



SCHWENK LATVIJA SUSTAINABILITY REPORT 2019



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About the report

This is the first SCHWENK Latvija sustainability report, covering the performance of all SCHWENK operations in Latvia. For some key performance indicators (KPI's), the reference is made on the scale of Northern Europe.

The report is developed on the basis of Global Reporting Initiative (GRI) reporting guidelines and United Nations Sustainable Development Goals (SDG's) framework. Relevant SDG's were mapped and analyzed during internal stakeholder working groups, covering all Company operations – cement, concrete and aggregates – and with participation of Company's executive board.

Unless stated otherwise, all information included in this report refers to a full year of 2019, based on annual reporting cycle.



Message from CEO

2019 – bold start for SCHWENK Latvija

In April 2019, Germany-based and family-owned company SCHWENK Building materials group acquired a beautiful diamond in the Baltics – Latvia's only cement plant along with other assets for concrete and aggregates production and distribution in Latvia and Northern Europe.

The history of SCHWENK goes back to 1847, just twenty years before cement production was started in Latvia in 1867. As a family company, over five generations SCHWENK has always with high responsibility towards next generations, putting sustainability, people and environment at the center of all decisions and actions. The history of cement production in Broceni goes back to 1938 and since then Broceni cement plant has been an outstanding industry example, always looking ahead of the time, being the center of community and a strong player in the country's economy. Also now, when we are in the significant transition towards green economy, more transparent societies and governances, we are ready to take the lead.

Already soon after acquiring assets in Latvia, SCHWENK started to work on development and further investment plans for increasing efficiency and decreasing CO₂ emissions. Our plans are bold. We are on one page with European Commission in its Green Deal and thrive to have the first CO₂ neutral cement plant in SCHWENK group by 2030. Our plant in Latvia is already among TOP performers in Europe considering the usage of best available technologies and alternative fuel, decreasing impact on nature and maintaining health & safety. And our goal is to move forward. People are our core asset, health and safety – our main value. Our mission is zero incidents in workplace and we constantly work to achieve that. We believe that nobody should be harmed

at work and put great emphasis both on corporate and individual responsibility in ensuring safe environment for everybody. Being in close relationship with our neighbors in regional cities of Latvia, we feel that we can also contribute to regional development and growth, supporting bright minds and great ideas for community well-being. We truly believe that our values – health and safety, growth, collaboration and responsibility – make us strong and help us to build strong. Strong foundations and buildings, strong regions and cities, strong people and communities.

Reinhold Schneider
Chairman of the Management
Board SCHWENK Latvija
CEO SCHWENK Northern Europe



About the Company

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

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



CEMENT



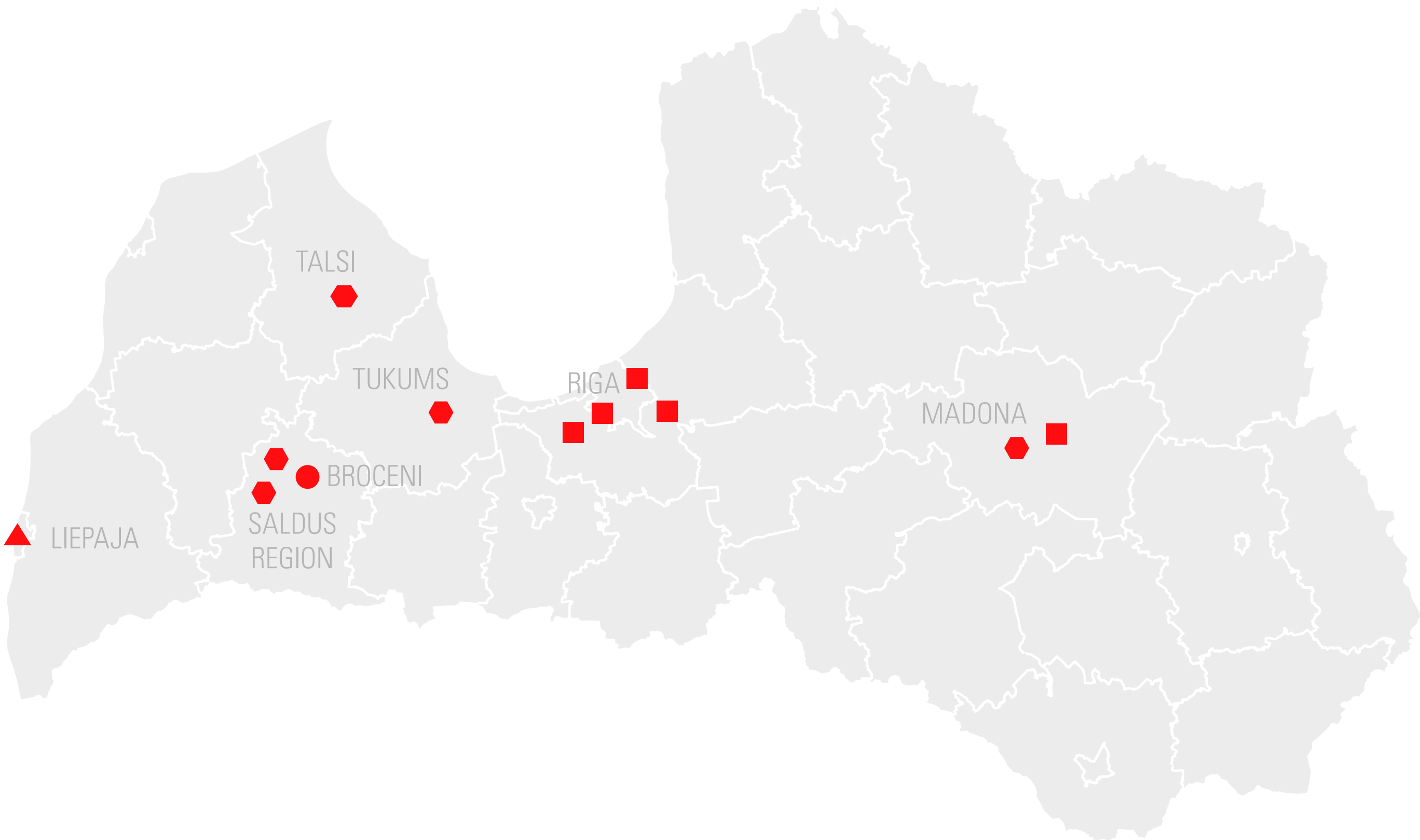
SAND
& GRAVEL



CONCRETE



CONCRETE
PUMPS



1

CEMENT
PLANT

5

READY-MIX
PLANTS

5

MATERIAL
QUARRIES

1

SEA PORT
TERMINAL

> Our values



Health & Safety

Our mission is zero harm – everyone should return home safe and sound. We constantly work to transform the corporate value of H&S practices into a personal one.



Responsibility

We continue with pride and build with responsibility for next generations to come. We live the material we use – we love it and respect it. Each individually and as a company we take full responsibility for our decisions and actions. We honor our long roots and act with responsibility towards our customers, communities and planet Earth in order to build for a lifetime and leave the best legacy we can for next generations.



Collaboration

Respecting individuality and diversity, we collaborate for a shared value – within a team, with our customers and communities. Collaboration goes beyond cooperation, it is co-creation, mutual trust and long-term work with the approach of shared value.



Growth

Growth and development of business, communities and individuals. We achieve continuous growth and development with bold but thoroughly assessed investments and innovations. We evaluate courage and initiative, which goes hand in hand with individual and corporate responsibility. We believe in regional strength, in human power and bright minds.

> Our people

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

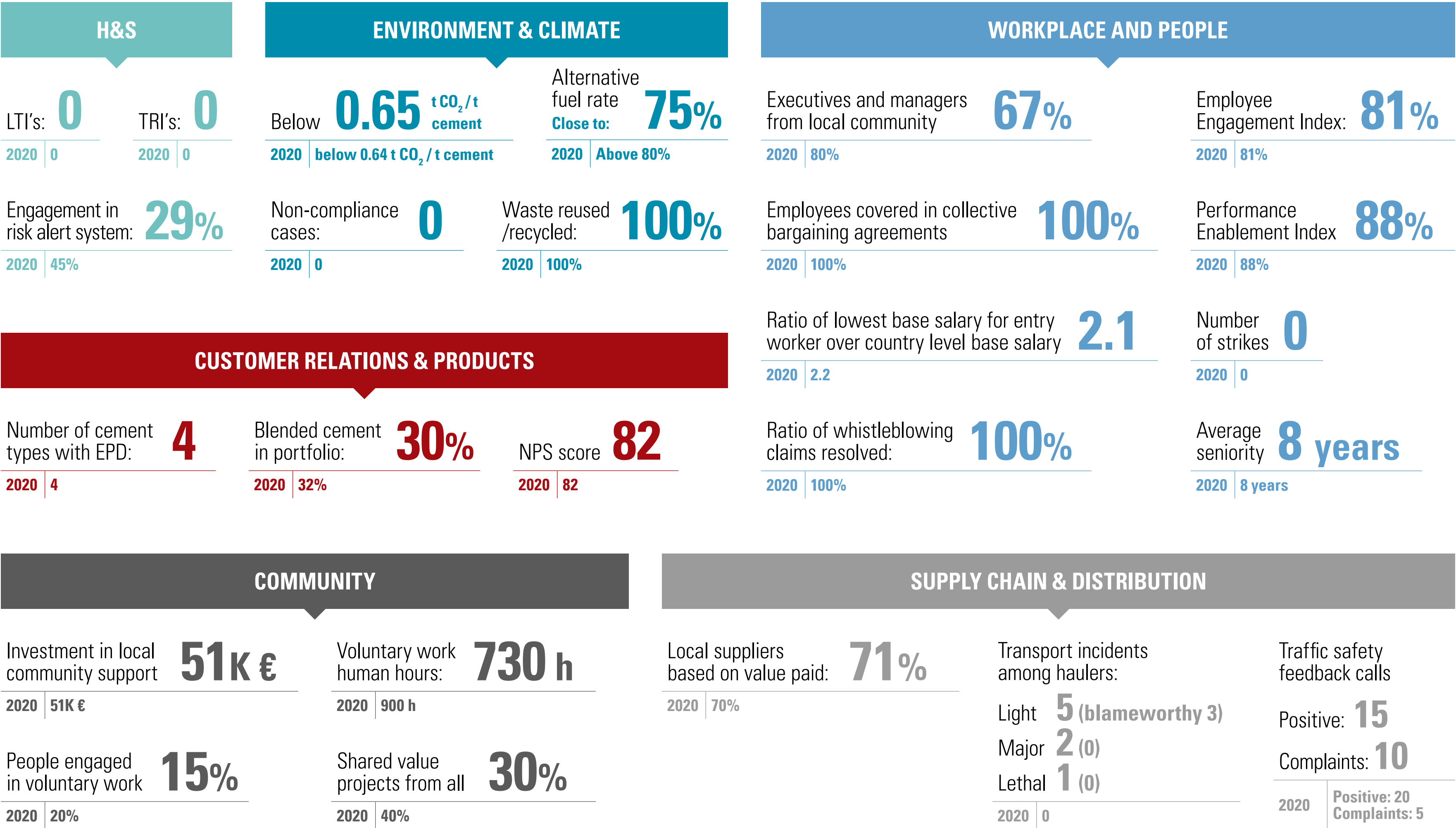


> Economic performance



¹ Apart from that SCHWENK Building Group, Germany, made initial investment in the amount of € 340 M in acquisition of building materials production assets in Baltics and Northern Europe

> Non-financial performance on key indicators 2019 and targets 2020



> 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, sustainability, Health and Safety to share the knowledge and learn from others. Our best practices are acknowledged by several industry awards.

