

Sustainability Report 2025



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BRIEFLY ABOUT LATVIJAS FINIERIS GROUP



Turnover EUR **414** million

EBIDTA EUR **78.9** million

Shareholders **645**

Total employees **2533**

Employees in Latvia **2209**

Total taxes paid EUR **43.3** million

Taxes paid in Latvia EUR **31.8** million

Forest area **13.360** ha

More than **250** professions



In 2025, the team of the Latvijas Finieris Group achieved excellent operating results. Continuing our growth, we delivered 316 thousand cubic metres of birch plywood to our customers – 2.3% more than in the previous year. These results demonstrate not only sustained demand for Latvijas Finieris products in global markets, but also focused work to maintain and strengthen the company's competitiveness. Long-standing relationships with customers, mutual trust and precise delivery planning enabled us not only to maintain but also to increase the Group's market share.

A key precondition for stable production is secure and predictable access to wood resources, which in recent years has become one of the most important competitiveness factors across the European forest sector. As demand for wood as a renewable resource increases and environmental and economic regulation tightens, the amount of available resources is decreasing in many places, creating ever-increasing competition for high-quality raw materials. Under these circumstances, predictable supplies from commercially managed forests become particularly important; this can be achieved when the functional use of forest areas is clearly defined, also allocating territories for the preservation of natural values.

Long-term development requires bold and well-considered decisions. In 2025, we continued to implement one of the most extensive investment programmes in the company's history. In Rēzekne Municipality, we continued developing the expansion project of the VEREMS mill, aimed at more efficient use of wood resources, higher productivity, and broader opportunities for the development of innovative birch plywood products. In Bolderāja (Riga), construction of the new synthetic

resin plant also continued within the framework of the VIOBOND project. The aim of this project is to develop resins in which part of the fossil-based raw material is replaced with lignin – a component of natural wood origin.

Developing knowledge-based forestry and promoting broader availability of birch seedlings, in 2025 Latvijas Finieris opened a new and technologically innovative wooden building complex at the Zābaki tree nursery in Sigulda Municipality. Its central element is a wooden construction solution unique on a European scale – a seedling cold store with specific microclimate regimes. The new wooden building complex represents a green investment of more than EUR 5 million in Sigulda Municipality and Gauja National Park, demonstrating that economic activity can also be carried out in a nature-friendly way by integrating a production facility into the natural landscape.

We are increasingly aware that people are at the heart of sustainability. The knowledge, experience, responsibility and ability to cooperate of our employees are the company's greatest value. Therefore, we continue to strengthen the working environment, safety, professional development, knowledge continuity, management quality and employee engagement. It is important to us that Latvijas Finieris is a place where people feel a sense of belonging, can develop and see the importance of their work in the broader context of the company and society.

At Latvijas Finieris, sustainability is not a separate process or the responsibility of a single structural unit. It is a shared approach to how we plan investments, develop production, use resources, cooperate with customers and partners, and care for

the people who shape the company's everyday work. In 2025, we paid particular attention to ensuring that environmental and sustainability aspects are increasingly and consistently integrated into internal business processes, from project assessment and production efficiency to the use of energy resources, product development and risk management. Also, in 2025, we developed and for the first time published in the sustainability report the goals and key performance indicators for 2030 in our priority sustainability areas.

Sustainability maturity also means the ability to ask ourselves difficult questions. How do we make decisions? Is the data we rely on reliable enough? Are our goals clear enough for everyone in the company to understand their role in achieving them? Are we able not only to reduce negative impact, but also to increase positive impact – for nature, people, regions, the industry, and the Latvian economy as a whole?

Answers to these questions do not emerge in a single year. They are formed in everyday work, at production sites, in the forest, in laboratories, in project teams, in conversations with customers, partners and employees. They are formed in moments when we choose not the easiest, but the best long-term solution.

Thank you to all Latvijas Finieris employees for your work, professionalism and willingness to grow together with the company. Thank you to our customers, cooperation partners, shareholders and society for your trust.

Jānis Ciems
*Chairman of the Executive Board
AS Latvijas Finieris*

General Disclosure



General disclosures

BP-1 General basis for preparation of sustainability statements

The purpose of the Sustainability Report is to describe the material aspects of Latvijas Finieris sustainability, its impact, and the measures the company is taking to balance the impact of its activities on people, nature and society.

The Sustainability Report covers the Group's activities from 1 January 2025 to 31 December 2025, including information on the parent company, joint stock company (AS) Latvijas Finieris, and its subsidiaries (see the Group's structure [here](#)). The terms Latvijas Finieris and Latvijas Finieris Group will be used in the report to refer to the entire group of companies. The designation AS Latvijas Finieris, or the parent company, will be used when referring to the parent company.

This is the second Sustainability report from Latvijas Finieris Group under the EU's Corporate Sustainability Reporting Directive (CSRD) and the underlying standards (ESRS). According to the national reporting law, we must prepare the first 2027 ESRS report in 2028. Due to the Omnibus process, it is not yet clear whether Latvijas Finieris Group will be subject to mandatory reporting in the future, but we continue to report voluntarily.

Basis for preparation of sustainability statement

Consolidated

Scope of consolidation of consolidated sustainability statement is same as for financial statements

Yes

Subsidiary companies included in consolidation

Data in the Sustainability Report has been consolidated according to the same principles as those from the financial accounting policies. This means that the total amount of quantitative ESG data encompasses the parent company, AS Latvijas Finieris, and all subsidiaries directly controlled by Latvijas Finieris. Any data gaps, if present, are addressed in the text. For example, if the provided data refers only to the parent company, this is indicated in the data tables or in the relevant text.

Value chain coverage

The Sustainability Report covers the upstream and downstream value chain and the company's operations. The materiality of impacts, risks and opportunities has been identified and assessed within the entire value chain.

Reporting period start date

2025-01-01

Reporting period end date

2025-12-31

Contacts

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BP-2 Disclosures in relation to specific circumstances

In 2025, we published our first Sustainability Report in accordance with the ESRS standards. We had not included all the required data points in the report, because the standard was new, we were applying it for the first time, and we understood that we were in a learning process. Since it is not yet clear what adjustments will be made to the standard as a result of the Omnibus process, we based our 2025 year's report on the 2024 structure.

In 2025, we worked on defining targets and KPI's for 2030; the results of this process are included in this report.

The time horizons for preparing the Sustainability Report align with those advised by the CSRD, specifically up to one year for the short term, from one to five years for the medium term, and more than five years for the long term.

Measurement uncertainty

Metrics related to our own operations have a higher amount of primary data, while value chain metrics are often estimated and, therefore, have a higher level of measurement uncertainty. Assumptions and potential uncertainties are documented in the methodology descriptions.

Changes in preparation of sustainability information

No changes are made to the data included in previous statements. However, it should be noted that the calculation methodologies are being improved continuously, so the data from earlier years may differ.

Target defining process

As we promised in Sustainability report 2024, during the 2025 we worked on defining the sustainability targets and KPI's. Targets and KPI's will be reflected in this year's report.

GOV-1 The role of the administrative, management, and supervisory bodies

General roles and responsibilities of the administrative, management and supervisory bodies

The General Meeting of Shareholders is the parent company's supreme decision-making body. AS Latvijas Finieris operates under a two-tier corporate governance structure comprising the Supervisory and Executive Boards. This system is also commonly used in all subsidiaries.

The shareholders directly elect the Supervisory Board and are responsible for setting the Group's long-term strategic direction. It has four members and appoints the Executive Board, which is responsible for day-to-day business operations and matters related to business conduct.

The Executive Board has seven members, each responsible for a specific sector of operation. The Executive Board meets weekly and receives monthly financial reports from the business units. The Executive Board reports to the Supervisory Board quarterly on all key aspects of the Group's operations.

The Product Development Council sets the strategic direction for Latvijas Finieris products and makes appropriate decisions. It also directs strategic decisions to the Group for consideration/approval by the Executive Board and/or the Supervisory Board. The Product Development Council comprises one Supervisory Board member and two Executive Board members.

The **internal audit** institution oversees the risk management process and regularly assesses the internal control. The work agenda is based on the annual audit plan approved by the Supervisory Board.

Risk management is integral to Latvijas Finieris' corporate governance. It is integrated into the strategic management process through regular monitoring of the external environment. Awareness of risks limits losses in the event of unfavorable changes and increases business potential if the trend is positive.

Integratation with other internal functions

Since the sustainability function is relatively new across the Group, it has its strategic goals and KPIs set, which are integrated into the company's overall business strategy and the system for executing and monitoring strategic goals. In order for the sustainability system to function effectively, its processes are purposefully embedded into existing processes, with new ones being created only when absolutely necessary.

Roles and responsibilities with regard to sustainability matters

In 2025 we developed internal procedure "Principles of the Sustainability management system in the Latvijas Finieris Group". There are roles and responsibilities, main sustainability topics and principles explained and described in the document.

The Supervisory Board of AS Latvijas Finieris ensures the supervision of the sustainability work and implementation of the strategy of the Group. Reviews and approves Group policies, including environmental and sustainability policies, the Code of Conduct and the Supplier's Code of Conduct.

The Executive Board of AS Latvijas Finieris is responsible for the sustainability performance of the Group, and it approves the Group policies guiding the Group's operations and internal control. Principles concerning sustainable business are outlined in various internal corporate documents and procedures, including policies and a Code of Conduct, Supplier's Code of Conduct, supply chain management and procurement policies, HR, risk management, conflicts of interest, commercial information, etc. The Executive Board also approves the Group's sustainability priorities and targets and helps the Sustainability Project team maintain the topic's relevance at the Group's level. Three out of seven board members participate in the sustainability project as Sustainability board members, thus being actively involved in and overseeing the implementation of the sustainability project within the Group.

The **Sustainability Board** is responsible for the implementation of the sustainability system and the control of the implementation of the strategy. The Sustainability Board consists of the Chairman of the Board of AS Latvijas Finieris and two other board members. Its main task is to ensure overall oversight of the sustainability project, meet regularly with the sustainability manager and sustainability specialist, listen to ideas, review draft documents and methodologies, as well as provide consultations and support. The Sustainability Board carries out impact, risk and opportunity assessments, approves the sustainability strategy and report.

The Head of Sustainability and Environmental Management (**Sustainability Manager**) is responsible for implementing the sustainability management system in the Group, ensuring the development of a sustainability strategy, day-to-day management of sustainability-related topics and coordinating internal

communications related to sustainability. The Sustainability Manager and Sustainability Specialist provide operational management, manage the process, advise and support colleagues, ensure the dual materiality assessment process, as well as organize and coordinate the setting, monitoring and control of goals and targets.

The Leading Environment and Sustainability specialist is responsible for managing environmental sustainability topics within the Group.

Working groups and persons responsible for sustainability priorities. In order to ensure transparent and effective progress in achieving sustainability goals and tasks set for their implementation, in accordance with sustainability priorities, working groups have been established and are operating. They are attended by managers and specialists of the management or specific functions of the Group's companies. The work of the working groups is coordinated by the sustainability manager and sustainability specialist, who also report to the Sustainability Board on the implementation and progress of sustainability goals at least once every two month.

A person responsible for setting sustainability goals, implementing related tasks and controlling them has been determined for each sustainability priority.

Composition and diversity of members of administrative, management and supervisory bodies



	Number	% of total employees	Women, %
Top management	11	0.5%	9%
Middle level managers	63	2.9%	30%
Administration	152	6.9%	58%

Number of executive members - 73; Number of non-executive members - 143

Top management: The Supervisory Board and the Executive Board

Middle management: Subsidiaries Executive Boards, heads of business units (A and B level managers)

Administrative: general administration, mills and factories administration, sales specialists, specialists of support functions (HR, IT and other) etc.

Risk assessment approach

In 2022, the Latvijas Finieris developed a Risk Management Regulation, the aim of which is to determine common basic principles for risk management, the risk management system, and the distribution of responsibilities to identify and manage the most significant factors with an adverse impact on the operation of the companies of the Group, providing the attainment of strategic goals, promoting development and decreasing the potential losses or damages. In 2024, the Regulation and the process were reviewed and updated.

The list of risks is an document that consolidates identified risks at three levels—low, average, and high—assesses their likelihood and impact values and assigns risk owners. The value of the risks is determined according to their impact and likelihood evaluation matrix.

Performing a materiality assessment and identifying related risks and opportunities, the risks already identified within the Risk management system were considered, along with new risks that arose from the materiality assessment.

Risk culture and internal control

The Executive Board of AS Latvijas Finieris is responsible for establishing and maintaining a risk culture and control environment at all levels of the company, as well as for ensuring compliance with the basic principles of risk management. The Executive Board approves risks, their values and assigns their owners.

For risks identified as high-level risks, continuous information exchange and updates are carried out. Risks identified as medium-level risks are reviewed periodically as required, while low-level risks are reviewed upon request.

The Supervisory Board oversees the Risk Management Process at the parent company, Latvijas Finieris, and throughout the entire Group. The Supervisory Board has the right to request additional information about any significant risks from the Executive Board, risk owners, or internal auditor at any time. Once a year, the Supervisory Board reports at the shareholders' meeting of Latvijas Finieris on the overall risk management process and the management of risks assessed as "High".

Internal audit

The internal audit institution oversees the Risk Management Process and carries out regular assessments of the internal control. The work agenda is based on the annual audit plan approved by the Supervisory Board.

In 2025, **8 internal audits** were conducted in the Group companies in accordance with the audit plan, along with **one extraordinary audit**, as well as **ten follow-up checks** on the implementation of recommendations from audits conducted in previous periods.

The most important audit topics: implementation of investment projects and assessment of return, profitability and development potential; pricing policy for plywood purchase; organization of wet plywood transportation; representation of the "Latvijas Finieris" concern in organizations; measures to reduce sickness absence, etc.

Identified opportunities for process and procedure improvements that would more accurately ensure compliance with legal requirements and optimized management, and internal controls. Investment risks were assessed in detail - comparison of profitability, return forecasts and facts, compliance of actual costs with project conditions, as well as ensuring the best price and quality by attracting construction and assembly service providers or equipment suppliers.

Main risks identified

The most significant (high-level) risks are related to the availability and access to wood resources, and the illicit import flow of plywood products.

Market risks at the average level are essential, primarily determined by the geopolitical situation and influenced by tariffs, sanctions, quotas, and other market elements that are constantly changing. The Group has established and operates internal mechanisms that help to identify "alarm" indicators promptly and, by collaborating with structural units, respond quickly to market changes. For example, in compliance with sanctions, we act proactively, collaborating with European law enforcement institutions, etc. Within the Risk Management System and the Group's strategy, risks and target achievement statuses are reviewed at least once per quarter, including at the highest management level. The following external risks have been identified as medium-level risks - cyber security risks, investment and other resource availability risks. As medium-level internal risks are identified such risks as manager succession and fire safety.

Environmental and social risks are identified and assessed within the double materiality assessment once a year.

Sanctions

Latvijas Finieris advocates fair competition and European values in its professional everyday life. In recent years, the European Union's timber industry has confronted one of its greatest challenges of the past decade – safeguarding fair competition in a market increasingly affected by products of uncertain origin and artificially low prices. This challenge has become particularly acute since Russia's war in Ukraine, which has triggered a wave of sanctions and significantly reshaped global trade flows in wood products.

Today, developments within the European Commission and across individual EU Member States show that the Union is becoming increasingly consistent in both upholding sanctions and tackling dumping practices. This sends a clear message to the entire industry: Europe will not tolerate unfair competition that endangers its enterprises and livelihoods.

“Latvijas Finieris is committed to dedicating resources and support to fair competition, both now and in the future. We monitor the market and refer cases of significant concern, including the potential circumvention or

avoidance of applicable laws and regulations, to the competent authorities in both the EU and Latvia for independent investigation.

There are numerous cases in which Latvia is listed as the country of origin for birch raw materials. The volume of raw materials exported from Latvia is significantly lower than the volume of birch plywood supplied by third countries that claim Latvian origin for the birch resource. We have identified three independent cases in which the origin of birch logs from the same logging site in Latvia was stated in the due diligence documentation. The total volume of birch reportedly produced is disproportionate to a harvest of this size. We urge you to carefully review all documentation demonstrating the legality of the supply chain. Verify the documentation through reliable, independent sources, and report any suspicious cases to the competent authorities,” comments Mārtiņš Lācis, Executive Board member, Head of Marketing, Sales and Logistics of Latvijas Finieris.

More information is available on the Latvijas Finieris [website](#).

Strategy, business model, and value chain

Latvijas Finieris is an international group with headquarters in Riga. The Group's parent company, AS Latvijas Finieris, is a joint stock company owned by **645 (643 private persons, two legal persons)** non-controlling shareholders (data for 30 December 2025), most of whom are current or former company employees.

Latvijas Finieris strategy sets out objectives for a seven-year period, which are discussed once a year and, where necessary, updated. Broad employee involvement in the design and implementation of the strategy ensures the effective delivery of goals, promotes cross-functional collaboration, and ensures that a coherent team does the work. We have defined two periods for the Group Strategy 2020-2027. The first ended in 2023 when we reached the profitability targets predefined for this phase. In 2024, the strategy was reviewed for the period up to 2027. During the 2025 strategy was reviewed and some clarifications were made.

