latvia operations comply with several industry standards and corporate policies, many of them are applied also throughout the supply chain.

Company's Management Board is directly responsible for implementation of corporate governance in accordance with highest standards and best practices. To ensure clear and transparent governance processes, SCHWENK Latvia 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 Latvia operates in accordance with applicable laws and standards. Apart from that Company has defined numerous internal policies that set higher requirements than external regulations.

SCHWENK Latvia 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).

Company has 145 policies and procedures covering all operational areas. They are published on Company's internal information platforms and available for all employees.

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

In 2007 Company launched a 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 four permanent members and,



Code of Ethics is publicly available on our website:



if applicable, one or more ad hoc members. Permanent members of the Ethics Committee are the CEO, CFO 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 and CFO. Reports regarding potential breach of the Code of Ethics by the CEO or CFO are sent to the Managing Director of SCHWENK Building Materials Group. In addition to the aforementioned reporting mechanism, SCHWENK Latvia 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.

Impacts, risks and opportunities management

Enterprise impact, risks and opportunities management process is ongoing and coordinated by Strategic Project Coordinator. Agenda is updated at least once a year through direct interviews with executives, managers, experts and specialists, as well as based on socio-economic and geopolitical developments.

The 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.

The Company also maintains Crisis Management process, which is updated at least every 2nd year – lists main sites, responsible for crisis handling, procedural aspects, external contacts. Main risk updates are discussed at monthly management meetings.

Along with main enterprise risks,

sustainability issues are identified in internal stakeholder meeting, covering approximately 50 people – executives, managers and experts. To mitigate potential negative impacts and use opportunities for the Company to improve sustainability performance, the goal for 2023 and 2024 is further and more extensive mapping of material issues, as well as analysis of exact impacts together with a wider range of internal and external stakeholder groups.



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 strive 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 the newest technologies, increase efficiency and reach climate goals.

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



Value chain

The main component of cement is clinker, which is produced in Broceni cement plant and mainly consists of locally sourced raw materials – limestone (76%), clay (15%) and sand (7%). Only iron oxide, which makes 2% of clinker, is imported. Depending on cement type, specific materials like limestone, slag, opoka, anhydrite and gypsum are added during grinding process. These additives are sourced both locally and imported, depending on availability.

Raw materials:

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

Sourcing:

SCHWENK Latvija has approximately 1000 suppliers, of 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 the United States of America. In 2022 one supplier of all was based in China. SCHWENK Latvija 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, and human safety. We put great emphasis on supplier evaluation, education and development.

Operations:

The heart of cement production is the clinker kiln – 54 meters long with a 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 the main component of cement – clinker. After cooling down clinker is ground in cement mills together with specific additives, based on cement type. A very important part of clinker production is usage of alternative fuel – the main energy source for clinker kiln. The usage of AF is more extensively described on pages 32–38. 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 280 vehicles – bulk cement cisterns, packed cement and aggregates trucks, ready-mix mixers and pumps, railway. For export markets we use also maritime transport.

Sales:

SCHWENK Latvija cement is available to customers in Latvia, Lithuania, Estonia, Sweden and Finland. In Latvia we distribute both bulk and bagged cement. For bulk cement, the 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 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. The main market for aggregates is also domestic, a small amount is exported to Sweden and Finland.

Customer relations:

We maintain ongoing relationship 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 opportunities with 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's defined procedures.

Sustainability strategy

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



**ZERO HARM
FOR PEOPLE**



**ZERO HARM
FOR THE ENVIRONMENT
AND CLIMATE**



**ZERO TOLERANCE
TO CORRUPTION AND
NON-COMPLIANCE**

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

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

LOCAL COMMUNITY

- LC1** Company-related transport participation in traffic
- LC2** Direct impact of production on neighbours (environmental aspects, infrastructure)
- LC3** Support for the 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

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

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 the Company, setting and fulfilling the goals
- G6** Transparency, data-based integrated reporting and publishing
- G7** Management of the integrated management system

Contributing to UN Sustainable Development Goals

As a family company with long roots and a long-term vision of a 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 SDGs. The description below includes SCHWENK Latvia's initiatives, approaches and activities towards each goal.





Good health and well being

- Mission Zero – our goal is zero harm for human health and safety. To maintain that, extensive educational, culture shaping and continuous improvement programs are in place. In 2022 SCHWENK Latvia initiated national level social initiative Mission Zero, joining employers and jointly working towards improving health and safety for people employed all across the country and various industries.
- Our approach towards health and safety is one 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, encouraging voluntary work, peer-to-peer support programs.
- Voluntary work and social investment for contributing to the economic growth of the local community.
- Programs and initiatives to improve the 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 a wider range of alternative raw materials.
- Alternative fuel as the 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 restoration and biodiversity programs.
- Engagement with stakeholders for future quarry restoration initiatives.
- Participation in nationally significant environmental projects, for example – cleaning of Incukalna 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 at national and regional level, fight against shadow economy.
- Public activity for improving industry ethical and compliance standards.

Stakeholder engagement

Relationship and open dialogue with internal and external stakeholders is 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, the 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

Stakeholder groups	Collaboration directions		Ways of engagement	
Employees	<ul style="list-style-type: none"> • Human health and safety • Ethics, human and labor rights • Professional development 	<ul style="list-style-type: none"> • Training and education • Engagement • Dialogue and feedback 	<ul style="list-style-type: none"> • Bi-annual on-line and on-site open dialogues for all • Annual 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 	<ul style="list-style-type: none"> • Closed group for employees in the Facebook platform • WhatsApp group including all employees, monthly newsletters, pin boards in all locations • Ongoing collaboration with trade union • Ongoing development activities • Extensive bonus system and wide range of collective agreement benefits • Podcast
Customers and partners	<ul style="list-style-type: none"> • Human health and safety • Climate action • Product quality and safety 	<ul style="list-style-type: none"> • Responsible consumption • Product development 	<ul style="list-style-type: none"> • Surveys • System for claim management • Quarterly events for various customer groups 	<ul style="list-style-type: none"> • On-line and off-line educational events and initiatives regarding health and safety, sustainability, business ethics a.o.
Neighboring communities	<ul style="list-style-type: none"> • Direct impacts from company operations, including transportation • Support for community wellbeing 	<ul style="list-style-type: none"> • Strengthening STEM education • Health and safety 	<ul style="list-style-type: none"> • Stakeholder dialogues • Community support projects • Community engagement in the Company events and activities • Events and visits to company locations 	<ul style="list-style-type: none"> • Scholarships for engineering and technical studies • Voluntary work • Material donations • Educational projects
Legislators and state institutions	<ul style="list-style-type: none"> • National standards for sustainability, climate action, fair market conditions • Combatting shadow economy, corruption and environmental violations • Development of infrastructure 	<ul style="list-style-type: none"> • Workforce and education • Taxation • Competitiveness in export markets • Circular economy • Waste management 	<ul style="list-style-type: none"> • Active participation in industry associations and expert groups • Direct engagement of experts in specific advisory and working groups 	<ul style="list-style-type: none"> • Maintaining open dialogue • Experience sharing events and activities, visits to the plant
Municipalities	<ul style="list-style-type: none"> • Workforce and education • Environment protection 	<ul style="list-style-type: none"> • Infrastructure • Social investment 	<ul style="list-style-type: none"> • Open dialogues and on-going interaction • Visits and meetings in the Company locations 	<ul style="list-style-type: none"> • Support and cooperation for community projects and municipality institutions
NGOs	<ul style="list-style-type: none"> • Sustainability • Raising standards of the industry, overall employment and production in Latvia 	<ul style="list-style-type: none"> • Environment protection and climate action 	<ul style="list-style-type: none"> • Dialogue on issues important for the whole sector • Memberships in business and trade organizations 	<ul style="list-style-type: none"> • Active engagement in corporate governance, ESG agenda in Latvia • Experience sharing, education and growth

Impacts, risks and opportunities

Enterprise risks

The Company's risk and opportunity agenda includes five main directions and is covered and analyzed in the Enterprise risk management and Crisis management plan and guidelines.

Labor force challenges

Due to various developments in education and industry sectors in Latvia in the 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 the primary and secondary education system and the 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. The condition of state and municipal roads strongly affects safe logistic processes, with as less as possible impact on neighboring communities.

Electricity and fuel costs

After the beginning of full scale Russia's invasion of Ukraine, along with other EU countries, companies in Latvia faced significant challenges due to sky-rocketing costs of fuel and electricity.

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 Latvia quarries we have the re-cultivation and restoration plan in place. The proportion of the shadow economy in Latvia's concrete and aggregates markets reaches 30%³ and that poses a great risk for all the companies working in accordance to all local and European legal acts and standards. Being a European producer and operating within EU Emissions Trading System (EU ETS), SCHWENK faces challenges of unfair competition with third country producers operating in accordance to significantly lower environmental standards and requirements.

Slow development of circular economy and waste management

Already now the majority of fuels used in SCHWENK Latvia Broceni cement plant are alternative – 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 a broader context – due to increasing demand for alternative fuel in Europe, new challenges regarding the 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 a risk to human life, environment and operational continuity.

³ According to annual survey by Business Against Shadow Economy (BASE)

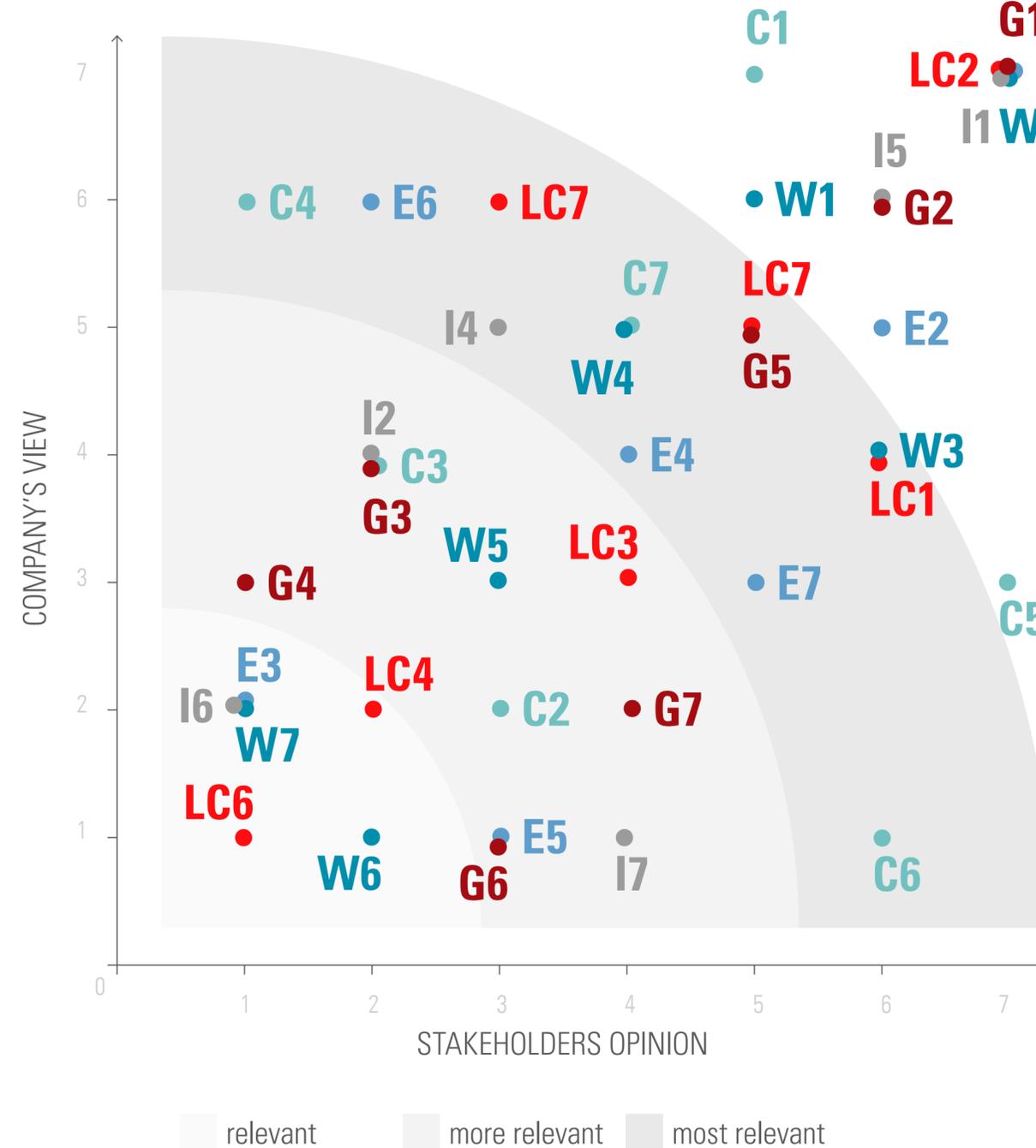
Materiality matrix

The materiality matrix is the result of a holistic analysis of sustainability issues, risks and opportunities in the 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 survey and discussions.