- Sustainability Index platinum category award
- Family friendly company award by Ministry of Welfare of Latvia
- Diversity is Power award for inclusive work environment
- Baltic M&A Deal of the Year 2019
- Safe auto fleet recognition as one of the TOP safest in the category “Local (Baltic) Freight Forwarders and Special Purpose Fleets” in 2019

Business strategy

> Business strategy and outlook

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

Our core market is Europe – we focus our strength in the region and thrive to provide high quality solutions mainly for customers in Europe.


We unify our experience by combining our divisions for cement, concrete, sand & gravel and pumps in one **vertically integrated value chain**.

With thoroughly assessed investment in research and development, our goal is to be an **innovation leader in the industry**. We work together with universities and science centers for development of future production and climate neutrality technologies as well as constantly invest in our production sites to adapt 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.


> Strategy for corporate social responsibility

SCHWENK Latvia stands for sustainable business throughout the whole value chain and all aspects of our operations. Our CSR strategy is built on three main pillars – people, environment and industry – and incorporates our four values: health & safety, collaboration, growth and responsibility.



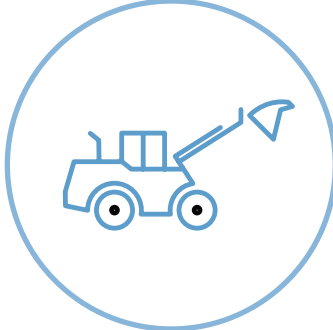
PEOPLE:

- Extensive programs ensuring and promoting health and safety for people within and outside the Company
- Support for strong local communities – projects that promote education, self-respect, economic growth, collaboration and inclusiveness
- Projects to support those in need and encouraging voluntary work, peer-to-peer support programs



ENVIRONMENT:

- One of the most modern and greenest cement plants in Europe
- On-going investment and innovation program for reaching climate goals
- Developed processes for enhancing circular economy
- Quarry restoration and biodiversity programs



INDUSTRY:

- Responsible and high standard in operations
- New product development for sustainable construction
- Projects highlighting cement production history in Latvia and people involved
- Education of and support to young engineers and technicians
- Contribution to sector development in national and regional level, fight against shadow economy

> Main CSR projects and activities in 2019

Community project competition



Material donations



Support to scientific and technical creative work

Open dialogue with quarry surrounding communities



Experience sharing on inclusiveness, equality and human rights

Engineering and technical scholarships



Excursions in cement and ready-mix plants



Participation in community environmental activities

Launch of H&S roadmap



Voluntary day in Zante Family crisis center



Engagement of community organizations in company events

Museum Night event and cement production history exposition



Development of CO₂ reduction roadmap



Support for renovating historical facade of Broceni secondary school



Traffic safety talks with children



Participation in STEM education support project EZIS



Voluntary work in annual joint clean-up events

Adopting United Nations Sustainable Development Goals

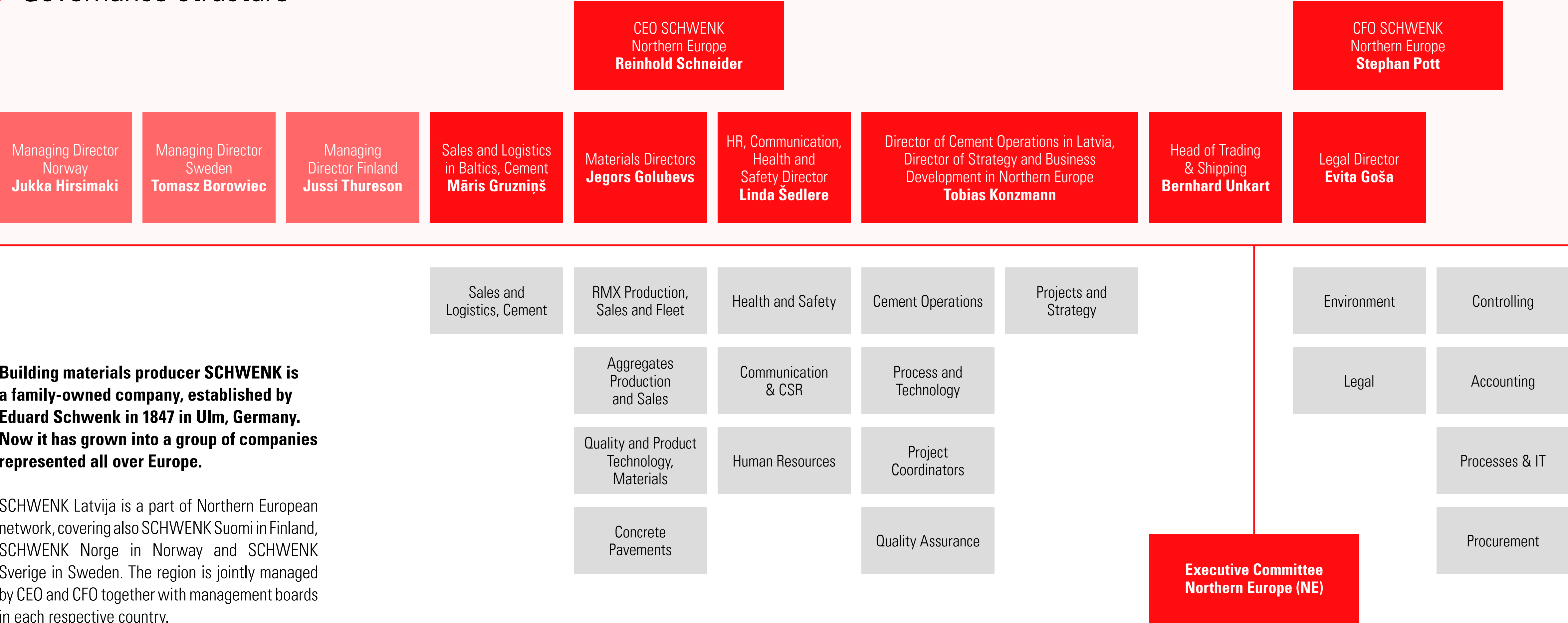
For impact analysis SCHWENK Latvia has selected key performance indicators within the framework of Sustainable Development Goals (SDG's) and Global Reporting Initiative (GRI). The initial phase of impact mapping has been implemented in internal stakeholder's working groups, including 39 executives and managers covering all operations and locations.



SCHWENK Latvia supports all 17 SDG's, but for its sustainability agenda is focusing on five main ones most closely related to the company operations and impacts. Positive and negative impacts were analysed throughout the value chain.



> Governance structure



> Risk management

Key impacts, risks and opportunities

Company risk and opportunity agenda includes five main directions and is covered and analyzed in Enterprise Risk Management and Crisis Management Plan and Guidelines.

Sustainability

Broceni cement plant is one of the most modern and eco-friendly industry examples. With approximately 75% of alternative fuel rate, implementation of circular economy principles and constant CO₂ emission decrease, we strive to be a sustainability leader in Europe. In line with Europe's Green Deal growth strategy SCHWENK Latvija as well as SCHWENK Group has set three bold climate goals and has extensive investment program in place in order to achieve them (please see page 23).

Grey economy and unfair competition

Building materials production and specifically quarrying should be treated with great care and responsibility towards nature. We have a reclamation and restoration plan in place for each of SCHWENK Latvija quarries. Proportion of shadow economy in Latvia's construction market reaches 30,7%² and as building materials producer we are closely linked to this industry. Shadow economy poses a great risk for all companies working in accordance to all local and European legal acts and standards. Being 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.

Health & safety

Industrial production is a high-risk industry and requires strong and extensive health & safety measures. Health & safety is our main value and is put in the center of all operational decisions. Our mission is zero – we strongly believe that no one can be endangered in the workplace and constantly work in order to maintain the highest safety level.

Slow development of circular economy and waste management

Already now, the majority of fuels used in SCHWENK Latvija Broceni cement plant are alternative – solid recovered fuel, used tires, neutralized polluted soil. Poor availability of high-quality fuel in Latvia and legislative discussions about possible restrictive measures towards free movement of alternative fuel within Europe poses great threat to cement production operations and opportunities to reduce CO₂ emissions.



Migration of workforce in regions and lack of engineers

Due to various developments in education and industry sectors in Latvia in last couple of decades, there is a significant lack of engineers and highly skilled technical workforce,

especially in regional areas. The cause is rooted in primary and secondary educational system and lack of STEM teachers, therefore we actively engage in promoting and supporting technical and engineering science education among schoolchildren and young adults.

² According to annual survey by Business Against Shadow Economy (BASE)

> Compliance and standardization

Being a family-owned company in operation for five generations, we are certain that there is a direct link between business principles and high ethical standards and continued growth and success. Our aim is to provide highest quality building materials to the customers, simultaneously reducing impact on the environment and implementing good business practices along the value chain. SCHWENK

Latvija operations comply with several industry standards and corporate policies, many of them been applied also throughout the supply chain.

Policies and procedures are developed for proper organization of processes and application of our main policy paper – Code of Ethics all over the value chain.

SCHWENK Latvija
Management
System Compliance
Certificates



QUALITY
MANAGEMENT SYSTEM
ISO 9001:2015
—
ENVIRONMENTAL
MANAGEMENT SYSTEM
ISO 14001:2015
—
OCCUPATIONAL
SAFETY AND HEALTH
MANAGEMENT SYSTEM
ISO 45001:2018



ENERGY MANAGEMENT
SYSTEM ISO 50001:2012
(FOR CEMENT)



Code of Ethics

Established more than ten years ago, the Code of Ethics is our core policy, equal to a Constitution for a country.