Three pillars to ensure competitiveness in the upcoming strategic period have been identified: **Performance, Sustainability, and Safety.**

Latvijas Finieris's ambition is to be a "great team": one that is a pleasure to lead, one that people are proud to work for, and one that brings satisfaction to collaborate with." This is based on our **values: safety, respect, development, and leadership.**

"Sustainability" as one of the strategic pillars demonstrates the importance of this topic throughout the Latvijas Finieris business model and value chain. Sustainability priorities, defined based on materiality assessment, support the overall development of the Group, clearly outlining the path for a sustainable business model, identifying and assessing risks, and recognising opportunities. The business and sustainability strategies complement each other, sometimes even completely overlapping in certain areas, thereby ensuring a sustainable business model.

The continuous daily challenge is to balance achieving the company's business goals and promoting the national economy and public welfare while striving to reduce the company's impact on environment, including reducing greenhouse gas emissions. As the company grows, the volume of all necessary resources increases, so sustainability issues cannot slow development, but must largely determine the business model and promote overall sustainable development.

Significant groups of products and (or) services

Birch plywood is our core business; we invest in the latest technologies, research and innovations. We believe in technological advancement, sustainable solutions, and products that add tangible value. Constant



Key performance indicators of Latvijas Finieris Group

	2023	2024	2025
Net profit	EUR 55.6 million	EUR 57 million	EUR 51.1 million
Net turnover	EUR 405 million	EUR 409 million	EUR 414 million
Plywood production	323 km ³	333 km ³	344 km ³
Plywood deliveries	297 km ³	309 km ³	316 km ³
EBITDA	EUR 79.1 million	EUR 81 million	EUR 78.9 million

Taxes paid (in million, EUR)

	2022	2023	2024	2025
Total Group	35.3	42.11	40.2	43.3
Latvia	24	30.11	29.2	31.8
Outside Latvia	11.3	12	11	11.5

product development according to market needs and global trends and an individual approach to each customer and project keeps us at the top of the industry.

Side streams (by-products). We are confident that there can be no wood waste in the birch plywood production process - each piece of wood is a valuable side stream that we responsibly recycle locally at the Group's facilities and our partners' factories. That's why, in both plywood production and wood side stream recycling, we focus on long-life products that help move away from fossil resources and maximise CO₂ storage.

Machinery. Iekārtu rūpnīca (Machinery Production Factory) is part of the Latvijas Finieris Group. Its main areas of operation are machinery and metal processing, meeting the needs of the woodworking industry. Iekārtu rūpnīca provides a full range of services, from design to manufacturing, installation, and self-sales service.

Acquisition and Forest Management. We buy forest properties and provide services related to forest property management throughout Latvia.

Business model and value chain

The main mission of our business model is to create highest possible added value from the entire wood resource we receive for processing. Our core business is the production, research, development and sale of customised birch plywood products under the Riga Wood brand. The Group's production facilities are located in Latvia, Lithuania, Estonia and Finland. The Group's other main activities are forestry and logging, production of chemicals, as well as mechanical engineering and metalworking.

In the production of birch plywood, around 90% of the basic materials are sourced from local suppliers, defined as companies geographically located in the countries where our production facilities are located (Latvia, Finland, Estonia and Lithuania). The layout of the Group's factories in the Baltic States and Finland is established to minimise distances for the transportation of timber and other essential raw materials and thus also minimise the greenhouse gas (GHG) emissions from the process.

Latvijas Finieris provides its customers with [complete birch plywood solutions](#) tailored to their unique needs and creates added value throughout the supply chain. Our products and related services are known worldwide under the brand name Riga Wood, and its wide range of products is summarised in detail in the publicly available [Plywood Handbook](#).

BIRCH PLYWOOD EXPORTS OUTSIDE PRODUCING COUNTRIES (LATVIA AND ESTONIA, m³)

2023	2024	2025
93%	92%	91.50%



BIRCH PLYWOOD SALES BY REGION (m³)

	2023	2024	2025
European Economic area	80.5	80.7	79.84
Rest of the World	19.5	19.3	20.16

Upstream and downstream value chain

The Group has several value chains in total, but since the core business is birch plywood production, the largest volumes in terms of both resources and impacts come primarily from birch plywood manufacturing. As a large manufacturer, the company builds its own reliable and proven supply chain for production needs, while also being a participant in many different supply chains worldwide, as birch plywood is often not the final product but is used in various industries as a material for producing other products. The industries and sectors that receive plywood include automotive manufacturing, maritime transport production, construction and finishing, aerospace manufacturing, packaging, furniture production and more.

We value long-term relationships with partners throughout the value chain, so we strive to further develop business ties with companies that consider the sustainability impact of their operations on employees, the environment and society. Customers are one of our most important categories. We work together to build long-term relationships based on mutual respect and understanding of our customers' needs. We change together with the industries, helping our customers become more sustainable and competitive.

Total Group investments, million EUR

2021	2022	2023	2024	2025
19.9	26.9	58.3	100	84.0

Breakdown of investments in 2025 (% or total in EUR)

- Product and Process development - **67.1%** (2024-55.7 %)
- Land and Real estate - **13.7%** (2024-23.2 %)
- Capital investments - **19.2%** (2024-21.1 %)

Investments

Last year, we continued our investment programme, with significant projects including AS "Latvijas Finieris" subsidiary ["Riga Wood Finland" OY launched a significant investment project](#) – a new birch veneer log peeling line worth approximately 15 million euros is being built at the Sastamala plant in Finland. The investment aims to increase the production volumes of the Sastamala plant, improve the level of automation and introduce the most modern technological solutions, including the use of artificial intelligence in production processes. The investment will also have a positive impact on employment in the region, while maintaining efficient and productive production.

In order to develop knowledge-based forestry, demonstrate the use of wood in construction in Latvia and promote wider availability of birch saplings, a new and technologically innovative wooden building complex was opened in 2025 at the [Zābaki tree nursery](#) of AS "Latvijas Finieris" in Sigulda municipality. Its central element is a unique wooden construction solution on a European scale – a seedling cooling house with specific microclimate regimes.

The new wooden building complex is a "green investment" of more than 5 million euros in Sigulda municipality and Gauja National Park, proving that economic activity is also possible in an environmentally friendly way by integrating a production facility into the natural landscape. The new building complex is also special in that it uses unique wooden construction solutions in cooperation with wood material researchers. The construction and operation of the facility also serves as a knowledge platform for research into the properties, uses and durability of wood in specific humidity and temperature regimes. The construction of the wooden building complex is part of the broader commitment of AS "Latvijas Finiera" to continue investing in the development of birch tree growing technologies, or the Birch Program, thus promoting modern forestry that increases CO₂ sequestration and strengthens the development of the bioeconomy in our region.

Interests and views of stakeholders

Stakeholder engagement is a fundamental part of the company's governance strategy. Recognising that long-term success relies on transparent, trust-based relationships, the company actively listens to and collaborates with its diverse stakeholder groups. This ensures that business decisions are economically sound and socially and environmentally responsible.

Employees

Latvijas Finieris views its employees as the foundation of the company's success. Regular internal communication, training programmes, engagement surveys, annual recognition awards and development reviews, also safety initiatives help promote a supportive and engaging work environment.

Customers and Suppliers

Long-term partnerships and open dialogue with clients and suppliers are prioritised to ensure mutual growth and responsible sourcing. The Group collaborates closely with partners to deliver high-quality, sustainable products while continuously improving processes to meet evolving expectations.

Society and Communities

The company is committed to being a responsible neighbour and community member. Through educational initiatives, cultural support, and local development projects, Latvijas Finieris fosters strong relationships with the communities where it operates and even wider.

Government and Regulatory Bodies

Latvijas Finieris partners with regulatory authorities to promote sustainable forestry and responsible industry practices by maintaining open communication and full compliance with local and international laws.

Through regular dialogue, stakeholder surveys and evaluation, Latvijas Finieris ensures that the voices of its stakeholders are reflected in its strategic direction, helping the company to innovate responsibly and build lasting trust.

Stakeholder	Engagement	Strategic role
Employees	Direct involvement, engagement and other surveys, DEP (Work Efficiency programme), IdeaLab, other work groups, Annual Recognition Awards and development review, channels for complaints and ideas for improvements.	Employee experience – foundation of business strategy.
Shareholders	The General Meeting of Shareholders is the supreme decision-making body of the parent company.	Align profit with organisational goals.
Suppliers	Everyday work and communication; supplier's evaluation, implementation of Supplier's Code of Conduct.	Production process and its continuity.
Customers	Customer journey mapping, focused customer surveys, engagement through social media, everyday communication, customer questionnaires and surveys and complaints mechanism.	Innovation drivers, customer's experience – foundation of business strategy.
Forest Owners	Education, best practices in Forest Management, Birch programme.	Future availability of wood resources.
NGO	Participation with NGO.	Industry development.
Society and Communities	Society support and educational projects. Corporate image research.	Public awareness of forest management and the possibilities of using wood as a renewable material.
Educational Institutions	Custom and joint projects, knowledge sharing and R&D.	Drive research, innovation, and sustainable product development.

Description of the processes to identify and assess material impacts, risks, and opportunities

Description of double materiality assessment process

Objective of the Assessment

Materiality assessment is the process of evaluating impacts, risks, and opportunities to define the material topics and sustainability priorities of the Latvijas Finieris Group. The primary outcome of the materiality assessment is the sustainability priorities. Within the sustainability priorities, the targets and KPI's were set.

Scope and Boundary

Impacts, risks, and opportunities (IROs) have been assessed across the entire value chain, with the Group's core business being plywood production.

Methodology

The assessment approach and methodology were developed in accordance with the requirements of the EU Sustainability Reporting Standards (ESRS) and the EFRAG IG1 Materiality Assessment Implementation Guidance (version of May 2024).

Each topic was assessed from an impact, risk, and opportunity perspective within the value chain.

Stakeholder Engagement

Shareholders are engaged through the processes and channels the Group uses to collect their opinions and material topics. For example, employees are asked to complete the survey once a year and are invited to submit their ideas through the DEP (Work Efficiency programme) and IdeLab. Shareholders are the supreme decision-making body of the parent company and approve the Group's strategic priorities and development directions. Customer opinions are gathered through surveys, daily communication, and the complaints-handling process. Discussions on topics important to both parties (cooperation partners and Latvijas Finieris) also take place within the framework of the Supplier Code of Conduct, through audits and during the code's implementation and familiarization.

Criteria for Materiality

Each topic's impact on the environment and/or people was assessed using four criteria on a five-

point scale: scale, scope, irremediability of the negative impact, and the likelihood of impact if it is potential rather than existing.

From the perspective of risks and opportunities, each topic was evaluated on the magnitude of the potential financial effect on a five-point scale (nominal, moderate, high, significant, and severe), and the likelihood of financial effect was also on a five-point scale (rare, unlikely, possible, likely, and almost certain/certain).

As a result, each of the topics got an impact materiality and financial impact materiality score, based on which the materiality of the topic was determined: < 1 - Minimal, 1-2 - Informative, 2-3 - Important, 3-4 - Significant, > 4 Critical.

Identification of Material Topics

19 topics were identified as material, from an impact or financial impact perspective, or both. Similar or closely related topics were grouped, and as a result, nine of the sustainability priorities were defined, covering such ESRS topics like S1 Own workforce,

E1 Climate Change, E2 Pollution, E4 Biodiversity and ecosystems, G1 Business conduct, E5 Circular Economy and Resource Use, as well as three non-ESRS topics.

The business and sustainability strategies (targets and KPIs within the sustainability priorities) complement each other and sometimes overlap entirely (for example, employee engagement, occupational safety, and performance), thereby ensuring a sustainable business model.

Review and Validation

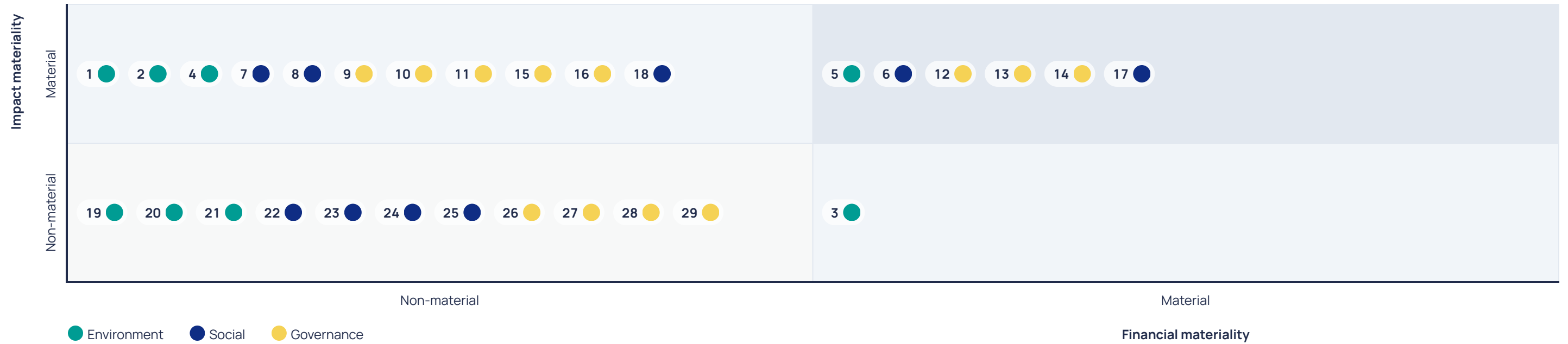
No external review or validation has been carried out yet.

Updates and Frequency

While double materiality assessment is a relatively new process, Latvijas Finieris plans to review it annually.

Materiality matrix

The materiality matrix serves as a strategic tool for organizations to focus their efforts and resources on addressing the most significant sustainability issues that matter to both the business and its stakeholders. Issues that fall into the high importance and high stakeholder interest quadrant are considered the most material and require the organization's attention and action.



Material sustainability topics

- 1 E1 Climate change mitigation
- 2 E1 Energy
- 3 E2 Pollution of air
- 4 E4 Direct impact drivers of biodiversity loss
- 5 E5 Resources inflows, including resource use
- 6 S3 Communities' economic, social and cultural rights
- 7 S4 Information-related impacts for consumers and/or end-users
- 8 S4 Social inclusion of consumers and/or end-users
- 9 G1 Corporate culture
- 10 G1 Management of relationships with suppliers including payment practices
- 11 G1 Corruption and bribery
- 12 G International sanctions
- 13 G Economic Impact (Profitability)
- 14 G Wood resources sufficiency
- 15 G Development of new products
- 16 G Cyber security
- 17 S Employee Engagement
- 18 S Society education and engagement

Material impacts, risks and opportunities and how they interact with strategy and business model

Impacts, risks, and opportunities have been assessed throughout the entire value chain. The assessment process is described in section IRO-1 (Description of the processes to identify and assess material impacts, risks and opportunities).

As it is mentioned in section SBM-1 (Strategy, business model and value chain), the business and sustainability strategies complement each other,

sometimes even completely overlapping (for example, employees engagement, occupational safety culture, performance and international sanctions), thereby ensuring a sustainable business model.

The production of birch plywood is a resource-intensive process. We understand our impact. We are continuing to learn to identify and measure it more precisely and are constantly striving to ensure a balance between economic, environmental and social needs. This includes reducing negative

Non-material sustainability topics

- 19 E3 Water
- 20 E5 Resource outflows related to products and services
- 21 E5 Waste
- 22 S1 Working conditions
- 23 S1 Equal treatment and opportunities for all
- 24 S1 Other work-related rights
- 25 S4 Personal safety of consumers and/or end-users
- 26 G1 Protection of whistle-blowers
- 27 G1 Political engagement and lobbying activities
- 28 G Workforce sufficiency
- 29 G Other resource sufficiency

environmental impact, ensuring biodiversity, and promoting human well-being and safety. Likewise, in order to maintain a responsible business model, profitability is a very important aspect—not only from a business strategy perspective but also in terms of sustainability. Strong profitability enable growth, investment, and the transformation of the business model into one that is even more sustainable.

Based on materiality assessment this report discloses information on the following ESRS topics:

- E1 Climate change
- E2 Pollution
- E4 Biodiversity and ecosystems
- E5 Resources and circular economy
- S1 Own workforce
- S4 Consumers and end users
- G1 Business conduct

ESG	Sustainability priority	Target 2030
S	Employee Engagement	Increase in Employee Engagement. Reduce Volunteer Staff Turnover.
S	Occupational Safety Culture	Reduce the Number of Accidents. Continuous improvement of safety culture. Establish a system and ensure that information is received about accidents involving employees of outsourced service providers.
E	Climate Change Mitigation	Group fossil energy percentage ratio reduction. Group energy efficiency improvement. Group production supply chain CO2 emission reduction. Increasing carbon sequestration (in the long term) in LF and LFM forests. Forest as a source of carbon sequestration.
E	Air Pollution Reduction	Develop a plan to reduce air pollution (boiler house particulate matter).
E	Biodiversity Conservation	Preserve biodiversity in self owned commercial forests. Dedicate a part of land to nature (limited or strictly limited economic activity).
G	Fair Competition and International Sanctions	Support the principles of fair competition.
G	Performance	EBITDA vs. turnover.
G	Sustainable Wood Resource Sufficiency in the Future	Engage in solving and advancing issues relevant to the sectors. (Scientifically based approach developed in 2025). Educate the society about land use, forestry, and the applicability of wood products. Positioning the thinking of the forest sector among young people, students and teachers, including environmental education.
G	Research & Development of New Products/ Processes	Annually allocate resources to comprehensive product/process research and development.

