



SCHWENK

SCHWENK LATVIJA SUSTAINABILITY REPORT 2020



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About the report

SCHWENK Latvia sustainability report covers performance of all SCHWENK operations in Latvia. For some KPI's the reference is made in the scale of Northern Europe.

The report is developed, based on GRI reporting guidelines and United Nations Sustainable development goals framework. Relevant SDGs 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 2020, based on annual reporting cycle.



Message from CEO

2020 – enabling a sustainable future

The importance of sustainability and responsibility was further heightened in 2020 with announcement of Europe's Green Deal and the COVID-19 pandemic. We were challenged both as corporations and as individuals. I can happily say, that we did our best to meet the highest standards and managed well.

Health & safety and responsibility are our core values. Our responsible health

and safety culture and programs are at the core of all operations, aimed to reach and sustain our "Mission Zero" ambition and ensuring employees and business partners return safely to their families at the end of the workday or shift. The COVID-19 pandemic raised this to new heights and changed the way we work and interact. Thanks to our highest epidemiology safety measures at all locations and high individual engagement of each employee we managed to conclude 2020 without lost lives and without widespread infections among teams. We ensured continuous operations and keep the job of all our people, even though the construction market in Latvia slowed down significantly. However, we were shaken by two lost time injuries among our employees. These two 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.

In 2019 SCHWENK started the biggest investment project in Broceni plant since its opening in 2010. A new cement mill and silo are at the center of our ambitious investment plan for more sustainable and environment friendly production. With high involvement from our engineering teams in Germany and Latvia, professional and trusted partners and thorough planning we are determined to commission the new equipment according to plan by the end of 2021. It will help us to reach our goals of reducing CO₂ emissions and introducing new cement types in the Northern European markets. SCHWENK Group has also been part of the joint "Catch4Climate" project, building one of the first carbon capture in our industry near our Mergelstetten cement plant in South Germany. SCHWENK's sustainable and innovative approach

is fully aligned with Europe's Green Deal roadmap to reach the emission reduction goals. We all – companies, government and individuals – have to cooperate and create an environment that enables these ambitious decarbonization targets.

A lot of tough, but also valuable lessons have been learnt and it's important we can spot them and learn from them. I hope that this year will give us more opportunities to be connected again and accelerate the transition to a more sustainable construction industry. I truly believe that SCHWENK corporate values – health and safety, growth, collaboration and responsibility make us strong and help deliver sustainable concrete innovations for generations to come.

Reinhold Schneider

Chairman of the Management
Board SCHWENK Latvija
CEO SCHWENK Northern Europe



About the Company

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



CEMENT



SAND & GRAVEL

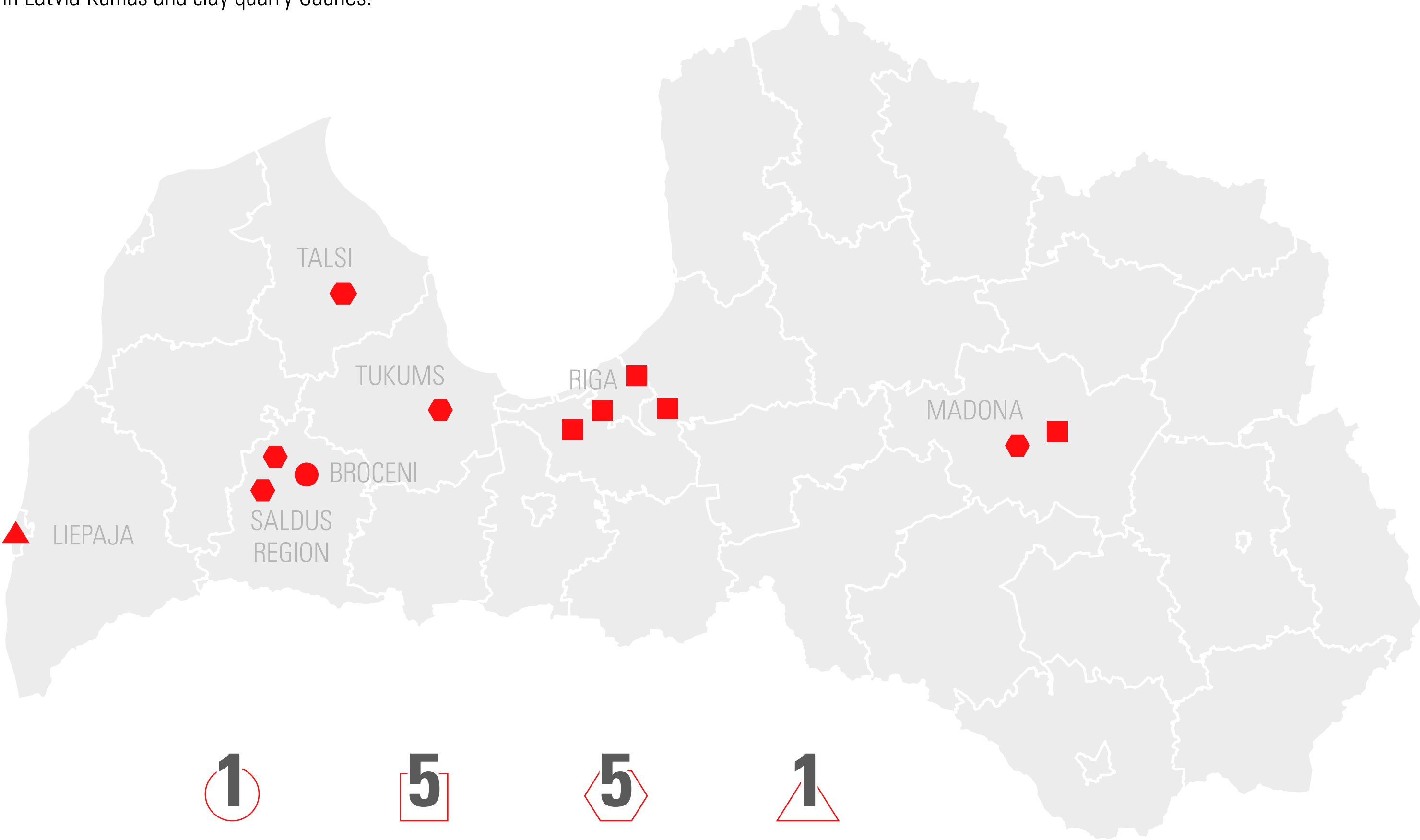


CONCRETE



CONCRETE PUMPS

In Latvia we produce cement in Broceni cement plant, ready-mix in five plants in Latvia and aggregates in four quarries. Our assets include also 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

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 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. With bold, but thoroughly assessed investment and innovations we achieve continuous growth and development. 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 mission

WE DELIVER SUSTAINABLE CONCRETE INNOVATIONS FOR GENERATIONS TO COME.

> 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 more than 600 subcontractor’s employees throughout the value chain.