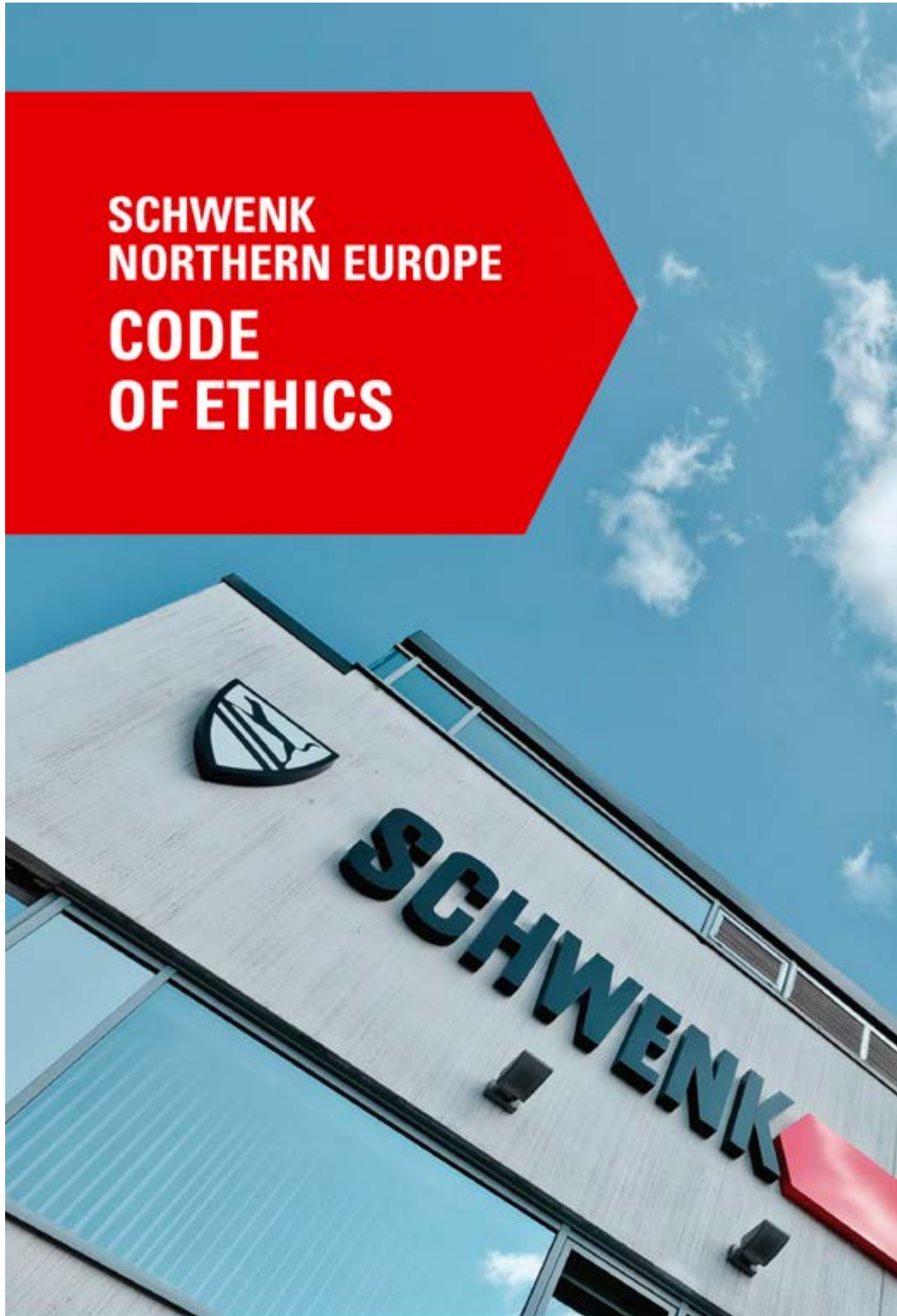
It defines our values and principles in all the aspects important to ensure highly responsible operations in accordance with local legislation and ethics. It sets the principles for our professional collaborations and in decision making, both internally and externally, helping avoid failures, violations and other negative consequences. The values and requirements of the Code of Ethics apply to all stages of SCHWENK business chain, locations and operating structures.

The Code of Ethics 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 on all levels and in cooperation with all stakeholders as well as to increase feeling of security among employees. Among other aspects, The Code of

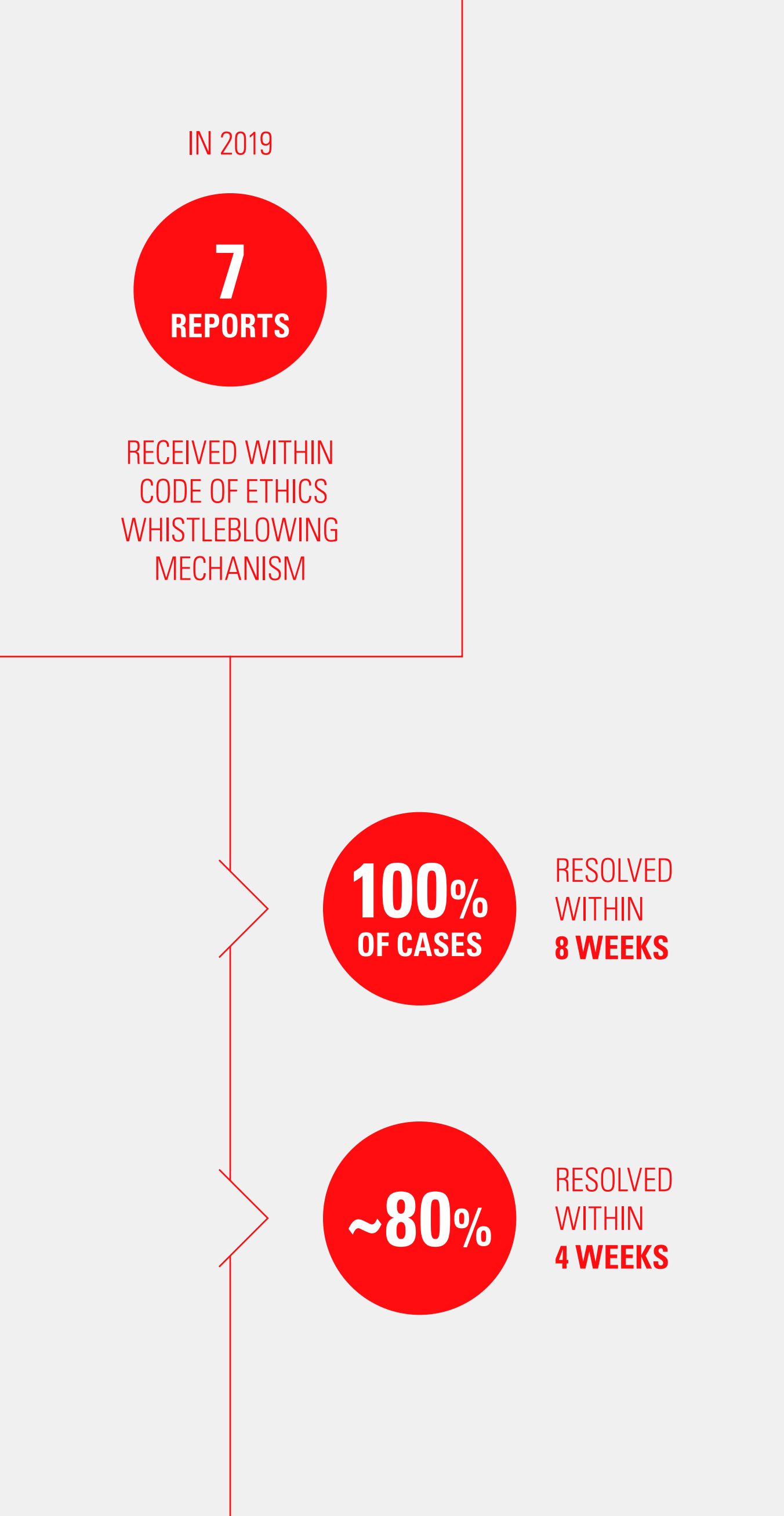
Ethics also defines the framework of whistleblowing mechanism – effective tool for ensuring fair working conditions and support for solving ethical dilemmas and issues.

Within the company’s whistleblowing 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, if applicable, one or more ad hoc members. Permanent members of the Ethics Committee are the CEO, CFO and Directors of HR 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 the

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 Chairman of the Board of SCHWENK Building Materials Group.



The Code of Ethics is a public paper and available on our website:



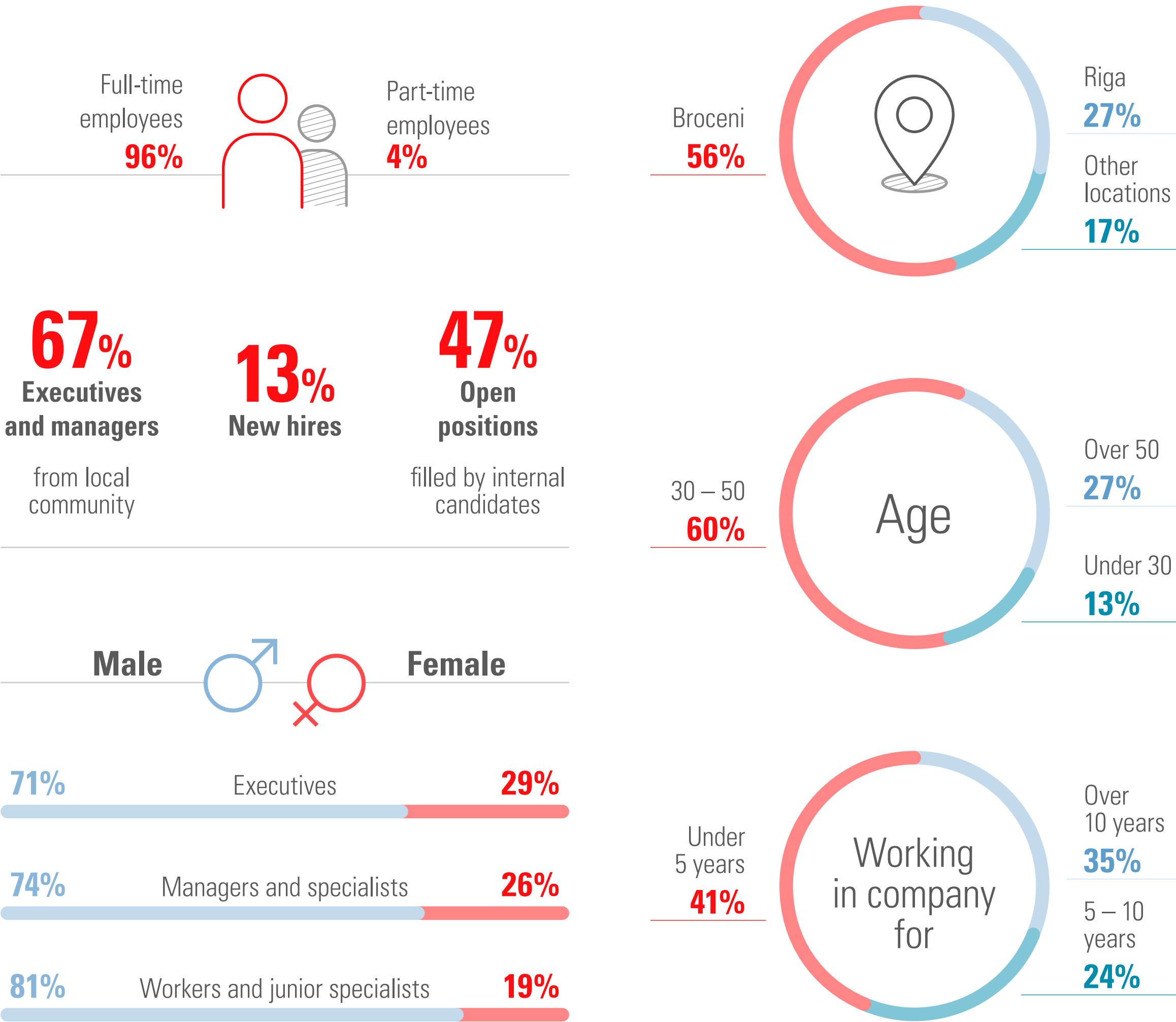
Workplace management and people

> SCHWENK Latvija employees 2019

SCHWENK growth and success are in the hands of our employees. We highly value talents who understand sustainability and fair business principles, are always ready to learn and appreciate health and safety as the main priority of everyday work. In Latvia our team consists of more than 350 people working in Riga, Broceni, Talsi, Tukums, Liepaja and Madona. Diversity and equality are important principles in our team's development, advancement and remuneration.