With a view from outside

The most significant exporter

On May 22, the State Revenue Service (SRS) welcomed Latvia's largest taxpayers - honest, sustainable and responsible businessmen who form the basis of Latvia's economy. AS "Latvijas Finieris" was recognized by SRS as the most significant exporter of 2024. More information is available [here](#).

LDDK Annual Awards

On 13 November 2025, the Employers' Confederation of Latvia presented its Annual Awards, recognising employers across 10 categories for their achievements in 2025 in advancing sustainability, supporting employees, and fostering high-quality working environments. The awards also honoured contributions to Latvia's economic growth, the strengthening of the country's business image, constructive dialogue with the government, and meaningful progress in key national priorities: defence, demography, and education.

In the category "For the company's contribution to strengthening defence – for support to Ukraine's defence capabilities", the award went to Latvijas Finieris.

Latvijas Finieris also received an Annual Award in the category "For the company's support to education, investment in educational infrastructure, and improvement of educational processes".

More information is available [here](#).

Kuldīgas fabrika receives awards

On 10 September 2025, the winners of 'Latvia's Building of the Year 2024' were announced. AS Latvijas Finieris' mill, [Kuldīgas Fabrika](#) won first place in the nomination 'Public New Building. Production Building'. Kuldīgas Fabrika also received the 'BIM Object of the Year' award for its innovative use of digital tools in design and construction. More information is available [here](#).

Appreciating the achievements in the construction of buildings and development of production facilities and business, in the nomination Regional Investment in Construction 2024, AS Latvijas Finieris received an award along with two other entrepreneurs for the veneer production facility Kuldīgas fabrika, which was opened in 2024. More information is available [here](#).

Latvia's Largest Domestic Capital Manufacturing Company

Each year, Dienas Bizness compiles the achievements and performance of Latvia's largest companies across nearly 40 key business sectors, creating the TOP 500. This year marks the 29th edition of their analysis, covering Latvia's most profitable companies, enterprises of both domestic and foreign capital, the largest corporate taxpayers, leading business groups, industry and regional champions, top EBITDA performers, and other key categories.

Latvijas Finieris in the 2025 TOP 500:

- ranked as the largest private company in Latvia with 100 % domestic capital, the same as last year;
- listed among Latvia's top 20 exporters;
- ranked 14th among Latvia's largest companies (the same as last year);
- ranked as the second-largest forestry company in Latvia (the same as last year);
- the 11th largest company in Riga (12th last year);
- the 20th largest employer in Latvia (same as last year);
- ranked as the 8th most profitable company in Latvia (the same as last year);
- ranked 13th among companies with the highest EBITDA (last year – 11th).

It should be highlighted that the TOP 500 features the Group company VEREMS, one of the TOP 10 companies with the largest year-on-year increase in import volumes compared to 2023, and currently the eighth-largest company in Latgale (having ranked sixth last year).. More information is available [here](#).

Heart of Gold award

On June 27, 2025, the chairman of the Supervisory board of AS "Latvijas Finieris", Uldis Biķis, solemnly received the highest voluntary service award "Heart of Gold" established by the President of Ukraine, Volodymyr Zelensky. It was presented to Uldis Biķis by the Ukrainian ambassador to Latvia, Anatolii Kutsevol. Since the beginning of the war, AS "Latvijas Finieris" has allocated more than 11 million euros to support Ukraine. More information is available [here](#).

TOP Employee 2024

On 9 April 2025, the winners of the TOP Employer survey – the best and most desirable workplaces in Latvia last year – were awarded for the fourteenth time. For the first time in the survey's history, AS Latvijas Finieris has earned the top title of TOP Employer 2024, surpassing previous leaders and climbing 17 places compared to last year [here](#).

AS Latvijas Finieris has been awarded second place in the Best Employer 2024 survey organised by [CVMarket.lv](#) in the industry and manufacturing sector. Best Employer is a survey conducted by the job ad portal [CVMarket.lv](#), which invites participants to name companies where residents of Latvia would like to work. More information is available [here](#).

Golden Cone Forest Award

On 3 December 2025, the annual Golden Cone Forest Awards were presented at a ceremony. Alongside the traditional award categories, this year, sector representatives were honoured with special recognition from the Ministry of Agriculture for their personal and dedicated contribution to promoting fair competition. Together with experts from the Ministry of Foreign Affairs, the State Revenue Service Customs Administration, and the State Forest Service, letters of recognition were also awarded to Latvijas Finieris employees – Member of the Executive Board Mārtiņš Lācis, Riga Wood Baltic Executive Director Uģis Ozols, and Management Accounting and Bookkeeping Department Head Gunita Znotiņa – for their active cooperation with EU and national institutions in identifying and neutralising new channels for the illegal import of wood products from aggressor countries, in particular, birch plywood. More information is available [here](#).

Innovation Champion 2025

On 4 December 2025, the Latvijas Finieris team received the Innovation Champion Award at the 'Export and Innovation Award 2025' ceremony.

The philosophy of innovation and forward-thinking development is an integral part of Latvijas Finieris' business strategy. We actively improve our existing products and work on new solutions. We continue to invest in research and new partnerships. The 'Export and Innovation Award' is the country's highest state distinction in entrepreneurship and is organised by the Investment and Development Agency of Latvia in cooperation with the Ministry of Economics, the Central Statistical Office, the Latvian Exporters Association 'The Red Jackets', and the financial institution ALTUM. More information is available [here](#).



IT and Digitalization

Regarding digitalisation, Latvijas Finieris provides the infrastructure and information systems (IS) for successful operations and continuously develops employees' computer literacy and competencies. We also keep up with the developments in production technologies, which is now unimaginable without information technology (IT). The IT function within the Group acts as a solution architect and advisor, not just as an order execution officer. Digitalization ideas and processes are evaluated in an overall context, also taking into account current cybersecurity requirements and issues related to the development of artificial intelligence. Employees' computer skills are

purposefully strengthened on a daily basis to help achieve the group's development goals more effectively.

Data-based decisions and the use of data. From the Group's accounting system and other sources, we collect a wide range of data across the entire value chain – from ERP procurement, purchasing, production planning, and execution to equipment monitoring, downtime and its causes. We store and process the data for further analysis, reports, and tools. They are the basis for decision-making and for identifying potential areas for development. We are currently exploring and identifying opportunities for

using artificial intelligence (AI). It should be noted that around 200 of our employees are already using the various Power BI Pro tools.

Employee computer literacy. The effectiveness of the company's engineering staff is primarily linked to their ability to use digital tools, so we support their development in a variety of ways – from planning staff training in collaboration with HR, to regularly publishing tips and individually encouraging users through the direct involvement of system analysts.

Cybersecurity. Considering the geopolitical situation, we are aware of the potential cyber threat and are taking the necessary steps to manage it. We

conduct an annual employee awareness assessment to mitigate risks and enhance cybersecurity awareness, including planned tests and an unexpected phishing simulation.

Maintaining internal IT expertise and resources is essential to ensuring sustainable IT and digital development. Our IT department is skilled in attracting, deploying, and managing internal and external resources, understanding business needs, and helping support and develop them. Successful projects involve cooperation, where business colleagues get involved and contribute.

ENVIRONMENT



E1 Climate change

E1.SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

Topic	Title & description	Type	Upstream	Own operations	Downstream	Short-term	Medium-term	Long-term
E1	<p>Use of electricity</p> <p>Electricity consumption to run processing equipment and industrial machinery has an indirect impact on the environment (we create the impact through demand). The impact occurs outside the company during the electricity generation process (Scope 2).</p>	● Actual negative impact		●				●
E1	<p>Heat energy (production and use)</p> <p>Birch plywood production is an energy-intensive process, consuming heat energy for hydrothermal treatment of logs and drying of veneer, processing equipment and industrial machinery.</p>	● Actual negative impact		●				●
E1	<p>Use of basic (technical) materials</p> <p>The primary resource in plywood production is birch logs (approximately 90% of the plywood), which are sourced from local forests in Latvia, Lithuania and Finland. The process of tree harvesting and delivery generates air emissions (Scope 3).</p> <p>Other primary resources in plywood production include glue raw materials, impregnated paper, various coatings, and hardeners (approximately 10% of the plywood content), as well as packaging. These raw materials are supplied from EU countries, and their production and delivery processes generate air emissions (Scope 3).</p>	● Actual negative impact	●	●				●
E1	<p>Logistics (supply chain, deliveries and internal transport)</p> <p>Logistics - supply chains and deliveries to customers, including internal transport. Diesel fuel is mainly used for the delivery of materials to factories, diesel fuel and LPG are used for the transport of materials within and between factories/mills, which during the production and combustion process creates fossil CO₂, which increases the risks of global climate change, etc. emissions into the air as nitrogen oxides and carbon monoxide.</p>	● Actual negative impact	●	●	●			●

Topic	Title & description	Type	Upstream	Own operations	Downstream	Short-term	Medium-term	Long-term
E1	CO₂ storage in products/ replacement Biogenic/renewable carbon stored in plywood products; material substitution, reducing fossil materials. Plywood consists of ~90% natural birch wood and ~10% resin adhesive and coating materials. The use of lignin in resin glue reduces the consumption of fossil materials, thereby enabling greater carbon storage.	● Actual positive impact			●			●
E1	Responsible Forestry Forest naturally grows and dies, with CO ₂ being absorbed and then released back into the atmosphere. Implementing best practices in forest management and planting improves timber stock growth and productivity, increasing CO ₂ absorption in the long term. Timely tree harvesting and the removal of fallen trees help reduce CO ₂ emissions from decaying wood.	● Actual positive impact	●	●				●
E1	Carbon sequestration Best forestry practices promote greater carbon sequestration and more forest resources.	● Opportunity	●	●				●
E1	Carbon storage The opportunity to increase the production volume of long-lasting products can enhance the amount of sequestered/stored carbon.	● Opportunity			●			●
E1	Scope 2 reduction Opportunity to Reduce Scope 2 CO ₂ Emissions by Using Green Electricity. Switching to green electricity can significantly reduce Scope 2 CO ₂ emissions, as renewable energy sources, such as wind, solar, and hydro power, generate electricity with little to no carbon footprint.	● Opportunity		●			●	

Interaction with strategy and business model

With its activities, Latvijas Finieris has an impact on the environment and climate, mainly in the form of greenhouse gas (GHG) emissions from its mills and

factories, consumption of natural resources and waste from its production process. Environmental impacts are also generated indirectly, at different stages of the supply chain. Recognising this, environmental issues are closely integrated into

Latvijas Finieris business strategy and daily work planning. Our environmental principles are described in the Group's [Environmental Policy](#) and [Energy and Energy Efficiency policy](#), and cover areas such as our manufactured and newly developed

products, their raw materials and inputs, energy and natural resources, technological processes, equipment, working environment and services provided.

E1-2 Policies related to climate change mitigation and adaptation

Today, climate change is one of the most significant global sustainability risks. Its effects, such as increasingly extreme weather events, are being seen worldwide.

Europe has set ambitious targets for solving climate change problems and developed a roadmap to achieve them, known as the Green Deal package of policy initiatives. We have identified and analysed many of the solutions in the Green Deal for a very long time, and we have acted for many years with the conviction that by continuously improving resource and energy efficiency, we can contribute to balanced socio-economic development and preserve the environment.

Environmental policy

Our approach is to continuously develop our understanding of our operations and act to reduce and minimise the environmental impact while also preserving the socio-economic balance. We develop our operations taking into account existing and potential risks and opportunities caused by climate change, ensuring long-term resilience against climate change.

We conduct our production and other business operations in a way that minimises impact on the

environment while ensuring compliance with international and European Union (EU) environmental requirements.

We afforest our owned land, responsibly and productively manage forests by following the “10-20-70” principle (defined in our [Sustainability Policy](#)), based on scientific research, we enhance carbon sequestration and preserve the biodiversity of these ecosystems. Despite our primary productivity mandate, we assess each property individually and consider opportunities for voluntary nature protection within our territory.

Key content: carbon emission reduction, carbon storage in wood products, circular economy and waste management, chemical safety, biodiversity protection, environmental compliance, and continuous improvement.

Environmental policy is available in Latvijas Finieris [website](#).

Energy and Energy Efficiency policy

Latvijas Finieris ranks among Europe's largest producers of plywood and related products. Plywood production is an energy-intensive process, and energy efficiency is an integral part of our

business strategy and essential for maintaining market competitiveness.

Energy and energy efficiency policies are designed to optimise resource use, reduce consumption per output unit, and expand the share of renewable energy. The Energy and Energy Efficiency Policy is binding for all companies of Latvijas Finieris Group.

Principles of energy provision:

- We generate and procure the energy resources necessary to run our operations;
- Our heat production is predominantly based on wood side streams, with fossil resources conserved to the minimum required by technical and operational needs;
- We purchase electricity from market participants, selecting the most competitive offers while prioritising supply from renewable sources.

The current Energy Policy is available on the Latvijas Finieris [website](#).

Forest Management Plan

In 2024, we developed the Forest Management Plan, which includes the Forest Management Policy as well. This document is updated annually.

With our work, we create higher-quality and more productive forests that capture carbon more quickly and in greater amounts. This helps achieve Europe's climate goals, ensures a sustainable flow of renewable wood resources, and contributes to meeting the country's environmental targets.

By managing our properties responsibly, we maintain a balance between the ecological, social, and economic goals set by society while setting an example of sustainable forestry that ensures:

- Preservation and enhancement of biodiversity;
- Increased carbon sequestration;
- Accessible recreational environments;
- The development of new knowledge and exchange of experience;
- Economic benefits for both landowners and society as a whole.

Forest Management Plan is available on the Latvijas Finieris [website](#) (in Latvian).

E1-4 **Targets related to climate change mitigation and adaptation**

Protecting the environment is an integral part of our corporate strategy, and we believe in the principle of less being more. Whether in terms of GHG emissions and waste or resource and energy consumption, we are continuously improving the efficiency of our production processes to reduce our impact on the environment.

All Latvijas Finieris mills have received the relevant national environmental permits, the conditions of which are closely followed regarding controlling and

reducing pollution. We also follow the guiding principles of the continuous development of environmental management standards at all Group mills, ensuring a progressive reduction of environmental impacts.

The key directions of the planned activities - the targets and activities will certainly contribute to the following: reduction of GHG emissions, including Scope 3, an increase in the share of renewable energy, continuously improved efficiency, and the

decarbonisation of products (adhesives/glue) using lignin and collaboration with suppliers to determine more accurate emission factors.

The locked-in GHG emissions are actually from all the mill's heat production equipment (Scope 1), as the decisions to use these were made after evaluating renewable fuel alternatives – in the current situation, fossil fuel is technically more suitable. There could be a decision to use less fossil

fuels in the near future when a suitable renewable alternative is implemented.

The transition plan is directly linked to the Group's business strategy, as Latvijas Finieris product development is focused on decarbonisation in the core product content, thus promoting not only the Group's competitiveness but also that of its customers.

Targets related to climate change mitigation and adaptation

Sustainability priority	Target 2030 (base year 2023 where applicable)	KPI 2030	KPI value 2025
Climate Change Mitigation	Group fossil energy percentage ratio reduction, 12% by 2030 (against base year)	Fossil produced heat and electricity kWh per total heat and electricity kWh, %	20 %
	Group energy efficiency improvement	Annual gains from finished heat and electricity energy efficiency projects and activities, kWh	97 MWh
	Group production supply chain CO2 emission reduction, 15% by 2030 (against base year)	Supply chain purchased goods emission reduction %	5 %
	Increasing carbon sequestration (in the long term) in LF and LFM forests. Forest as a source of carbon sequestration.	tCO2 equivalent, analysis of dynamics in 2027 Afforestrated, regenerated areas, ha Maintenance of reclamation system, km	-34 681 tCO2 623 ha 17 km
Air Pollution Reduction	Develop a plan to reduce air pollution (boiler houseparticulate matter)	Plan has been developed in 2027; part of the investment plan	in process

E1-5 Energy consumption and mix

The total energy consumption in 2025 was slightly higher (538 GWh vs 530 GWh) compared to 2024. The total amount of birch plywood produced has increased; when calculating energy consumption per unit of production, we have been 1,5 % more efficient.

At the same time, the total amount of renewable energy within the group has decreased from 83 % to 80%. This is due to decisions related to ensuring production continuity. While expanding our production, there are technical reasons that fossil fuels are more suitable for the required technical process. Considering this, there could be decisions to use fossil fuels for a particular time until a suitable renewable alternative is implemented.

Energy efficiency and energy-saving measures have always been a priority at Latvijas Finieris Group, and they go hand in hand with the requirements set out in the ISO 50001 standard. Therefore, the company's Energy

and Energy Efficiency Policy focuses on the efficient use of energy resources and increasing the share of energy from renewable sources. In development, we aim for smart investments that are often innovative in our sector and even in our region.