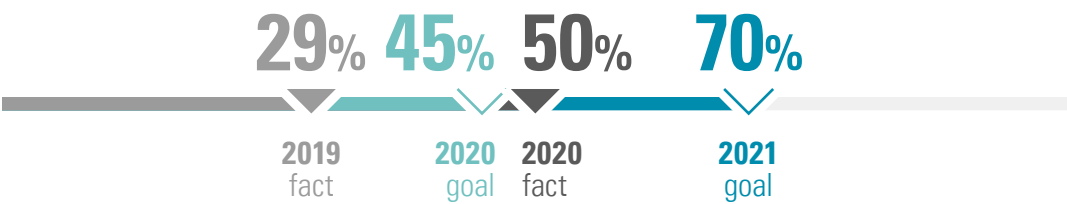
> Economic performance



> Non-financial performance on key indicators 2020¹

H&S

Engagement in risk alert system



LTI'sw



TRI's

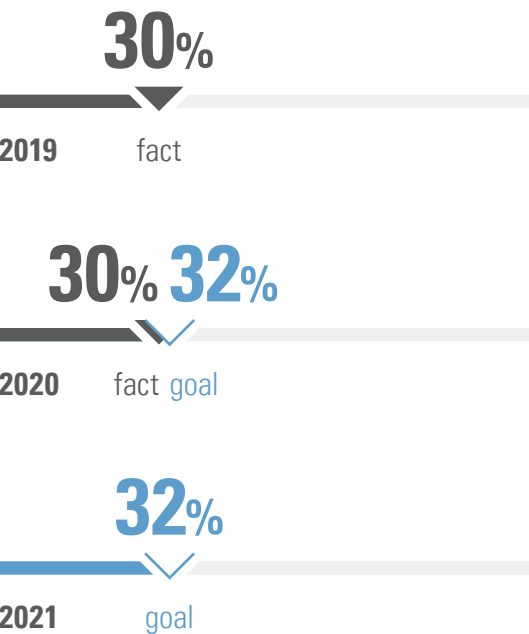


Customer relations & products

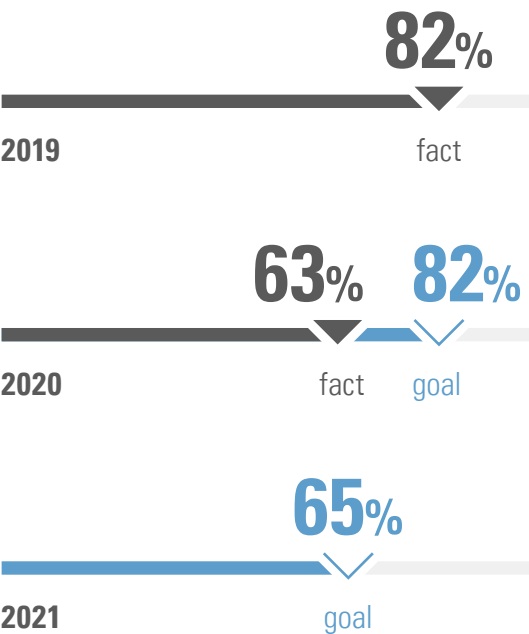
Number of cement types with EPD



Blended cement in portfolio

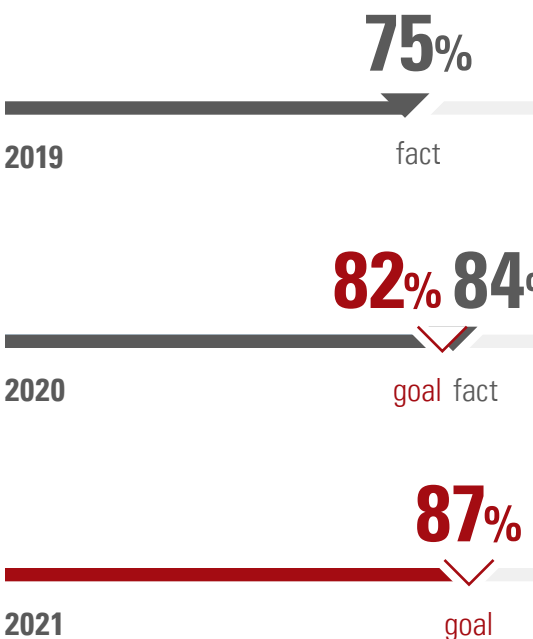


NPS score



Environment & climate

AF rate



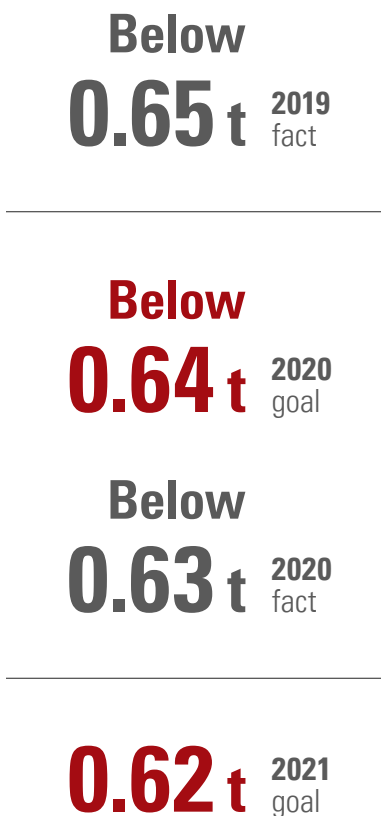
Non-compliance cases



Waste reused / recycled

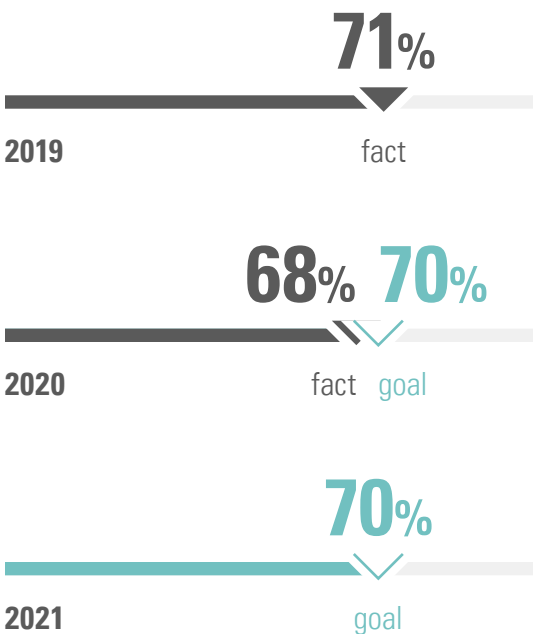


CO₂ emissions: kg CO₂ / t of cement



Supply chain & distribution

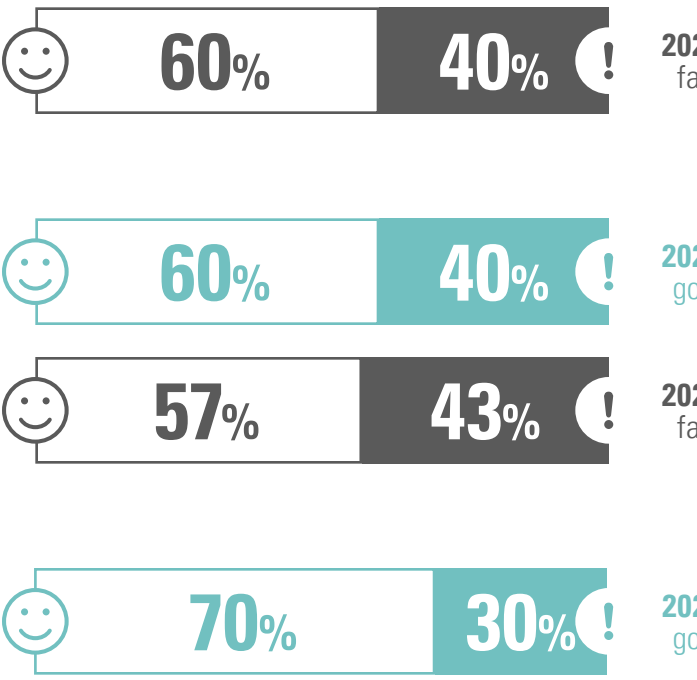
Local suppliers in portfolio



Transport incidents among haulers



Traffic safety feedback calls



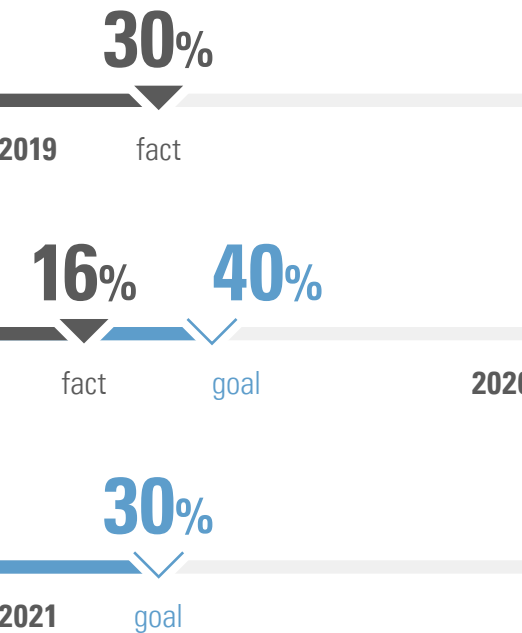
¹ For majority of below target results the reason is COVID-19 global outbreak which triggered strong epidemiological measures cancelling many on-site activities and events
² Conformities related to technical issues in monitoring equipment, which caused short-term disturbance in data Non flow.

Community

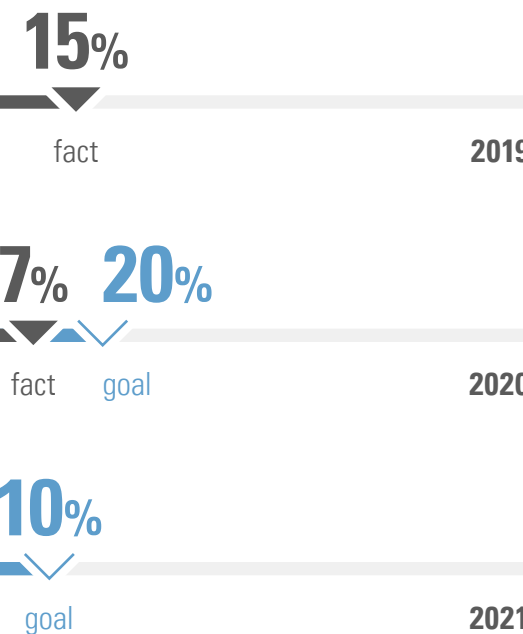
Investment in local community support



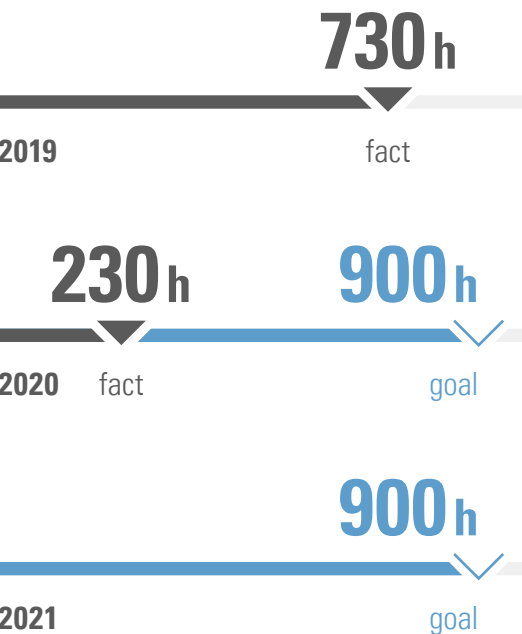
Shared value projects from all



People engaged in voluntary work

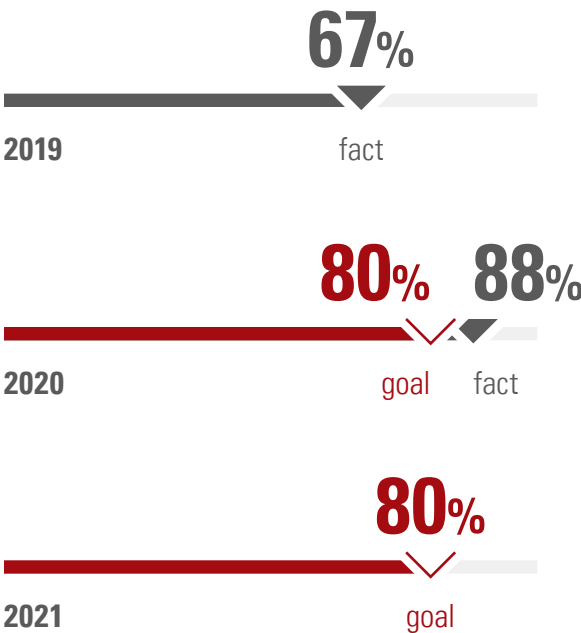


Voluntary work human hours

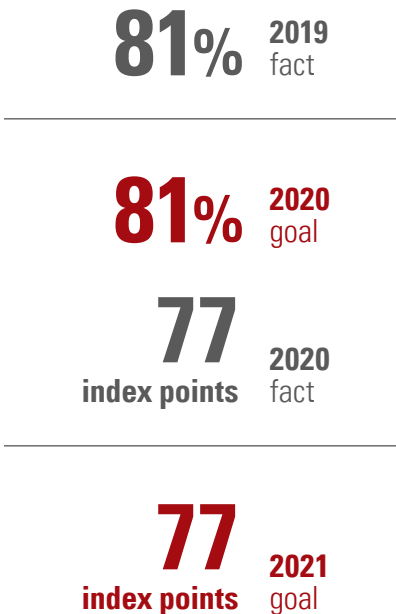


Workplace and people

Executives and managers from local community



Employee Engagement Index / Commitment Index³



Average seniority



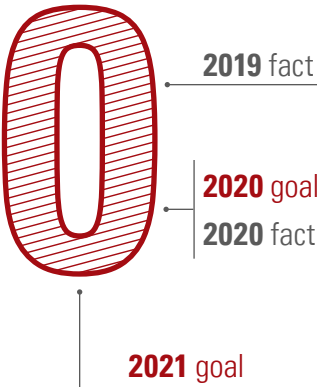
Ratio of lowest base salary for entry worker over country level base salary



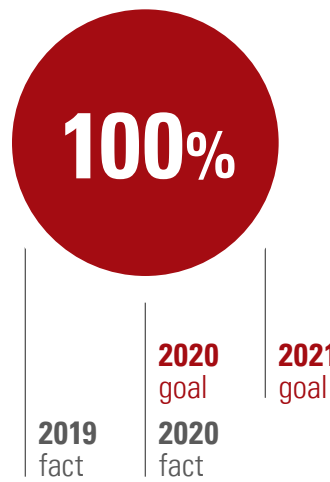
Ratio of whistleblowing claims resolved:



Number of strikes



Employees covered in collective bargaining agreements



> Recognitions and acknowledgements

We strongly believe that sharing ideas and best practices makes us all stronger. SCHWENK Latvia 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
- Recognition from Society Integration Foundation and Institute for Corporate Sustainability and Responsibility for the contribution to the development of a family-friendly society
- Diversity is Power award in category “Our Market Relations 2020”
- Health and safety award in the Golden Helmet 2020 competition
- Golden award in safe auto fleet recognition as one of the TOP safest in the category “Local (Baltic) Freight Forwarders and Special Purpose Fleets” in 2020

³ Results in surveys done in 2017 (reported data of 2019) and in 2020 are not comparable due to the change in survey methodology.

Strategy

> 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 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 valueshealth & 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 enhance 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 green cement plants in Europe
- On-going investment and innovation program for reaching climate goals and zero pollution
- Developed processes for enhancing circular economy
- Quarry restoration and biodiversity programs



INDUSTRY:

- Responsible and high standard 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 2020



PEOPLE:

- Community project competition
- Community organizations’ engagement in company events
- Voluntary day in Broceni social center
- Material donations
- Open dialogue with potential quarry surrounding communities
- Experience sharing on inclusiveness, equality and human rights



ENVIRONMENT:

- Participation in community environmental activities
- Roll-out of CO₂ reduction roadmap and educational webinars for various stakeholders
- Launch of construction work in project GENESIS for testing carbon capture technologies in Broceni cement plant within European Union’s Horizon 2020 research and innovation program
- Finalization of cleaning works in most polluted area in Latvia – Incukalns goudron ponds and delivery of neutralized polluted soil to Broceni cement plant for usage as alternative fuel
- Investment project launch for increasing the capacity of alternative fuel usage in cement plant
- Tests of new potential alternative fuel materials



INDUSTRY:

- Engineering and technical scholarships
- Participation in STEM education support project EZIS
- Support to Scientific and technical creative work
- Public activity for improving industry ethical and compliance standards

Adopting United Nations Sustainable development goals

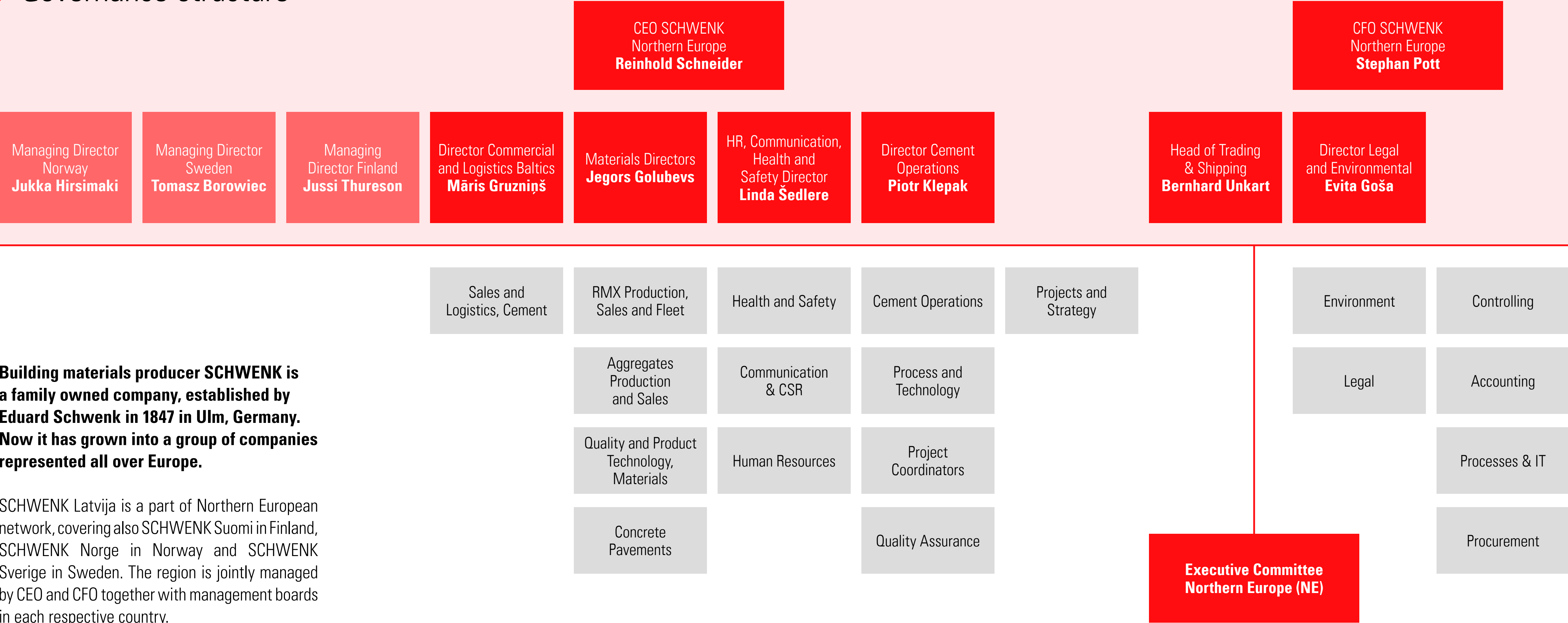
For impact analysis SCHWENK Latvia has selected key performance indicators within the framework of Sustainable Development goals (SDG's) and Global Reporting Initiative (GRI). The initial phase of impact mapping has been implemented within internal stakeholder's working groups, including 39 executives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



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



> Governance structure



> Risk management

Key impacts, risks and opportunities

Company risk and opportunity agenda include five main directions and are 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 85% of alternative fuel rate, implementation of circular economy principles and constant CO₂ emission decrease we thrive 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 is already implementing extensive investment program in order to achieve them.