In 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.

Sustainability issue mapping

Sustainability issues are identified in accordance to priorities in materiality matrix, during internal stakeholder meetings, covering approximately 50 people – executives, managers and experts. To mitigate potential negative impacts and use opportunities for the Company to improve sustainability performance, the goal for 2023 and 2024 is further and more extensive mapping of material issues, as well as analysis of exact impacts together with a wider range of internal and external stakeholder groups.



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

WORKFORCE

- W1** Attracting skilled labour and families to the region
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LOCAL COMMUNITY

- LC1** Company-related transport participation in traffic
- LC2** Direct impact of production on neighbours (environmental aspects, infrastructure)
- LC3** Support for the 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

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

INDUSTRY

- I1** Participation in combating the shadow economy
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Sustainability performance in 2022

Climate

General overview

Cement production is one of the most emission-intensive industries in the world. According to the latest (year 2018) data⁴, approximately 7% of Latvia's CO₂ emissions come from cement production. Therefore, the reduction of climate impact and CO₂ emissions is among our top priorities.

In the cement production process, there are two main drivers of CO₂ emissions – fuel determined 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 released during burning processes. While SCHWENK Latvija has achieved almost 100% alternative fuel rate thus annually improving its performance in reducing fuel-based

emission rate, reducing the other two thirds is a very complicated and challenging task as limestone still is one of the core materials used in cement. SCHWENK Latvija's cement plant in Broceni is one of the modern industry examples in Europe where 94,6% of the fuel used in 2022 is alternative. Its use significantly reduces CO₂ emissions and contributes to enhancing the principles of the 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, municipality and other stakeholders. SCHWENK Latvija implements a wide program of activities to reduce the consumption of non-renewable natural resources and decrease environmental impact. We perform constant improvements of processes and technologies, heat and modernize

buildings, increase the efficiency of logistics and use of alternative fuel. We put great emphasis on the implementation of circular economy principles in all production areas and the 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 and

2 is already well-established practice based on data. In the reporting period for 2022 SCHWENK Latvija reviewed its KPI lists in accordance to draft ESRS standards and started to identify key performance indicators for Scope 3 emissions. In 2023 Company's goal is to start the development of the system for collecting data.

⁴ National greenhouse gas emissions inventory by State Limited Liability Company Latvian Environment, Geology and Meteorology Centre, 2018

Where does CO₂ originate within our production process?

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:
 $\text{CaCO}_2 \rightarrow \text{CaO} + \text{CO}_2$

Main projects in 2022

Finish of utilization of neutralized polluted soil from Incukalns

From 2018 to 2022 SCHWENK Latvija was a part of a major environmental project in Latvia – cleaning of historically most polluted area in the country – Incukalns goudron ponds. Within the project close to 50 thousand (48 796) tons of neutralized polluted soil was used as an alternative fuel in Broceni cement plant. The project was realized in close partnership with State Environmental Service, hazardous waste managers and environmental experts. In 2020 the cleaning part was finished, by 2022 – utilization of all material.



Carbon capture technology tests

From 2018 – 2022 Broceni cement plant was the partner in European Union's Horizon 2020 research and innovation programs' project GENESIS for testing carbon capture technologies. The goal of the project was to develop and improve – capture and purification materials to test their performance, durability and reliability in an industrial environment. Within the project, technology tests were done in the Broceni cement plant, in real industrial conditions testing whether the MOF membrane system could detect and achieve purity of CO₂ emissions above 90%.



Cement mill 8 and multicompartment silo

In 2022 a major investment cycle was finished in Broceni cement plant – for approximately 33 million euros, new cement mill and a multicompartment silo were commissioned and launched into operations. It will support SCHWENK Latvija's goal to extend the usage of alternative raw materials and add new, environmentally friendly cement types to the product portfolio. New energy-efficient grinding technology helps to reduce electricity consumption. With the total capacity of 12 500 tons, the silo is suitable for storing five different cement types, 60 meters high with 20 meters diameter.

This huge project was implemented under the leadership of SCHWENK Latvian and German engineers, in cooperation with experienced industry experts in Europe. Mill is produced and supplied by Christian Pfeiffer Maschinenfabrik GmbH (Germany), but silo engineering and installation of equipment is provided by IBAU Hamburg (Germany). The construction company for the civil works is SIA Tilts (Latvia). Overall, approximately 200 people from Latvia and abroad were employed in the project, providing strict control of safety and epidemiological measures during the process.



SRF dryer helps to increase AF rate

In 2022 approximately 3 million euro were invested in the dryer of the main alternative fuel used in the Broceni cement plant – solid recovered fuel (SRF). It significantly helps to reduce the moisture and increase the calorific value of the SRF mix, thus contributing to achieving close to 100% substitution rate and lowering CO₂ emissions. The input material with an initial moisture of approximately 20–30% is fed directly into the dryer via conveying system. SRF is evenly distributed on the drying belt, where hot airflow aerates it and dries continuously to a final moisture of below 5%. After drying, SRF is fed into the rotary kiln pneumatically and combusted. This helps to significantly improve the calorific value of SRF, hence reducing its required volume, saving an estimated 3,3 GWh annually based on the evaporated water volume. The drying process is operated only with recovered process heat which increases the efficiency of the whole production process.

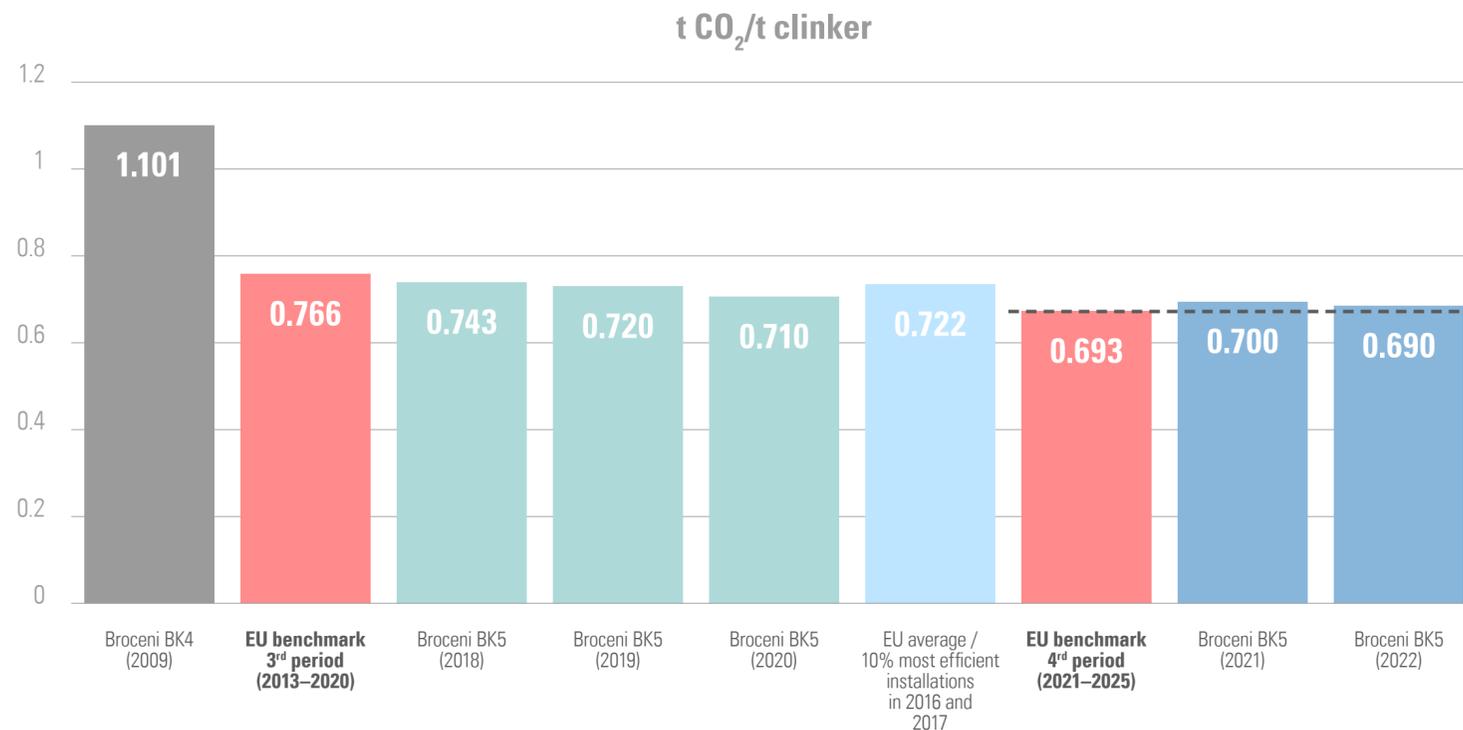


CO₂ reduction

Investments in the construction and constant improvement of processes in the last 13 years have helped us reduce the amount of emissions by 37,3% or 411 kg. Already now SCHWENK Latvija 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).