Birch plywood production is an energy-intensive process, consuming heat energy for hydrothermal treatment of logs and drying veneer, electricity to run processing equipment, and fuel for industrial machinery and road transport. Other Group processes also require a much smaller share of energy. We measure GHG emissions from energy consumption along the entire value chain to better assess our environmental impact.

In Latvia, where the Group's electricity consumption is the highest, the Powered by Green certificates confirm the electricity's sustainable origin. We are also gradually taking steps toward self-generation—solar power generation stations have been installed at the Likmere mill, VEREMS mill, and the associated company SIA Troja.

Energy consumption and mix

Title	Consumption
Fuel consumption from coal and coal products (MWh)	0
Fuel consumption from crude oil and petroleum products (MWh)	14 772
Fuel consumption from natural gas (MWh)	69 630
Fuel consumption from other fossil sources (MWh)	0
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	23 430
Total fossil energy consumption (MWh)	107 832
Share of fossil sources in total energy consumption (%)	20.04
Consumption from nuclear sources (MWh)	0

Title	Consumption
Share of consumption from nuclear sources in total energy consumption (%)	0
Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.) (MWh)	327 987
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	102 283
The consumption of self-generated non-fuel renewable energy (MWh)	0
Total renewable energy consumption (MWh)	430 270
Share of renewable sources in total energy consumption (%)	79.96
Total energy consumption (MWh)	538 102
Non-renewable energy production (MWh)	84 401
Renewable energy production (MWh)	327 987

E1-6 Gross Scopes 1, 2, 3 and Total GHG emissions

Emission Summary

	Group Total 2023	Group Total 2024	Group Total 2025
Scope 1	21 116	23 445.7	30 291.8
Scope 2	13 777.4	14 542.4	14 689.1
Scope 3 (total)	121 514.6	135 675.9	14 3415.4
Scope 3 categories:			
Purchased goods	83 415	80 764.5	79 219
Purchased services	-	2 139.9	3 869.3
Capital goods	-	8 221.6	8 985.5
Fuel and energy-related activities	-	3 446.5	3 909.5
Waste generated in operations (included in category 1)	1 335.6	817.7	992.5
Downstream transportation and distribution	36 764	40 285.7	46 439.6
Total Scope 1,2,3 CO2 emissions	156 4552	188 206.4	188 396.3

Since 2022, we have been inventorying and calculating GHG emissions according to the Greenhouse Gas Protocol (GHGP). By aggregating Scope 1, Scope 2 and Scope 3 emissions, we have a comprehensive picture of the Group's atmospheric emissions, enabling us to identify the most significant sources of environmental impacts throughout the supply chain and production phases.

In greenhouse gas emission calculations all consumption data of energy, materials, fuels, capital goods, transportation types and distances, purchased goods and services is 100% primary data sourced from Groups accounting systems, emission factors are sourced from various data bases like Ecoinvent, UK Department for Business, Energy and Industrial Strategy, EPA Supply Chain GHG Emission Factors for US Commodities and Industries, therefore the majority of emission factors are secondary data. For Scope 1, Scope 2 and Scope 3 emission calculations from purchased goods, logistics and waste categories primary consumption data and relevant emission factors were used. For Scope 3 purchased services, capital goods emission calculations we used spend based method with relevant currency conversion according to Latvian Bank data and inflation adjustment data from Latvian Central Statistical Bureau.

Accumulated CO ₂ in (2025):	tCO ₂
Plywood products	184 177
Side stream products	112 222
Side streams for energy production (substitution for fossil fuels)	428 394

GHG emissions and carbon sequestration

Calculations of greenhouse gas (GHG) emissions and carbon dioxide (CO₂) sequestration according to the methodology used in the national GHG inventory for forest properties managed by Latvijas Finieris were carried out by leading researchers of the [Silava Latvian State Forest Research Institute \(Silava\)](#).

In forests, CO₂ sequestration comes from growth in living biomass, while losses come from natural dieback and logging. The natural deadwood is categorised as dead wood and gradually decomposes, while the harvested volume is converted into wood products or becomes forest biofuel immediately. The calculation by Silava includes carbon storage in wood products, but does not take into account the substitution effect of forest biofuels.

The total potential increase of the growing stock in 2025 in the forests managed by Latvijas Finieris is 76 thousand m³ (average 5.6 m³-ha⁻¹ per year or 0.3 m³-ha⁻¹ more than in 2024), natural mortality in 2025 is 17 thousand m³ (1.3 m³-ha⁻¹) and harvesting volume – 33 thousand m³ or approximately 47 thousand m³, if the calculation includes tops, bark and other trunk wood residues. - **The change in growing stock is 12 thousand m³ (increase of 0.8% from the savings at the beginning of the year)**, i.e. the stock of living trees in the forests managed by AS “Latvijas finieris” has slightly increased in 2025 after a slight decrease in 2024.

Due to positive changes in the stock and CO₂ sequestration in wood products and dead wood, total GHG emissions are negative (-34.7 thousand tons CO₂ eq. per year). The largest source of CO₂ sequestration in 2025 is living and dead biomass (respectively, 16.0 and 15.1 thousand tons CO₂), in third place is wood products (8.7 thousand tons CO₂). Reclaimed organic soils are a source of emissions, in 2025 GHG emissions from reclaimed organic soils in the forests managed by AS “Latvijas finieris” were 5.2 thousand tons CO₂ eq. A summary of GHG emissions and carbon stock changes in various carbon pools is shown in Tab. 1. Approximately half of the sequestration is formed in birch stands. White alder, aspen and pine stands also play a significant role in the formation of sequestration.

GHG emissions sequestered in Latvijas Finieris forests, 2025

	Living biomass	Dead wood	Soil	Wood products	Total emissions sequestered
Emissions, tCO ₂	-16038	-8720	-15127	5164	-34681

E4 Biodiversity and ecosystems

E4.SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

We develop expertise in forestry and logging, managing the value chain from forest seed to the finished wood product. The Group promotes sustainable land use practices by fostering balanced interactions between society, the environment, and the economy that provide ecosystem services, increased carbon sequestration, biodiversity conservation, social and cultural functions of forests, the generation and transfer

of new knowledge, including the substitution of fossil products, and economic value for the forest owner, society and the economy as a whole.

Our business model clearly defines that we always know the origin of the wood we use. All timber used in producing wood products is of legal origin and complies with the European Union Timber Regulation and Latvijas Finieris [Timber Purchasing Policy](#).

Identified material impacts, risks and opportunities

Topic	Title & description	Type	Upstream	Own operations	Downstream	Short-term	Medium-term	Long-term
E4	Invasive alien species Introduction of non-native plant or animal species to the ecosystem. When planting forests, tree species that are suitable for the ecosystem are selected. We do not make changes to animal or insect species in the ecosystems.	● Potential negative impact	●	●				●
E4	Use of birch logs The extraction of birch veneer blocks in the supply chain follows best practices. The impact on the ecosystem is limited to the harvesting site within the relevant scope, but on a broader scale, changes to the ecosystem are minimal, as it naturally changes and is restored.	● Actual negative impact	●	●				●
E4	Changed forest ecosystem Tree cutting impacts the forest ecosystem, requiring balanced techniques and planning to ensure that the impact in one area is not too extensive, and the ecosystem can be restored as quickly as possible.	● Risk	●	●				●

Using birch logs has a material impact, as resource extraction affects the forest ecosystem. At the same time, this resource is and will remain essential for achieving our strategic goals.

At the corporate strategy level, the Forestry functional strategy has been defined, which, in addition to economic objectives, also encompasses demonstrating responsible stewardship practices and attitudes to society, including adherence to the principle of voluntarism in nature conservation. One of our sustainability priorities is Climate Change and its sub-topic - biodiversity conservation, which complements the targets outlined in the business strategy. The availability of wood resources in the future is another sustainability

priority. This has been identified as a significant resource risk through risk assessment, shaping our actions in the near and distant future to maintain a balanced economic, social, and environmental relationship.

It is important to note that we are still learning to understand and develop a methodology for defining and assessing biodiversity. In this process, we collaborate extensively with scientists and studies to determine the current state of our forests and more accurately document our impact on them, including through forestry operations.

Targets 2030 related to biodiversity

We plan to monitor and analyze the indicators of biodiversity-related targets over several years.

Sustainability priority	Target 2030	KPI 2030	KPI value 2025
Biodiversity Conservation	Preserve biodiversity in self owned commercial forests	Afforested non-forest land, ha	204 ha
		Young stand maintenance, ha	518 ha
		Ecological trees, number (over a 5 year period)	7,5 t
		Seedlings grown in tree nursery "Zābaki", number	1268 t
		Invasive species control, measures taken	92 ha
		Distttribution of forest stands by dominant tree species by area, %	Birch-53, Spruce-15, White Alder-11, Pine-8, Aspen-7, Black Alder-5, other -1
	Dedicate a part (portion) of land to nature (limited or strictly limited economic activity)	Biotops and species habitats of European importance, ha	171 ha
		Micro-reserves and buffer zones around micro-reserves, ha	1060 ha
		Protection zones/ buffer zones, ha	147 ha
		LFM voluntary nature conservation/ protection areas, ha	173 ha
	Other natural values, species habitats, description	Ural owl nesting sites	

Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities

In 2024, the Latvian State Forest Research Institute "Silava" conducted a study commissioned by Latvijas Finieris titled "Assessment of Biodiversity Elements in Birch Plantations 2024".

Biodiversity encompasses the variety of living organisms in all environments, including terrestrial and aquatic ecosystems, as well as the ecological complexes of which they are a part. Biodiversity is typically assessed at the genetic, species and ecosystem levels. The term ecosystem applies to objects of various spatial scales, but is most commonly used at the "site" level (e.g. a forest stand), while broader-scale ecosystems are called the landscape level. The objective of the study is to prepare an assessment of biodiversity elements in birch plantations for 2024:

1. Spatial structure and functional role of plantations in the landscape.
2. Site-level diversity (vegetation and epiphytes).
3. Assessment of soil genetic-level diversity.
4. Bird occurrence in selected sites. Passive acoustic monitoring was carried out in 2025.

Main conclusions:

- Plantation stands are statistically significantly more diverse than natural forest stands. They contain more bacterial and fungal species and are more evenly distributed.

- In plantation stands, the composition of bacterial and fungal species is more similar than in control stands.
- The distribution of samples in control or plantation stands explains only 8-10% of the variation in the composition of microbial communities. Subjectively, it cannot be said that the differences are very sharp. Perhaps, it is necessary to improve the study design specifically in the context of microbial ecology.
- Plantation and control stands differ in their soil chemistry parameters. Perhaps, the chemical composition of the soil has a greater impact on microbial communities than the type of management, which is characterized by natural or planted and cultivated forest. Increased attention should be paid to heavy metal indicators, which can affect fungal growth.
- Plantation and control stands have a similar relative proportion of ectomycorrhizal fungi, however, plantation stands have more pathogenic fungi and fewer saprophytes.

The assessment of bird occurrence was carried out using the passive acoustic monitoring method. The equipment is located in 14 objects. In total, 1.09 million bird song fragments were detected in the recordings, of which 404.9 thousand fragments were detected with at least 90% probability. In total, the computer program algorithm has determined 146 bird species. More than 200 times song/call fragments have been recorded for 59 bird species.

Of these, the most frequently recorded are the whistle warbler, the tree warbler and the river warbler.

Since AI algorithms that were not trained on Latvian data were used in species detection, the results should be interpreted with caution. However, given that the data was obtained in digital format, it is possible to re-evaluate in the case of newer AI algorithms.

All forest areas of Latvijas Finieris are managed in accordance with the standards of the world's leading forest certification organisation, PEFC, which certifies the sustainability of our operations.

Social aspects

We believe we must **balance environmental, social, and economic aspects**. Overemphasising any of these areas can create certain risks that may negatively impact both the components of biodiversity and the forest ecosystem as a whole, Latvian society, our employees, suppliers, and customers, as well as the bio-economy sector in general. Ensuring this balance is our task, our approach to a responsible business model.

Our **forests are publicly accessible**, providing unrestricted access to ecosystem services and non-timber resources such as wild berries, fruit, nuts, mushrooms and medicinal plants. Everyone has the right to enjoy leisure time in our forest properties, provided that the forest environment is

not harmed and fire safety regulations are followed. Additionally, access to all heritage trees and cultural-historical sites is ensured.

In managing our forested areas, we not only protect natural values but also safeguard cultural and archaeological heritage sites. All planned activities within these areas are coordinated with the National Heritage Board. Our properties include **six cultural monuments**: "Gauļa kalns", "Spignu pilskalns", "Kuderu senkapi", "Lojas pilskalns", "Pagrabkalns-senkapi" and "Veckuipju pilskalns". These cultural monuments cover a total of **6 hectares**, while their protective zones extend across **390 hectares**, making up **3.82%** of the total forest area.

Where possible, we establish **recreational areas** on our properties for use by both local residents and travelers. In efforts to enhance landscapes, we remove unsafe and visually unappealing ruins from newly acquired properties and revitalise degraded areas. Over the past decade, six such sites have been restored. We also preserve stone structures and ruins of historical significance.

The tree nursery "**Zābaki**" is a 90 hectare farm located in the scenic Gauja Valley within the Gauja National Park. In addition to plant cultivation, the site features a ski trail, walking paths, and rest areas where local residents and park visitors can enjoy nature or engage in outdoor activities at a leisurely pace.

Meanwhile, in Latgale, near Rēzekne, the "SarkanĶalns" recreation and cultural site has been

established, managed by the Latvijas Finieris Foundation for Sustainable Development. This

location features the only ski trail in the area during winter, while in summer, it attracts visitors with

breathtaking landscapes and regularly hosted cultural events.

E4-2 Policies related to biodiversity and ecosystems

As a member of the UN Climate Convention and the EU, Latvia is bound by Europe's common commitment to achieve climate neutrality by mid-century, which includes national greenhouse gas (GHG) reduction targets. The land use, land use change, and forestry (LULUCF) sectors play a key role in achieving this. Latvian forest scientists are working on an optimal set of forest management solutions that contribute to mitigating climate change, ensuring the adaptation of forests to climate change, and, at the same time, not reducing the availability of resources in the bio-economy value chain.

Through our work, we create higher-quality and more productive forests that sequester carbon more rapidly and in greater amounts. This helps achieve Europe's climate goals, ensures a sustainable flow of renewable wood resources, and contributes to the attainment of the country's environmental goals.

The [Timber Purchasing Policy](#), [Environmental Policy](#), and [Forest Management Plan](#) (which includes the Forest Management Policy) cover all topics defined in the ESRS standard E4: direct impact on biodiversity and ecosystems (climate, land use, direct resource use, invasive species, pollution,

etc.), impact on species diversity, and impact and dependence on ecosystem services.

Sustainable and balanced land use policy

We explain and promote a balanced, rational and as productive as possible policy for the use of fertile land, which must not jeopardise the overall long-term opportunities to adapt to climate change in the name of short-term benefits – **10-20-70 principle**:

- **Up to 10%** of the country's territory is a strict protection zones with complete restrictions on economic activities to ensure the maximum preservation of natural values;
- **Up to 20%** of the country's territory – multifunctional zones where natural values are preserved, public access is ensured and economic activities for the production of wood and agricultural products (agriculture + forestry) are also carried out;
- In the remaining territory (**at least 70%** of the country's territory), modern and productive economic activities can be carried out, using scientific achievements and adhering to contemporary standards in servicing processes

and providing a high quality of living space (in line with circular and bio-economy principles.

In 2025 the University of Latvia (LU), in collaboration with Latvijas Finieris, launched a study to prepare balanced development scenarios that promote the sustainable growth of the sector and its competitiveness at the national and international level.

The aim of the research "[Economic assessment of the potential for balanced development of the Latvian forest sector and scenarios for sustainable development](#)" was to assess the impact of different forest land stratification and forestry development scenarios on public benefits, taking into account economic returns, carbon sequestration, recreational and cultural values, as well as public trust in forest policy. The study addresses the question of whether a fixed territorial distribution – such as the conceptually discussed "70-20-10" proportion framework – can ensure an optimal balance between diverse public interests and the functional roles of forests.

More information about the research results are available [here](#).

In the [Forest management plan](#), we have precisely defined ecological, social, and economic objectives:

- **Ecological objectives** focus on preserving biodiversity and capturing carbon dioxide.
- **Social objectives** include improving forest areas, ensuring public accessibility, considering societal interests, and promoting education.
- **Economic objectives** aim to increase growth, use existing areas more efficiently, ensure sustainable forest resources, develop healthy and resilient forest stands, and establish economically valuable and profitable stands, with a priority on birch cultivation.

Sourcing of raw materials

We always know the origin of the wood we use. Both, Forest Management Policy and Timber Purchasing Policy directly refers to raw materials sourcing. In the first mentioned policy we describe how we ensure forest management in our own forests. All forest areas of Latvijas Finieris are managed in accordance with the standard of the world's leading forest certification organisation PEFC, which certifies the sustainability of our operations. In the second, we defined core requirements to suppliers

including the ones related to resource origin, impact on people and the environment. We always know the origin of the wood we use, and all timber used in the production of wood products is of legal origin and complies with the European Union Timber Regulation and Latvijas Finieris [Timber Purchasing Policy](#).