Grey economy and unfair competition

Building materials production and specifically quarrying should be treated with great care and responsibility towards nature. For each of SCHWENK Latvija quarries we have the re-cultivation and restoration plan at place. Proportion of shadow economy in Latvia's concrete and aggregates markets reaches 30%⁴ and that poses a great risk for all the 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 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 alternative fuel free movement 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.

⁴ According to annual survey by Business Against Shadow Economy (BASE)

> Compliance and standardization

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 been applied also throughout the supply chain.

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 50001:2012
(FOR CEMENT)

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.



Code of Ethics

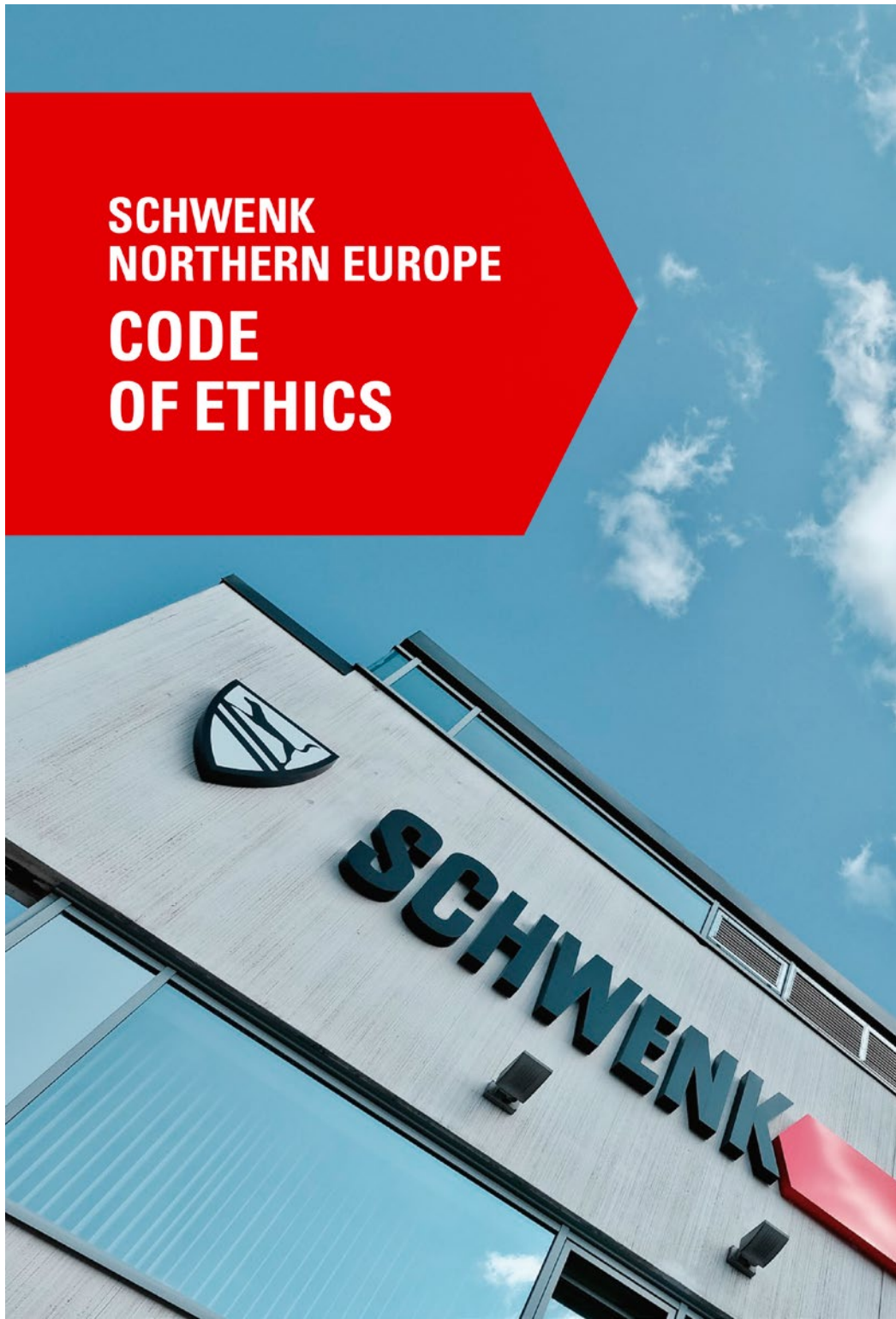
Established more than ten years ago, Code of Ethics is our core policy, equal to a Constitution for a country.

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. Values and the requirements of Code of Ethics applies to all stages of SCHWENK’s business chain, locations and operating structures.

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 in all levels and in cooperation with all stakeholders, increase feeling of security among employees. Among other aspects, Code of Ethics also defines the framework of

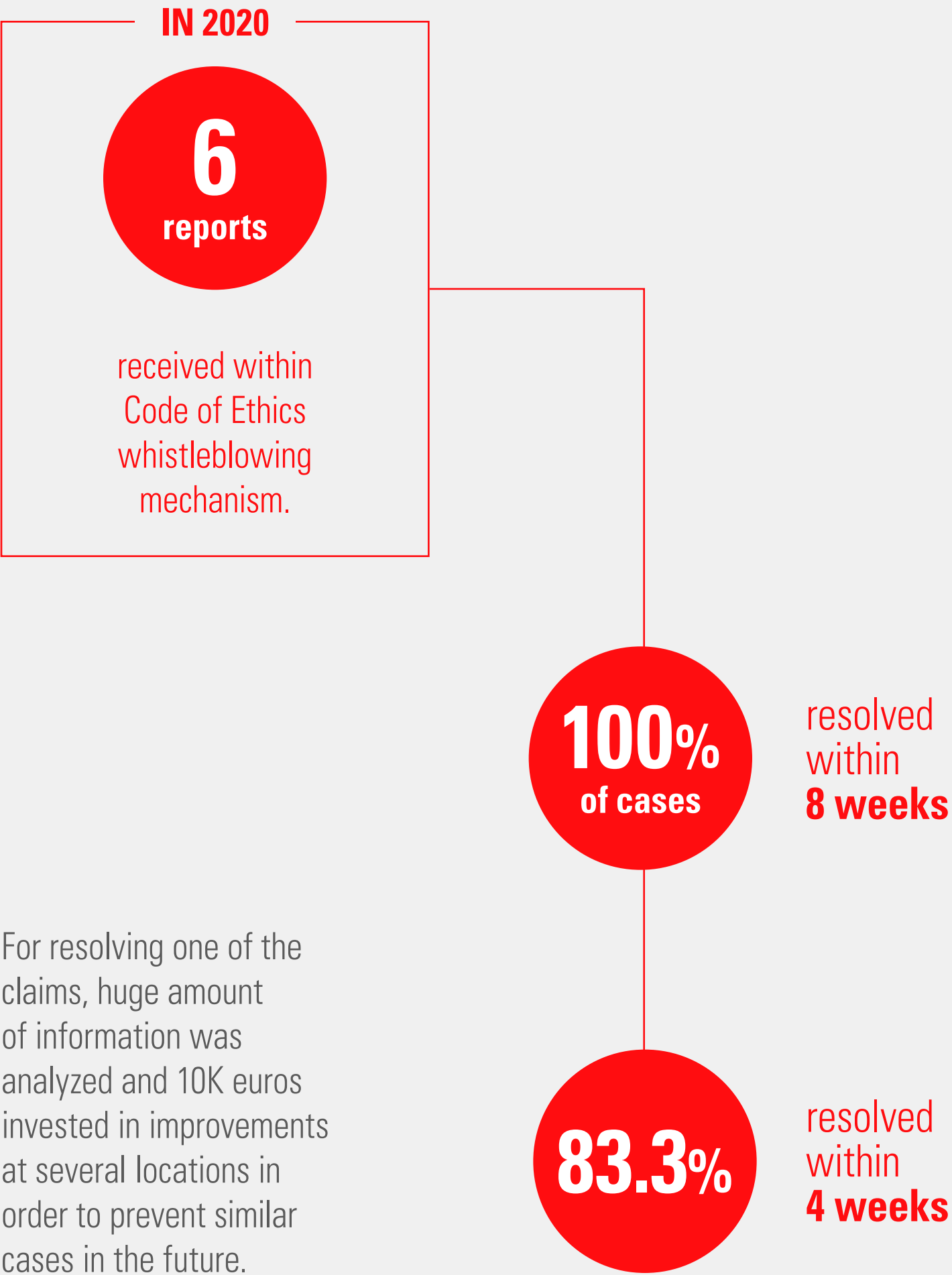
whistleblowing mechanism – effective tool for ensuring fair working conditions and support to solving ethical dilemmas and issues.

Within company’s whistleblowing mechanism each employee or external party is encouraged to report in case of potential unethical behavior or any violations of 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 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 be sent to the Managing Director of SCHWENK Building Materials Group.

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



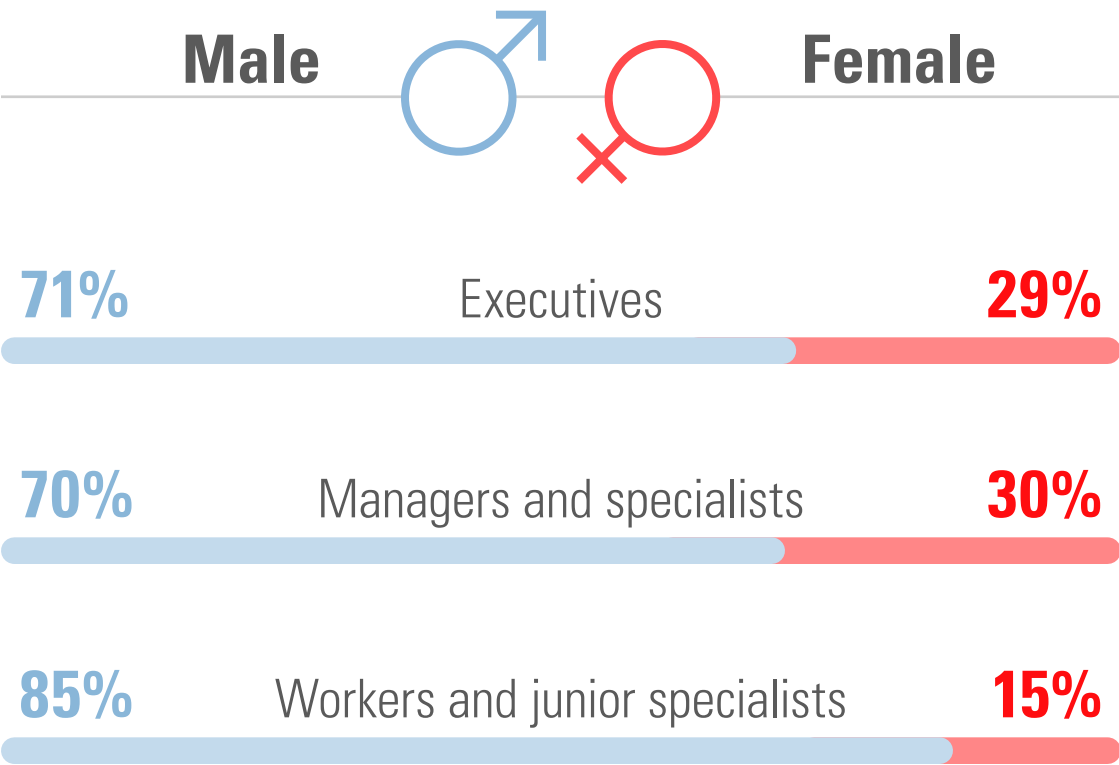
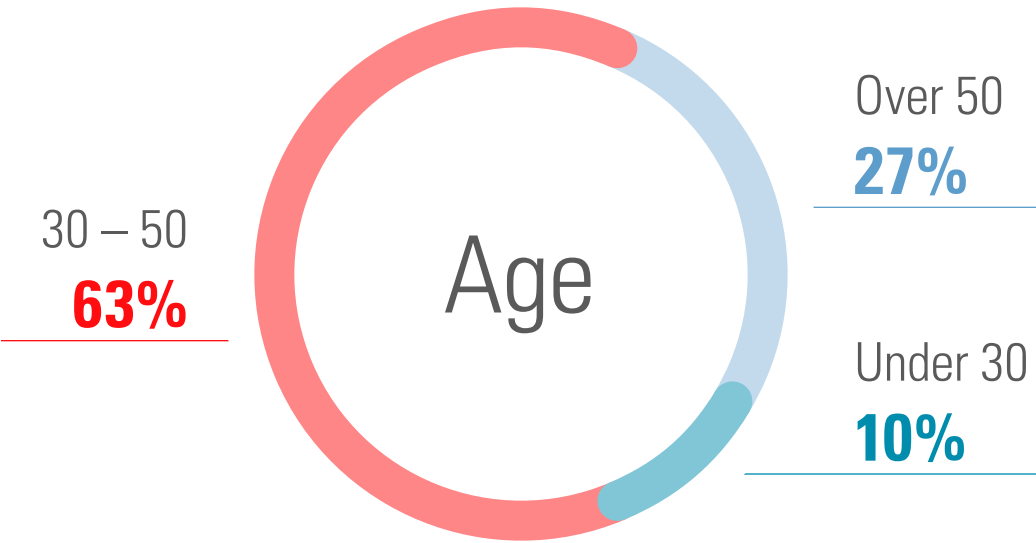
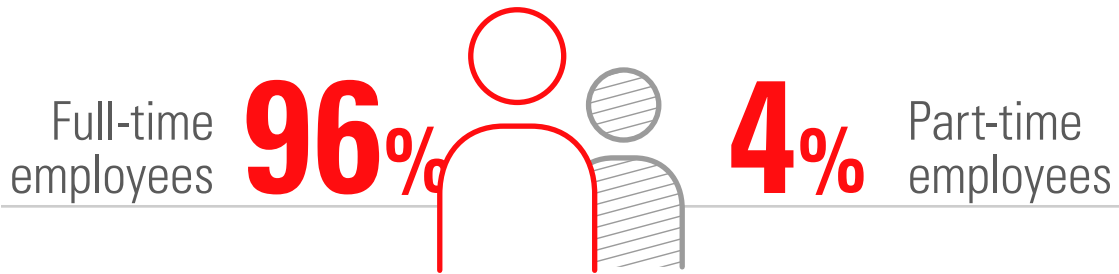
Workplace management and people