Due to the specifics of a physically strenuous industry, on average 75% of company employees are male. We are proud of extremely low attrition rate for voluntary leaves from the company – approximately 5%; average seniority is 8 years. We also put great emphasis on career development within a company – all vacancies are initially announced internally – in 2019, 47% 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, the results are thoroughly analyzed, and managers discuss them with teams for further improvements of working conditions and employee happiness.

Latest survey was implemented in Q4 2017. Due to ownership change in Q1 2019³, next engagement survey is planned in Q2 2020. In 2017 survey was done in cooperation with IBM Kenexa and the results were benchmarked against IBM industry norm – results of approximately 400 global production enterprises.

Employee engagement – main results 2017



Education, evaluation and career development

Our team consists of representatives of more than 130 professions, around 35% 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 continuing education and professional improvement, career advancement within the company.

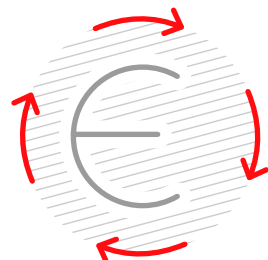
Employees at all levels receive regular performance and career development reviews as well as have access to professional training programs. Employees are supported with scholarship in obtaining higher education in engineering sciences. Forty positions are a part of succession planning program – targeted initiative of employee evaluation and training to provide succession of critical skills for continuity. Each year we organize internal experience sharing program “Step into my shoes”, encouraging internal networking and knowledge transition – employees visit different departments and gain deeper understanding about company’s operations in general.

- Support for upgrading employee skills**
- professional training
 - internal training
 - scholarships
 - internships
 - succession programs



3100
hours

spent on
training 2019



42.6 K €

Investment
in training
programs

³ In spring 2019 SCHWENK Building materials group acquired all assets in Latvia and related markets from CEMEX.



> Diversity and human rights

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

In our view, the diversity of our employees holds great value, and employees with their unique professional and life experience make a significant contribution to the growth and success of SCHWENK. We undertake to ensure inclusive work environment and equal opportunities for our employees, regardless of location and business unit, and to categorically prevent discrimination against employees based on race, religion, age, nationality, gender, sexual orientation, political views, trade union membership, marital or disability status, and other personal characteristics.

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 is described in the Code of Ethics.

Remuneration

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

We strive for long-term employment and are proud in our low attrition rate, as well as length of employment in the company for significant part of our employees. The rate of

lowest base salary for entry worker in SCHWENK Latvija over country level base salary is 2.1.

Collective bargaining

Each employee has the opportunity and right to join Broceni Regional Labor Union. Established in 1949, it has always joined the employees of cement and related industries in Broceni. Now it has 87 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. The manager of labor unit is actively engaged in employee open dialogues and has regular meetings with company’s management.

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

Standard benefits for permanent employees after trial period

- health care insurance
- accident insurance
- life insurance
- additional vacation days⁴
- support for healthy life-style and sports
- access to interest free loans
- financial support⁵
- flexible working hours
- ability to work from home
- financial bonuses
- Christmas event and presents for children
- mobile phones and unlimited internet to all employees
- other benefits

Whistleblowing mechanism and Code of Ethics

Code of Ethics and whistleblowing mechanism is described on page 14.

Communication

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. Furthermore, news are circulated in monthly and weekly newsletters, on boards and TV screens.

Open employee dialogues are taking

place on regular basis to discuss important topics for each business area, company business results, investment plans and strategy. Company employees are encouraged to join closed company group on Facebook for even more informal interaction. Twice a year all employees meet for bigger celebration – SCHWENK Summer festival in July and Winter ball in December.

⁴ Annual and in case of special life events

⁵ Childbirth; beginning of school year for all grades; funeral including first level relatives

> **Health & safety and wellbeing**

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

Every day in all SCHWENK Latvija locations we apply the 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-ensured safe working conditions, personal protection equipment depending on the work specifics, education and training of employees and contractors. On their turn, every employee is aware – safety is the priority of SCHWENK

Latvija and everyone is responsible for it with their actions. Employees are actively involved in improving work environment – they identify potential risk factors in everyday life and initiate activities for preventing them. Safety violations and endangering others is the most serious violation of the internal regulations of SCHWENK Latvija. Once in two months Health and Safety Committee meetings are organized in order to discuss issues

and possible improvements. The Committee consists of 24 members, including all executives and managers from all operations. Health and safety aspect is included in all employees' goals and evaluation, as well as there are five positions in the company specifically focused on H&S agenda implementation⁶. Our health and safety activities cover wide range of operational and everyday aspects and are covered in Health & Safety roadmap.



⁶ Director of HR, H&S and Communication, H&S manager, two H&S specialists, one traffic safety controller.

Tools towards Mission Zero

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 in 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 company. For example, deliveries can be stopped in case circumstances on the construction site are not safe. We believe that living the health and safety means living it 24 hours a day and thus making the right decisions at home and at work, being a role model to our family members and colleagues and stopping wrongful actions as we see them.

Support to sports

We support individual and team sports by providing sports halls for team trainings and including individual trainings in insurance packages.

Full set of Personal Protective Items

Wearing sufficient Personal Protective Equipment (PPE) is mandatory in all company locations. Each employee receives winter and summer sets of clothing, footwear, helmets, glasses and other PPE elements to be used in specific conditions. Broceni plant has two vending machines with small size personal protective items available at any moment.



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. Significant part of potential risks is indicated in the Risk Reporting System by all employees.

Living 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

Annual health check-ups

Although national legislation stipulates health check-ups once in two years, our requirement is annual health check-up for all employees. We believe that this way our employees are able to monitor their health situation on a timely manner.

stakeholders. We constantly organize experience visits from other companies in order to mutually learn and inspire for more safety as well as participate in workshops and conferences to share best practice and challenges.

Visible Felt Leadership visits

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

Insurance

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

Wellbeing

Apart from insurance program we implement various health and wellbeing activities at work – physical activities together with physiotherapist for office workers, educational lectures and opportunity for various health related measurements.

Risk reporting system

A system launched 12 years ago is encouraging each employee or guest at our locations to spot the risks, inform about them and ask for improvement. The system is based on principles of LEAN, where employees can fill in either print risk card or submit the suggestion digitally. During twelve years nearly 13 000 risk cards have been submitted and thousands of improvements implemented in all our

locations. This has significantly helped to transfer health and safety from being only a corporate value to a personal level, raised awareness of possible risky situations in our lives and made our people and company stronger. In 2019 29% of people were actively engaged in submitting Risk cards and our goal is to constantly increase this level of engagement.



Injury and lost days

In 2019 no LTI's occurred in any of SCHWENK Latvija locations. The last LTI before that was experienced on April 25, 2014. We are constantly monitoring the rate of sickness days and put greater focus on long-term sick leaves in order to identify opportunities to support employees in their health-related struggles.

Trainings

Bi-annual health and safety instructions are mandatory for all employees engaged in operational work. Furthermore, additional trainings are organized for those working in specific conditions, working at height, in closed spaces etc. First aid and fire safety trainings are also organized. Managers and executives also focus on building a culture of health and safety and strengthening leadership skills for bringing the value to wider teams. It is planned to launch a comprehensive training program Mission Zero in 2020. The program will cover all aspects of H&S at work and elsewhere.

Internal initiatives in 2019



SCHWENK Latvija summer festival for families



Scholarship for engineering studies for employees

Group H&S summit and experience sharing



Winter ball



Full renewal of new sets of work clothes with higher visibility colors

Bi-annual open dialogues in various locations



Step into my shoes initiative

On-going communication on-line and off-line



Joint clean-up events in company locations

Environment

> General overview

There are two main drivers of CO₂ emissions in cement production process – fuel determined emissions and raw material determined emissions. Fuel-based emissions constitute around 1/3 of the emissions and emerge through the use of fossil and alternative fuels in the kiln. Further reduction of these emissions is our first priority.

Two thirds of CO₂ emissions are raw material determined. They are bound in limestone and are released during burning process. As limestone is one of the core materials used in clinker production, the possibility to reduce these emissions is rather limited.

SCHWENK Latvija's cement plant in Broceni is one of the most modern and efficient factories in Europe: state-of-the-art technology and equipment allows us to produce the same amount of cement with less electricity and less fuels compared to similar plants. Moreover, the electricity used is produced by renewable sources.

Also as fuels mainly (about 75%) alternative fuels with high biomass contents are sourced.

Up to 2000°C temperature in the kiln prevents any waste and harmful organic emissions going into the environment and air.

SCHWENK Latvija implements wide program of activities to reduce consumption of non-renewable natural resources and decrease environmental impact. We perform constant improvements of processes and technologies, insulation and modernization of buildings, as well as increase efficiency of logistics

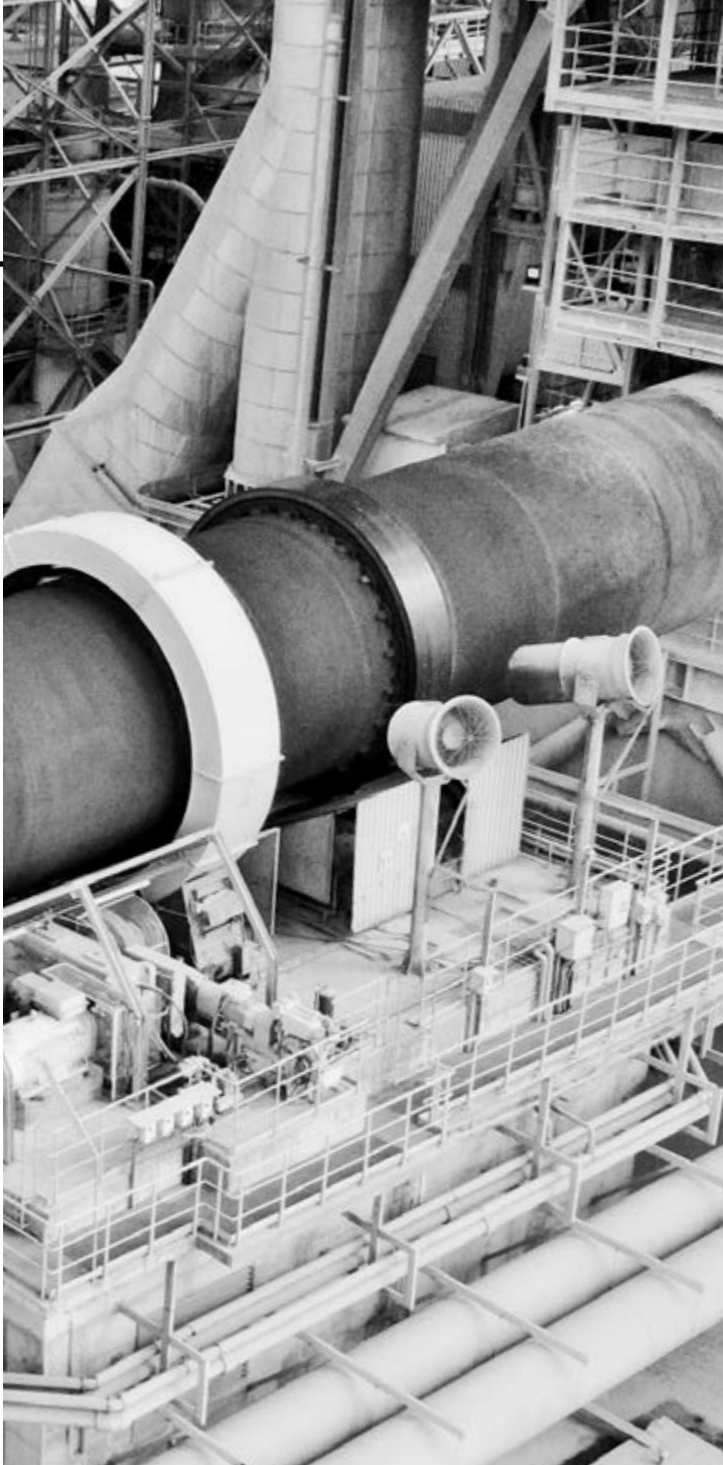
and promote the use of alternative fuel. We put great emphasis on implementation of circular economy principles in all production areas and restoration of biodiversity around our quarries. Annual investment in environmental area reaches over 400 thousand euros.