Birch Programme

We continued our cooperation with the forest industry, which started in 1995, in maintaining and supporting the [Birch programme](#).

The initial task of the Birch programme have been the development of birch breeding and the production of quality birch seedlings, increasing the knowledge of private landowners, improving legislation and supporting science that explores all of the above. Today, the Birch programme in Latvia has established a solid base to make birch growing economically viable and easy to implement for anyone interested. Because of the intensive breeding work, the growth of birch stand growing stock can be increased by 20–30%. A number of tree nurseries have been set up and work in the country to meet the demand for birch container

plants and seedlings with improved root systems, and information is widely available on how to grow birch properly on both forest and unused farmland. For landowners, it gives them the opportunity to add value to their property, while for producers it gives them stable long-term access to wood resources. In addition, more intensive farming offers more opportunities to balance the interests of society and the environment, ensuring the sustainability of the country and the wellbeing of its citizens.

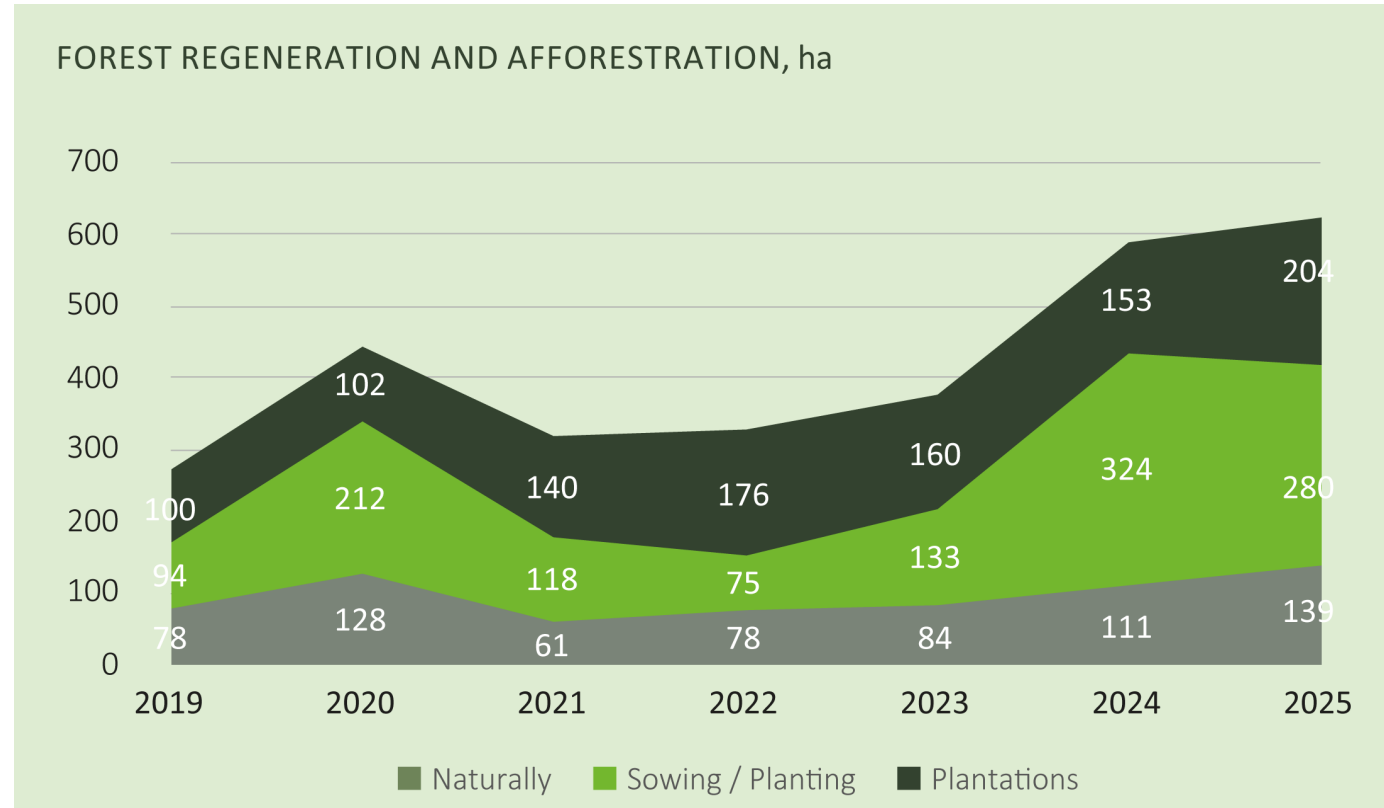
As the Birch programme developed, in addition to the forestry-related issues described above, we began developing (in 2011) our own birch plywood

products, continuously advancing research and collaborating with the scientific community. Furthermore, since 2021, in addition to the first two stages, we started working on replacing the fossil-based chemicals in our products with bio-based alternatives.

The main mission of the Birch programme is to create the highest possible added value from all the birch we receive for processing, maintaining birch plywood as the main product.

E4-5 **Impact metrics related to biodiversity and ecosystems change**

Metrics considered relevant



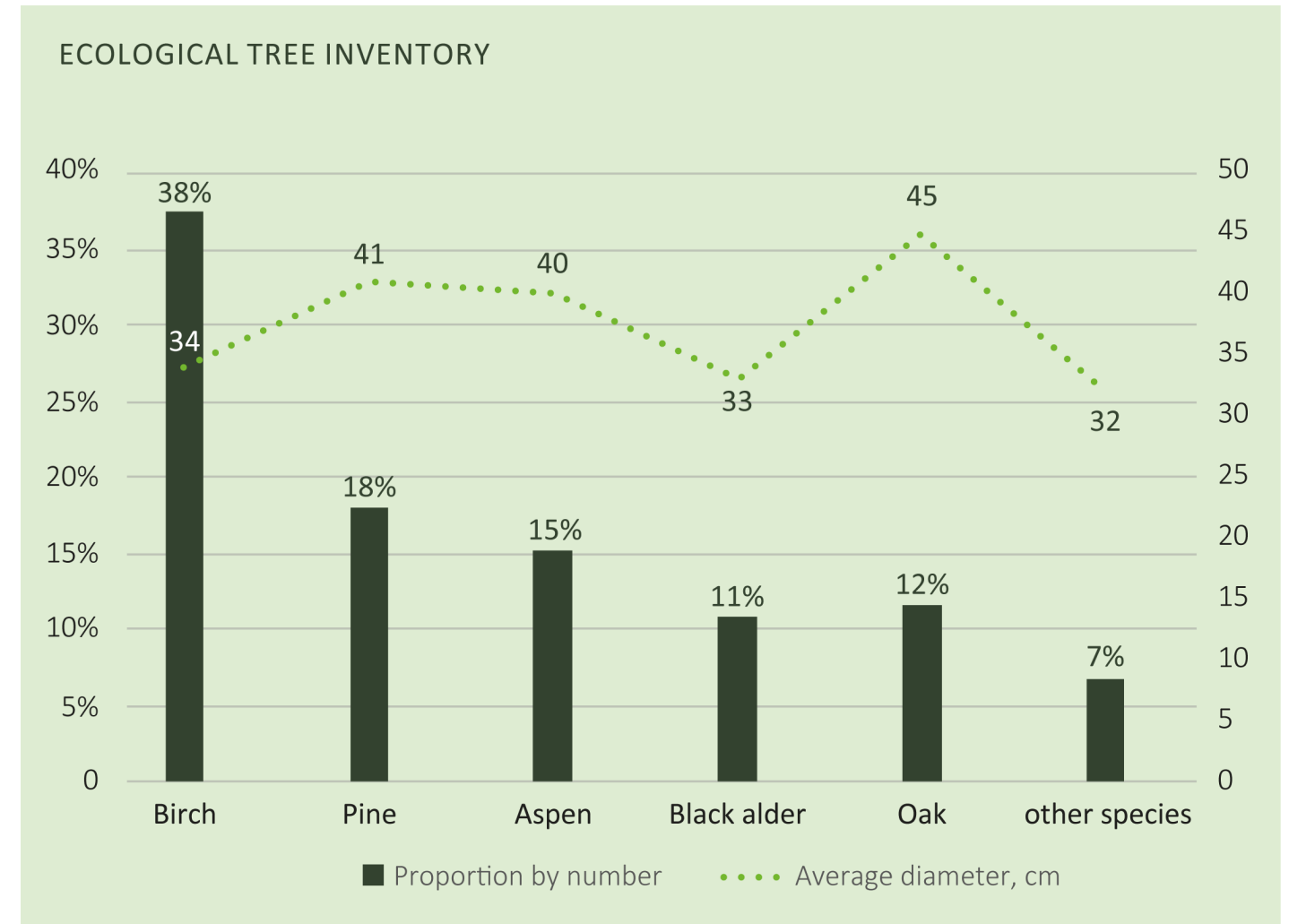
Reforestation of non-forest land is carried out by establishing plantation stands, where it is in accordance with legislation and local municipal territorial planning. When creating plantation forests, we preserve natural values – tree groups, ponds, etc. Overall, in Latvijas Finieris Mežs (LFM) properties, plantation forests account for 24% of the forest stands.

Reforesting unused agricultural land provides an opportunity to create productive birch and other tree species plantations, which allow for the relatively quick production of veneer logs (and other assortments), thereby balancing the load between natural and plantation forests.

When planting a new forest in an area where there was no forest previously, we carefully evaluate the growing conditions and choose the most suitable tree species, creating group mixed stands. We mainly use selected saplings of birch, spruce, pine, and black alder, which are more resistant to the negative effects of external

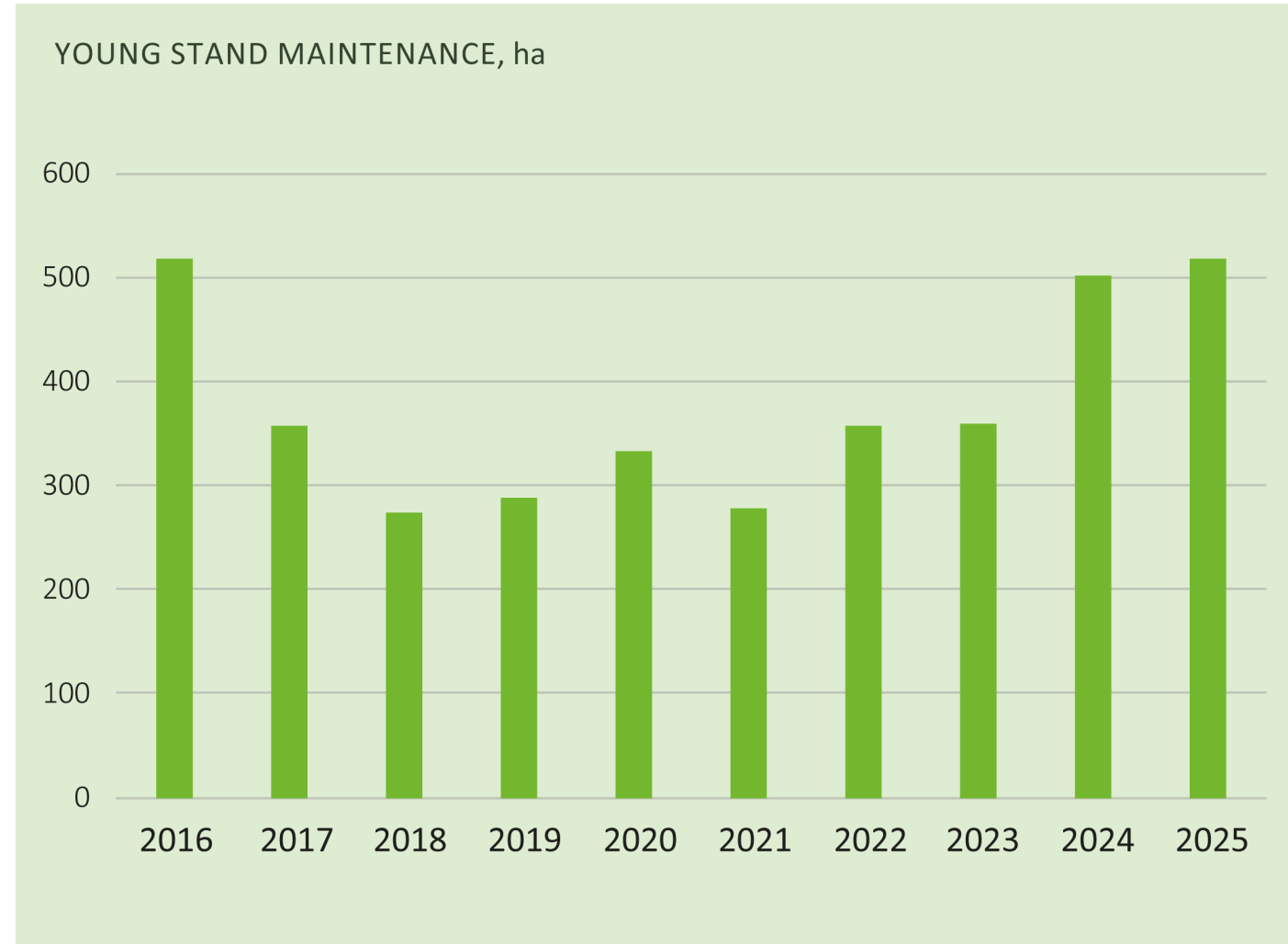
factors. As a result, the new forest grows faster, captures more CO₂, and generates a larger assortment of high-quality roundwood, which can be used to produce long-lasting wood materials that continue to serve as carbon storage throughout their life cycle.

Conservation of biodiversity and ecosystems in managed forests



Ecological trees

In Latvia, national legislation stipulates that during tree felling, ecological trees must be left in the felling area. These are vigorous trees from the previous generation, or if such trees are not present, vigorous trees with a diameter greater than the average diameter of the dominant tree species in the stand. Priority is given to oaks, lindens, pines, ashes, elms, maples, black alders, aspens and birches, as well as trees with fire scars. In regeneration fellings, at least eight ecological trees per hectare must be left based on diameter, while in other felling areas, at least five ecological trees per hectare must be retained.



Forest regeneration

In artificial regeneration, primarily birch, spruce, pine, and black alder frame seedlings or bare-root seedlings with an improved root system are used. Naturally regenerated stands are mainly formed by grey alder, black alder and aspen.

During the next season, the regenerated areas are surveyed, and supplementation is planned where necessary. Supplementation is also carried out in stands where there is an insufficient number of trees after natural regeneration.

Quality and productive forest planting require timely forest stand management – both agro-technical and young stand care.

Young stand maintenance

As a result of tending young forest stands, a desired forest composition is achieved. This process begins when the young trees reach a height of 2-4 meters and start competing with each other. Timely maintenance of young stands significantly increases the annual growth of the main stand. This method is primarily used in naturally regenerated forests, for example, in birch stands where 1,600 trees per hectare are planted, young stand maintenance is not necessary.

In areas with the highest risk of animal damage, we implement young stand protection measures using various repellents made from natural materials (Trico and Cervacol).

Nature conservation areas

The forests owned by the company contain various protected areas and natural values, which are identified and preserved, as the conservation and development of biodiversity is one of LFM's objectives in sustainable forest management. In these areas, economic activities are carried out in accordance with regulations and nature protection plans.

In LFM forests, regulatory restrictions on economic activities have been established over an area of **731 hectares**, which accounts for **5.2 %** of the total forest land area.

In LFM forest areas, **11 micro-reserves** have been established for the protection of specially protected species and habitats: one micro-reserve for a protected plant species, 4 for protected animal species, and 6 for habitat protection. The micro-reserves created for the protection of the white-backed woodpecker, the lesser eagle, and the habitat (swamp forests) are located in specially protected nature areas (SPNA). In total,

the **micro-reserves cover 47 ha** (35 ha in 2024), with **buffer zones around the micro-reserves covering 100 ha** (67 ha in 2024).

LFM does not carry out forest management in European significance habitats and species habitats. The **total area of EU habitats in forest areas is 171 ha** (150 ha in 2024).

Voluntarily logging is not conducted in habitats of European significance and since 2022, a new land category layer called "voluntary nature protection" has been established in the forests owned by the company. In 2025, a total of **173.15 ha** (142.67 ha in 2024) were allocated for voluntary nature conservation efforts.

LFM properties are located within several specially protected nature areas (SPNA). In Latvia, SPNA are geographically designated areas under special state protection to preserve and safeguard biodiversity. Overall, LFM properties intersect with the North Vidzeme Biosphere Reserve, two national parks, seven nature reserves, four nature parks, and three protected landscape areas. All national parks, nature reserves, nature parks, and landscape protection areas are part of the NATURA 2000 network. A total of **1060** (941 ha in 2024) hectares or **7,6 %** of the total forest area owned by LFM, is located within SPNA.