> SCHWENK Latvija employees 2020

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 heavy industry, on average 80% of company employees are male. We are proud of extremely low attrition rate for voluntary leaves from the company – approximately 4%, average seniority is 8,6 years. We also put great emphasis on career development within a company – all vacancies are initially announced internally – in 2020 35% of all open positions were filled by internal candidates

Employee profile



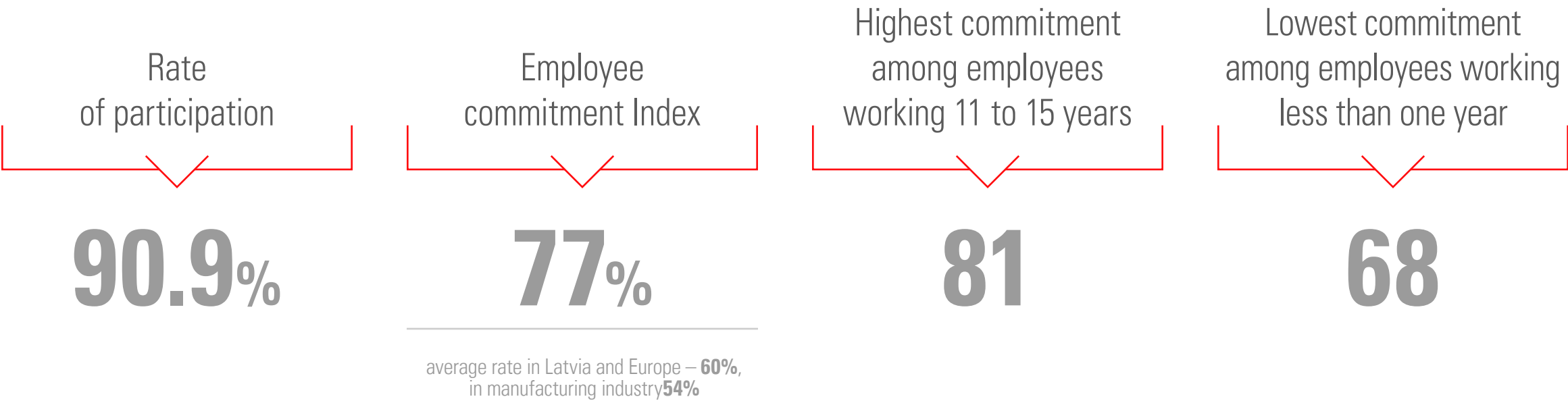
> Employee engagement and satisfaction

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 2020 SCHWENK implemented the first employee engagement and satisfaction survey in Latvia in cooperation with independent third-party service provider and using TRI*MTM Employee Commitment Methodology⁵.

Total employee commitment index in the company is 77 and can be rated as high. In comparison to external benchmarks from the survey company, SCHWENK employee commitment is significantly higher and exceeds the average rates of Latvia, Baltic states, Northern Europe and Europe. It also significantly exceeds the results in Latvian manufacturing sector, as well as exceeds the average results of Latvian companies with more than 250 employees.

Employee commitment survey 2020



Education, evaluation and career development

Our team consists of representatives of more than 130 professions, 27% 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. Employees are supported with scholarship in obtaining higher education in engineering sciences. 40 positions are part of succession planning program – targeted initiative of employee evaluation and training in order to provide succession of critical skills in order to provide continuity. Each year we

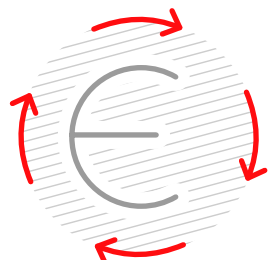
organize internal experience sharing program “Step into my shoes”, encouraging internal networking and knowledge transition – employees visit different departments and gain deeper understanding about company’s operations in general. Due to global pandemic and epidemiological safety majority of on-site educational and training activities in 2020 were postponed. However big focus was put on organizing on-line educational programs throughout the year and providing crucial training during summer season, when it was possible in compliance with national epidemiological standards. In 2020 two very important training programs were developed for launch as soon as on-site trainings will be renewed – in the fields of health & safety and compliance & ethics.

Support for upgrading employee skills

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



3045 hours
spent on training
2020



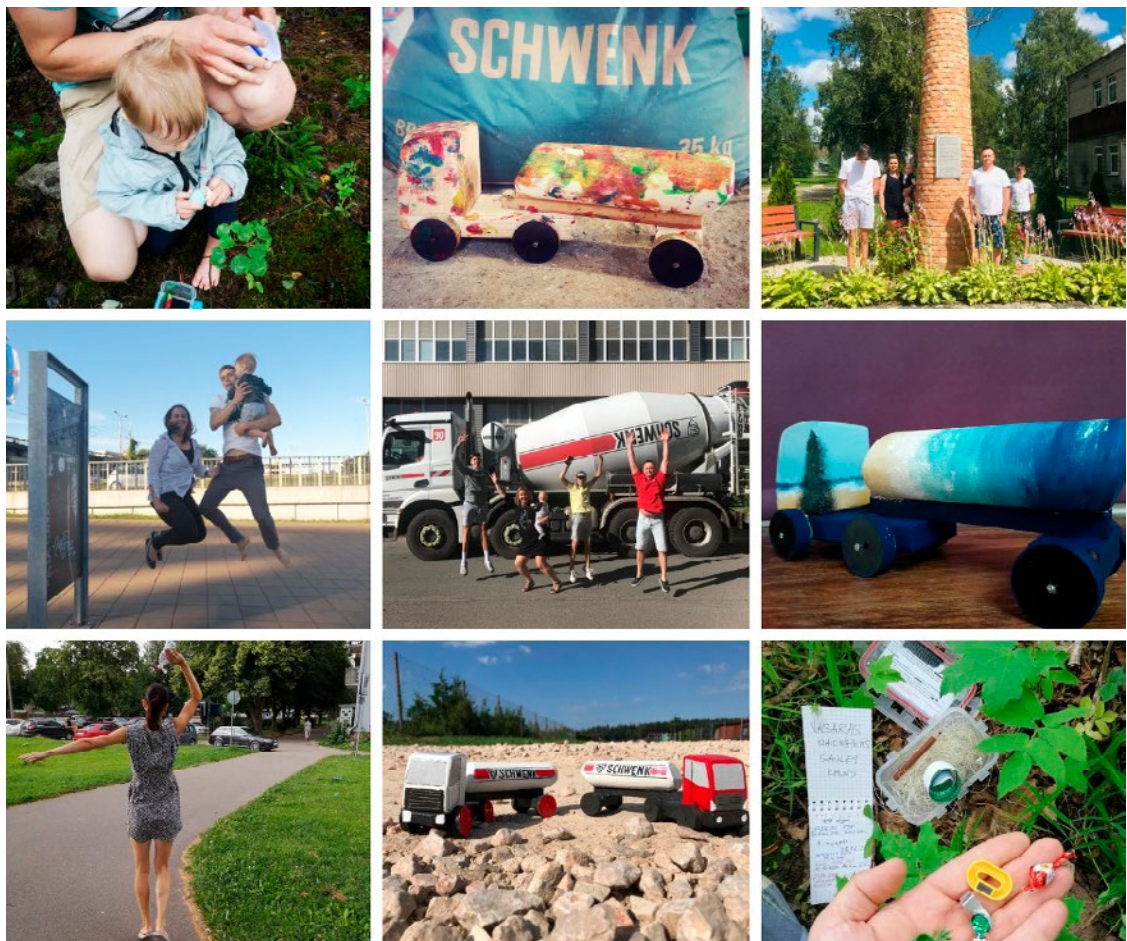
29.9 K €
Investment in
training programs

⁵ 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.

Communication

With the rise of global pandemic, majority of onsite activities were cancelled or postponed, at the same time on-line communication and collaboration raising to a new level. For maintaining information flow and engagement, various on-line communication tools were implemented, both for daily communication and special occasions. 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 and weekly newsletters,

on boards and TV screens in all locations. Informal employee dialogues are taking place on regular basis for discussing important topics for each business area, company business results, investment plans and strategy. Company employees are 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. In 2020 all these activities were implemented fully on-line or in combined manner, including family activities within one household and on-line events.



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

lowest base salary for entry worker in SCHWENK Latvija over country level base salary is 2,14.

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 92 members both employees of SCHWENK Latvija and former employees of the industry. We maintain open and constructive dialogue in all matters related to employment and labor rights. Manager of labor unit is actively engaged in employee open dialogues and has regular meetings with company’s management. 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 days⁶
- support for healthy life-style and sports
- access to interest free loans
- financial support⁷
- 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 in page 15.

⁶ Annual and in case of special life events

⁷ Childbirth; beginning of school year for all grades; funeral including first level relatives

> **Health & safety and wellbeing**

SCHWENK mission is zero harmhealth 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 in 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 ensure safe working conditions, personal protection equipment depending on the work specifics, education and training of employees and contractors. On their turn, every employee is aware – safety is the

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

order 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 H&S agenda implementation⁸. Our health and safety activities cover wide range of operational and every-day aspects and are covered in Health & Safety roadmap.



⁸ 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 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 in construction site are not safe. We believe that living the health and safety means living it 24 hours a day and thus making the right decisions at home and at work, being a role model to our family members and colleagues and stopping wrongful actions as we see them.

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 PPI is mandatory in all company locations. Each employee receives winter and summer sets of clothing, footwear, helmets, glasses and other PPI's to be used in specific conditions. Broceni plant has two vending machines with small size personal protective items available at any moment.



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 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.

Risk reporting system

A system launched more than 10 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 last 10 years nearly 15 000 risk cards have been submitted and thousands of improvements implemented in all our

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.

Annual health check-ups

Although national legislation defines 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.

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 are indicated in Risk reporting system by all employees.

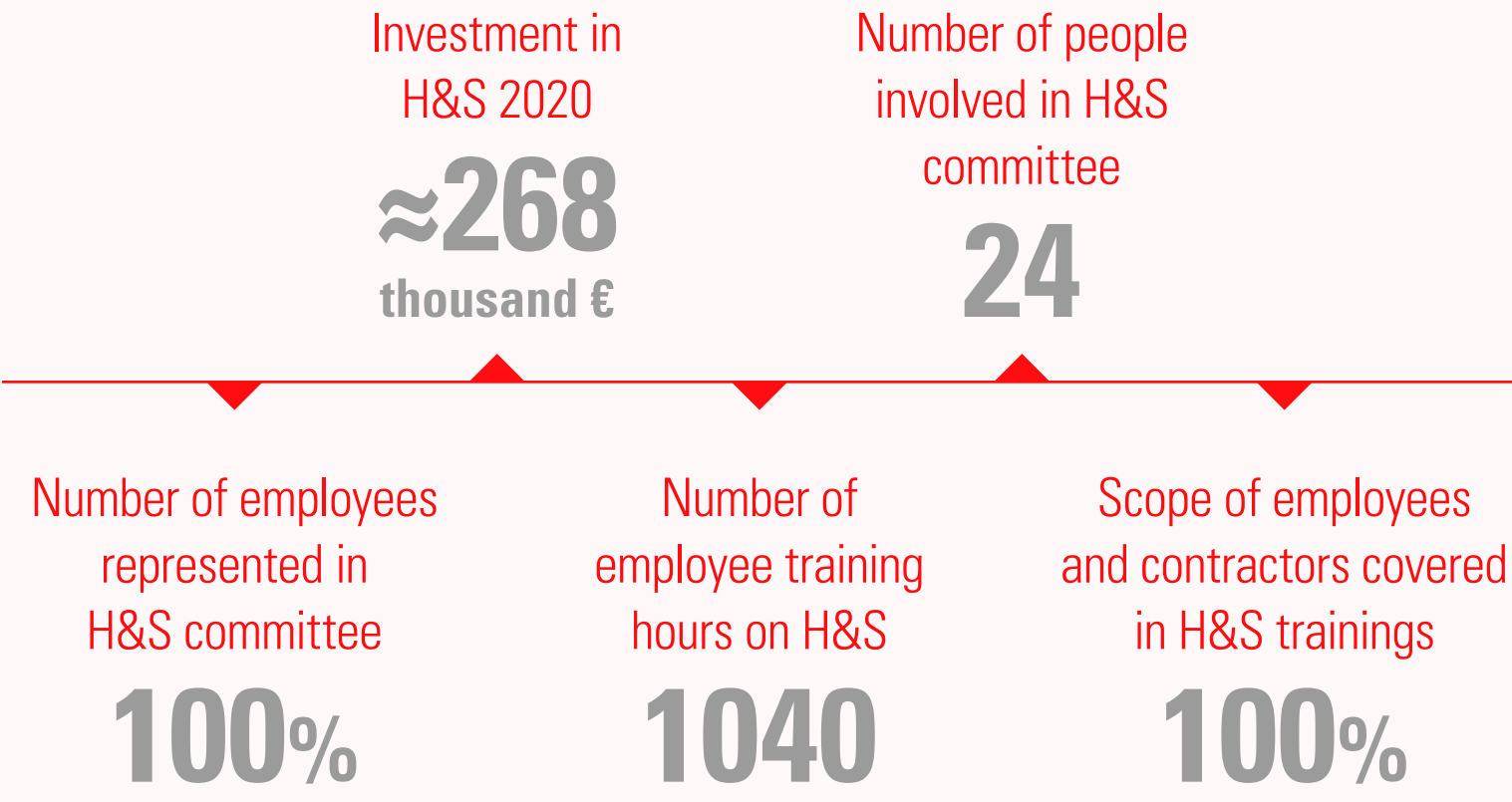
Wellbeing

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.