Apart from that SCHWENK Group together with partners is working on future technologies for carbon capture, storage and utilization. Another SCHWENK innovation for climate is Celitement – development of a new hydraulic binder and its patented production process.



> CO₂ emission reduction

Investments in the construction and constant improvement of processes during the last ten years have helped us to reduce the amount of CO₂ emissions by 33%, in comparison to historical cement plant. Already now SCHWENK is one of the industry leaders in the reduction of CO₂ footprint and it is one of the most important investment targets also in the future. Continuous monitoring systems provide tracking of 11 emission parameters, including dust, NO_x (Nitrogen oxides) and SO_x (Sulphur oxides). All indicators are under the legally required benchmark. SCHWENK Latvija is a part of the EU Emissions Trading System (EU ETS).



Alternative fuel

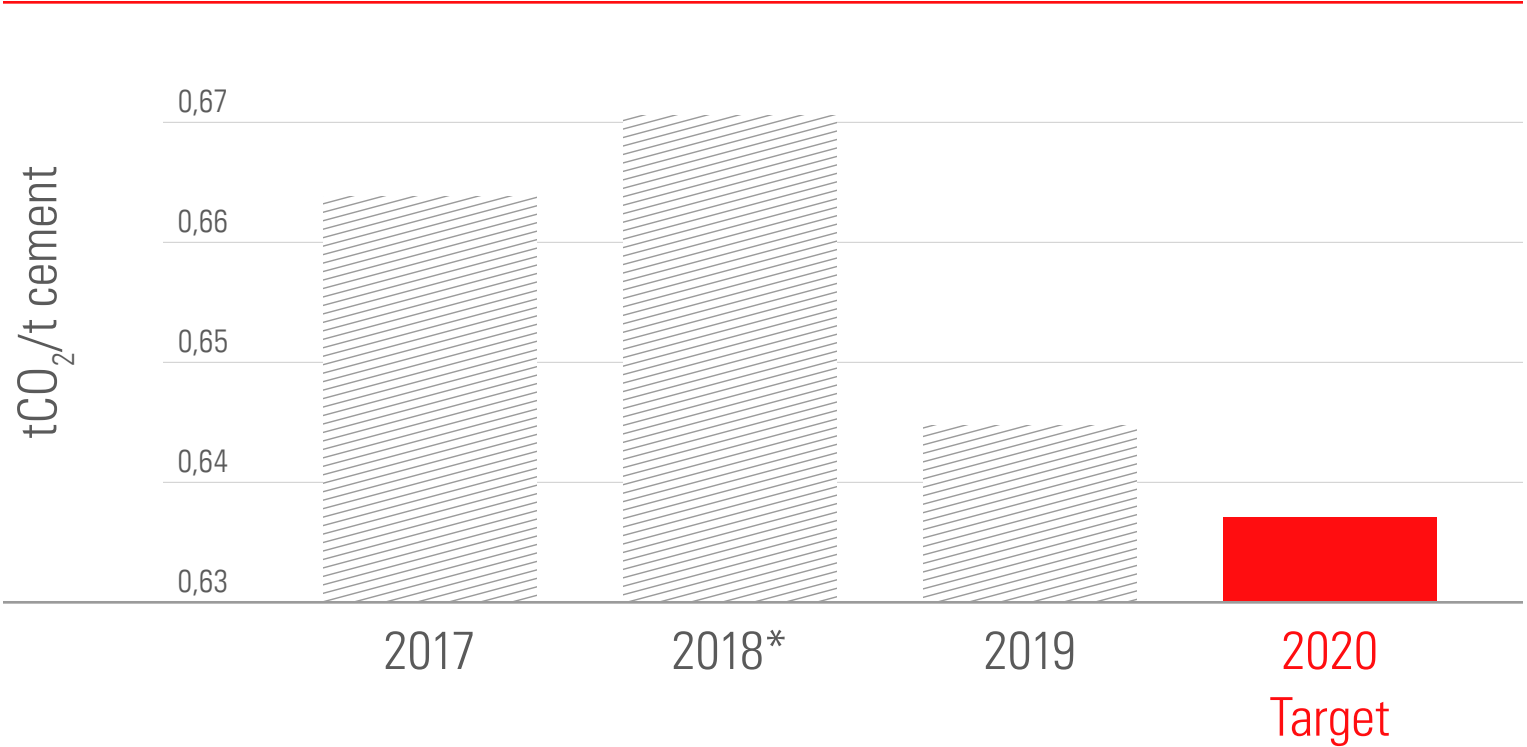
In production of clinker, the limestone mix is heated in a rotary kiln up to 1450°C, the temperature of the flame reaching up to 2000°C. These temperatures can be obtained only using appropriate fuel. Until early 1990s, fuel like coal, heavy oil or gas was used exclusively. In order to protect non-renewable resources and reduce CO₂ emissions, SCHWENK is replacing fossil fuels almost entirely

with alternative fuels, without negatively affecting cement quality or the environment. Broceni new cement plant was launched for operation in 2010, and specifically built for the use of alternative fuels. All alternative fuels are carefully selected that they are not jeopardizing our product quality, neither the safety of our processes and not harming the environment.

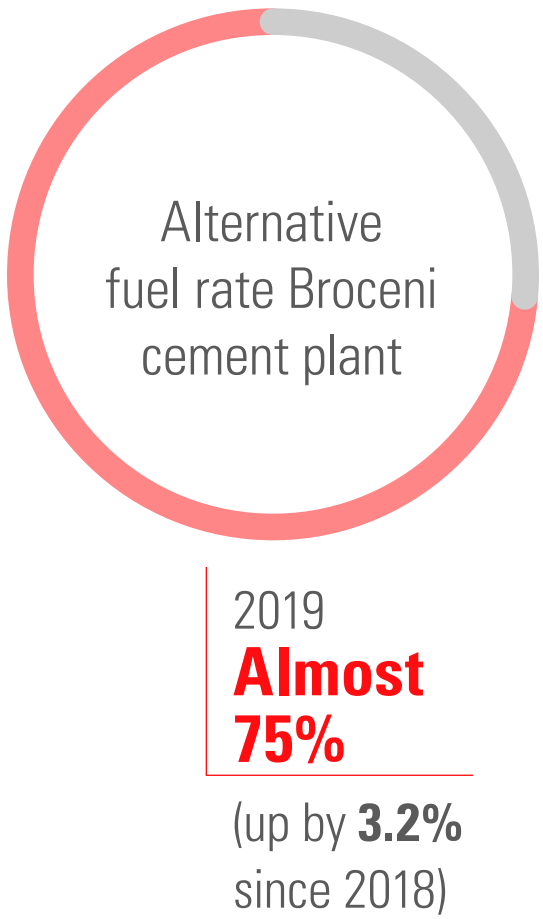
From receiving to storing up to the incineration, the entire process is constantly checked by internal and external (independent) laboratories and 24/7 controlled by monitoring systems. The constant high temperature levels inside the kiln are guaranteeing a full combustion and destruction of all organic parts meanwhile the ashes (inorganic parts) are part of our raw material

mix, replacing and saving natural resources such as sand and iron ore. Alternative fuel used in the plant is specially treated and prepared household and industrial waste (SRF), chipped tyres, tyre textile and neutralized polluted soil. Ongoing monitoring and implementation of circular economy principles and closed production cycle prevents any harmful emissions going into air or soil.

Average CO₂ emissions from production process
t CO₂ of cement



*Higher emission rate due to cement types produced responding to the customers' demand



Types of alternative fuel used in Broceni cement plant, 2019



CO₂ emission reduction roadmap

We fully support European climate goals and have set three climate goals at the level of SCHWENK group.



Together with four other European cement producers we founded the joint research corporation, CI4C – Cement Innovation for Climate – which is currently waiting for final approval from the antitrust authorities. The aim of the corporation is to realise the joint research project catch4climate, which will investigate the practical applicability of the Oxyfuel Carbon Capture technology in the cement production process. In the frame of the catch4climate project, the four partner companies of the CI4C research corporation will build and operate an oxyfuel test facility on a semi-industrial scale, at the premises of the Mergelstetten cement plant in Southern Germany. Upon receipt of all necessary operational and emission-related permits, the official launch of the project is planned for 2020.



> Energy efficiency

SCHWENK Latvia has an energy efficiency work group constantly monitoring energy consumption and developing scenarios to reduce it. All largest consumers of power – devices and plants – are equipped with separate power consumption meters. This allows following consumption in detail, analyzing, planning it and introducing change of equipment and other improvements. We focus on finding ways to improve thermal energy efficiency in clinker production, replacing older devices with modern equipment. For example, currently used clinker kiln consumes half the amount of thermal energy in comparison with the technology used previously. In grinding we partially use vertical cement mills that consume 40% less energy than ball-mill. **Electricity consumed during the reporting period comes from 100% renewable sources and is confirmed by a certificate.**



SCHWENK Latvia achievements in energy efficiency are proved by standard ISO 50001:2012.

> Nature preservation and conservation

We always maintain balance between the manufacturing needs and preservation of natural values. According to Latvian legislation, all SCHWENK Latvia quarries have an approved restoration plan. Where applicable, re-cultivation takes place already during the quarry development period. Thus partial re-cultivation is implemented in clay quarry Caunes and limestone quarry Kumas – levelling of soil is performed and forest is planted. In quarry Kumas, birches, grey alder and black alder are planted in an area taking up 8.6 hectares. It is planned that after 45 years oak trees will replace alder stands. According to calculations, the forest will accumulate 826 tons of CO₂ within its lifetime.



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 regular basis.