Species	Area, ha	Year of establishment
Micro-reserves	35.21	
Wild (forest) garlic	5.27	2022
White-backed woodpecker (Rāzna National park)	13.22	2015
Little eagle (Kujas nature park)	4.58	2008
Little eagle	0.44	2021
Aspen tree forest habitat	2.81	2006
Broadleaf forest habitat	7.21	2007
Bog forests (Rāzna National park)	1.41	2014
Calcific bogs with rusty blackthorn	10.34	2005
Sea eagle	0.93	2011
Other deciduous forest habitat	0.32	2004
Spring forest habitat	0.47	2004
Buffer zones around micro-reserves	99.61	

Little eagle	43.07
Sea eagle	20.58
Black stark	23.79
Together	146.61

Non-wood values

LFM forests are publicly accessible to society, providing unrestricted access to ecosystem services and non-wood material resources such as wild berries, fruit, nuts, mushrooms and medicinal plants. Non-wood material resources are not commercially harvested.

Invasive alien species

One of the forest protection measures is the control of Sosnovsky's hogweed in both forest and non-forest areas. According to the State Plant Protection Service (VAAD), there are nine hogweed-infested areas in Latvijas Finieris Mežs (LFM) properties, with a total area of 20 ha and an average density of 57%.

Additionally, LFM, while conducting invasive species monitoring, has identified ten unregistered areas with a total area of 64 ha. In 2025, chemical treatment of hogweed was carried out on an area of 92 ha. In 2026, both chemical treatment and mechanical control of hogweed are planned.

Hunting agreements for controlling animal species populations

Given the large number of forest animals (elk, roe deer, red deer, wild boar) in Latvia, we have concluded hunting lease agreements with **293** hunting clubs over an area of **14 327 ha** in our properties. The areas covered by these agreements account for **91 % of all properties**. Hunting not only helps preserve the traditional occupation of local residents, but also reduces animal damage in agriculture and forestry.

For, example, in certain areas, especially in the south of Latvia, the population of red deer is particularly high, causing significant damage to young forests. Traditional protection measures are no longer effective.

Voluntarily nature protection

	2023	2024	2025
Voluntary nature protection area, ha	54	143	173

E5 Circular economy

E5.IRO-1 Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities

Throughout the entire value chain—both upstream (material extraction and supply) and in our own operations (manufacturing), as well as in certain parts of the downstream value chain related to produced volumes and deliveries to customers—precise data is available, which we use to assess impact, including calculating GHG emissions.

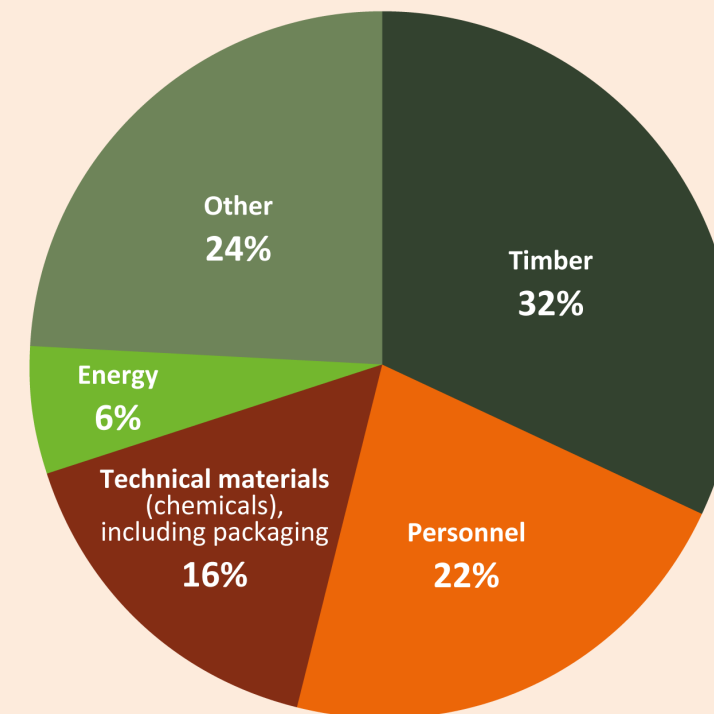
The end-of-life phase is the life cycle stage where assumptions are still required. Since our plywood products are exported to various countries worldwide and used in more than 30 industries, determining the impact, risks, and opportunities at the end of their life cycle currently relies on assumptions (see EPD).

Moreover, this disclosure pertains specifically to birch plywood products, which undeniably represent the largest product group, though they are not the only products of the Latvijas Finieris Group. Here, we see future opportunities to work towards making our products even more sustainable and long-lasting, and seek solutions for managing products at the end of their lifecycle to enable material reuse.

Opportunities

- Expanding the use of side stream products. The goal is to increase the proportion of long-lasting products, thereby retaining the carbon stored in wood in circulation for longer, as well as reduce the consumption of high quality wood for heat energy production.
- Review and improve waste management, thereby reducing the amount of waste reaching landfills, reusing as much as possible, including returning it to the supplier for reuse if possible and viable.
- Find solutions for the reuse of plywood after the end of its life cycle.

KEY RESOURCES IN THE PERIOD, LATVIJAS FINIERIS GROUP (IN EUR):



E5-1 Policies related to resource use and circular economy

Life cycle thinking is an approach that considers the product's whole life cycle from material extraction to its processing, transportation, use, reuse and end of life.

We have adapted life cycle thinking to create an environmental product declaration for our plywood products. We aim to know our product's impact today and analyse the points of highest impact to reduce them in the future.

We have developed a third-party verified Environmental Product Declaration (EPD) for [Raw birch plywood](#) and [Overlaid birch plywood](#).

Circular economy and bio-economy. The core raw material of the Latvijas Finieris Group is wood, a renewable and carbon-storing resource that is an alternative to non-renewable materials, including fossil-based ones. Our operations focus on utilising wood resources ever more efficiently by producing products with the highest possible added value and the most extended life cycle, and developing new innovative wood products. This approach minimises waste and promotes the growth of the circular economy and bio-economy.

In the **product development process**, we follow a number of key principles in the rational assessment of technical feasibility and economic rationale:

- choosing solutions that extend the life cycle of products and make better and more efficient use of production materials (such as wood resources);

- promoting an increase in the use of further recycled materials in both the product and its packaging;
- making sure that the products we produce are recyclable or recycled into other materials;
- expanding the applications of our products, thus promoting the use of wood as a renewable resource in various industries;
- favoring local solutions in the choice of resources we use, shortening supply chains;
- developing and providing our customers with service, which positively impacts the added value of Latvijas Finieris products and the customers'.

Circular Economy and Waste Management. We support the EU circular economy principles in our production facilities by ensuring the use of wood processing by-products within the company or passing them on for further processing by other businesses. We reduce waste generation by directing the majority of production residues for processing and use in different industries. We develop durable and long-lasting plywood products, reducing the need for replacements and promoting responsible consumption. Additionally, we seek sustainable solutions for managing products at the end of their lifecycle to enable material reuse.

Sustainability policy available [here](#).

Environmental policy available [here](#).

Resource inflows

Resources used

Wood. We only use birch veneer logs from sustainable forestry in the Baltic Sea region of the EU, the basic principles of which are described in the Group's Timber Purchasing Policy. All timber procured is supplied according to internationally recognised controlled wood criteria, and procurement processes meet the European Union Timber Regulation requirements. It is essential for us to maintain a high level of traceability to ensure that the wood used in Riga Wood plywood products comes from responsibly managed forests, minimising the environmental impact of this part of the supply chain.

Resin glue. We have produced much synthetic resin glue in our chemical products factory for decades. Traditionally, resins used in birch plywood gluing worldwide use fossil phenol and formaldehyde as basic elements, the latter of which is increasingly restricted in Europe. In 2018, after long-lasting joint

research in close cooperation with the wood chemical and mechanical processing companies, we developed a new resin with a unique formula, [Riga ECOlogical](#), which uses **bio-based lignin*** as a partial substitute for phenol and formaldehyde. Industrial test results show that when using Riga ECOlogical resin, the technical properties of the plywood remain unchanged. At the same time, the carbon footprint is significantly reduced from production to the end consumer, offering our customers significant sustainability benefits. We continue to develop products and build expertise.

To develop the production of new synthetic resins based on the natural wood component lignin and thus reduce the share of fossil raw materials in the production of phenolic formaldehyde resins, which are currently widely used in the production of furniture, flooring, thermal insulation, sandpaper, and many other everyday products, Latvijas Finieris Group started the construction of a new mill in Riga.

The new resin mill will have an annual production capacity of 45,000 tonnes.

What is lignin? Every vascular plant, including trees of all species, contains 20–30% lignin, a natural biopolymer that, together with cellulose, forms the sheaths of wood cells and ensures the tight bonds between them. Because of this strong structure, the trees can grow in length, while the wood acquires its excellent mechanical characteristics. Industrial lignin is usually produced as a powdered side stream in pulp mills. Still, until the early 2000s, it was mainly used as a fuel for energy production, as lignin has a similar calorific value to carbon.

Water use. In plywood production, the most important water-consuming processes are the hydrothermal treatment of logs, the production of synthetic resins, and the cooling and maintenance of equipment. We get water from reservoirs near the mills, artesian boreholes, or public water supply systems for these purposes. Over the years, we

have developed technical solutions to reuse most of the water, which significantly reduces first-time consumption. Water consumption in 2025 was 473470 m³.

Packaging. To make waste management easier for customers, we are gradually reducing the variety of materials used in the packaging of finished birch plywood products in all our factories. We aim to switch to the use of recycled plastic or bio-plastic film, which is a uniform, recyclable packaging material and, thanks to the automation and efficiency of the process, reduces manual labour and energy consumption per cubic meter of plywood. Kohila Vineer in Estonia was the first of the mills to switch to such packaging, and the mills in Riga – Furniers and Lignumus have also started the project. We plan to move to plain packaging across all our factories in the next few years.

Resource outflows

Key products and materials that come out of production process

Performance-oriented **birch plywood solutions**. Birch plywood comprises approximately 90% wood, with the remaining comprising adhesive and optional coating. We collaborate with scientists to make the remaining 10% of material more environmentally friendly. This would also expand opportunities for reuse and disposal at the end of the product life cycle.

For example, Riga ECOlogical is a new Lignin-based, environmentally friendly green glue used to produce Riga Wood birch plywood.

Side stream (by-products). We are confident there is and can be no residue in the birch plywood production process. Each piece of wood is a valuable side stream, and we responsibly recycle locally at the Group's facilities and our partners' factories. Often, their products add particularly high value to the wood resources we produce, thus making an essential contribution to the bio-economy and climate change mitigation by substituting other products with more environmental impact. Latvijas Finieris' factories receive more than 900,000 m³ of birch logs annually. The technological process converts approximately 2/5 of this volume into plywood. The rest comprises of various side streams, which are natural CO₂-storing raw materials with a wide range of applications.

Considering the broad and specific application directions of wood side streams, special attention is paid to their proper preparation at Latvijas Finieris factories, ensuring that quality requirements are met for each type of side stream for the production of further products.

Birch bark for the production of biologically active substances. One of the products' side stream is birch bark. A portion of the birch bark is then sent to the [Betulin Lab](#), which is further processed and refined for subsequent use and processing. The two main directions of Betulin Lab's activities are the production of birch bark extract substances, also known as biologically active compounds – triterpenes, based on betulin, betulinic acid, and lupeol. Additionally, research is being conducted to explore new application potentials, and birch bark is prepared for export to pharmaceutical companies in the European Union.

The development of the innovative oleogel is being carried out together with the Latvian State Institute of Wood Chemistry and the cosmetics manufacturer Labrains. The product is made using birch wood extract containing biologically active triterpene compounds. [Oleogel](#) research forms part of Latvijas Finieris' long-term strategy to develop innovative products based on local natural resources and to promote the creation of new, high added-value products.

Reparability of products

We provide support on use of our products to extend the use and prolong the life in its intended use, our clients are welcome to contact Latvijas Finieris Group or their sales partners ([Riga Wood](#)) directly for recommendations on best practices for storage, use, processing, health and safety precautions, product reparability, reuse, use in other applications and proper disposal in your region.

One of the main pillars of the [Iekārta rūpnīca](#) operations is the provision of a wide range of technical service support to the Group's units in varying volumes, ensuring the sustainability of fixed assets, streamlining production processes, and performing maintenance and repairs.

Use of side streams by Latvijas Finieris Group, %

	2022	2023	2024	2025
For boiler houses in the Baltic Sea region	21 %	25 %	21 %	23 %
For the manufacture of wood chips and fibreboard	17 %	17 %	18 %	8 %
For the manufacture of packaging materials	7 %	4 %	3 %	3 %
For pulp and paper production	9 %	5 %	7 %	10 %
For the production of granules and briquettes	23 %	26 %	27 %	37 %
WPC and other applications	0 %	1 %	1 %	1 %
Energy for self consumption	23 %	22 %	23 %	19 %

Our primary objective is to use raw materials efficiently and to minimize the amount of waste generated by our production processes that cannot be used in our own production processes or be beneficially used in the circular economy and that has to be redirected to our partners for further disposal. Waste that does arise is carefully sorted at the Group's factories, wherever possible for reuse or recycling to obtain valuable raw materials. The exchange of positive experiences between factories and the knowledge of employees is essential here, and this is something we regularly supplement by integrating environmental issues into various training processes.

Waste is generated mainly from plywood production process and various maintenance operations for wood processing manufacturing.

Waste is sorted on each side according to EU requirements, waste amounts and destination are obtained from licenced waste processing service providers.

Waste generated at the facilities of the Latvijas Finieris Group and transferred to waste managers, 2025

Type of waste, t per year	2025
Total Waste generated	3657
Non-hazardous waste diverted from disposal due to recycling	497
Non-hazardous waste diverted from disposal due to other recovery operations	2205
Hazardous waste directed to disposal	195
Non-hazardous waste directed to disposal by landfilling	759
Non-recycled waste	954
Percentage of non-recycled waste	26 %
Total amount of hazardous waste	195

SOCIAL



S1 Own workforce

S1.SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model

Types of employees as a subject to material impacts

The total number of employees in the Latvijas Finieris group is **2,533**. For more employee details, see S1-6, "Characteristics of the undertaking's employees".

The ESRS2 disclosure includes all employees within the Latvijas Finieris Group whose undertaking can materially impact.

The Group's workforce consists of employees of the parent company and its subsidiaries (97% permanent employees, 3% temporary employees) and a very small portion of employees provided by labour supply service providers.

Employees of labour service providers in 2025 (annual average):

Group - 96 (Latvia - 90, Estonia - 4, Finland - 2)

This section does not address the impacts, risks, and opportunities for employees in the value chain.

Positive impacts

We are convinced that the development of our company is based on the [wellbeing of our employees](#) and a sense of meaningful, high-quality work. It therefore seems self evident to us that, in

every field of activity, in every country represented, processes must be designed in such a way so as to prevent the possibility of human rights violations or abuses of the Group's employees.

Employee engagement. To assess employees' experience at Latvijas Finieris, we use the internationally comparable TRI*M index, which is one of the key performance indicators in the Group's strategy. Once a year, in collaboration with external partners, we measure this through an employee engagement survey.

Employee development. Our vision is to be world leaders in modern and tailor made solutions based on birch plywood products, which means constantly staying one step ahead of others in product development, the latest technologies and customer service excellence, as well as knowledge. This is why every employee must continue to develop themselves throughout their lives, and we widely support this initiative in our Group companies. For example, tuition fees can be covered for employees who are studying at a higher education institution alongside their job. We are also continuously investing in internal learning processes, with the aim of increasingly using the company's e-learning environment as a tool for professional development, which is regularly updated with new training courses, giving the opportunity to upgrade

qualifications or improve digital skills. We are developing the knowledge management and sharing culture necessary for a superior performance at Latvijas Finieris, thus strengthening the everyday manifestations of our value development in action.

Leadership. Most of the current managers of Latvijas Finieris started their careers in lower-level positions. This is a good example of the Group's systematic talent management over the years, which provides opportunities for the development of existing employees. Given the key role of managers in the business processes, team performance and commitment of every employee, each step on the career ladder brings new responsibilities and the need to acquire additional competencies. This is why we regularly develop and refine a range of training programmes that enhance the leadership skills of existing and potential managers. For example, the e-learning platform "Be a Leader!" offers webinars and practical sessions to improve both effective communication and team-building skills. Our aim is to increase the proportion of managers who actively participate in such training every year. We use the Leadership Index, which we measure once a year in an employee survey, as a measure of the leadership capacity of

managers. **Leadership index 2025 - 3,7** (2024-3,6), KPI for 2027 is 3.8.

Fair pay and additional benefits. Our purpose is to provide every employee of Latvijas Finieris with an assessment and remuneration appropriate to the labour market and performance as an essential part of a fair relationship. We base the Group's remuneration system, which consists of pay for work and various fringe benefits, on four simple principles:

- fairness – equal pay for work of equal value;
- competitiveness – when determining the level of remuneration, the tendencies of the labour market of the relevant country are taken into account in accordance with the financial capabilities of the company;
- compliance with performance – there is a link between an employee's or team's performance and remuneration;
- transparency – the procedures and criteria for awarding remuneration and its elements are laid down in the internal regulatory documents of the company concerned, in accordance with the relevant legislation governing employment relations.

Social dialogue, collective agreement. Latvijas Finieris does not restrict the right and will of employees to form and/or join trade unions in any way and has always been open to [social dialogue](#) and close cooperation with trade unions in the countries represented by the Group. The collective agreement provides additional holidays.