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. In 2020 the amount of these onsite visits were decreased due to very strict epidemiological restrictions in all our locations.



Injury and lost days

2020 was a challenging year in regards of safety incidents. After six years with zero LTI's among our employees, we experienced two LTI's in the first quarter of 2020. It was a harsh reminder that H&S is a constant mērkis to be achieved each day anew with no vacations. Both cases were thoroughly analyzed, and further measures were launched in order to prevent such cases in the future. Both incidents can be classified as mild and two people involved recovered completely.

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. In 2020 we experienced record low number of sickness days due to any disease, proving the efficiency of pandemic related epidemiologic measures in prevention of also other diseases.

Trainings

Bi-annual health and safety instructions are mandatory for all employees engaged in operational work. Apart from that, additional trainings are organized for those working in specific conditions, working in height, closed spaces etc., also first aid and fire safety trainings are organized.

For managers and executives big focus is put also on building health and safety culture and strengthening leadership skills for bringing the value to wider teams. In 2021 comprehensive training program Mission Zero is planned for launch, covering all aspects of H&S at work and elsewhere.



Stronger than COVID-19

In 2020 SCHWENK Latvija 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 2020 only 4 employees were diagnosed as COVID-19 positive, all cases were mild to moderate and no human life was lost.



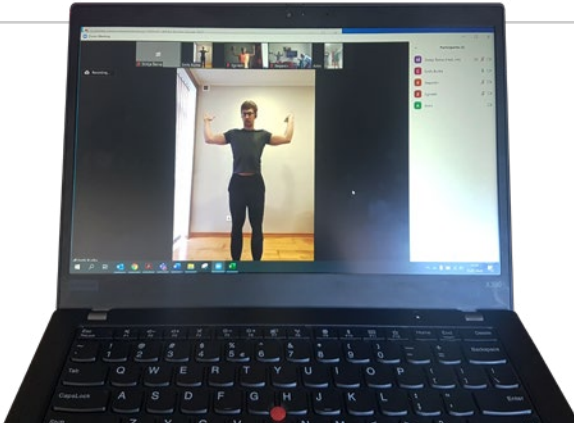
Distribution
of health pack
for all employees

ŠAJĀ Telpā
NE VAIRĀK KĀ
CILVĒKI. PĀLDIES!

NOT MORE THAN
PEOPLE IN THIS ROOM.
THANK YOU!

Launching limits
for number of people being
present at the office

On-site quick testing
for employees and
subcontractors



Maintaining promotion
of healthy lifestyle through
physiotherapy – transferring
to fully online mode



Postponing
of all gathering events
and replacing with
on-line initiatives
for engagement



Remodeling of daily operations and
work-flow – separation of shifts,
transition to on-line meetings only,
restriction of third-party visitors
to any of company locations

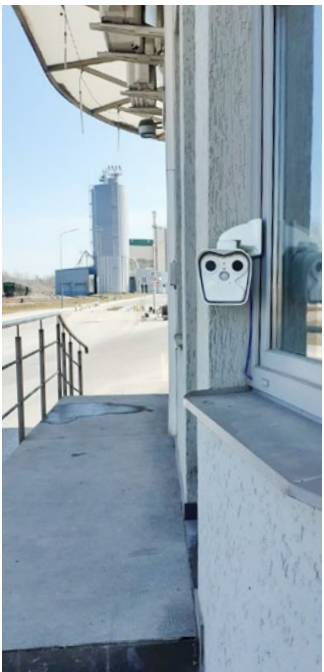
Covid-19 info line

Launching a dedicated
info-line for Q&A
and Covid-19 related
whistleblowing



Closed group on social
network Facebook for keeping
up the engagement

Taking holistic
approach towards
distant working mode,
widening the scope
and opportunities



Body
temperature
measurement
devices in
specific
locations

Weekly informative
update on COVID-19 statistics,
preventive measures,
tips for staying safe



On-going
provision of
specific PPI –
face covers,
sanitizing
equipment etc.

Environment

> General overview

In cement production process there are two main drivers of CO₂ emissions – fuel determined emissions and raw material determined emissions. The fuel-based emissions constitute 1/3 of the emissions and emerge through the use of fossil and alternative fuel 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 while burning processes. Limestone being one of the core materials used in cement, the possibility to reduce these emissions is rather limited. SCHWENK Latvija cement plant in Broceni is one of the modern industry examples in Europe where 84% of the used fuel is alternative. Its use significantly reduces CO₂ emissions and provides more environmentally

friendly approach. 1500°C–2000°C temperature in the kiln prevents any waste and harmful 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, heat and modernize buildings, increase efficiency of logistics and use

of alternative fuel. We put great emphasis on implementation of circular economy principles in all production areas and restoration of biodiversity around our quarries. Annual investment in environmental area reaches over 400 thousand euros. Pandemic related restrictions significantly decreased amount of environment-related educational activities for youngsters and local community, mainly including on-

site visits to company locations and company's expert's participation in seminars and other educational forums. However, work towards all environmental goals remained at the same level and 2020 marked significant milestones in areas of CO₂ impact reduction and future development of new technologies. In autumn of 2020 State Environmental Service established online connection to SCHWENK Latvija monitoring equipment thus gaining constant

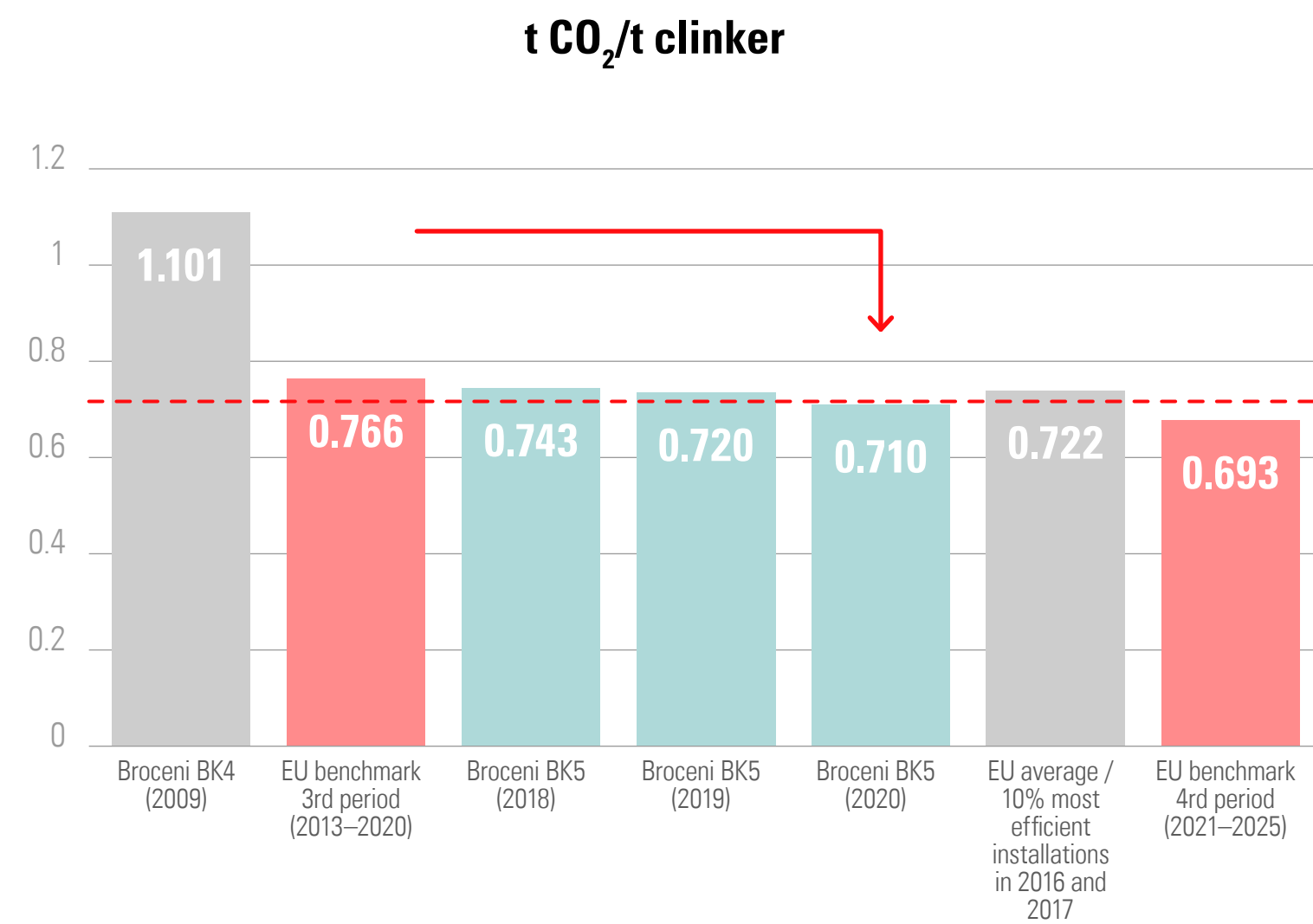
access to all emission data from the stack. For further development of alternative fuel mix, new type of fuel – sewage sludge was tested in very small and controlled amounts. Construction works were started in project GENESIS for testing carbon capture technologies in Broceni cement plant within European Union's Horizon 2020 research and innovation program. SCHWENK Latvija is also still part of a major environmental project

in Latvija – cleaning of historically polluted area of Incukalna goudron ponds. In 2020 cleaning works were finalized and neutralized polluted soil delivered to Broceni cement plant for further usage as alternative fuel. It is planned that all material will be utilized until spring of 2022, until then it is safely stored in specially equipped and controlled storages.



> CO₂ reduction

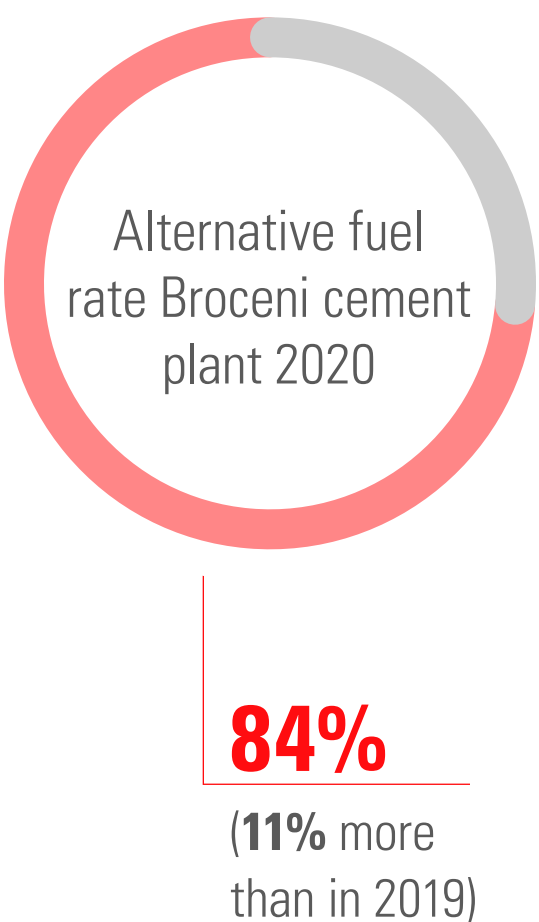
Investments in the construction and constant improvement of processes in last ten years have helped us reduce the amount of emissions for 35%, in comparison to historical cement plant. Already now SCHWENK is one of the industry leaders in the reduction of CO₂ footprint and it is one of the most important investment targets also further. Continuous monitoring system provides tracking of 11 emission parameters, including dust, NOx (Nitrogen oxides) and SOx (Sulphur oxides). All indicators are under the legally required benchmark. Cement plant is equipped with best available techniques (BAT) for reduction of nitrogen oxides emissions (low-NOx burner), selective non-catalytic reduction (SNCR) method is used for decreasing ammonia emissions and fabric filter system for reducing dust emissions. SCHWENK Latvia is a part of EU Emissions Trading System (EU ETS).