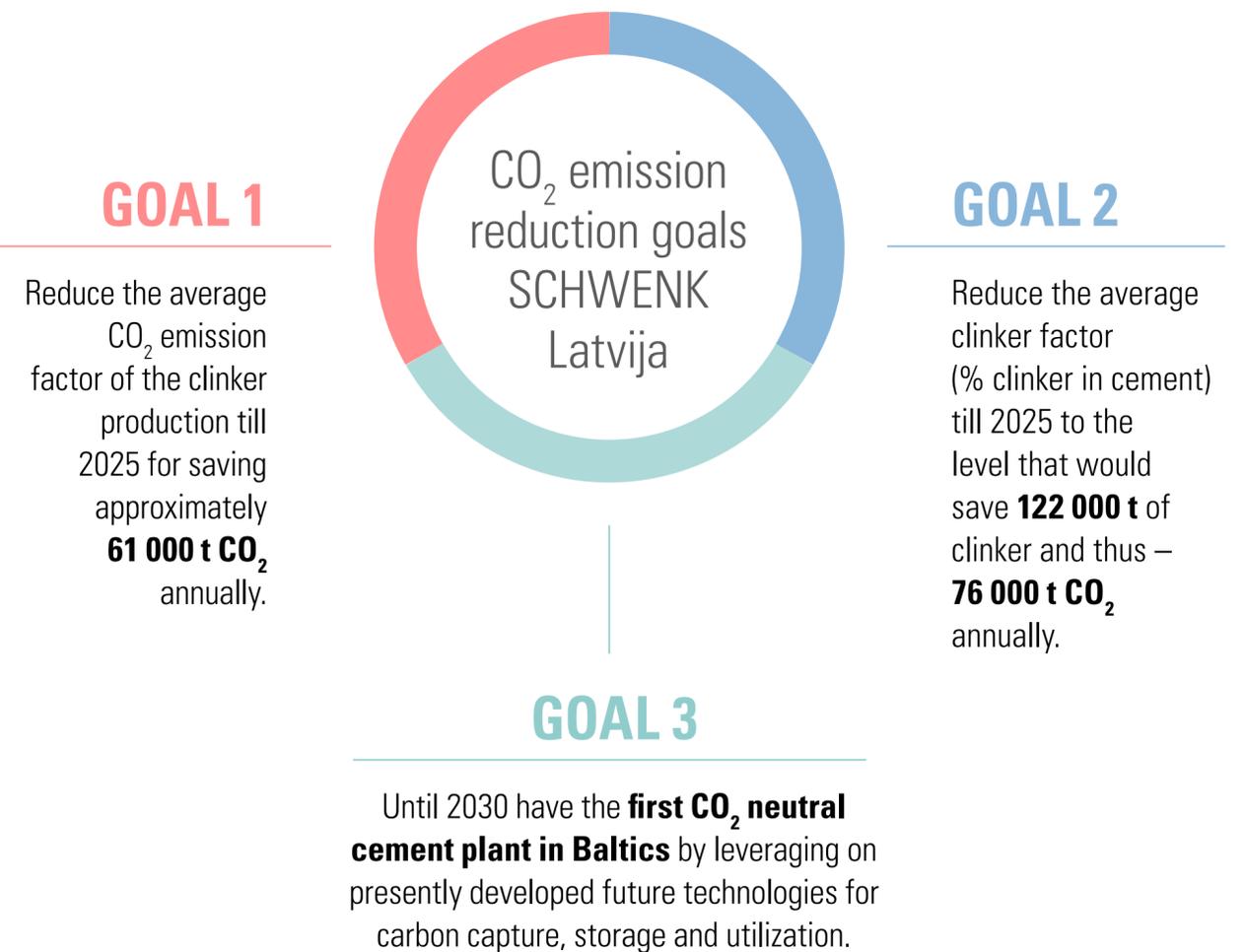
In 2022 SCHWENK Latvija achieved further reduction of CO₂ emissions, reaching historically lower emission factor per ton of clinker – 0,690 t. With this performance Broceni cement plant rates higher than Europe’s TOP 10 most efficient installations, based on the latest official available data. Mainly this goal was achieved due to an increase in alternative fuel rate and fuel mix with high content of biomass.

CO₂ REDUCTION DYNAMICS IN THE BROCENI CEMENT PLANT



Towards climate neutrality – CO₂ reduction roadmap

In 2019, right after 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 the Broceni cement plant.



In 2020 SCHWENK Group and SCHWENK Latvija established CO₂ sounding board – a forum of internal experts for ensuring the implementation of targeted and strategic actions towards climate neutrality.

CO₂ reduction roadmap: progress towards goal 1

increased usage of alternative fuel

In the 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. Until the 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. The 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 the production of clinker.

In 2022 alternative fuel used in the plant was specially treated and prepared household and industrial waste (SRF), chipped tires, tire fluff and NPS – neutralized polluted soil. After the use of alternative fuel, zero amount of any kind of waste enters the 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 53 laboratory tests were performed for materials like polluted soil, various types of SRF, tire fluff and others.

Types of alternative fuel used in the Broceni cement plant, 2022



SRF

81.1%



CHIPPED TYRES

5.5%



TIRE FLUFF

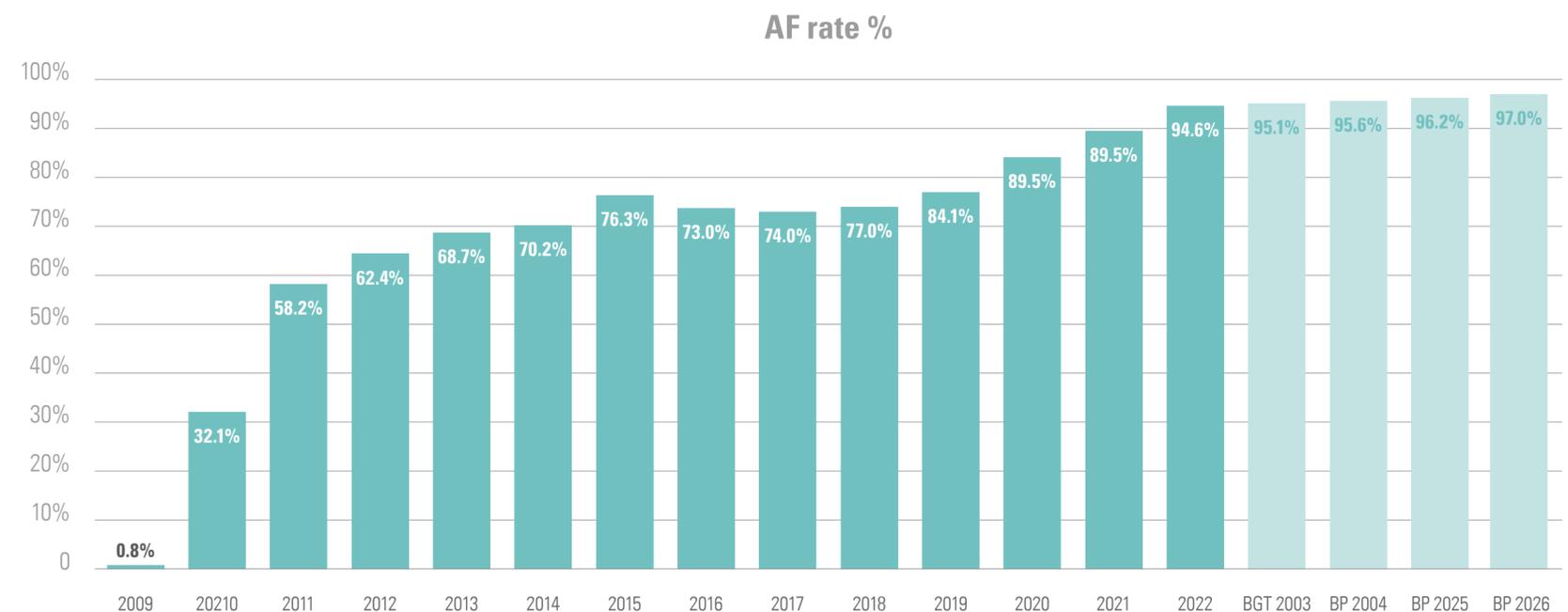
11.4%



NPS

2%

ALTERNATIVE FUEL RATE BROCENI CEMENT PLANT 2022 – 94,6%
(5,1% MORE THAN IN 2021)



CO₂ reduction roadmap: progress towards goal 2

increased usage of alternative raw materials

With the commissioning of the new cement mill, SCHWENK Latvija made a big step towards the possibility to extend the range of alternative raw materials. In 2022 for specific cement types, alternative raw material usage has been increased by 7% in comparison to 2021, replacing clinker. The average reduction of clinker factor in 2022 was 2,3% in comparison to 2021. This is affected by the requirement of cement standard LVS EN 197-1, which defines limit values for additives in certain cement types. The launch of the new cement mill also helped to significantly increase

operational and energy efficiency and improve product quality. For future development 18 industrial grinding tests were performed in 2022, testing opportunities to develop new cement types and optimize existing ones. 37 laboratory tests were performed to test the chemical composition and physical parameters of possible new cement types. Our future goal is to continuously reduce clinker factor in cement by increasing the usage of alternative raw materials. Goal dynamics is highly affected by technological capabilities and production process specifics.

CO₂ reduction roadmap: progress towards goal 3

carbon capture and utilization

Carbon capture, storage and utilization technologies are crucial to achieve climate neutrality in cement production. Technological innovations towards it are in huge focus on SCHWENK Group level in Germany. In 2019 for cement producers joined forces and established a joint research corporation CI4C – Cement Innovation for Climate – with the aim to realize a joint research project catch4climate to investigate the practical applicability of the Oxyfuel Carbon

Capture technology in the cement production process. A location next to the SCHWENK plant in Mergelstetten, Germany was selected as the project site for the development of a pilot plant. In 2022 design, permitting and first construction works were done. In Latvia SCHWENK experts are actively engaged in national work groups for the development of future infrastructure and legislative framework of carbon capture, storage and utilization.



catch4
climate

CI4C
CEMENT INNOVATION
FOR CLIMATE

Energy efficiency

Cement production is one of the most energy intensive industries globally. SCHWENK Latvia is among the biggest electricity consumers in Latvia with approximately 2% of Latvia's total electric power consumption in 2022. 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 are among SCHWENK Latvia priorities towards climate neutrality and reduction of Scope 2 CO₂ emissions.

SCHWENK Latvia 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 the 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 2022 SCHWENK Latvia implemented several projects towards

energy efficiency. The most significant saving was achieved by lighting change to LED bulbs in office and production environment. In total 600 bulbs were changed with an estimated saving of 15 MWh annually. Regarding thermal energy significant efficiency was achieved by launching the dryer of solid recovered fuel, SRF (see more on page 33) – reaching more than 3.3 thousand MWh saving annually.

In 2022 additional energy efficiency working group was established to enhance employee engagement in sharing suggestions related to their daily work and changing habits. The working group meets monthly to discuss new energy efficiency project initiatives, employees are invited to submit their suggestions through on-line reporting tool Meemo. All ideas are reviewed and rewarded.

Along with continuous energy efficiency incentives, in 2023 SCHWENK Latvia plans to start solar energy supply from an external solar park and is actively developing its own solar park project next to the Broceni cement plant. Combined these should provide 8-9% of the plant's annual power consumption.

SILDĪTĀJS PALIEK IESLĒGTS ARĪ VASARĀ?

NODERĒTU GAISMAS SENSORI?

DZIRDI, KĀ RŪPNĪCĀ ŠNĀC SASPIESTAIS GAISS?

IR PADOMĀ, KĀ VĒL VARAM SAMAZINĀT DRUKĀTO DOKUMENTU APJOMU

IESAISTIES, LAI TOP! | APVIENOJAM ENERĢIJU ENERGOEFEKTĪVĪTĀTEI!

JA SAREDZI, KUR ENERĢIJA IZKŪP GAISĀ, PADALIES!

Iesniedz energoefektivitātes ideju un saņem dāvanu

Viedā rozete Degvielas karte 20 eiro Noderīga lieta no SCHWENK

Reizi ceturksnī spēcīgākā ideja saņems lielo balvu!

Kā iesniegt?

- Meemo – izvēlies kartes veidu Uzlabojumu / energoefektivitātes ideja
- Aizpildi uzlabojumu **ideju karti** un iemet sarkanajā pastkastē
- Ziņo savam **vadītājam**

Kā tas strādās?