Continuous development of [safety culture](#). Our occupational health and safety system is centralised, efficient and comprehensive, involving all Group employees in their respective roles and responsibilities, as well as external service providers and cooperation partners. Involvement, mutual cooperation and exchange of information between stakeholders play an important role in all occupational health and safety procedures. Managers at all levels are aware of their role as ambassadors of internal culture and demonstrate their responsible attitude towards safety issues by example. We understand that a safety culture is our shared responsibility. In 2024, we continued to develop a culture where employees are not afraid to report risks, dangerous situations and near misses. This approach provides an opportunity to learn and clean up the working environment before an accident or injury occurs.

Work-life balance. Nowadays, an increasingly important aspect of employee wellbeing is the balance between work and private life. Latvijas Finieris, as an employer, offers and provides employees with vacations for various family circumstances, time for studies, flexible working hours, availability of childcare options and more.

Promoting employee health. Caring for mental wellbeing is also a mutual responsibility, where the outcome depends crucially on individual will and commitment. In recognition of this, we regularly organise information and training campaigns for employees in various health promotion areas, encourage them to take part in sports activities or organise campaigns ourselves; for example, for several years now, in the spring we have initiated sports activity challenges through a mobile app, in which any Group employee can participate, regardless of the country and city in which they live and work. According to collective agreement we grant two additional paid holidays per year to employees who do not smoke.

Material negative impacts

When assessing impacts related to the company's own workforce, no material negative impacts was identified. However, it should be noted that a potential moderate negative impact could arise in areas related to occupational safety and health, as well as the long-term effects of work schedules on employees' health (blue collar workers). Even when assessing these impacts as moderately material, the undertaking is confident that in the manufacturing sector, occupational safety and minimising or completely eliminating work-related risks are of utmost importance. Therefore, in the current strategic period, Safety has been designated as one of the key priorities, and efforts are being made across the Group to foster a strong occupational safety culture.

Child labour

There is no risk of child labour incidents in Latvijas Finieris Group companies.

What we do within the framework of the law - every summer, the parent company of Latvijas Finieris organises an opportunity for the children of its employees to gain their first work experience and reward. We have been implementing this programme for more than 10 years, complying with the requirements of the Labour Law of the Republic of Latvia regarding the employment of children and adolescents and ensuring safe and healthy working conditions. These principles are also applied in the organisation of trainees' work, in accordance with trainee-ship agreements and internship programmes.

Interaction with strategy and business model

The employees are undoubtedly the most important resource for carrying out business activities and achieving strategic goals. Employee experience is one of the cornerstones of our strategy and one of our sustainability priorities.

The corporate culture of Latvijas Finieris has been built over decades and is characterised by the company values defined by the employees themselves: safety, respect, leadership, and development. By promoting employee engagement and developing personnel management practices (leadership), together we create a work environment where employees take initiative, actively participate in improving the work

environment and efficiency, and freely express their opinions, including concerns and appreciation.

By purposefully fostering a value-based internal culture, we reduce or eliminate risks in the long term, such as reputation risks, employee succession and employee turnover risks. This makes us more resilient to labour market fluctuations and better positioned to attract new specialists in an environment where workforce availability is steadily declining.

Furthermore, continuously developing our internal culture and actively engaging employees enhances our ability to achieve the Group's strategic goals, including sustainability targets, strengthen and improve the work environment, ensure social and legal protection, and represent employee rights— including maintaining social dialogue. Additionally, these efforts contribute to enhancing and developing Latvijas Finieris reputation as an employer.

S1-1 Policies related to own workforce

We build and foster long-term relationships with our employees, striving to deliver an excellent employee experience and promote loyalty and engagement. Latvijas Finieris [Personnel Policy](#) aims to determine the basic principles of sustainable personnel management in the Group's companies based on the company's internal normative documentation, international and national legal norms, including the UN Guiding Principles on Business and Human Rights, and dialogue and constructive cooperation with organisations representing employees. We support diversity and do not tolerate discrimination based on ethnicity, age, gender, disability, sexual orientation, religious beliefs, political opinion, family status, social origin, or other similar characteristics.

[The Code of Conduct](#) is explained in more detail in G1-1.

We promote a safety culture, and the Group has a comprehensive occupational health and safety system in place where every employee and

manager, as well as every member of the supply chain and cooperation partner, is expected to play their part. In accordance with the Group's [Occupational Health and Safety Policy](#), the occupational health and safety system is based on each employee and cooperation partner behaving honestly and responsibly regarding their own safety and health, and the safety and health of those around them. Both policies were reviewed in 2025.

Establishing a safety culture is one of our strategic and sustainability priorities.

Policies are aligned with the United Nations Guiding Principles on Business and Human Rights and the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work. We develop Policy and Human Resource management principles based on the principles defined in these instruments. In Europe and Latvia, national laws addressing employee and work environment issues

are already based on the relevant international instruments, meaning that they largely concern compliance with legal requirements.

Latvijas Finieris, as an employer, maintains the working environment and develops processes to prevent any infringement or violation of employees' human rights.

Through continuous investment in the improvement of the working environment, as well as fair and respectful relations with all employees of Latvijas Finieris and their representatives, we ensure:

- respect for human rights;
- equality and inclusiveness;
- safe and healthy working environment;
- income stability;
- continuous knowledge development;
- mental and physical wellbeing.

Supplier codes of conduct include provisions addressing safety of workers

Yes

Supplier codes of conduct include provisions addressing precarious work

Yes

Supplier codes of conduct include provisions addressing use of forced labour or child labour

Yes

Supplier codes of conduct provisions are fully in line with applicable ILO standards

Yes

S1-2 **Processes for engaging with own workers and workers' representatives about impacts**

Latvijas Finieris Group has implemented several ways to gather employees' opinions and assessments regarding the company, working conditions, what is or isn't essential to them, necessary improvements and similar aspects.

Employee engagement survey. To assess employees' experience at Latvijas Finieris, we use the internationally comparable TRI*M index*, a key performance indicator in the Group's strategy. Once a year, in collaboration with external partners, we measure this through an employee engagement survey. Survey results are analysed at the group level and within each department to understand overall satisfaction and delve into specific details.

Work Efficiency Programme. Based on the LEAN philosophy, KAIZEN—a continuous improvement tool we have systematised—is an integral part of the Latvijas Finieris [Work Efficiency Programme](#). This tool enables employees to increase the efficiency of their work processes and improve the physical working environment and safety. It also stimulates the development of improvement proposals through public recognition and cash prizes.

Engagement occurs with both employees and their representatives. We value our employees' views and their direct involvement in the development and well-being of the working environment.

Other indicators of employee engagement effectiveness is the achievement of strategic goals as well as the KAIZEN submissions within the programme. An integral part of the Latvijas Finieris Work Efficiency Programme based on the LEAN philosophy is KAIZEN – a continuous improvement tool that we have systematised, enabling employees not only to increase the efficiency of their work processes but also to improve the physical working environment and safety.

KAIZEN projects implemented

	2023	2024	2025
Projects	1498	1470	1290
Employee involved	491	453	492

Main types of engagement and frequency

Daily/ regular

Direct involvement - meetings, decision making, work groups etc.

Work Efficiency Programme

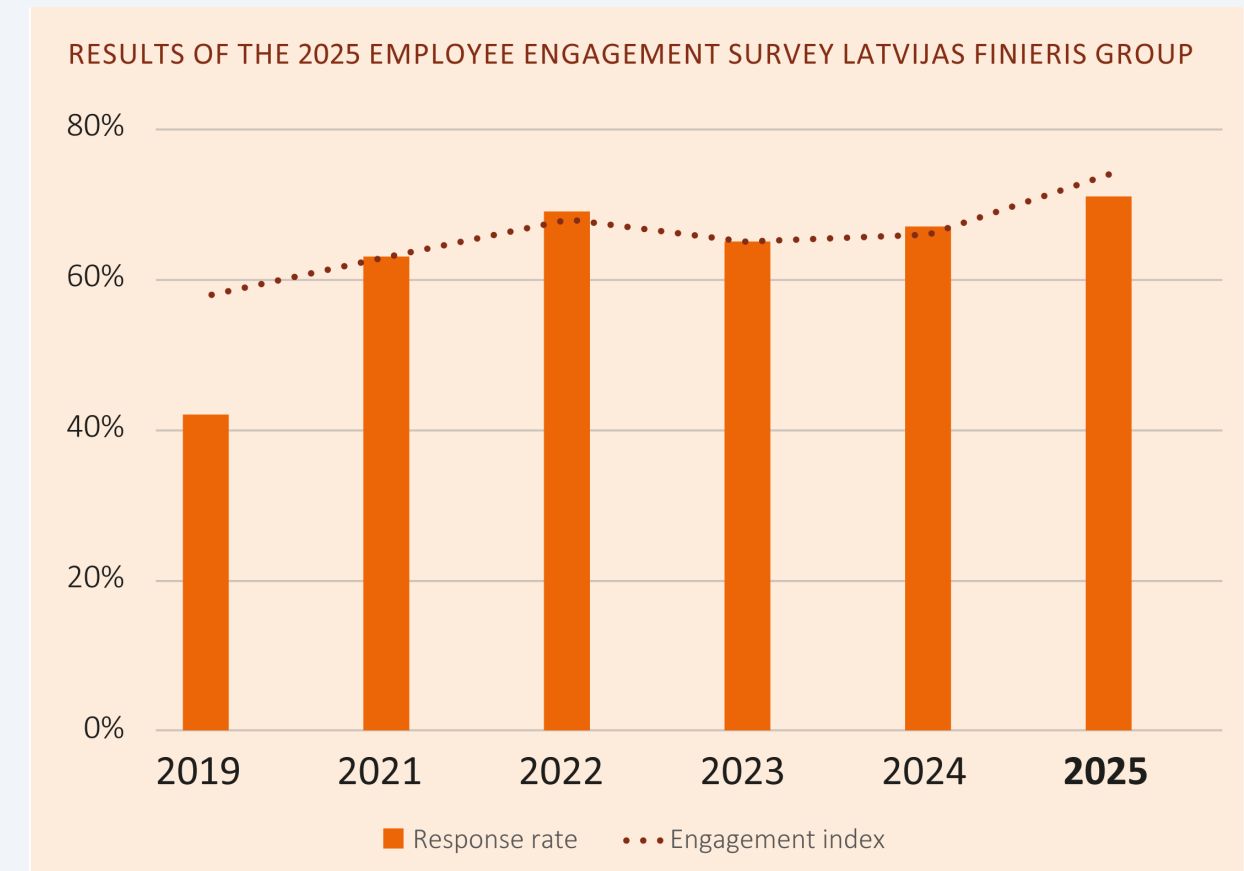
Trust representatives

Once a year

Employee Engagement Survey

Employee development discussions with supervisor

Recognition events (annual employee awards)



S1-3 Processes to remediate negative impacts and channels for own workers to raise concerns

The overall and primary approach is to create a work environment and conditions where human rights violations cannot and do not occur. It seems self-evident to us that, in every field of activity, in every country represented, processes must be designed to prevent the possibility of human rights violations or abuses of the Group's employees and the employees of the members of the supply chains.

Channels for own workforce to raise concerns or needs

Employees have access to various channels and mechanisms to report concerns, provide information, or submit suggestions for improving the work environment and beyond that as well.

Employee Engagement Survey

Once a year, in collaboration with external partners, we conduct an employee engagement survey. Employee responses are evaluated in five categories - overall satisfaction, recommendation, rejoining, motivation of colleagues and performance/market strength. Employees also have the opportunity to freely express their concerns, submit suggestions and/or highlight positive aspects. Based on the results, several initiatives have been implemented, for example, improved work spaces.

Work Efficiency Programme

We value the views of our employees and their direct involvement in the development and well-being of the working environment. [Work Efficiency Programme](#) – a continuous improvement tool that we have systematised, enabling employees not only to increase the efficiency of their work processes but also to improve the physical working environment and safety, in addition to stimulating the development of improvement proposals through public recognition and cash prizes.

Trusted representatives

According to the collective agreement, each production unit has at least one trusted representative with an additional representative for every 100 employees. Trusted representatives are elected. The primary focus of trusted representatives is occupational safety matters.

HR partners

HR management partners are also assigned to specific structural units, meaning that each unit has its "own" HR partner to primarily address employment-related matters, including labour law issues.

Direct supervisor

The first point of contact for each employee is their direct supervisor. As mentioned before, we are

creating an internal culture in which employees feel free to express themselves and share their opinions without fear. On the other hand, in order for leaders to appropriately assess situations and act correctly, we are specifically developing leadership competencies for managers by creating tailored training programs. Additionally, as part of the annual engagement survey we also measure the Leadership Index. Annual performance evaluations and future development discussions also take place with the direct supervisor, during which the employee is given the opportunity to express concerns or areas for improvement within the company.

Whistleblowing procedure

If an employee still does not feel safe enough, Latvijas Finieris has established an internal [whistleblowing](#) system that provides a secure means for reporting potential wrongdoing and ensures whistleblowers receive the protection mandated by law.

Whistleblowing involves truthfully disclosing information about a potential breach that could harm the public interest or violate Latvijas Finieris internal regulations, if the information about the breach was obtained in connection with the performance of work duties or the establishment of legal relationships related to the performance of

work duties, and there is reasonable ground to believe that this information is true.

The availability of channels is largely determined by the presence of social dialogue, as well as the requirements of certain external legal acts, such as the Whistleblowing law, and the Group's overall understanding of the importance of employee well-being.

Protection of individuals that use channels to raise concerns

Whistleblowing involves truthfully disclosing information about a potential breach that could harm the public interest or violate Latvijas Finieris internal regulations, if the information about the breach was obtained in connection with the performance of work duties or the establishment of legal relationships related to the performance of work duties, and there is reasonable ground to believe that this information is true.

In accordance with the rules of the Latvijas Finieris internal whistleblowing system, the whistleblower's identity is protected and is known only to the Latvijas Finieris whistleblowing contact person.

Personal data included in whistleblowing reports is protected in accordance with legal requirements.

S1-5 **Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities**

Sustainability priority	Target 2030	KPI 2030	KPI values 2025
Employee Engagement	Increase in Employee Engagement	+1 index point per year Maintain the result in units with an index above 70	74 (65 in 2023 accomplished)
	Reduce Volunteer Staff Turnover	Total score < 6,5% Leaders/ specialists < 2% Operators/ workers < 8%	6,7 % 3,2 % 7,7 %
Occupational Safety Culture	Reduce the Number of Accidents	LTIFR rate 5	14,09
	Continuous improvement of safety culture	Number of recorded near misses per million hours worked - no less than 100 messages	191
	Establish a system and ensure that information is received about accidents involving employees of outsourced service providers	Number of accidents involving service provider employees; period fact	2*

*The requirement to report accidents is included in the Internal Rules, which are an annex to the contract for any service provider.

S1-6 **Characteristics of the undertaking's employees**

The data on employees is compiled based on the headcount principle as of the end of the reporting period – 31.12.2025. The overall employee characteristics include all full-time employees, while those employed under fixed-term contracts are excluded from this data (2%).

Characteristics of Latvijas Finieris Group's employees - number of employees by gender

Gender	Number of employees (head count)
Male	1 786
Female	747
Other	0
Not reported	0
Total Employees	2 533

Number of employee who have left voluntarily

167

Percentage of voluntary employee turnover

7 %

Total number of employee who have left Group's companies: 320 (311 in 2024)

Percentage of total employee turnover: 13 % (12% in 2024)

Characteristics of undertaking's employees - number of employees in countries

Country	Number of employees (head count)
Latvia	2 099
Lithuania	56
Estonia	229
Finland	39

Characteristics of undertaking's employees - information on employees by contract type

Contract type	Group	Latvia	Lithuania	Estonia	Finland
Permanent employees	2478	2165	56	218	39
Temporary employees	47	44	0	3	0
Non-guaranteed hours employees	8	0	0	8	0

S1-9 **Diversity metrics**

Number and percentage of employees by age

	Group	Latvia	Lithuania	Estonia	Finland
Number of employees under 30 years old	294	254	2	37	1
Percentage of employees under 30 years old, %	12 %	11 %	4 %	16 %	3 %
Number of employees between 30 and 50 years old	1200	1020	35	127	18
Percentage of employees between 30 and 50 years old, %	47 %	46 %	63 %	55 %	46 %
Number of employees over 50 years old	1039	935	19	65	20
Percentage of employees over 50 years old, %	41 %	42 %	34 %	28 %	51 %

Number and percentage of employees by gender

	Group	Latvia	Lithuania	Estonia	Finland
Male	1786	1559	49	143	35
Male, %	71 %	71 %	88 %	62 %	90 %
Female	747	650	7	86	4
Female, %	29 %	29 %	2 %	37 %	10 %

Number of employees (head count) at top management level

Gender	Number
Female	1
Male	10
Other gender	0
No data	0
Total	11

Percentage of employees at top management level

Gender	%
Female	9
Male	91
Other gender	0
No data	0

S1-10 **Adequate wages**

In Latvia, the minimum wage determined by the collective labour agreement is higher than the national minimum wage and applies to all workers. Trainees may be paid less than the Group's minimum wage, but not less than the national minimum wage. All employees are paid an adequate wage in line with applicable benchmarks.