Alternative fuel

In production of cement, the limestone is heated in a rotary kiln up to 1500°C-2000°C and these high temperatures can be obtained only using appropriate fuel. Till early 1990ies fuel like coal, heavy oil or gas were exclusively applied. In order 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 Latvia plant. Suppliers perform a full chemical analysis of materials in the

independent, accredited laboratory and submit the test results to SCHWENK Latvia before deliveries of these materials. Additionally, tests are also performed in our laboratory for each freight delivered to the Broceni plant. Use of alternative fuel is supervised and controlled with the operating console and laboratory, the fuel is stored in modern storages, but ashes produced during the burning process are used in production of clinker. Alternative fuel used in the plant is specially treated and prepared household and industrial waste (SRF), chipped tyres, tyre textile and neutralized polluted soil. After use of alternative fuel, zero amount of any kind of waste enters environment.



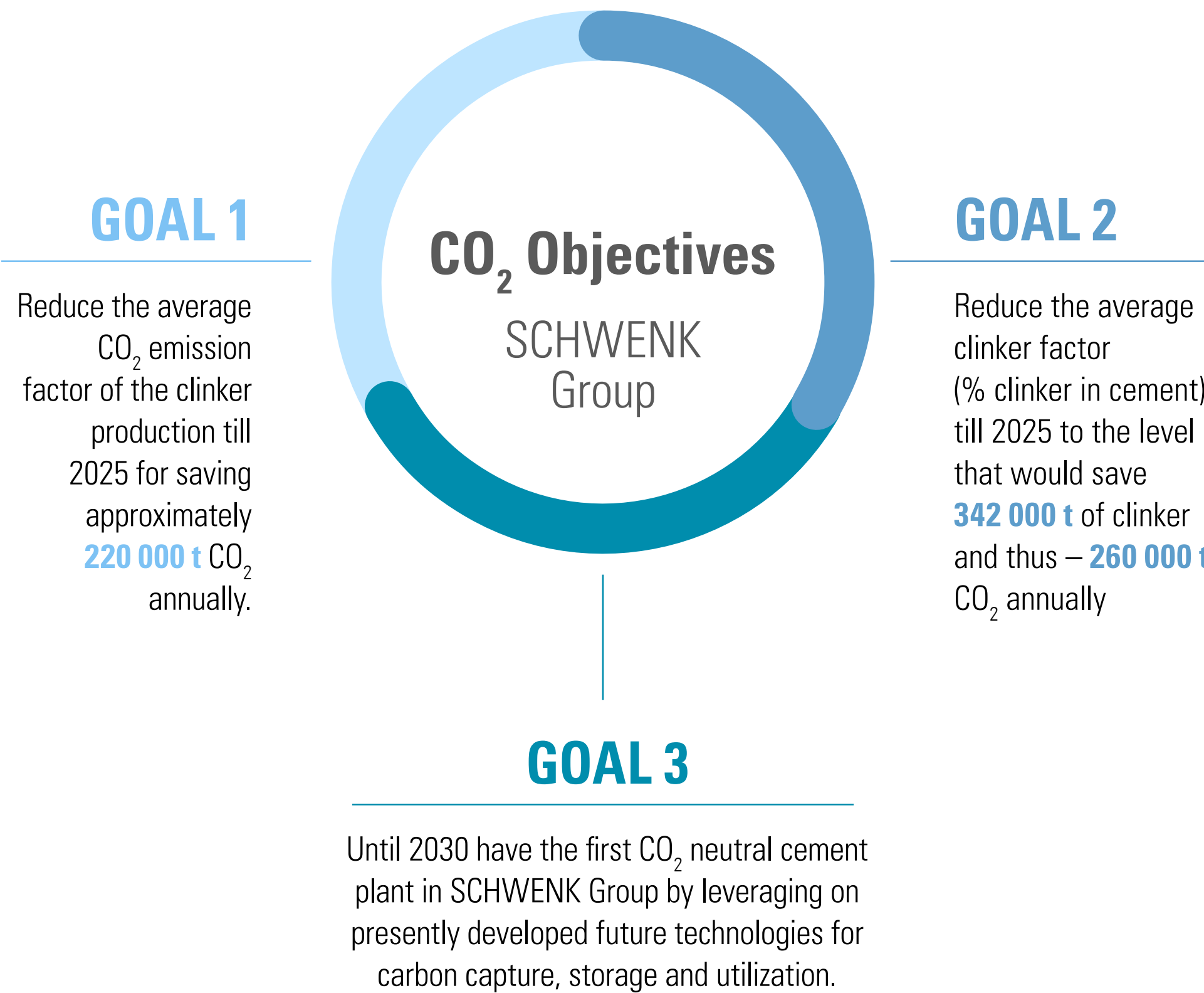
Types of alternative fuel used in Broceni cement plant, 2020





CO₂ emission reduction roadmap

Right after European Commission launched its ambitious strategy Green Deal, SCHWENK group started to work on its own CO₂ reduction roadmap. By fully supporting European climate goals, we have set and started to implement three climate goals.



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). Construction company for the civil works is SIA Tilts (Latvia). Overall approximately 200 people from Latvia and abroad are employed in the project, providing strict control of safety and epidemiological measures during the process. The commissioning of the project is planned at the end of year 2021.



In 2020 SCHWENK Latvija started the biggest investment program in the history of presently operated cement planned, commissioned in 2010. Approximately 45M euro investment within next 3 years includes construction of new, energy efficient cement grinding mill and multicompartment silo, as well as developing alternative fuel feeding lines and drying opportunities. Cement mill is one of the most important production items in cement plant. The capacity of the new mill will be up to 170 tons of cement per hour, depending on cement type. It will give opportunity to add two more cement types to the present product portfolio and will replace also part of the more energy intensive old mills. Capacity of 60 meters high cement multicompartment silo will be 12 500 tons and it will give opportunity to store five various cement types, thus significantly increasing storage capacity for cement deliveries and efficiency of logistic for customers in Latvia, Baltics and Northern Europe.

This huge project is implemented under the leadership of SCHWENK Latvian and German engineers, in

Additional investment towards reducing climate impact and increasing efficiency were done in renewal of transport fleet and quarrying equipment. Our concrete delivery fleet was renewed by obtaining 12 new ready-mix trucks with most eco-friendly engine class EURO 6. Also quarry fleet was significantly expanded with safest equipment, including the biggest excavator in Europe for work in limestone quarry.

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

> 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 details, 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 amount of thermal energy than the technology used previously. In grinding we use vertical cement mill that consumes 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 is proved by standard ISO 50001:2012.

> Nature preservation and conservation

We always maintain balance between the manufacturing needs and preservation of natural values. Accordingly 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 planted. In quarry Kumas in the area of 3.07 hectares birches, European spruces and black alder were planted. It is planned that after 45 years oak trees will replace alder stands. According to calculations within the lifetime forest will accumulate 826 tons of CO₂.



There are two active biodiversity monitoring programs around our limestone quarry Kumas focusing on bird monitoring and preservation of a protected plant – butterfly orchid. On regular basis we monitor groundwater level around clay and limestone quarries.

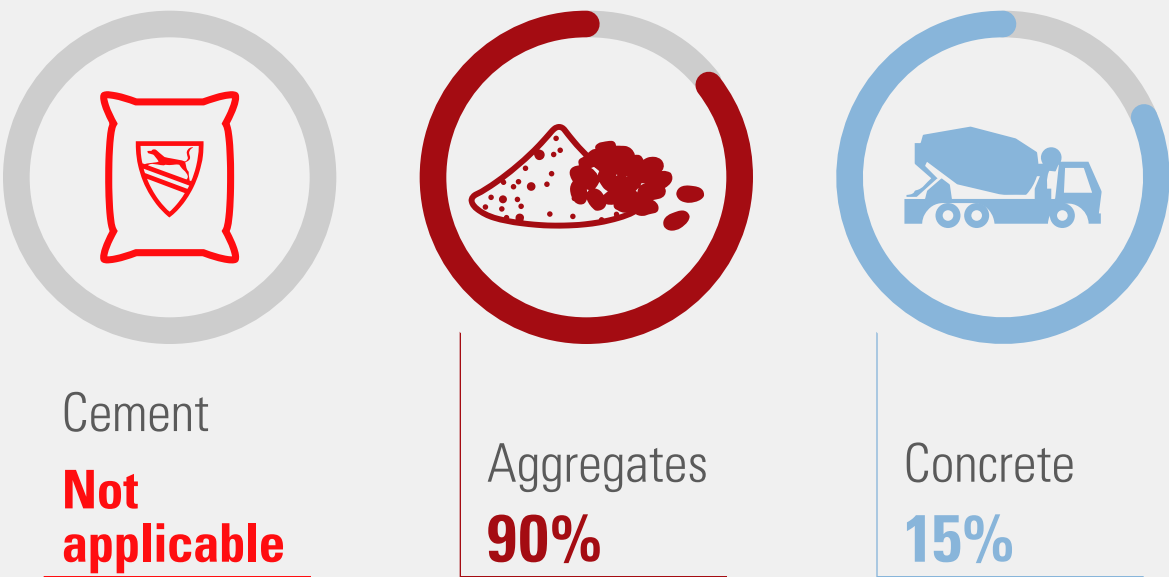
> Circular economy
and waste management

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. Majority of waste created in the manufacturing process are put for recycling – it returns to manufacturing cycle as raw materials and are used in development of new products.

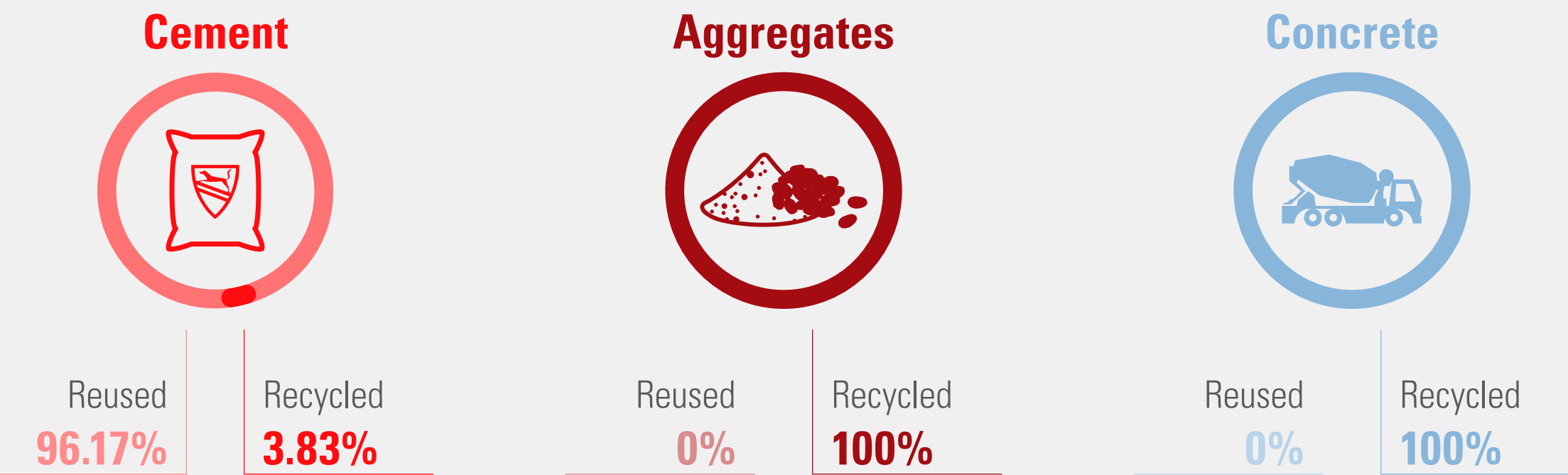
Recycled hazardous waste ratio:



Recycled water ratio:



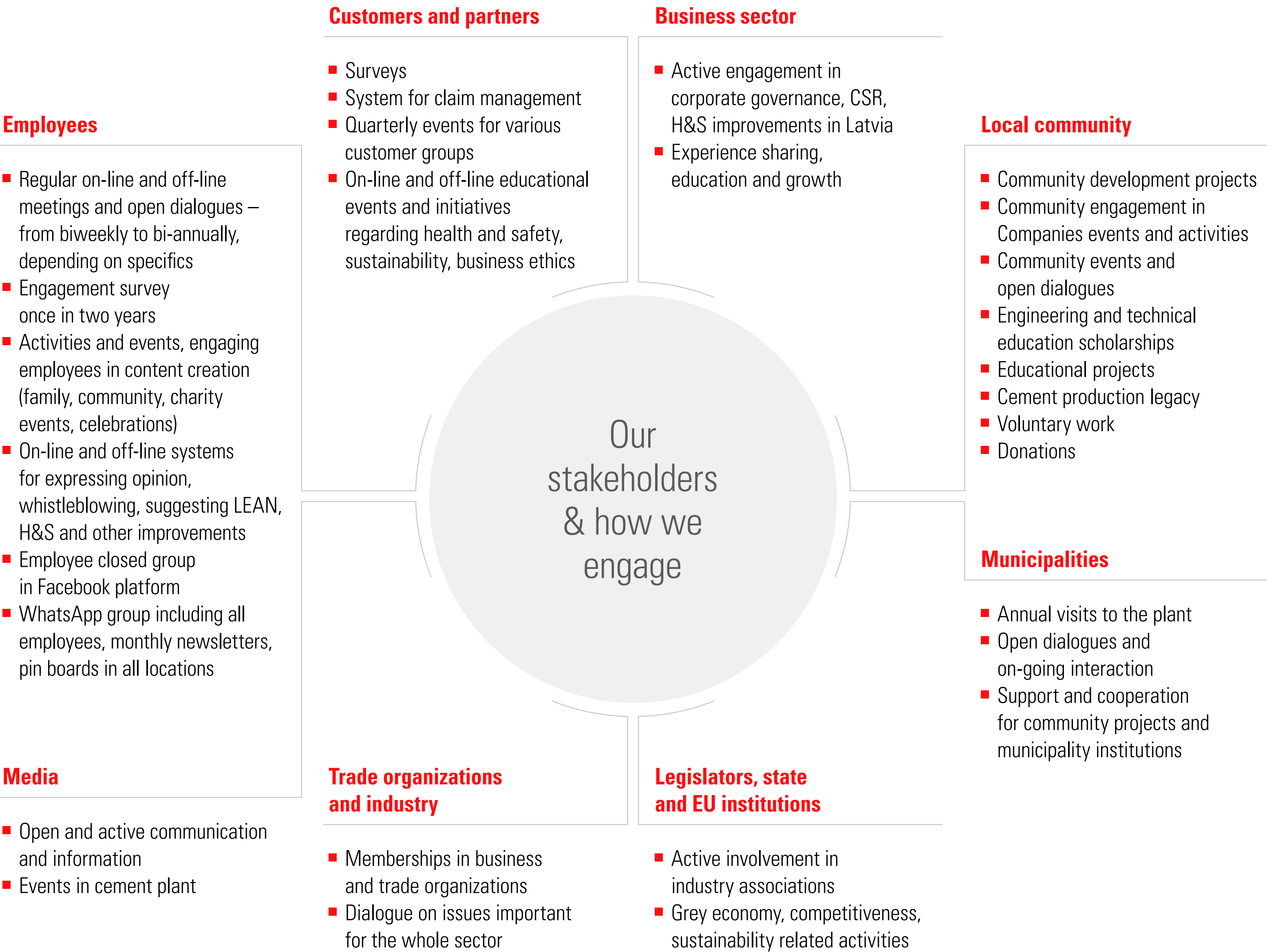
Recycled / reused non-hazardous waste ratio:



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 (LTKR)



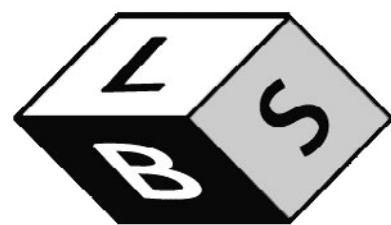
Foreign Investors Council of Latvia (FICIL)



German-Baltic Chamber of Commerce (AHK)



European Cement Association (CEMBUREAU)



Latvian Concrete Society (LBS)

> Public policy support

In 2020 SCHWENK Latvija didn't financially support any political party or figure.



Supply chain and distribution

> Overview

Suppliers and subcontractors are 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 a 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 web page and are equal for all.

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

practices along the value chain.

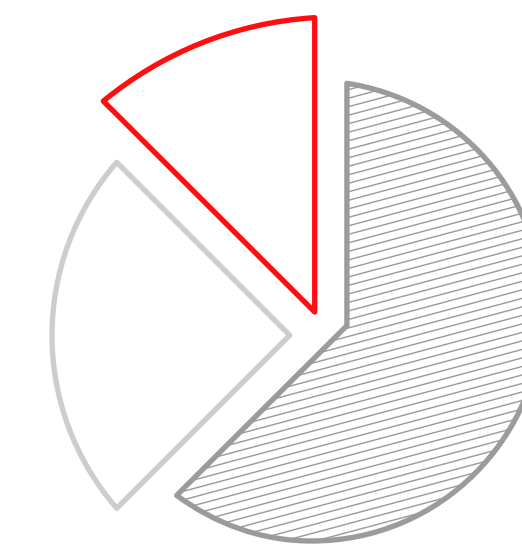
The biggest number of contractor's employees are involved in works in Broceni cement plant – approximately 1500 workers from various contractors' annually perform different types of work. All third-party employees working on our locations have to take health and safety instructions twice a year, should 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 2020 major construction project started in Broceni cement plant, including the eight cement mill in the history of cement production in Broceni and multi-compartment silo with capability to store five different cement types. The project was implemented in close cooperation between local and international experts, both from SCHWENK Group

and subcontractors. In peak periods approximately 200 people were involved in on-site works.

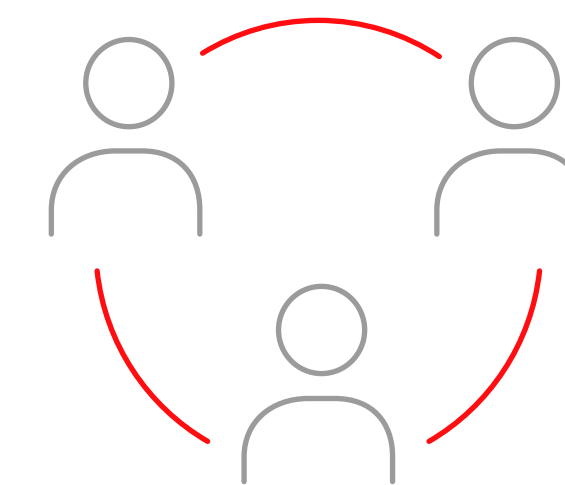
In order to monitor contractors' flow in cement plant in 2019 a registration system based on biometrics (fingerprint) was introduced. It helps to ensure that employee has undergone H&S instruction and has no violations, tracks hours spent at the plant etc. In 2020 big effort was put on ensuring epidemiological safety measures for all employees of subcontractors working in the plant. It included body temperature measurements, extended sets of health related PPIs, thorough planning of people flow, testing and self-isolation procedures for employees travelling from abroad in critical cases.

Specifics of our operations restricts us from fully local supplies, however when possible, we do support local producers and suppliers. In 2020 68% of SCHWENK Latvija suppliers were local companies.



**Over
99 million
euro**

/ economic
value spread via
supply chain



**Over
700
suppliers
in 2020**

/ 68% local

> Transport fleet and haulers

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

SCWENK Latvija product delivery fleet⁹



Mileage 2020 / product deliveries to customers

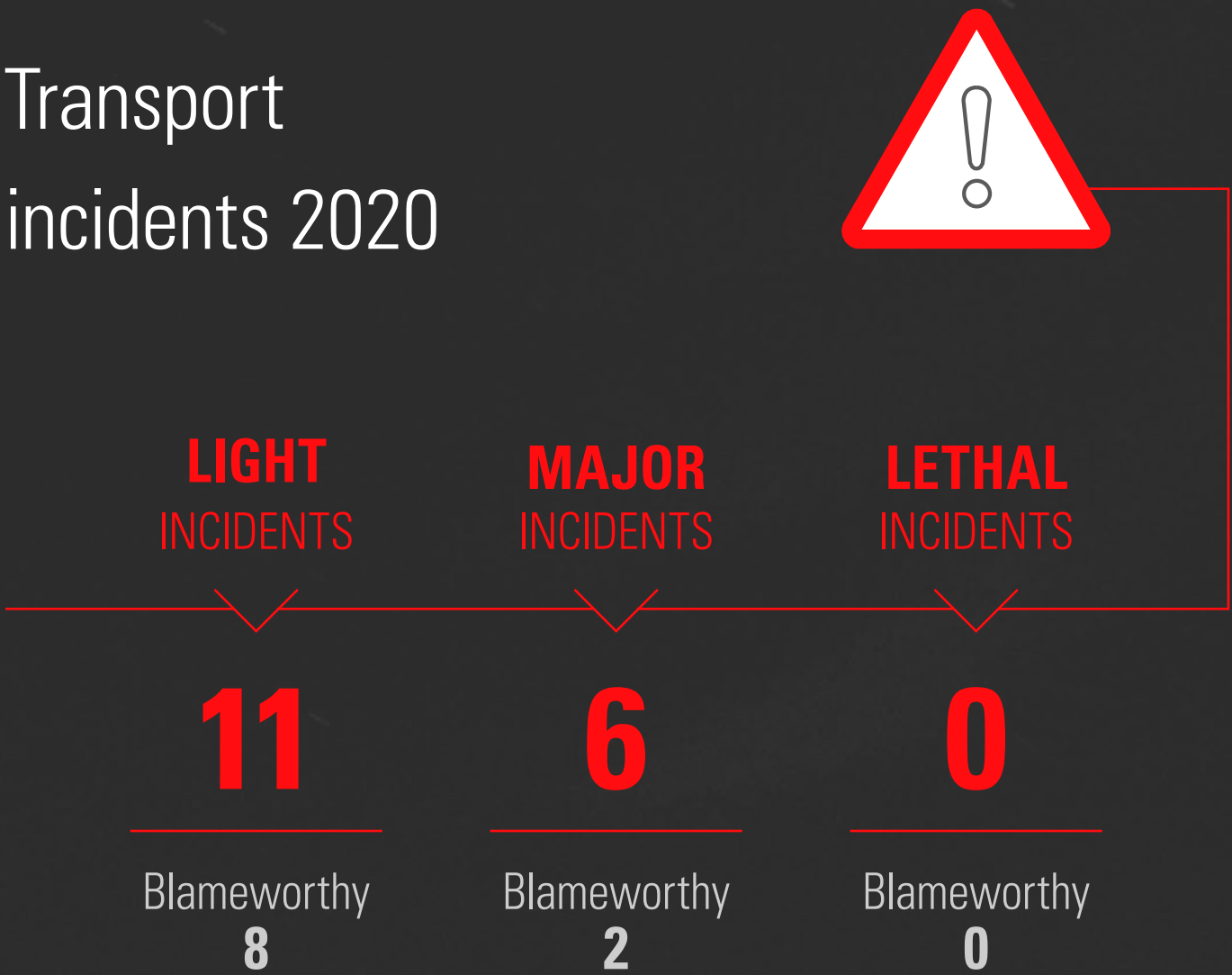


⁹ Including owned and contracted transport units

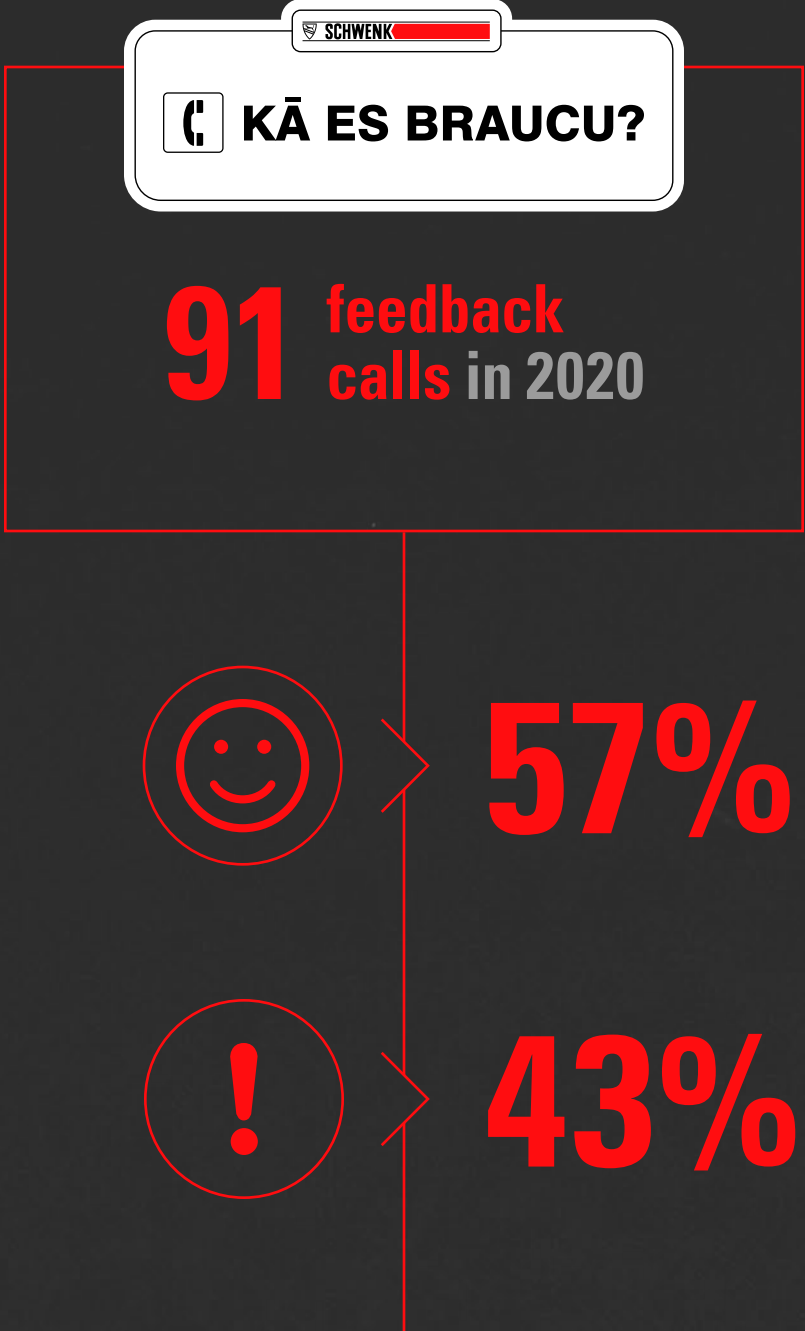
It is very important for us that SCHWENK freight forwarders are responsible and highly valued road users adhering to safe and courteous driving principles. Sustainable approach in transport organization is an important part of the logistics team activities. Deliveries are carefully planned, selecting 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. That refers also to transport safetyour 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; information used for further educational needs. There is a permanent job position of traffic safety controller and on-going work of Transport safety committee consisting of 8 members. Important factor affecting safety is work and rest time balance. We put great emphasis on timely and thorough logistics planning, over the years implementing many changes, so that deliveries are done mainly during daytime and in the way that ensure proper work and rest time for haulers' drivers. Simultaneously with providing all conditions of proper work and rest time, we also strongly follow how it has been respected.