- Visas idejas saņems un izvērtēs Energoefektivitātes darba grupa
- Energoefektivitātes ideju autori saņems dāvanu
- Reizi ceturksnī visas saņemtās idejas pārskatīsim un spēcīgāko atbalvosim ar lielo balvu

Main key performance indicators 2022: climate

KPI	2021 fact	2022 goal / fact	2023 goal
CO ₂ emissions scope 1, (CO ₂ t per / ton of clinker)	0.700	0.696 / 0.690	0.695
CO ₂ emissions scope 1, (CO ₂ t per ton of cement)	NA ⁶	0.601	0.600
Specific net CO ₂ emissions (CO ₂ t per ton of cement equivalent)	0.495	0.472	0.470
Specific net CO ₂ emissions (CO ₂ t per ton of clinker)	0.569	0.557	0.550
AF substitution rate, %	89.45	94.0 / 94.65	95.1
Clinker factor	87.03	88.0 / 84.73	83.3
CO ₂ emissions scope 2, (CO ₂ t per ton of cement)	NA ⁷	0.02	0.02
CO ₂ emissions scope 3, (CO ₂ t per ton of cement)	No data	No data	Definition of key performance indicators, establishment of data collection system
Number of cement types with EPD	4	5	5

⁵ Based on Company data about its consumption and publicly available information about overall national consumption: <https://ast.lv/lv/electricity-market-review?year=2022&month=13>

⁶ Before 2022 different calculation method applied, thus data are not comparable.

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



Environment

Environmental performance: cement plant

SCHWENK Latvija analyzes its environmental impact in all operational areas. The cement plant in Broceni is among the most modern and environmentally friendly industry examples in Europe with a completely closed production cycle – the production process doesn't produce wastewater or other waste. Ash from fuels in the clinker kiln becomes a part of our product – clinker. The plant is equipped with the best available techniques (BAT) for the reduction of nitrogen oxides emissions (low-NO_x burner), selective non-catalytic reduction (SNCR) method is used for decreasing ammonia emissions and a fabric filter system for reducing dust emissions. Continuous monitoring system provides tracking of 11 emission parameters, including dust, NO_x (Nitrogen oxides) and SO_x

(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.

SCHWENK Latvija implements a strict internal waste management system. We sort the waste produced during the manufacturing process, afterwards delivering it only to certified waste management companies. The majority of waste created in the manufacturing process is put for recycling – it returns to the manufacturing cycle as raw materials and is used in the development of new products.



Nature preservation and conservation

SCHWENK Latvia performs aggregate extraction in six quarry farms in compliance with environmentally friendly quarry maintenance principles and nature reserves, implementing responsible restoration, 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. We always maintain a balance between the manufacturing needs and the preservation of natural values. In accordance with Latvian legislation, all SCHWENK Latvia quarries have an approved restoration plan. Where applicable, restoration takes place already during the quarry development period. Thus, partial restoration is implemented in the clay quarry Caunes and limestone quarry Kumas – levelling of soil is performed, and a forest is planted. The total area reforested in quarry Kumas exceeds 19 ha, where 65.5 thousand trees have been planted: white alder, black alder, downy birch and European spruce. In

2022 in the quarry Kumas in an area of 4.23 hectares birches, European spruces and black alder were planted. 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. We monitor groundwater level around clay and limestone quarries on a regular basis.

Water and marine

Water consumption is continuously monitored – in the 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 help to re-use 28% of water in ready-mix and 90% of water in aggregates.



Main key performance indicators 2022: environment

KPI	2021 fact	2022 goal / fact	2023 goal
Clinker produced with continuous monitoring on main emissions (SOx, NOx, dust, TOC, Hcl, HF, NH3), %	100%	100%	100%
Limit value sulfur (SOX) emissions clinker, mg/m ³	200	200	200
Sulfur (SOX) emissions clinker, mg/m ³	24.34	200 / 18.29	200
Sulfur (SOX) emissions cement, kg/t	0.106	0.086	0.086
Limit value NOx emissions clinker, mg/m ³	500	500	500
NOx emissions clinker, mg/m ³	399.9	500 / 377.64	500
NOx emissions cement, kg/t	1.686	1.595	1.595
Limit value dust emissions clinker, mg/m ³	20	20	20
Dust emissions clinker, mg/m ³	8.96	10 / 9.75	10
Dust emissions cement, kg/t	0.053	0.065	0.065
Dust emissions ready-mix, kg/m ³	N/A	0.016	0.016
Limit value mercury emissions clinker, mg/m ³	0.05	0.05	0.05
Mercury emissions clinker, mg/m ³	0.00013	0.0024	0.05
Mercury emissions cement, g/t	0.0025	0.012	0.05
Environmental incidents with soil contamination			
• cement	0	0/0	0
• concrete	0	0/0	0
• aggregates	0	0/0	0
Quarries with rehabilitation and restoration plan	100%	100% / 100%	100%
Rehabilitated land, %	5.27%	12.6%	NA
Water intensity l/ton			
• cement	40.37	37.49	38
• ready-mix	231.41	232.11	NA
• aggregates	35.9	54.19	NA
Water recycled and reused, %			
• cement	Not applicable	Not applicable	Not applicable
• ready-mix, m ³	28%	28%	28%
• aggregates, m ³	90%	90%	90%

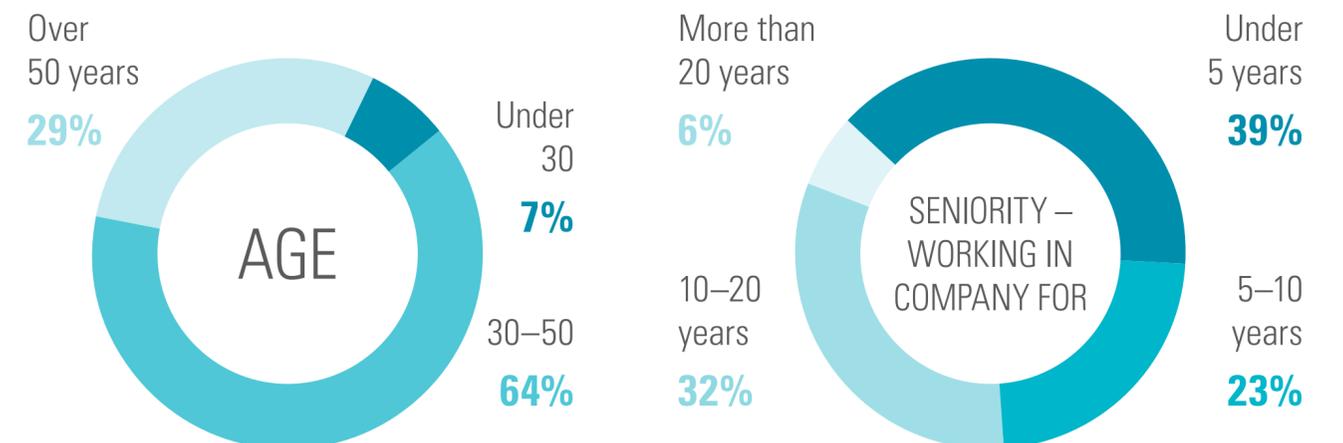
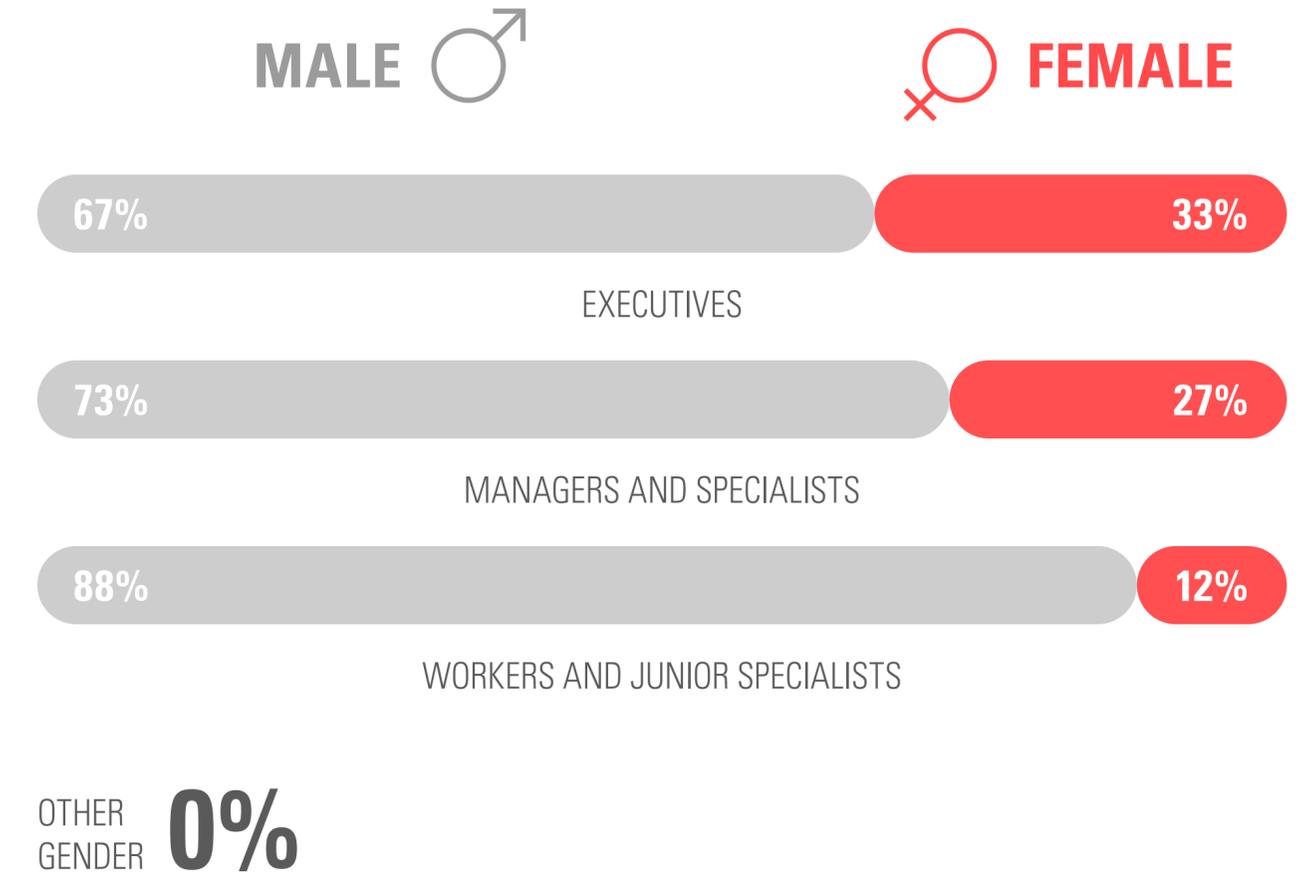
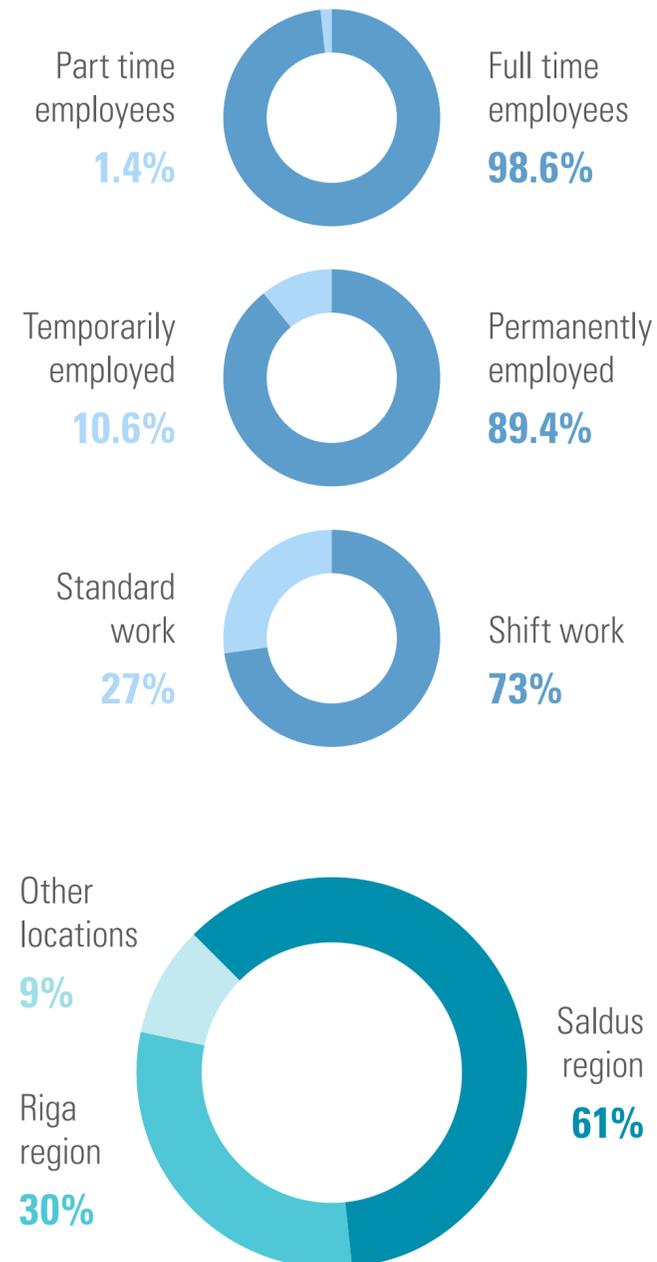
People: own and contracted workforce