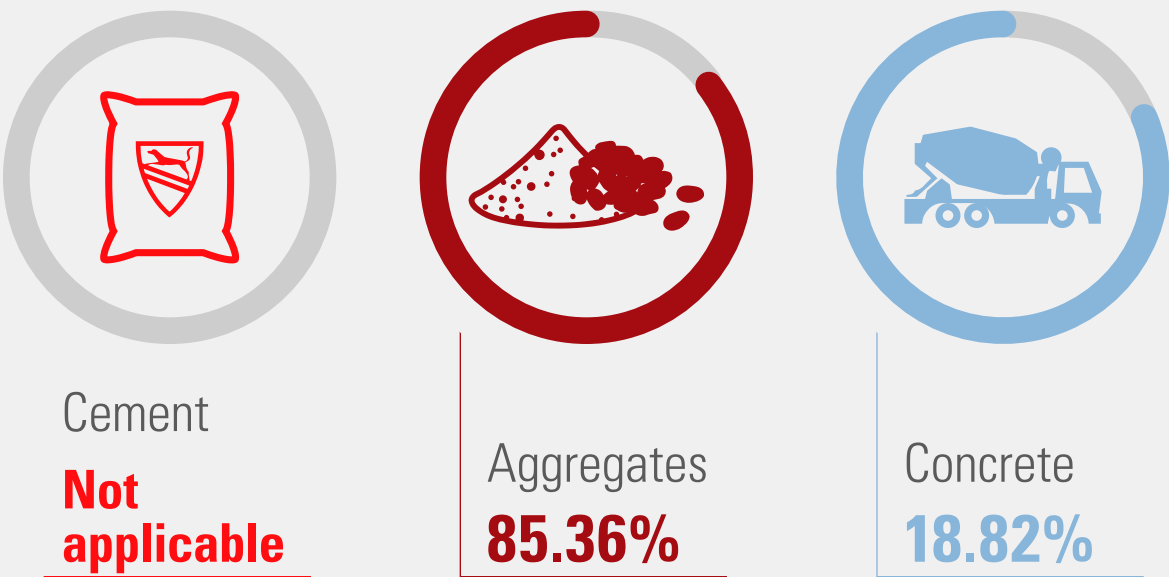
> Circular economy
and waste management

SCHWENK Latvija supports circle economy principles and responsibly cares for treatment of manufacturing waste. We do not produce waste water and waste during the manufacturing process in the plant, manufacturing cycle is fully closed. SCHWENK Latvija implements strict internal waste management system. We sort the waste produced during manufacturing process, afterwards delivering it only to certified waste management companies. Most of the waste created in the manufacturing process is sent to recycling – it returns to the manufacturing cycle as raw material and is used in development of new products.

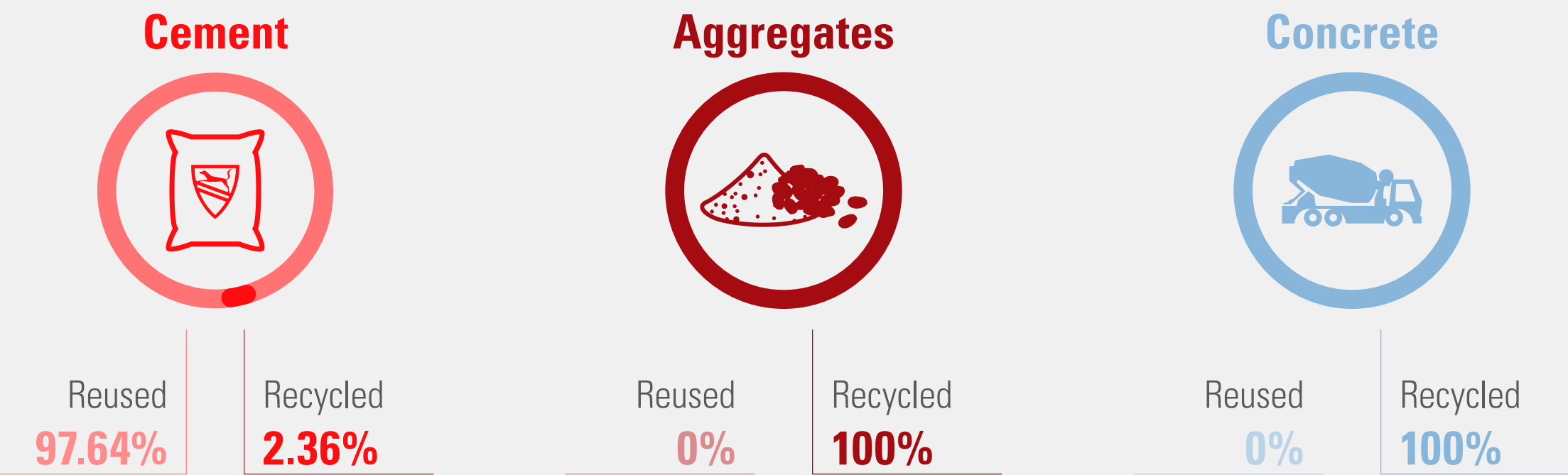
Recycled hazardous waste ratio:



Recycled water ratio:



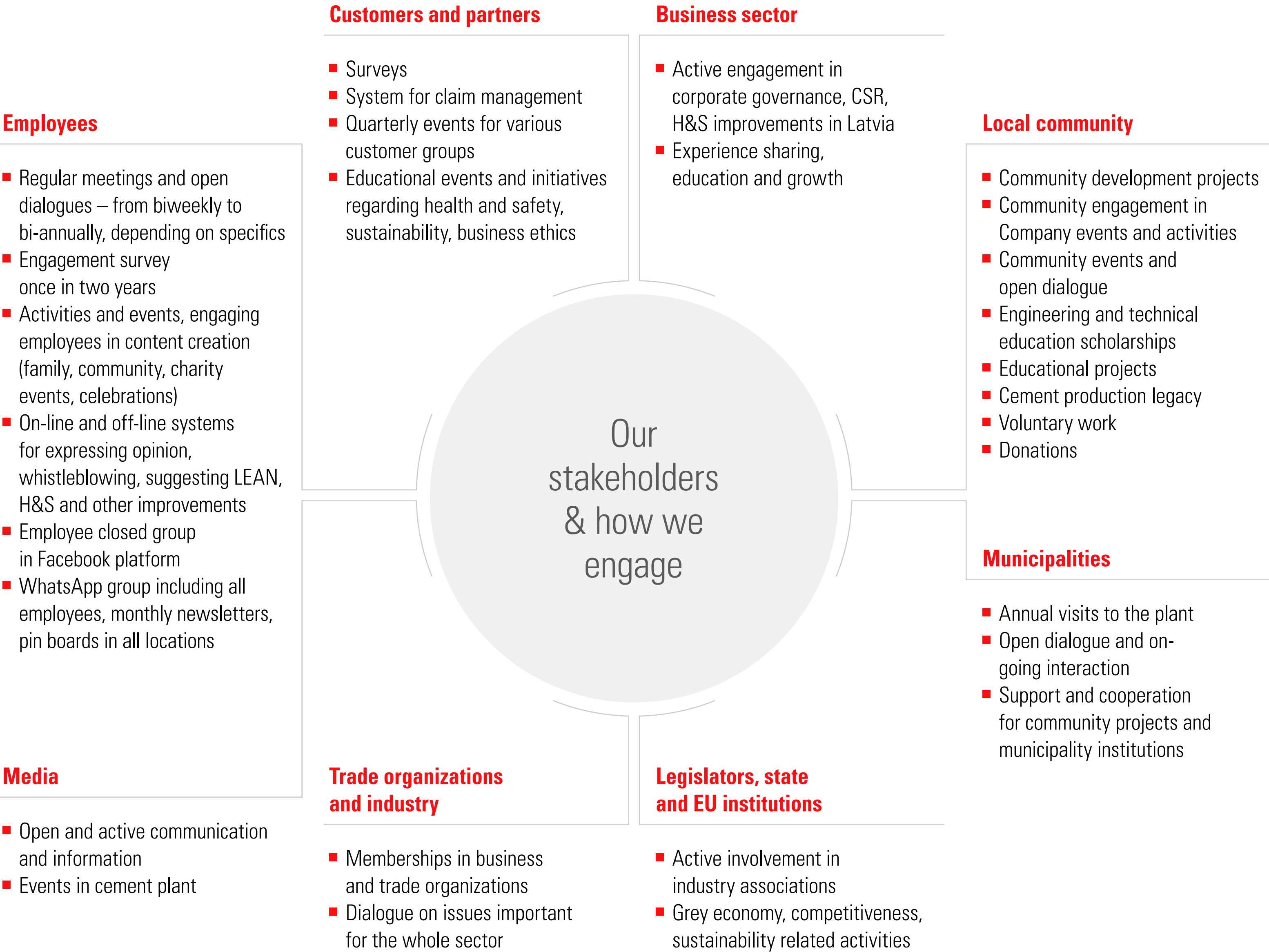
Recycled / reused non-hazardous waste ratio:



Stakeholder relations

> Our stakeholders

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 cooperation between employees, with our neighbors, local community, industry, suppliers, municipalities and state institutions. We stand for honorable, honest and equal collaboration between all involved parties.



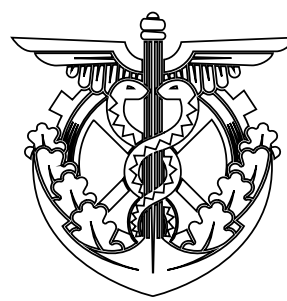
> Memberships



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)

> Public policy support

SCHWENK Latvija did not financially support any political parties or figure in 2019.



Supply chain and distribution

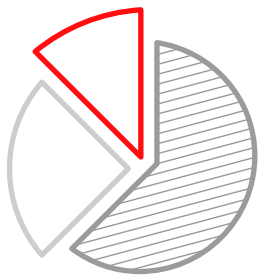
> Overview

Suppliers and subcontractors are an important part of our operations and value creation. With responsibility being one of our core values, we strive for applying sustainable business practices not only within the company, but also among external stakeholders, including those in supply chain. We are constantly looking for opportunities to increase the positive impact of our operations throughout the value chain. We believe that by putting emphasis on responsible governance, healthy and safe working places, fair pay and transparency, we help to create stronger communities and better business environment. SCHWENK Latvija cooperates with more than 1000 suppliers

and contractors in various fields. Our procurement processes are implemented according to the procedures and guidelines, ensuring equal treatment towards all possible suppliers. All potential suppliers should be ready to sign affirmation stating that their business practices are highly ethical, compliant to all relevant rules and regulations, with high standards for health and safety, environment protection and fair working conditions. Requirements are available publicly on SCHWENK Latvija website and are equal for all. During the cooperation, we also implement various initiatives in order to raise suppliers' and contractors' awareness on various issues, especially health and safety. On regular basis we meet for health and

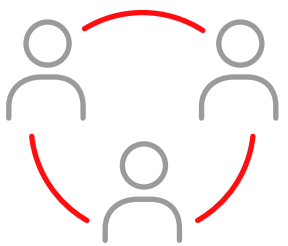
safety workshops with contractors' management and H&S experts, contractors' audits are implemented in order to evaluate the level of health and safety standards at contractors' locations and encourage sustainable practices along the value chain. The biggest number of contractor's employees are involved in works in Broceni cement plant – close to 1500 workers from various contractors' annually perform different types of work. All third-party employees working on our locations have to take health and safety instructions twice a year, should comply with our health & safety standards and procedures for use of Personal Protective Equipment (PPE), equipment and tools, safe execution of works and behavior in our territory.