Transport incidents 2020



We also invite other road users to participate in the improving of the driving style of our vehicles. On the back of SCHWENK Latvija vehicles you will find a phone number for reviews. We are proud that positive reviews and comments are much more than negative.



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

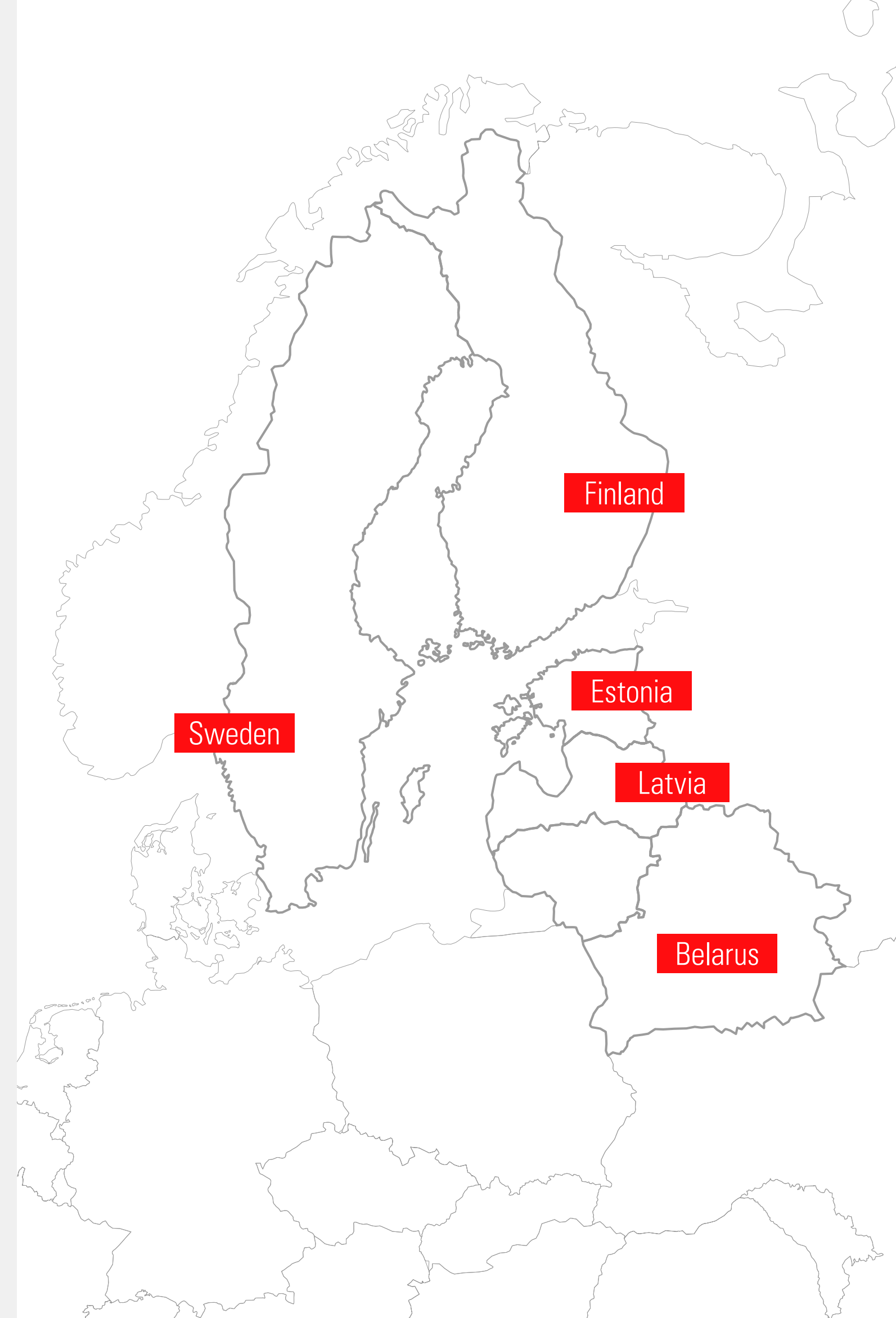
Market relations and products

> Overview

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

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 preserving of global resources and it is pictured in our sustainable business strategy and responsibly manufactured products. We use local raw materials as much as possible, reducing logistic network and therefore – fuel consumptions and emissions of the 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, production process and products are object of thorough testing and control. There are approximately 40 various tests implemented on regular basis now in cement production – covering process, fuels and cement. In 2020 SCHWENK Latvija started major renovation and expansion of laboratory in Brocēni cement plant, which was launched in January 2021.

For several types of our cement we have performed evaluation of the cement manufacturing cycle and received EPD certificate. It analysis ecological footprint of the cement manufacturing process – beginning with obtaining of 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 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. In 2020 SCHWENK Latvia renewed its ready-mix delivery fleet with 12 new mixers with EURO 6 emission standard. We provide technical and consultative support to our customers in more efficient use of concrete for sustainable construction. There are 14 tests implemented on regular basis or available upon request on raw materials and products in our concrete laboratory. Concrete quality experts are constantly involved in educational work in cooperation with universities of Latvia and various trade and professional organizations, engaged in development of industry standards and sustainable construction practices. Concrete production is done according to standards LVS EN 206:2014 and LVS 156-1:2017.



Aggregates

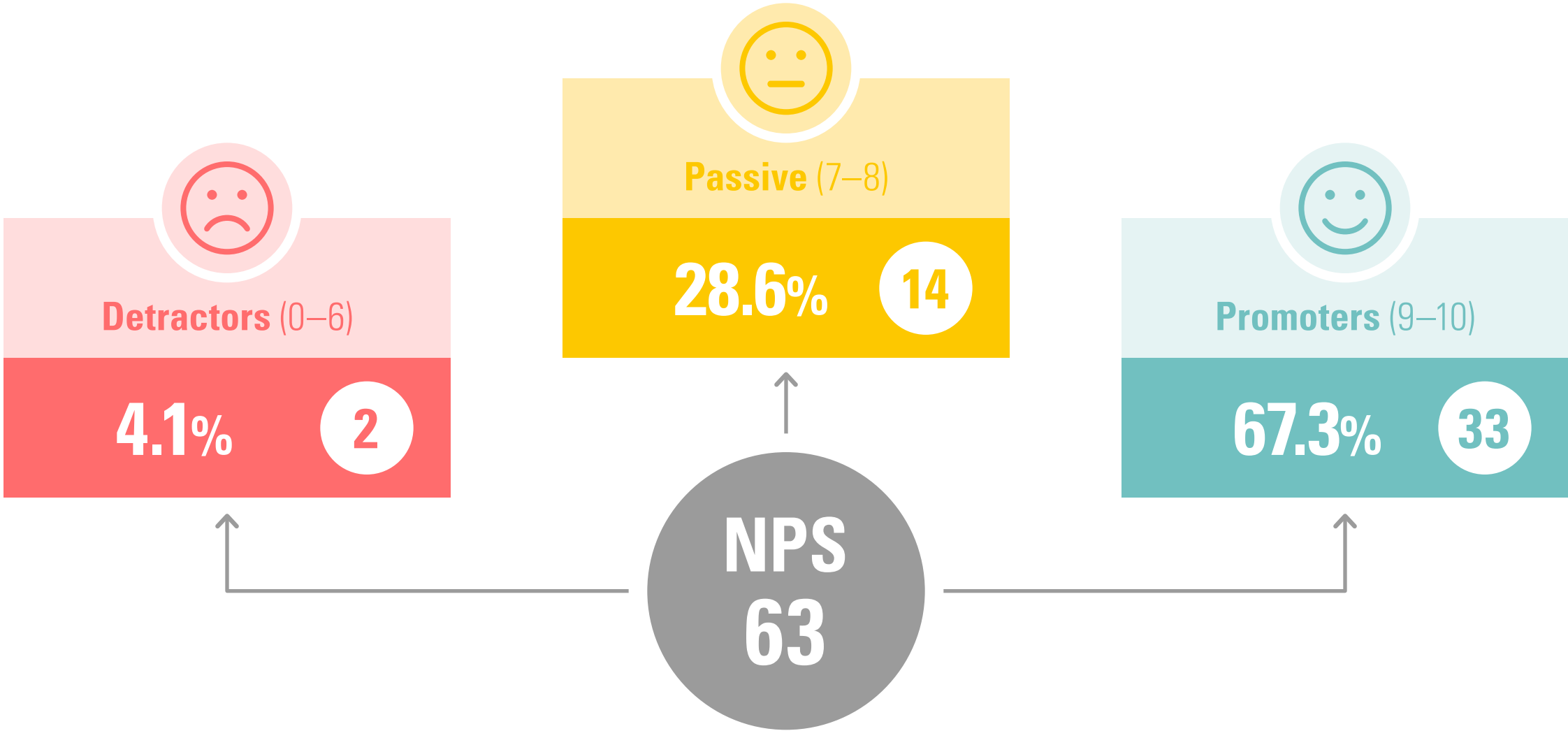
SCHWENK Latvia manufactures certified aggregates for road construction, agriculture and construction. Manufacturing takes place in six quarry farms in compliance with environmentally friendly quarry maintenance principles and nature reserves, implementing responsible re-cultivation, flora and fauna variety preservation principles. Aggregates are produced according to standards LVS EN 12620:2008, LVS EN 13242:2009 and LVS EN 13043:2002. There are 12 regular tests implemented on regular basis in our laboratories. 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.

> Responsible customer relations

Collaboration is one of our main values and that covers also close and trusted relationship with customers. 2020 challenged all of us and significantly reduced communication and engagement opportunities, however on-line educational webinars were launched for various customer segments in order to discuss developments towards sustainable construction and reaching zero emission goal for the industry.

SCHWENK Latvia maintains regular and close relationship with customers and 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). 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. There is a system at place registered all incoming customer claims and their resolution. Health and safety being our core value, SCHWENK Latvia 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 Latvija 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 2020 SCHWENK Latvija continued to organize 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. Twenty-eight great ideas were submitted and presented, ten – shortlisted for further work and five received funding for project development.

- Support for development of smart village Jaunmuiža
- Floor and electricity installations for Airite Railway station building
- Equipment for recording studio in Saldus Music School
- Launch of outdoor classroom in Remte Primary school
- Equipment support for physiotherapy sessions

Material donations

We are proud of the material we produce and happy to support projects and ideas with cement, concrete and aggregate supplies. In 2020 SCHWENK Latvija confirmed the cooperation with Agenskalns market in Riga for renovation of its historical building. Project implementation is planned for 2021.

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 for solving our common problems and issues.

Science education support

Every year we provide support to youth of Saldus and Brocēni who see their future in the 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 Latvija experts support school youth from Broceni Secondary school in development of scientific works and achieved good results in regional levels. In 2019 SCHWENK Latvija 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. In 2020 majority of activities were paused due to epidemiological safety.



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”.



Voluntary work

Each year we gather for voluntary work-day in order to support local community organizations and institutions with practical help. In 2020 voluntary work activities were restricted due to pandemic and were organized in a much smaller scale. Approximately 10 SCHWENK Latvija employees

visited Social care center in Broceni and supported with practical work for improving the surroundings and environment. SCHWENK people are actively engaging also in organization of community events, hosting excursions into the plant, gathering for environment clean-up events etc



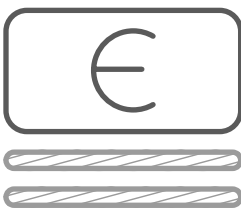
Shared value projects

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. 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.

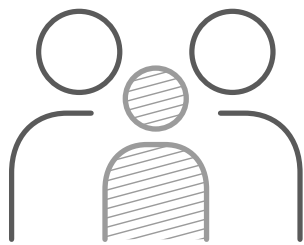


Other donations

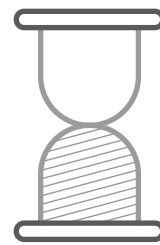
SCHWENK Latvija donates used personal computers for schools, kindergartens, libraries and other educational institutions upon request. In 2020 we invited our biggest customers to join forces for a greater good and provided financial support to community organizations all around Latvia. Customers were invited to choose the target organization for the donation and SCHWENK Latvija provided the funding, based on cooperation turnover in 2020.



43K euro
in local community support



22 people
engaged in voluntary work



230
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 cement production legacy in Broceni alive. In 2020 SCHWENK Latvija technically supported gathering of historical material about Broceni and cement industry's history as well as launched silver coins honoring long-term cement production employees. All planned on-site community events were postponed.



SCHWENK

2020