SCHWENK Latvija employees 2022

SCHWENK Latvija's 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. Diversity and equality are important principles in the development, advancement and remuneration of our team. Due to the specifics of heavy industry, on average 83% of company employees are male.

We are proud of the very low attrition rate for voluntary leaves from the company – approximately 4%, average seniority is 8.9 years. We also put great emphasis on career development within a company – all vacancies are initially announced internally – in 2022 50% of all open 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. In 2022 SCHWENK Latvija conducted the employee engagement and satisfaction survey in Latvia in cooperation with an independent third-party service provider and using TRI*MTM Employee Commitment Methodology⁸. The total employee commitment index in the company was 75, which is two index points lower than 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 were geopolitical instability, cost inflation and pandemic effects.

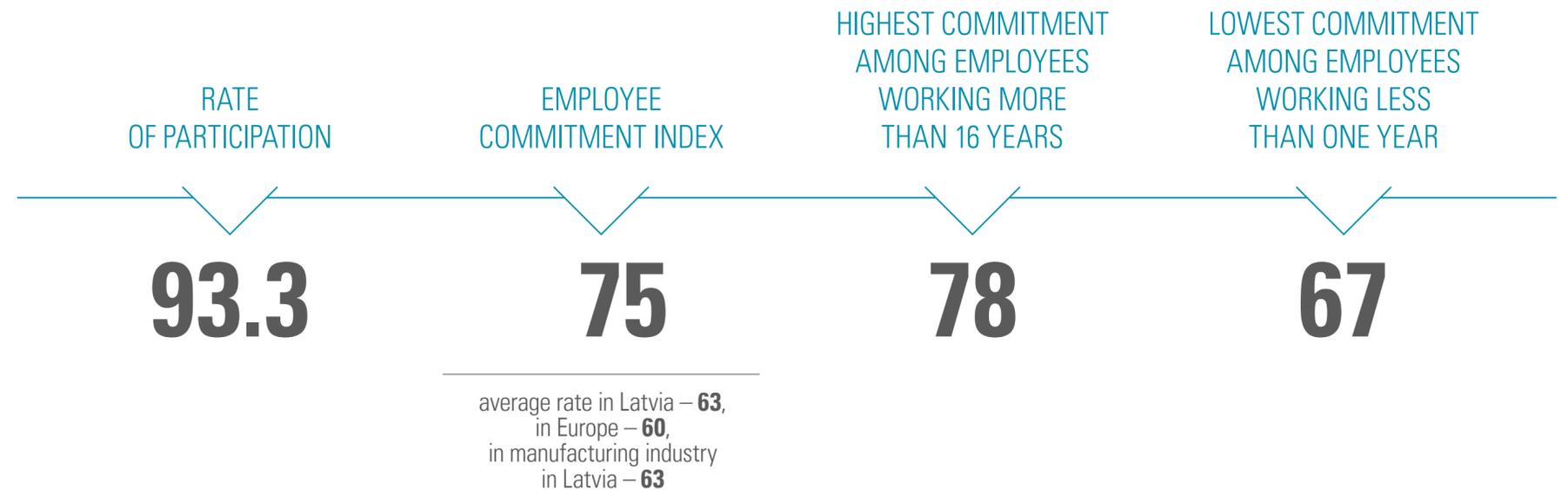
In comparison to external benchmarks from the survey company, SCHWENK Latvija's employee commitment is

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.

⁸ 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



Education, evaluation and career development

Our team consists of representatives of around 130 professions, 38% 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 has access to professional training programs facilitated both by internal and external experts. Employees are supported with scholarship in obtaining higher education in engineering sciences. 40 positions are part of the succession planning program – a targeted initiative of employee evaluation and training in order to provide the succession of critical skills in order to provide continuity.

Support for upgrading employee skills

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

4272
hours
SPENT ON
TRAINING
2022

AVERAGE
TRAINING HOURS
PER PERSON
ANNUALLY
12.3

INVESTMENT
IN TRAINING
PROGRAMS
42 K €

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 Latvia. We act to ensure an 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 2022 5% of employees were on parental leave, from which 74% were men and 26% women. All employees on parental leave returned to their professional duties within the Company. 2% of all SCHWENK

Latvija 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 procedure of whistleblowing are described in Code of Ethics (see page 17).

In 2022 8 reports were received within Code of Ethics reporting mechanism. 88% of cases were resolved within 8 weeks, 100% of cases – resolved by the year’s end. Six cases were related to own work environment and employees, two cases – to workers in the value chain.

Remuneration

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

We strive for long-term employment and are proud in our low attrition rate, as well as the length of employment in the company for a significant part of our employees. The rate of the lowest base salary for entry worker in SCHWENK Latvia over country level base salary is 2,18; the rate of the lowest base salary for entry worker in SCHWENK Latvia over applicable benchmark salary in the country – 1,28⁹. Comparison is based on equal qualification level and job category, according to the above-mentioned salary survey.

SCHWENK Latvia stands for equal rights and salary for both men and women. Our remuneration system is based solely on the evaluation of competencies, market situation and required skills. General male-female pay gap in SCHWENK Latvia is due to the relatively low number of female workers in Company in general, but

a relatively higher proportion of women in specialist, management and executive positions. Pay gap by employee structural layers is highly affected by a variety of professions and competences – 360 employees in 130 different professions.

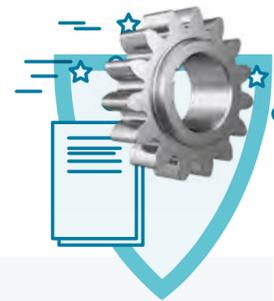
All company permanent employees are covered by the collective agreement, which is the base for our substantial benefits package.

⁹ Data about applicable benchmark salary in the country based on the Salary survey 2022 by company Figure Baltic Advisory.

Standard benefits for permanent employees after trial period

BENEFITS FOR SCHWENK LATVIJA EMPLOYEES

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 among 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.

Employee open dialogues are taking place on a regular basis for discussing important topics for each business area, company business results, investment plans and strategy. Company employees are encouraged to join a closed group on Facebook and share their stories in monthly podcast for even more informal interaction. Twice a year all employees meet for bigger celebration – SCHWENK Summer festival in July and Winter ball in December. 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. 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 the 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 the Labor Union 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.



Forms of employee engagement

Collaboration directions

- Human health and 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
- Annual 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 on Facebook platform
- WhatsApp group including all employees, monthly newsletters, pin boards in all locations
- Ongoing collaboration with trade union
- Ongoing development activities
- Extensive bonus system and a wide range of collective agreement benefits
- Podcasts

Health & safety and wellbeing

General overview

SCHWENK's mission is zero harm – health and safety is our priority and a core value. Each day in all our locations and outside of them we put great focus on strengthening this value not only at corporate level, but also as a personal one.

In all SCHWENK Latvia 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 Latvia 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 Latvia.

On monthly basis Health and Safety Committee meetings are organized to discuss issues and possible improvements. 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 the H&S agenda implementation¹⁰. Our health and safety activities cover a wide range of operational and every-day aspects and are covered in Health & Safety roadmap.

¹⁰ Director of HCM, H&S and Communication, H&S manager, two H&S specialists, one traffic safety controller.



Tools towards Mission Zero

Constant risk assessment for working conditions

All SCHWENK Latvia 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. The Company continuously improves working conditions – in 2022 main health and safety related projects include new wardrobes, clothing and footwear drying equipment, an emergency shower in the preheater tower, an evacuation trolley, Mission Zero training for all employees, foam trolley for firefighting purposes in alternative fuel warehouse, re-evaluation of fit and quality of PPE, implementation of health and safety internal digital management system Meemo, implementation of new accident reporting system Rubis, election and training of seven safety representatives among employees. A significant part of potential risks are indicated in the Risk reporting system by all employees.

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 the highest H&S standards and apply the same approach both for employees, subcontractors and guests. In 2022 the Company launched a 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.

Insurance

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

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 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 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.

Support to sports

We support employee participation in various sports events, individual training are included in the insurance package. By providing secure bicycle stands and showers at our main locations, we support bicycle as the preferred choice of daily transport.