In order to monitor contractors' flow in cement plant, a registration system based on biometrics (fingerprint) was introduced in 2019. It helps to ensure that employee has undergone H&S instruction and has no violations, tracks hours spent at the plant etc. In 2020 our goal is to develop the system as a communication tool providing important information upon each registration. The specifics of our operations restrict us from fully local supplies; however, when possible, we do support local producers and suppliers. In 2019 we cooperated with 1007 suppliers, 78% of them were local companies. Based on spent, local suppliers are paid 71% of total SCHWENK Latvija spending on different suppliers.



Over
80 million
euro

/ economic
value spread via
supply chain



Over
1000
suppliers
in 2019

/ 78% local



**Fingerprint registration system
for subcontractors – tracking,
monitoring, communication**

> Transport fleet and haulers

Significant part of product deliveries are our long-term contractors – haulers. Our products are delivered with nearly 200 vehicles – bulk cement cisterns, packed cement and aggregates trucks, ready-mix mixers and pumps. We also use railway and maritime transport for export markets.

SCHWENK Latvija product delivery fleet⁷



Mileage 2019 / product deliveries to customers



⁷ Including owned and contracted transport units



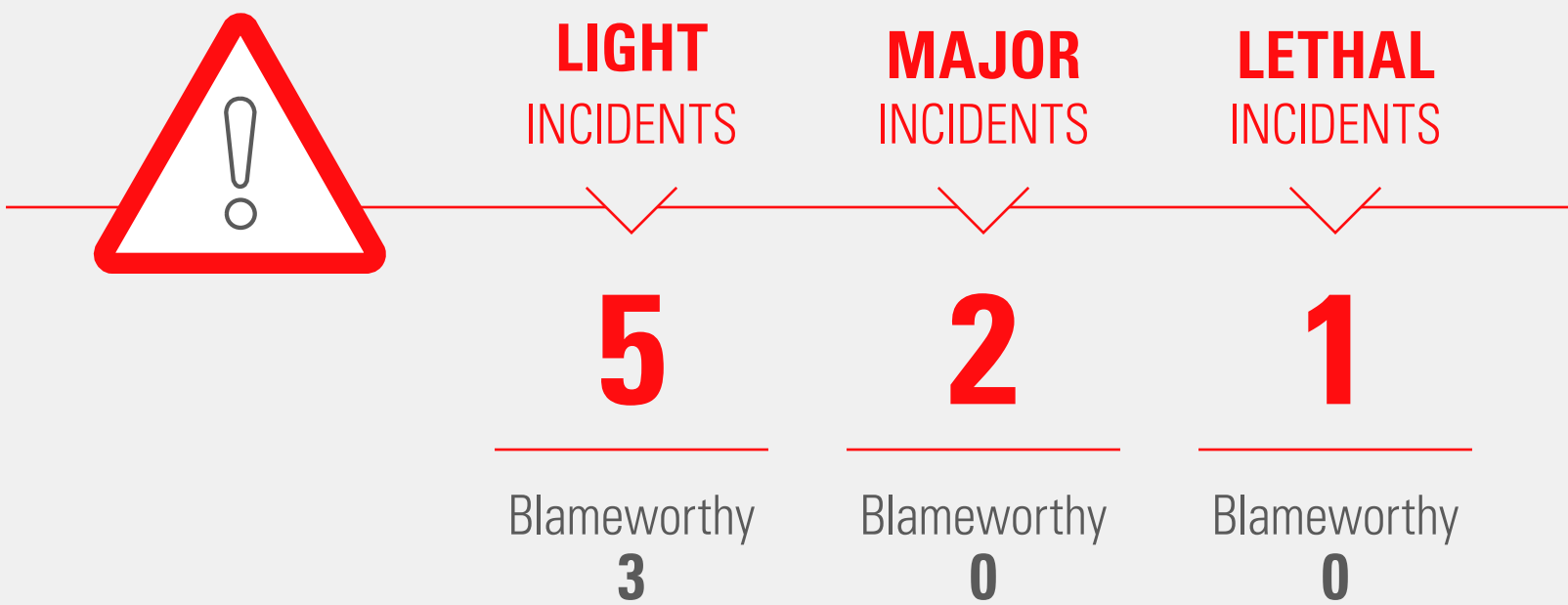
It is very important for us that SCHWENK freight forwarders are responsible and highly valued road users adhering to safe and courteous driving principles. Sustainable approach in transport organization is an important part of the logistics team activities. Deliveries are carefully planned, selecting shorter routes with less intensive traffic, and to maximum extent performing deliveries during periods of low traffic. Important aspect in route planning is avoiding places with intensive pedestrian movement, roads near schools and kindergartens, complicated traffic points etc. All our and haulers' drivers are undergoing wide training program for ensuring highest standards of transport safety and courtesy on the road. Drivers are very responsible towards the cargo and vehicle, they do everything it takes to become a safe and friendly road user.

Our ultimate goal for health and safety is zero harm. This also refers 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; the information is used for further educational needs. There is a permanent job position of

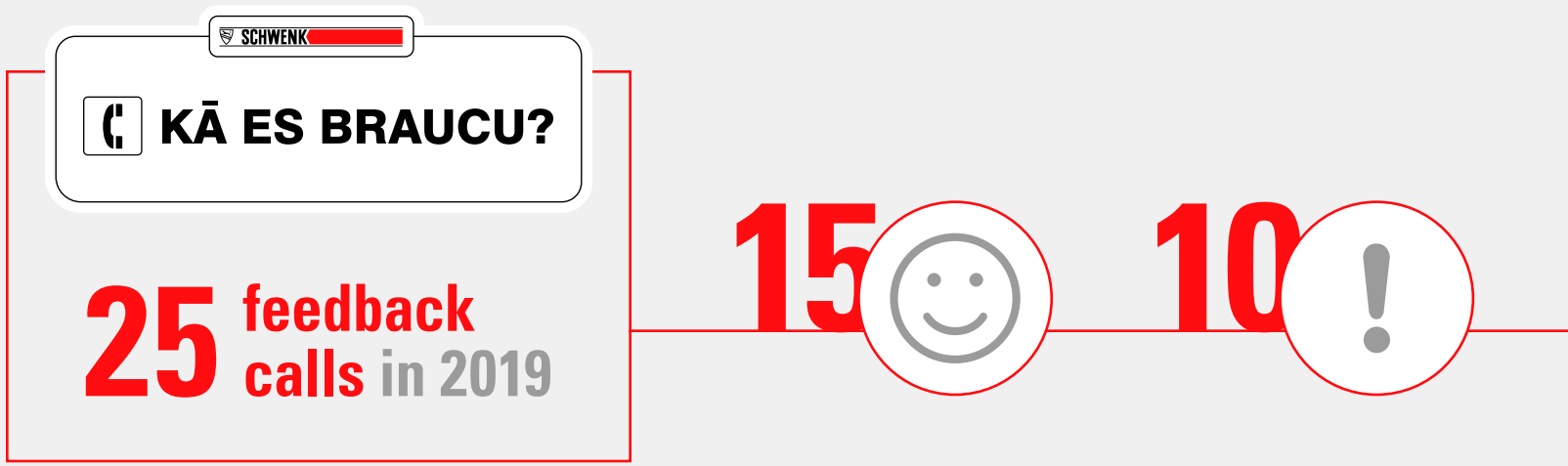
traffic safety controller and on-going work of Transport Safety Committee consisting of 8 members. An important factor affecting safety is work and rest time balance. We put great emphasis on timely and thorough logistics planning, over the years implementing many changes, so that deliveries are done mainly during daytime and in the way that ensure proper work and rest time for haulers' drivers. Simultaneously with providing all conditions of proper work and rest time, we also strongly follow how it has been respected.

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

Transport incidents 2019



We also invite other road users to participate in improving the driving style of our vehicles. You will find a phone number for reviews on the back of SCHWENK Latvija vehicles. We are proud that positive reviews and comments far exceed the negative reviews.



When speaking about traffic safety, it is important to highlight the importance of all road users. Several times annually our transport safety experts participate in community events educating most vulnerable road users on traffic safety.



Transport safety day in Broceni Secondary school



Educational initiative in Museum Night in Broceni

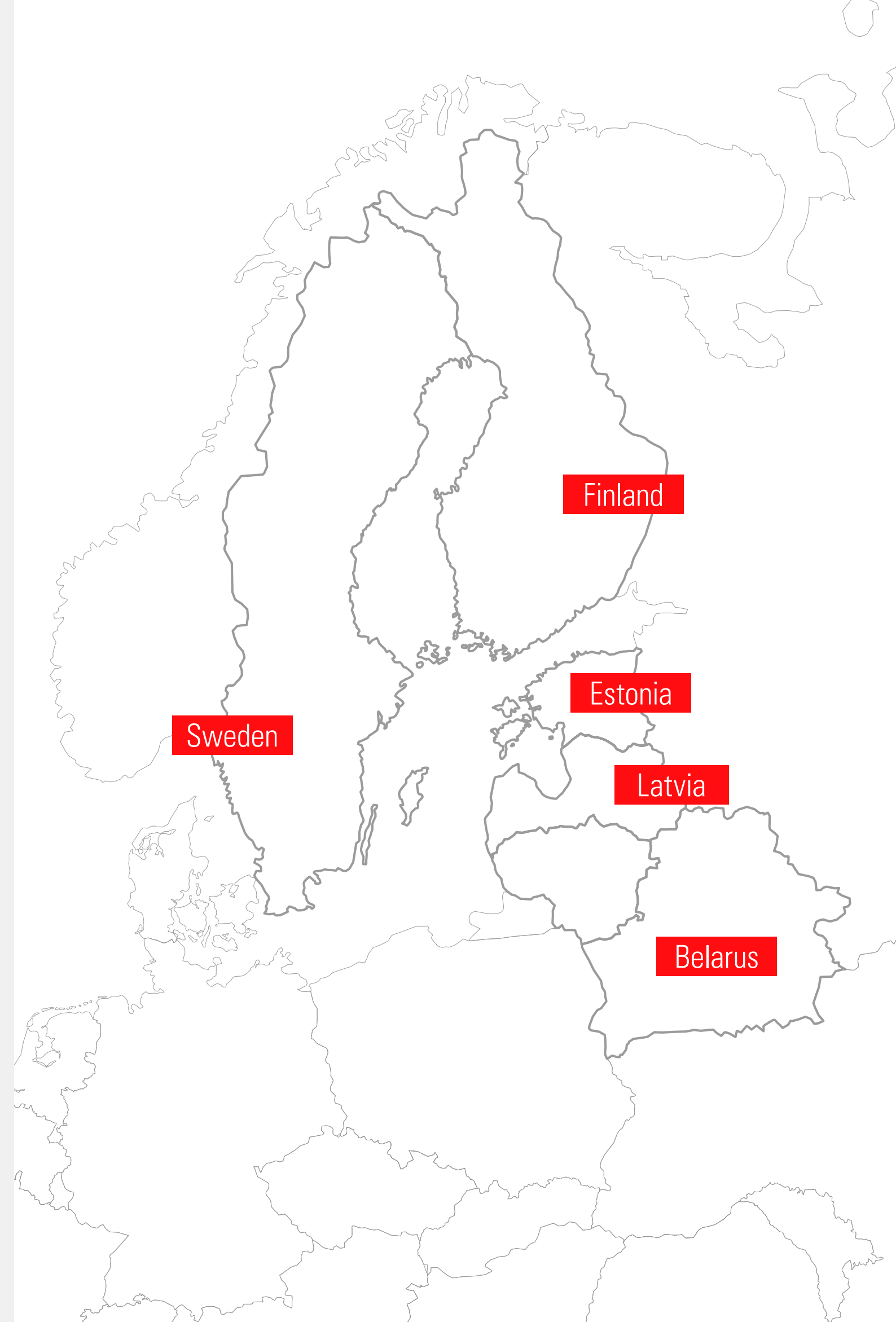
Market relations and products

> Overview

SCHWENK is one of the most innovative building material producers in Europe and strives to be the leading in sustainable business practice. With responsibility towards environment, global resources and people, we produce highest quality building materials for a broad range of customers. Our environmental standards are one of the highest globally. We constantly monitor the impact of manufacturing on the environment, implementing various environmental protection and preservation activities.