Education and training

The Company organizes regular H&S induction and trainings for all employees with a 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

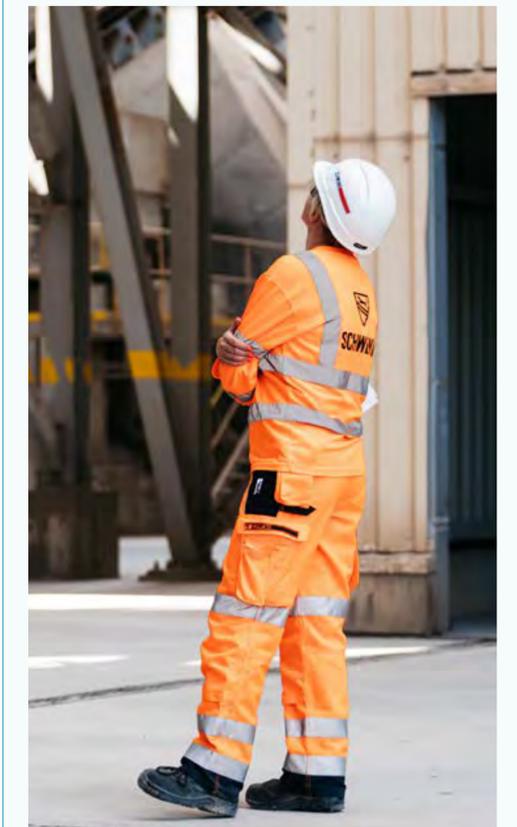


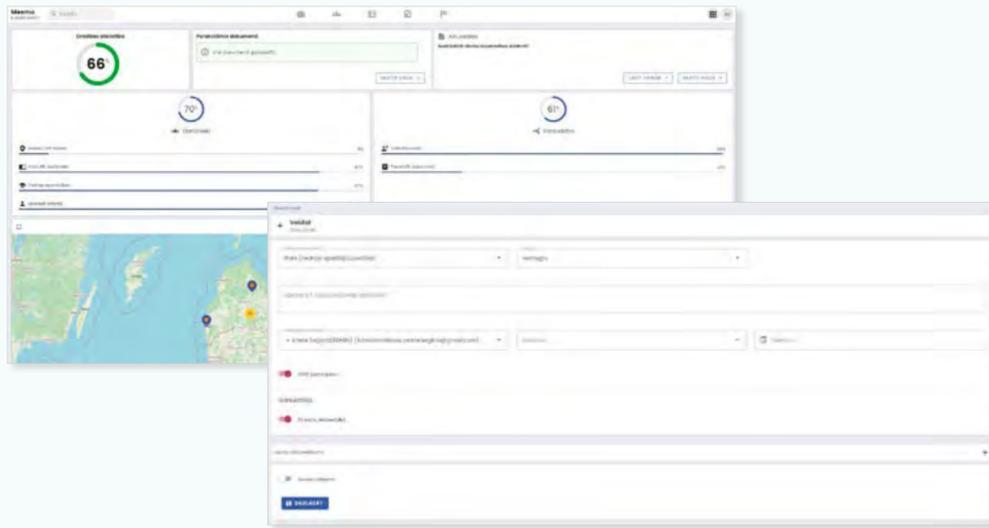
various health and safety related issues. In 2022 SCHWENK Latvia internal experts started the roll out of an extensive training program Mission Zero – full day training for small groups of employees about various aspects of safe behavior, life choices and personal values. Until the end of 2023 program will cover 100% of Company staff and will be extended to contractors' employees.



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 to be used in specific conditions. The 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.





Risk reporting system

A system launched 14 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 the principles of LEAN, where employees can fill in a risk card either digitally or in print. Since the system's launch nearly 19 000 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 make our people and company stronger. In 2022 53% of people were actively engaged in submitting Risk cards and our goal is to constantly increase this level of engagement.



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, Company provides also extended opportunities for health-related measurements and consultations with medical professionals.

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. A significant part of the process is dialogue with people on site, speaking about daily challenges and needs they have on a daily basis. Together with the risk reporting system this has been an important contributor to maintaining health and safety culture alive. In 2022 318 visible felt leadership visits were organized.

Wellbeing

Apart from the 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 the winter season. Seasonal fruit is provided at all Company locations, as well as drinking water, hot drinks,

small snacks. All locations are equipped with first-aid, life-saving and health monitoring appliances – defibrillators, blood pressure measuring devices, thermometers, sunscreens, electrolyte water, feminine hygiene products, eye rinsing and a 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 a special part for wellbeing. In case of extreme weather conditions – very high or

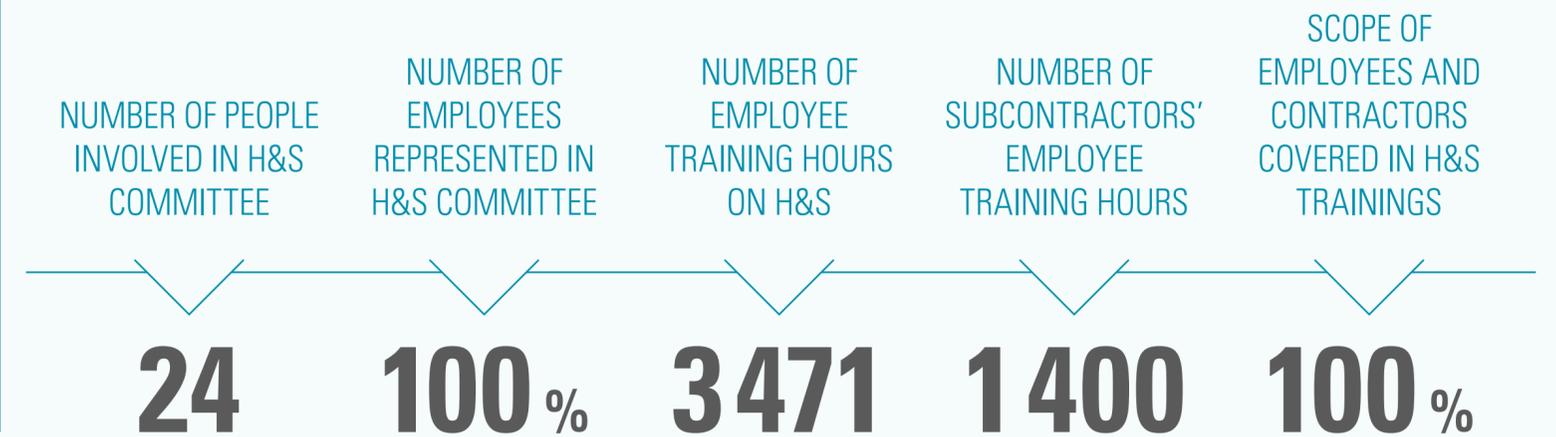
low temperatures – specific work and rest time procedure is in place. During annual main outage, medical personnel is available at the cement plant and a special medical room is available 24/7. Certain areas in our biggest production site – the cement plant – are equipped in accordance to accessibility principles. Production units are equipped with clothing and footwear drying devices. All employees are provided with two paid holidays annually for their own or family member's health care or improvement.

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 more safety as well as participate in workshops and conferences to share best practice and challenges. In 2022 SCHWENK Latvija launched a social

national-level initiative Mission Zero, inviting other employers to join effort and thrive for zero accidents at workplaces. More information about the initiative – on page 65.



Injury and lost days

2022 was a very challenging year in regard to safety incidents – Company employees experienced five lost time injuries (LTIs) and 2 first aid injuries, reaching the historically highest rate since 2010. Meantime we were able to avoid contractor LTIs, but experienced one first aid injury among contractor employees. It was a harsh reminder that H&S is a constant goal to be achieved each day anew, with no vacations. 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.

We are constantly monitoring the rate of sick days and put greater focus on long-term sick leaves to identify opportunities to support employees in their health-related struggles. In 2022 we experienced a high number of sick days, largely affected by infections of Covid-19 – in total close to 4000 lost days.

Overall pandemic effect on SCHWENK Latvia operations can be evaluated as moderate thanks to a holistic approach to prevention and control. As the pandemic started in 2020

SCHWENK Latvia completely transformed daily operations in order to provide epidemiologic safety, maintain health for our employees and their families, ensure operational continuity and keep workplaces. That resulted in efficient control of disease in company locations and ability to quickly track the infection routes and stop further spread. In 2022 Company still implemented virus spread control measures like increased hand washing and sanitizing options, rapid testing, body temperature measurements, face mask availability, etc. It is planned that these activities will be implemented also further on.

Main key performance indicators 2022: people: own and contracted workforce

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

**REMUNERATION
AND SATISFACTION**

	2021	2022 goal / 2022 fact	2023 goal
Employee Commitment Index ¹¹	77	77 / 75	75
Ratio of the lowest base salary for entry worker in the Company over country level base salary	2.14	2.18	
Ratio of the lowest base salary for entry worker over applicable benchmark salary in the country	NA	1.28	
Male-female pay gap			
• General	NA	109%	NA
• Executives	NA	79%	NA
• Managers and specialists	NA	90%	NA
• Workers and junior specialists	NA	91%	NA
Attrition rate – voluntary leaves		4%	
Employees covered by collective bargaining agreement, %	100%	100%	100%
Average training hours per person annually	7.9	12.3	10
• male	8.1	12.6	10
• female	6.8	10.6	10
• executives	17.8	9.2	10
• managers and specialists	9.6	13.7	10
• workers and junior specialists	6.4	11.6	10
Engagement in work environment improvement			
Count of H&S risk cards	1757	1994	2000
• Employees engaged, %	48%	53%	60%
• Risk cards resolved, %	84%	80%	85%
Count of Code of Ethics reporting	7	8	
• Cases resolved, %	100%	100%	

HEALTH AND SAFETY

	2021	2022 goal / 2022 fact	2023 goal
LTIs			
• employees	2	0 / 5	0
• contractors	2	0 / 0	0
TRIs			
• employees	2	0 / 2	0
• contractors	0	0 / 1	0
Fatalities			
• employees	0	0 / 0	0
• contractors	0	0 / 0	0
Transport incidents among hauler employees			
• Light (blameworthy)	8 (5)	0 (0) / 8 (2)	0
• Major (blameworthy)	2 (1)	0 (0) / 3 (3)	0
• Lethal (blameworthy)	1 (0)	0 (0) / 1 (0)	0

¹¹ Results in surveys done in 2017 (reported data of 2019) and in 2020 are not comparable due to the change in survey methodology.

Impact on local communities

Measuring our impact, maintaining open dialogue and close cooperation with neighboring communities is an integral part of SCHWENK Latvija's daily activities. We believe in the power of Latvian regions, local communities and the importance of social responsibility. We put great emphasis in providing daily operations with as less impact on neighbors as possible and strive to implement initiatives that improve the 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 the most significant impact is the cement plant, located in Broceni, Saldus region. Advanced technologies, high safety and environmental standards completely closed the production cycle and responsible overall attitude helps to reduce possible negative impact as much as possible. No harmful emissions or wastewater go into the air or soil. The closest neighbors of the cement plant are people living in Broceni – population of nearly 3000 people. An important stakeholder is also the 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 the 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. The geographical location of the quarry ensures that no neighboring households are directly affected by noise or other production effects.

A 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 that faced challenges with water availability.

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 the first general open dialogue, covering all groups of relevant stakeholders.

Community support

In 2022 SCHWENK Latvija continued to organize community project competition for supporting initiatives benefiting people in the 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 2022 30 project applications were submitted and presented, 4 project teams were supported – the creation of audio library for patients of the nursing section in Saldus medical center, development of two 3D models of famous graphical art pieces to increase access to art for people with functional visual impairment and blindness, development of the concept for senior university for life-long learning and support for the education

of children with special needs through technologies of virtual and augmented reality. Funding distributed was approximately 15 thousand euros, responding to the global situation that caused an increase in prices in various fields, applicants were not required to ensure co-funding.

Shared value projects

We believe that economic growth is one of the most important aspects of regional development. We invite local community organizations, small enterprises and individual artists to cooperate 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. In economically challenging times we especially tried to support local small producers and craftsmen by purchasing and promoting their products among our employees and customers.



Science education support

To mark the launch of the last decade's most significant investment project in the Broceni plant – a new cement mill and silo, together with project partners Christian Pfeiffer and IBAU Hamburg SCHWENK Latvija organized a science education support project call for educational institutions in the Saldus region. In total more than 16 500 EUR were donated to three projects with the goal to support Saldus region educational institutions and their strength in STEM education. Jaunlutrini elementary school received funding to obtain equipment and materials for development of product prototypes and studying various production processes, Kalnseta primary school – for study materials to strengthen education in human body, electricity, meteorology etc., but Saldus primary school

received funding for the development of LEGO engineering programs.

Every year we provide support to the youth of the Saldus region who see their future in the native region and want to obtain technical or university education in engineering sciences in any of the schools of Latvia. Graduates can apply for the scholarship each year in September in cooperation with the RTU Development Fund. Apart from that SCHWENK Latvija experts support school youth from Broceni Secondary School in the development of scientific works and achieved good results at regional levels.

From 2019 to 2022 SCHWENK Latvija partnered with Saldus Regional Development Society and co-funded the project EZIS for promoting and strengthening science

education in the Kurzeme region. The project "Promotion of Engineering Science Education for Sustainable Economic Development of the Region" is implemented within the European Agricultural Fund for Rural Development (EAFRD) Latvian Rural Development Program 2014-2020, under the sub-action "Inter-territorial and international cooperation". Project EZIS includes educational workshops and conferences for science teachers and students in the Kurzeme region, educational content and public events within the timeframe of three years.

In 2022 SCHWENK Latvija supported annual event – Celebration of technical creativity, where 140 children from 20 locations in Latvia demonstrated their technical skills in transport modeling.



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 the historical building of Agenskalns market in Riga, supplying nearly 500 m³ of concrete.

In 2022, we continued to support seniors in the Saldus region that had previously worked in cement production and related industries.

For practical improvements in their housing, SCHWENK Latvija donated in total 3.2 tons of cement. Several educational institutions in the region received donations in the form of used personal computers. We also supported a family fleeing from war in Ukraine with baby strollers and various goods for a newborn, as well as provided financial support to one day musical workshop for youth and children of the Saldus region.



Projekts Nr.19-00-A019.332-000008 „Inženierzinātņu apguves popularizēšana reģiona ilgtspējīgas ekonomiskās attīstības veicināšanai”, iesniegts Eiropas Lauksaimniecības fonda lauku attīstībai Latvijas Lauku attīstības programmas 2014.-2020.gadam apakšpasākuma „Starpterritoriālā un starpvalstu sadarbība”.



Atbalsta Zemkopības ministrija un Lauku atbalsta dienests

Voluntary work

Each year we gather for a 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 2022 engagement in voluntary work was lower than in pre-pandemic years, but our goal is to renew and activate voluntary work programs in 2023.



Cement production legacy

As the only cement producer in Latvia and successor of a company with a history of 85 years we feel a sense of a mission for maintaining the cement production legacy in Broceni alive. In previous years SCHWENK Latvija has technically supported the gathering of historical material about Broceni and the cement industry's history as well as launched silver coins honoring long-term cement production employees. In 2021 SCHWENK Latvija launched a support program for seniors previously working in the cement industry, providing technical and practical support. In 2022 the Company organized the second community event during Museum Nights, dedicated to cement production history and people working in it over time. 15 employees participated as hosts, story tellers and tour guides. Approximately 500 people from the local community and further regions visited the event.



Main key performance indicators 2022: impact on local communities

KPI	2021	2022 goal / 2022 fact	2023 goal
Stakeholder dialogues	0	0 / 0	1
People engaged in voluntary work, % from all employees	2%	6.5%	10%
Voluntary work, human hours	190	310 h	500 h
People directly positively affected by social investment programs	NA	10 500	50 000
Social claims and incidents	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 leader in sustainable business practice. With responsibility towards the environment, global resources and people, we produce the 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 about preserving 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 consumption and emissions of motor transport. Our product range includes bulk and packed cement, ready-mix, sand, gravel, pebble and their mixes, as well as limestone fertilizer used in agriculture. Approximately 70% of cement is exported, other materials are produced mainly for the local market. Our customers are very important stakeholders, with whom we maintain 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 Latvia maintains a regular and close relationship with customers and constantly measures their sentiment and engagement 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 2022 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.

The customer survey in 2022 was implemented in November and covered all our customers in segments of cement and aggregates for industrial clients. The response rate was 35% from all the approached. The most highly evaluated areas by respondents from the cement segment were communication with the Company in general and sales people – in a scale of 10, this collaboration aspect was rated with 9,5 points on average. The most critical area, according to the customers is cement packaging quality – an average rating 8,7 in a scale of 10. Among industrial customers for aggregates results were similar – the most highly evaluated area was communication, rated with 9,8 points. The most critical – product quality, rated with 8,5 points. Survey results were thoroughly analyzed in

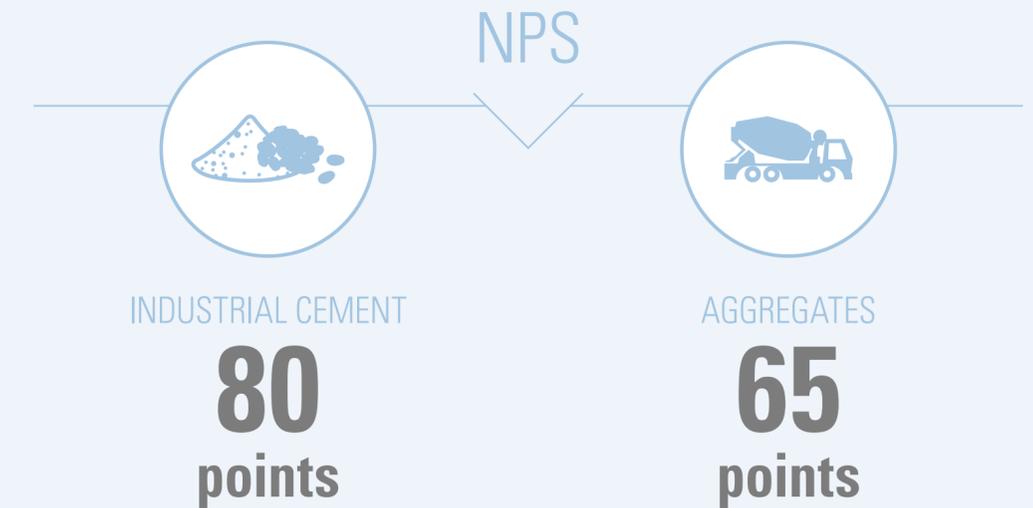
various working groups, discussed with customers and their opinion taken into account for further improvements and decision making. For customers of ready-mix no survey was implemented in 2022. The goal for 2023 is to develop joint surveying approach for customers of all segments.

Industrial customers of cement and aggregates participated also in NPS score and valued SCHWENK Latvia with a high rate of 80 points for cement and 65 points for aggregates.

Health and safety being our core value, SCHWENK Latvia 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 are able to submit any feedback in various ways – direct contact with a salesperson, through the contact form in the webpage, in e-mail, through a retailer, directly by phone or by contacting us in social media. Contact information is available publicly on Company's web page and product packaging (when applicable).



In 2022 SCHWENK Latvia received 28 claims for cement, 7 claims for aggregates and 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 50% of claims received were about broken product packaging, all of the 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 is product quality aspects.

Sustainable products

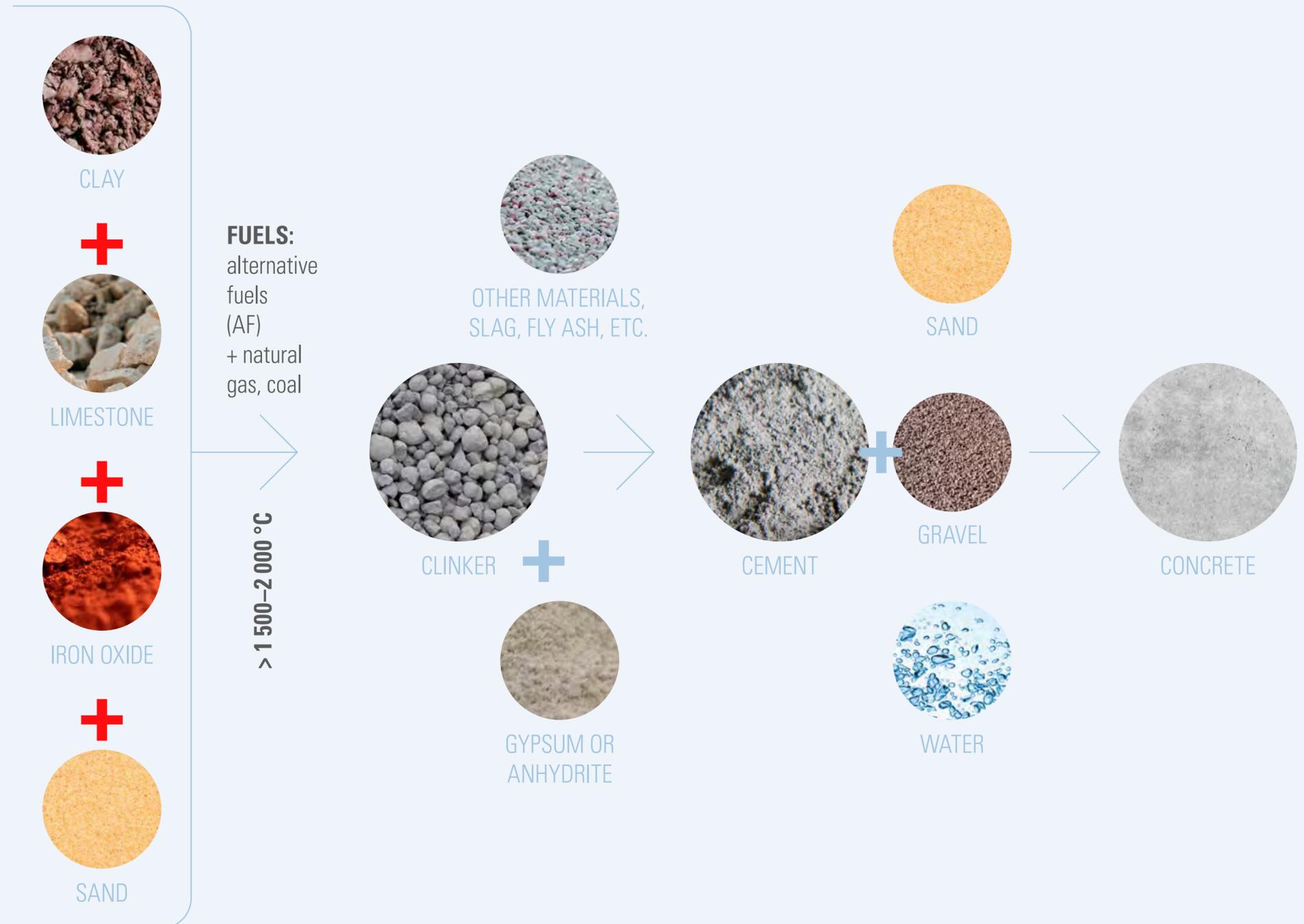
Cement

As stated in the cement standard LVS EN 197-1, cement is a hydraulic binder – finely ground inorganic material which, when mixed with water, forms a paste. It sets and hardens through hydration reaction and processes. After hardening it retains its strength and stability even under water. Cement production contains two significant phases – first, the production of Portland cement’s main component – clinker. The second phase – the production of cement, where clinker is ground together with additives to make different cement types. The 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 the 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 Broceni we produce six types of cement and work towards increasing the production of cement with lower clinker factors to support climate goals.

Cement is delivered to the local market and exported to Estonia, Lithuania, Sweden and Finland by using road and marine transport. Bulk cement is produced in the Broceni plant, bagged cement is produced and packed in the SCHWENK plant in Akmene, Lithuania.

Production of cement and concrete



In the Broceni plant all raw materials, production process and products are the 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 a new section for fuel testing and expanding analytical laboratory. Laboratory development is an organic part of the production expansion and increase of alternative fuel and raw material usage.