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 local market.

Cement markets



> Product sustainability

SCHWENK Latvija produces and develops environmentally friendly building materials with responsibly sourced local raw materials; our production takes place according to highest standards.

We care for preservation of global resources, and it is shown in our sustainable business strategy and responsibly manufactured products. We use local raw materials as much as possible, reducing logistics network and therefore – fuel consumptions and emissions of motor transport. Alternative fuel and alternative raw materials are used in production of cement – side-products of other industries, replacing natural non-renewable resources and therefore reducing their consumption.

Cement

Cement manufactured in Brocēni is used in 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. We produce six types of cement and work towards increasing the production of cement with lower clinker factors in order to support climate goals.

Raw materials, the production process and products are object of thorough testing and control. There are 37 various tests implemented on regular basis now in cement production – covering the process, fuels and cement. We have performed evaluation of the cement manufacturing cycle and received EPD certificate for several types of our cement. It analyses the ecological footprint of cement manufacturing process – from obtaining aggregates to the final product.

SCHWENK Latvija has an 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 SR-3



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. We provide technical and consultative support to our customers in more efficient use of concrete for sustainable construction. There are 14 tests implemented on regular basis or available upon request on raw materials and products in our concrete laboratory. Concrete quality experts are constantly involved in educational work in cooperation with universities in Latvia and various trade and professional organizations, engaged in development of industry standards and sustainable construction practices. Concrete production is done according to standards LVS EN 206:2014 and LVS 156-1:2017.



Aggregates

SCHWENK Latvija manufactures certified aggregates for road construction, agriculture and construction. Manufacturing takes place in five quarry farms in compliance with environmentally friendly quarry maintenance principles and nature reserves, implementing responsible re-cultivation, flora and fauna variety preservation principles. Aggregates are produced according to standards LVS EN 12620:2008, LVS EN 13242:2009 and LVS EN 13043:2002. There are 12 tests implemented on regular basis in our laboratories. Our production sites are open for customer and other stakeholders visits, and experts are engaged in educational initiatives in cooperation with customers and schools.

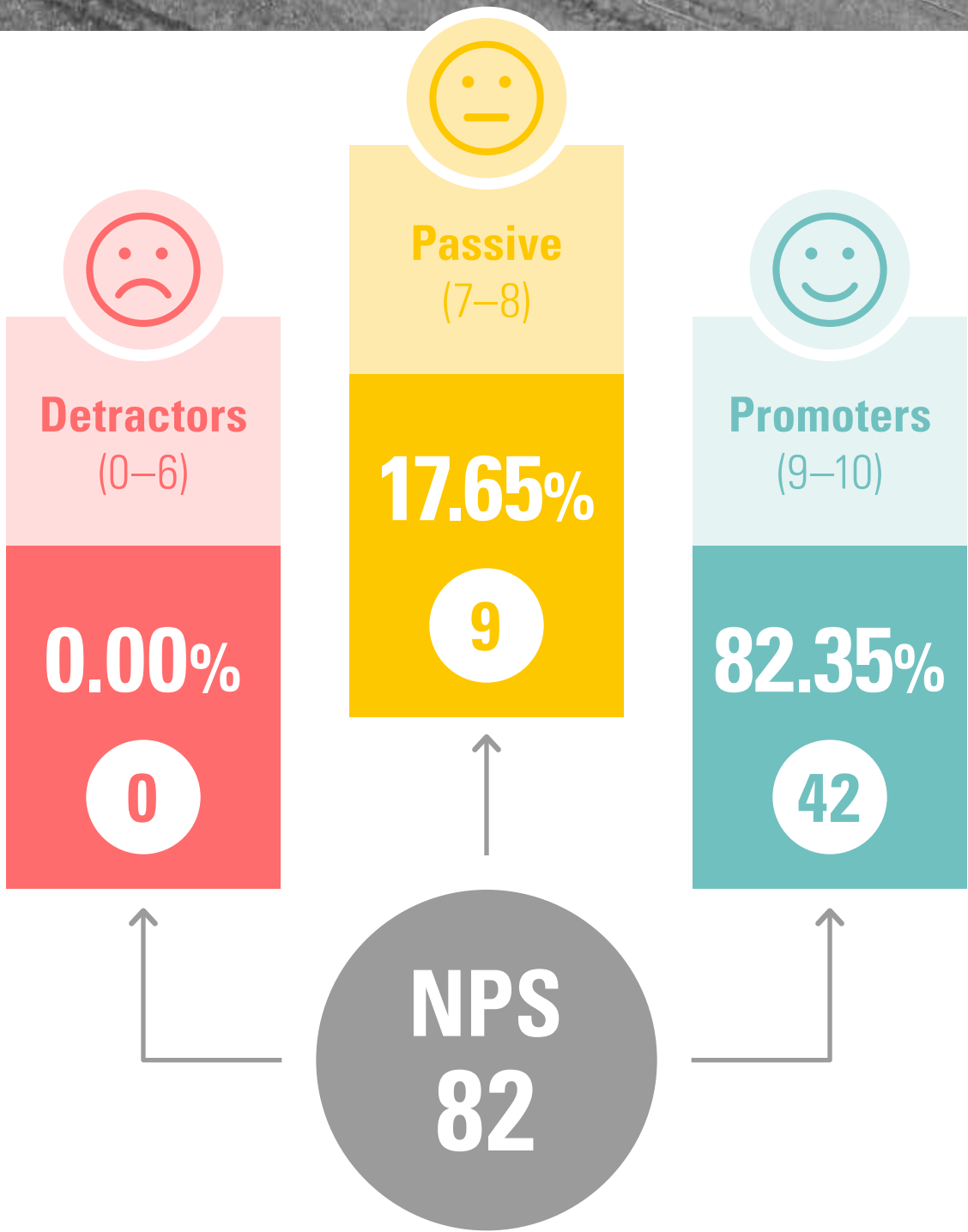


> Responsible customer relations

Collaboration is one of our main values. It also covers close and trusted relationships with customers.

SCHWENK Latvija maintains regular and close relationship with customers and is constantly measuring their sentiment and engaging in decision making. Depending on business direction, we implement several customer surveys annually and measure Net Promoter Score (NPS). The surveys 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. There is a system at place registering all incoming customer claims and their resolution. Health and safety being our core value, SCHWENK Latvija has customer health and safety policy as well as customer H&S sheets, CE product labelling and product data sheets.



Community

Dialogue and close cooperation with communities is an integral part of SCHWENK Latvia daily activities. We believe in the power of Latvian regions, local communities and importance of social responsibility. We strive to implement initiatives helping to improve environment, quality of life, accessibility of education and individual responsibility.

Our community support program includes financial support to community projects, collaboration with local producers and creatives, charitable donations, voluntary work, engineering and technical education scholarships and community events.

Project competitions

In 2019 SCHWENK Latvia organized the first direct community project competition for Broceni and Saldus regions. We invited community organizations and project teams to present their project ideas, based on values of health and safety, collaboration, growth and responsibility. Thirty great ideas were submitted and presented, ten – shortlisted for further work and six received funding for project development.

- The purchase of musical instruments at Kalnseta Elementary School
- Roof renovation for Airite Railway station building
- Furnishing of concert wardrobe exchange point at Saldus Music School
- Lighting in the Saldus and Broceni Equestrian Club
- Support for development of smart village Jaunmuiža
- Mobile curiosity laboratory in Saldus Secondary School

Science education support

Every year we provide support to youth of Saldus and Brocēni who see their future in their native region and want to obtain secondary or higher education in engineering sciences in any of the professionally technical or higher education schools of Latvia. Graduates can apply for the scholarship each year in September in cooperation with RTU Development fund. SCHWENK Latvia experts support pupils from Broceni Secondary school in development of scientific works and have achieved good results on regional level.

In 2019 SCHWENK Latvia partnered with Saldus Regional Development Society and co-funded the project EZIS for promoting and strengthening science education in Kurzeme region. The project “Promotion of Engineering Science Education for Sustainable Economic Development of the Region” is implemented within 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 Kurzeme region, educational content and public events within the timeframe of three years.



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”.



Material donations

We are proud of the material we produce and happy to support projects and ideas with cement, concrete and aggregate supplies. In 2019 SCHWENK Latvia organized the renewal of historical facade elements – spheres for Broceni secondary school and foundation for a city sign in Madona.



Open dialogues

We strongly believe that cement production industry is important for Latvia’s and regional development. We put great emphasis on minimizing our potential negative impacts and are actively engaging in dialogues with various stakeholders to solve our

common problems and issues. In 2019 SCHWENK Latvia organized two open dialogues with communities living around quarries in order to improve the neighborhoods and decrease the impact from our logistics.

Voluntary work

Each year we gather for voluntary work-day in order to support local community organizations and institutions with practical help. In 2019 approximately 30 SCHWENK Latvia employees visited Zante family crisis center and carried out practical

work to improve the surroundings and environment. SCHWENK people are also actively engaging in the organization of community events, hosting excursions into the plant, gathering for environment clean-up events etc.

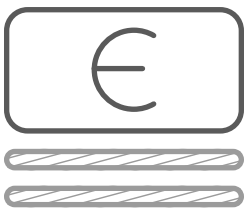
Other donations

SCHWENK Latvia donates used personal computers to schools, kindergartens, libraries and other educational institutions upon request.



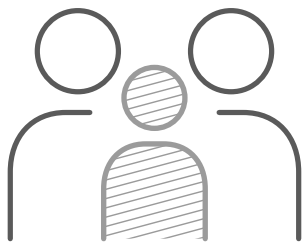
Shared value projects

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 for cooperation in events, choose local crafts as gifts for our partners and friends and are constantly looking for other ways to improve local prosperity and welfare.



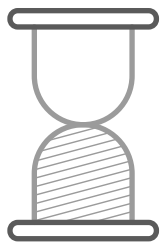
51 K euro

in local community support



51 people

engaged in voluntary work



730

voluntary work hours

Cement production legacy

As the only cement producer in Latvia and successor of a company with a history of more than 80 years we feel a sense of a mission for maintaining the cement production legacy in Broceni alive. In 2019 SCHWENK Latvia launched its first historical exposition looking back at the history of cement production of 80 years and organized community event during Museum Night.



SCHWENK

2019