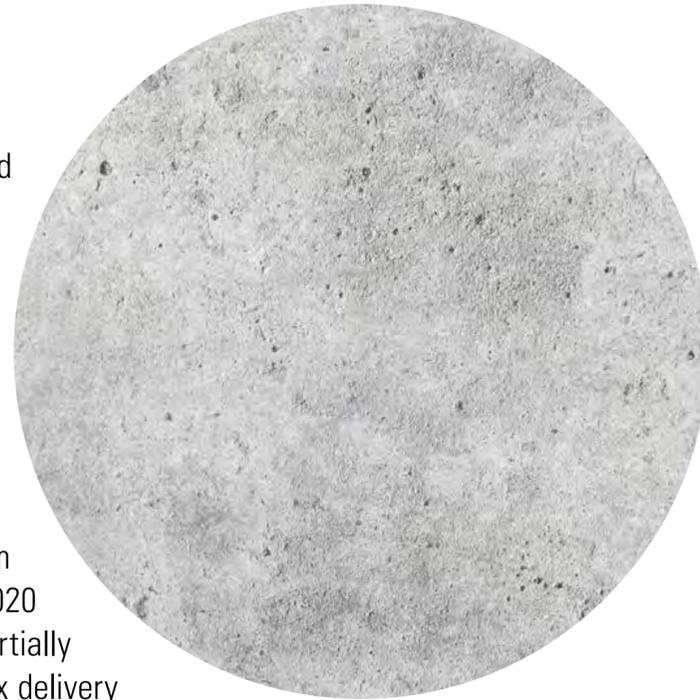
For several cement types we have performed an evaluation of the cement manufacturing cycle and received an EPD certificate. It analyses the ecological footprint of the cement manufacturing process – beginning with obtaining aggregates up to the final product.

SCHWENK Latvija EPD certificate for these cement types:

- CEM II/A-M (S-LL) 52,5 N
- CEM I 52,5 N
- CEM I 42,5 R
- CEM I 42,5 N-SR3
- CEM II/A-LL 52,5 N

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 the Company plans to add 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 a 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 the universities of Latvia and various trade and professional organizations, engaged in the 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.

In 2021 SCHWENK Latvija started to use returned from construction sites ready-mix to produce concrete blocks thus significantly reducing ready-mix waste volume.

Quarry products

From mineral resources extracted in five quarry operations, SCHWENK Latvija produces different types of quarry products – certified aggregates for construction and road construction, 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 the most advanced technologies, which help to reduce negative impact on the environment. We implement responsible restoration, 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 the limestone quarry Kumas, located approximately 30 km from the Broceni cement plant. Its total area is 350 ha, in 160 ha extraction works are already finished and recultivation works are in progress. To access the limestone layer, the topsoil must be removed to an average thickness of 8.5 m, producing approximately 600,000 m³ of soil annually. It is being moved to

the already extracted part of the quarry according to the specification of the recultivation project. When a proper ground level is reached, reforestation works start 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.

The clay quarry in Caunes is located in the Broceni II clay deposit, where the production of clay was started in 1996. The area of Caunes quarry is 46 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 the 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 a regular basis in our laboratories.

Distribution

SCHWENK Latvia products are delivered with approximately 280 vehicles – bulk cement cisterns, packed cement and aggregates trucks, ready-mix mixers. Deliveries of cement, aggregates and raw materials are provided by our long-term contractors – haulers. Ready-mix is transported to our customers’ sites by the Company’s own transport fleet. Ready-mix pumps are part of our transport fleet and are used provide pumping services in construction sites. For export markets we use also railway and maritime transport.

It is very important for us that SCHWENK Latvia’s freight forwarders are responsible and highly valued road users adhering to safe and courteous driving principles. A 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 the maximum extent performing deliveries during periods of low traffic. An important aspect of route planning is avoiding places

with intensive pedestrian movement, roads near schools and kindergartens, complicated traffic points etc. All our „haulers’ drivers are undergoing a wide training program for ensuring the 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.

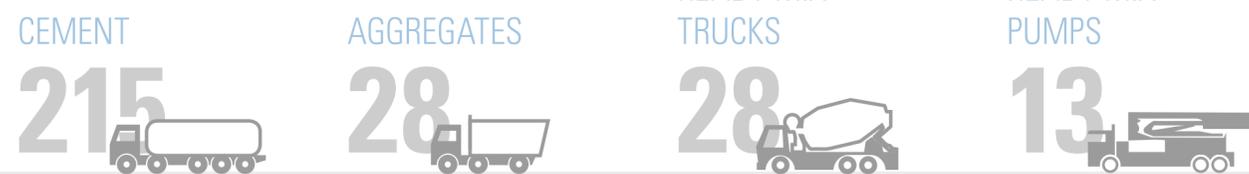
Our goal for health and safety is zero harm. That refers also to transport safety – our goal is zero accidents. We put great emphasis on incident prevention and thoroughly analyze each accident and risky situation. Each incident has been evaluated in H&S committees, experienced shared between divisions and discussed in drivers’ team meetings; information used for further educational needs.

There is a permanent job position of traffic safety controller and an ongoing work of Transport safety committee consisting of 9 members. An 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 a way that ensures proper work and rest time for haulers’ drivers. While providing 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 a digital video recorder, cyclist warning sign, traffic safety feedback call plate, additional reflecting marking on trailers, wheel nut indicators, a full set of PPE for drivers, eye washing fluid and wide-angle mirrors for vehicles produced before 2014. Our minimum acceptable tire tread is 4 mm (the legal requirement is 2 mm). We also invite other road users to participate in the improvement of the driving style of our vehicles. On the back of SCHWENK Latvia vehicles you will find a phone number for reviews. We are proud that positive reviews and comments exceed negative.

SCHWENK LATVIJA PRODUCT DELIVERY FLEET¹²



MILEAGE 2022 / PRODUCT DELIVERIES



¹² Including owned and contracted transport units

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.



142 feedback calls in 2022



60%
POSITIVE



35%¹⁴
NEGATIVE



2%
INFORMATIVE

SCHWENK Latvija has repeatedly received the Safest Fleet Awards of the insurance company Balta contest – Safest Company Fleet.

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

Main key performance indicators 2022: consumers and end users

KPI	2021	2022 goal / 2022 fact	2023 goal
NPS score			
• Cement	93	93 / 80	80
• Ready-mix	NA	NA	80
• Aggregates	70	65 / 65	80
Customer satisfaction rate			
• Cement	9.1	9.1 / 9.1	9.1
• Ready-mix	NA	NA	9.1
• Aggregates	9.3	9.3 / 9.1	9.1
Ratio of customers covered in surveying, %			
• Cement	38.7%	38% / 32.6%	40%
• Ready-mix	NA	NA	40%
• Aggregates	32.8%	32% / 25%	30%
Claims received			
• Cement	16	28	0
• Ready-mix	13	10	0
• Aggregates	3	7	0
Quality claims resolved, %			
• Cement	100%	100%	100%
• Ready-mix	100%	100%	100%
• Aggregates	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), 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 2022 SCHWENK Latvija representatives spent approximately 3700 human hours in the aforementioned activities. The Company’s main focus areas are combatting the shadow economy and enhancing sustainability principles in the Latvian corporate environment and society in general. More information about Company’s Board members’ engagement in associations and working groups is available on pages 15–16.

SCHWENK Latvija memberships



Latvian Concrete Society (LBS)



Baltic Institute of Corporate Governance (BICG)



Building Material Producers’ Association of Latvia (BRA)



Employer’s Confederation of Latvia (LDDK)



Latvian Chamber of Commerce and Industry (LTRK)



Foreign Investors Council of Latvia (FICIL)



German-Baltic Chamber of Commerce (AHK)



European Cement Association (CEMBUREAU)

Social initiative Mission Zero

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. The high rate of the 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. Therefore in 2022 SCHWENK Latvija launched the national social initiative Mission Zero to address the tragic reality in Latvia of many lost lives due to external factors, including work. With the mission of reaching zero accidents at work, initiative unites employers with readiness to create a better and safer workplace. It includes measuring impacts and understanding the real situation, analysing risks and pain points, launching improvements and sharing best practices. The initiative sets a common goal – to make health and safety as value and priority for everyone.

The initiative was launched on 28 April 2022 with the signing of its

Charter. By the end of 2022, 50 employers covering approximately 27 000 employees in Latvia, have joined the initiative. Members represent various sectors, like manufacturing, construction, energy supply, services, waste management, competent authorities in labour protection, as well as relevant ministries and state agencies. During its first year of activity, initiative members gathered in two dedicated forums, discussing health and safety culture and opportunities to improve practices over the value chains. In addition, initiative's members are joined in WhatsApp group, where ongoing day-to-day communication and experience sharing is actively implemented.

In 2023 planned activities are two dedicated forums about mental and physical health and risk factors in the context of work safety, Safety festival

for networking and collaboration purposes, as well as experience exchange visits.

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

¹⁵ Demography 2022, in Latvian |
Oficiālās statistikas portāls



Suppliers and subcontractors

An important part of SCHWENK effort to improve the overall business environment is its approach to cooperation with suppliers and subcontractors. We strive to apply sustainable business practices not only within the 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 emphasizing responsible governance, healthy and safe working places, fair pay and transparency, we help to create stronger communities and a better business environment.

SCHWENK Latvia 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 an affirmation stating that their business practices are highly ethical and 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 the SCHWENK Latvia web page and are equal for all.

Also, during the cooperation we implement various initiatives in order to raise suppliers' and contractors' awareness of various issues, especially health and safety. We meet for health and safety workshops

with contractors' management and H&S experts regularly, 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 the 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 the use of Personal Protective Equipment (PPE), equipment and tools, safe execution of works and behavior in our territory.

From 2020 to 2022 major construction

projects were implemented in the Broceni cement plant, including the eighth cement mill in the history of cement production in Broceni and a multi-compartment silo with the capability to store five different cement types. The project was realized in close cooperation with local and international experts, both from SCHWENK Group and subcontractors. In peak periods approximately 200 people were involved in on-site works. To monitor contractors' flow in the 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. During the pandemic 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 2022 70% of SCHWENK Latvia suppliers were local companies.



NEARLY
130 million
euro /

ECONOMIC VALUE
SPREAD VIA
SUPPLY CHAIN



APPROXIMATELY
1 000

SUPPLIERS IN 2022

70% LOCAL

Main key performance indicators 2022: industry

KPI	2021	2022 goal / 2022 fact	2023 goal
Investment in industry development			
• financial ¹⁶	70 000	85 000	90 000
• human hours ¹⁷	NA	3720	3800



¹⁶ Association membership fees, educational materials and activities.

¹⁷ Overall engagement from 10 people with most involvement in industry development activities – Members of the Management Board, experts and managers.

Governance

SCHWENK Latvia's corporate culture and governance principles intertwine all of the Company's operations. Our governance practices are described in this report's section Governance (pages 13–19).

Activities in 2022

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. The 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. Additional compliance trainings are organized for executive, management and expert level employees, based on their work specifics. In 2022 Code of Ethics training was organized for all Company employees. Compliance trainings are planned for 2023. In 2022, the re-certification audit for ISO 9001, ISO 14001 and ISO 45001 and the 1st surveillance audit for ISO 50001 were successfully conducted without non-conformities. 7 internal audits were conducted, no non-conformities were detected.

To increase process efficiency, user-friendliness, monitoring and feedback, SCHWENK Latvia is moving towards completely digitalized systems and processes.

Goals and tasks for 2023

CSRD will be applicable to SCHWENK Latvia from the reporting year 2025. In 2022 we started to advance towards integrating CSRD and draft ESRS in our sustainability reporting practices. The first step was a review of existing KPIs and adjustment to upcoming standards. Our goals for 2023 are further integration of the aforementioned standards into the SCHWENK Latvia reporting system, including more extensive due diligence of the supply chain and analysis of sustainability impacts, risks and opportunities.

Public policy support

According to national regulations, SCHWENK Latvia is not providing any financial support for any political party or figure. The 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

2022