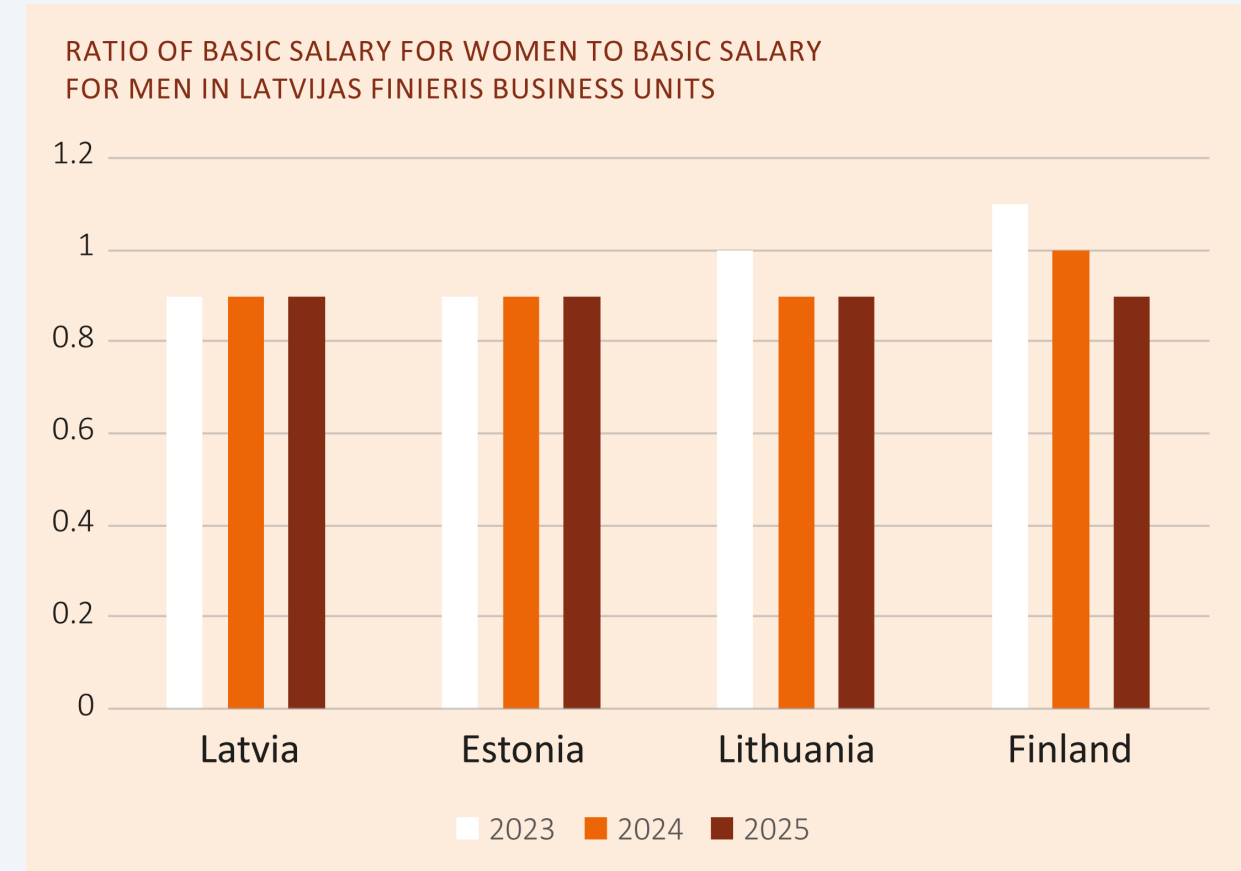
Minimum monthly wage (Latvia)	2022	2023	2024	2025
Set by AS Latvijas Finieris, EUR	750	800	860	920
In the Republic of Latvia, EUR	500	620	700	780

Adequate wages by country

Average wages of workers in Latvijas Finieris companies, gross, EUR

The average salary in the national economy, according to statistical data, gross, EUR

Country	2023	2024	2025	2025
Latvia	1709	1812	1908	1815
Estonia	2042	2098	2204	2092
Lithuania	2134	2289	2508	2420
Finland	3730	4035	4136	4185



Social protection

All Group employees are provided with equal social protection, as determined and regulated by the labour laws of the respective country. Additional social security and support are specified in collective agreements.

Absence due to sickness is compensated, calculated, and paid according to the established rules and regulations of the respective country. All employees in the company's workforce are covered.

Sick leave in 2025 (AS Latvijas Finieris): **1415 (A)** and **1170 (B)**.

Employee **idle time** is compensated following the provisions of labour laws.

Absence due to employment injury and acquired disability is compensated - calculated and paid in accordance with the established rules by the respective country's regulations. All employees in own workforce are covered.

Absence due to an employment injury - **33 sick notes** (data about AS Latvijas Finieris, parent company, 2025).

Collective bargaining coverage

In the case of Latvian units, the [collective agreement](#) has a history of several decades. It includes a comprehensive package of fringe benefits, most of which are also available to employees, not trade union members. The collective agreement is concluded for three years with the trade union organisation of Latvijas Finieris, which is a part of the [Latvian Forest Industry Trade Union](#) and represents **92%** of employees in the Group's Latvian units. Even after retirement, the Latvijas Finieris trade union provides seniors with a package of benefits and support throughout their lives.

	Group	Latvia	Lithuania	Estonia	Finland
Percentage of total employees covered by collective bargaining agreements	89%	100%	0%	0%	100%
Percentage of employees covered by workers' representatives	98%	100%	0%	100%	100%

Absence due to parental leave is compensated in accordance with the provisions of labour laws. All employees in own workforce are covered.

Absence due to family circumstances, including parental leave, **320** employees of AS "Latvijas Finieris" have taken time off (2025).

All employees in own workforce are covered by social protection, through public programmes or through benefits offered, against loss of income due to **retirement**.

After retirement, the Latvijas Finieris trade union provides seniors with a package of benefits and support throughout their lives.

In 2025, **17 employees** of the Group have retired.

S1-13 **Training and skills development metrics**

The goal of the training implemented by the company is to strengthen the culture of learning and knowledge sharing within the group, promoting employee development, engagement, and mutual collaboration, which in turn enhances the overall performance of the organisation. The total number of learning activities in 2025 (seminars, trainings, conferences, think tanks, and other) - **468** (389 in 2024).

Training hours per employee (data from AS Latvijas Finieris)

	2022	2023	2024	2025
Hours	11	10	12	12

Knowledge afternoons

At the beginning of the autumn season of 2023, we started a new tradition – the Latvijas Finieris Knowledge Afternoon. The aim is to promote individual learning by spending at least one and a half hours a month on targeted learning activities. Knowledge Afternoon is a voluntary time for independent learning, wherever possible. Also those that broaden horizons beyond the job description. Each employee has a free choice on how to use this time - to finally read some material, watch a conference or listen to a valuable recording. The afternoon can also be used as a time to share experiences with colleagues.

Lifelong learning

To be a leader in modern and tailor made solutions based on birch plywood products means constantly staying one step ahead of others in product development, the latest technologies and customer service excellence, as well as knowledge. This is why every employee must continue to develop themselves throughout their lives, and we widely support this initiative in our Group companies. For example, tuition fees can be covered for employees who are studying at a higher education institution alongside their job. We are also continuously investing in internal learning processes, with the aim of increasingly using the company’s e-learning environment as a tool for professional development, which is regularly updated with new training courses, giving the opportunity to upgrade qualifications or improve digital skills.

More information available [here](#).

Programme “Be a leader!”

Taking into account that the training courses offered in 2024 contained valuable and relevant content for many employees, additional groups were organized in 2025 and the courses that had already been launched were continued.

Two additional groups of employees completed the training course “Management. Leadership. LEAN,” which is aimed at developing management skills among production operators and technical support staff. Employees from various Latvijas Finieris factories were involved, promoting not only the acquisition of new knowledge but also mutual exchange of experience.

Meanwhile, one more group of managers and specialists participated in the practical workshops of the “Self-Management” module within the professional development program for managers and specialists, “Be a Leader.” As before, all ITD employees were also given the opportunity to watch concise training videos on the e-learning platform.

In addition to management skills development programs, a new training program, “Mentor Training,” was implemented in 2025 for production employees at the Furniers factory. The program is intended for production employees who also perform mentor duties, namely onboarding and training new employees. The aim of the program is to strengthen mentors’ knowledge of the TWI method, as well as to help them understand and learn the role and functions of a trainer, the basic principles of modern training, and to reinforce and improve presentation skills. In 2025, this program was completed by 2 groups of employees. The program consists of three parts:

1. “TWI Mentor Training,” delivered by the company’s internal trainers;
2. “Mentor Skills Development Training,” delivered by an external cooperation partner;
3. “Mentor Experience Exchange Event,” during which the mentor group visits one of the Latvijas Finieris factories”.

Number of employees who participated in training data from AS Latvijas Finieris)

	2023	2024	2025
Managers and professionals, including administration	57 %	43.37 %	45,48 %
Worker’s professions	43 %	56.63 %	54,52 %

S1-14 **Health and safety metrics**

One of the key cornerstones of a strong [safety culture](#) is the active involvement of employees, which is reflected in the number of safety reports. Latvijas Finieris continues to foster a working environment where employees can openly express concerns about risks, take responsibility, and actively participate in their mitigation. In 2024, the number of safety reports has significantly increased – from 132 to 211 reports per one million hours worked. We are pleased with this active engagement, as it allows for the identification and elimination of risks before they result in accidents, while also reinforcing trust in the company's values. 191 safety reports were submitted in year 2025, which shows that the system works as the level of the reports is at the same level as in year 2024.

Number of recorded near misses per million hours worked

2019	2020	2021	2022	2023	2024	2025
32	46	53	69	132	211	191

In 2025, the accident frequency rate stayed at the same level as in 2024 (see the table below).

Accident frequency rate*

2017	2018	2019	2020	2021	2022	2023	2024	2025
27.11	20.68	14.75	13.32	14.89	15.18	10.52	14.56	14.09

(Number of accidents * 1000000/ total hours worked, LTIFR rate)

The main goal of occupational safety culture is to shift employees' mindsets from merely complying with safety requirements to embracing a safety culture in which everyone involved—from managers to workers—recognises and practices their role and responsibility as a habit. This is done while working toward jointly defined goals and activities to create a safe and as harmless as possible working environment.

Latvijas Finieris has implemented and certified the [ISO 45001](#) Occupational Safety and Health Management System.

Percentage of people in its own workforce who are covered by health and safety management system based on legal requirements and (or) recognised standards or guidelines

100 %

Number of fatalities in own workforce as result of work-related injuries and work-related ill health

1

Number of fatalities as result of work-related injuries and work-related ill health of other workers working on undertaking's sites

1

Number of recordable work-related accidents for own workforce

60

S3 Affected communities

S3-nonESRS Corporate Social Responsibility

As a socially responsible company, Latvijas Finieris also interacts with society through sponsorships and donations. The aim is to provide substantive support to those in need and promote the mutual exchange of ideas and knowledge. Support directions and application possibilities are publicly available on the company's [website](#); all applications for public support measures are reviewed, and the Supervisory Board of Latvijas Finieris makes decisions. Our donation principles and the terms of our donation agreements exclude the possibility of hidden corruption.

Historically, we have implemented the highest intensity of support in Latvia regarding the number of activities and the financial amount. However, close interaction with society occurs wherever the Group's factories are. Many local support activities aim to donate our plywood products to public causes. When making investments in a new location, we go to great lengths to get to know the local government and understand the local community, its traditions, expectations and structure. With our work, we contribute to integrating the regional economy into the global value chain and create a vision of the development and future of a country that unifies society.

Support for Ukraine

In 2025, Latvijas Finieris continued to demonstrate its unity with the Ukrainian people in the fight for our common freedom in Europe – from the first day of the war, in cooperation with partners in Latvia, Lithuania, Estonia and Finland, we have provided continuous support of various kinds to the Ukrainian people, with the value of donations reaching EUR 12.5 million by the end of 2025.

We believe that together we can defeat evil and we will continue to help Ukraine until the war is over. Read "[Freedom is not Inherited - it's a Mission](#)".

Support for Latvian School Youth Dance and Song Festival 2025

In the summer of 2025, as part of the 13th Latvian School Youth Song and Dance Festival in Mežaparks, the Minister of Education and Science opened STEAM (science, technology, engineering, art and mathematics) science workshops to stimulate students' interest in various fields of science. In one of them, the team of AS "Latvijas Finieris" and Vidzeme University of Applied Sciences also invited them to get acquainted with engineering and technology in the jointly [organized activity "Robot Battles"](#).

Latvijas Finieris support to Ukraine 2022 – 2025

12.5 million €*

- FOR CIVILIANS AND WAR REFUGEES
- FOR THE ARMED FORCES
- FOR RESCUERS AND FIREFIGHTERS
- FOR UKRAINIAN AND LATVIAN MEDICS
- FOR THE PRESERVATION AND RESTORATION OF CULTURAL AND HISTORICAL HERITAGE
- FOR THE CIRCULATION OF INDEPENDENT AND HIGH-QUALITY INFORMATION
- FOR THE OPERATION OF NON-GOVERNMENTAL ORGANISATIONS THAT MAINTAIN DEMOCRACY AND UNITY

* Including the corporate income tax calculated in accordance with the law, which means that by supporting Ukraine, **WE ARE ALSO STRENGTHENING OUR COUNTRIES.**

KOPĀ MĒS UZVARĒSIM!

Forest Days

In cooperation with other companies and organisations in the forest and related industries, we invest significant informational work and financial support in educating the public about the principles of the circular economy and the sustainable use of bio-based products. In 2025 we contributed with our information to events organised by our forest partners: Forest ABC, and Latvian Forest Days in Tērvete. Visitors and participants have the opportunity to meet professionals from companies and organisations involved in the forest sector, education and national defence in one place, thus gaining theoretical and practical knowledge on various processes related to Latvian land management.

For many years, we have been organising our own Forest Days, inviting representatives from government, public authorities, non-governmental organisations, educational and scientific institutions, and forestry companies to meet and talk together.

At the 2025 Song and Dance Festival, an important part of the scenography of the event venues was “Riga Wood” birch plywood produced by AS “Latvijas Finieris”. This durable material was used to make stands, new conductor podiums, plywood ensured the durability of the stages, and even a mountain was built - an element of the scenography on which the participants danced. In order to adhere to the principle of recycling and reuse of materials, the festival organizers have donated plywood donated by AS “Latvijas Finiera” to 11 vocational schools, where it will be used for creative and practical work in the educational process. More information is available [here](#) and [here](#).

Cooperation with education and scientific institutions

[Innovation philosophy and development thinking](#) are an integral part of the business strategy of AS “Latvijas Finieris” – the company actively improves existing products and works on new solutions, invests in research and the creation of new cooperation. In 2025, AS “Latvijas Finieris” continued cooperation with scientific institutions, educational institutions and society, promoting innovation, bioeconomy and safety. The company has developed and updated in 2025 guidelines for cooperation with the education and science ecosystem at the European level. In the field of education, the emphasis is on those countries

where the concern has manufacturing companies, while in science the scope is much broader. Cooperation with the education ecosystem covers all levels of education with different approaches to building cooperation – both in the form of direct involvement and indirectly through industry associations and federations, gaining a wider scope.

To ensure the Group’s growth, one of the strategically important directions is increasingly close [cooperation with scientific institutions and educational establishments](#). Latvijas Finieris purposefully allocates resources to develop cooperation with members of the educational ecosystem. At the highest management level cooperation frameworks have been approved, priority areas and models of collaboration have been identified, and goals have been defined along with the planned funding.

The main partners in science and higher education in Latvia are the Latvian University of Biosciences and Technology, Riga Technical University, University of Latvia, Vidzeme University College, as well as the Institute of Forest and Wood Products Research and Development, the Latvian State Institute of Wood Chemistry and the Latvian State Institute of Forest Science “Silava”. This cooperation provides a wide coverage – from sustainable forestry and resource research to the development of new materials and technologies.

Untouched Nature Ecosystem Trail

Continuing to improve the nature exploration infrastructure, [a nature trail has been created](#) in the environmental territory of AS “Latvijas Finieris” in SarkanĶalns (Rēzekne region), which will provide residents and all young people with the opportunity to learn about the diversity of forest ecosystems and natural values. It was created as part of the project “[Untouched Nature Ecosystem Trail](#)”, implemented with the support of the European Agricultural Fund for Rural Development (EAFRD), to promote the creation of an attractive living environment, strengthen communities and develop an active, nature-friendly environment.

The creation of the trail will allow visitors to enjoy an educational experience by comparing managed and unmanaged forest habitats, as well as deepen their understanding of biodiversity and the need to preserve natural resources for future generations. The trail will be accessible to everyone – students will be able to learn in nature, families will enjoy walks, and nature enthusiasts will gain new knowledge and experience. This initiative demonstrates that community-led local development can make a real contribution to improving the quality of life, while contributing to the formation of a smart and active community.

Latvijas Finieris Green Class

Innovative, responsible, and values-based action starts at school.

On 4 September 2025, Latgale’s largest environmental education event, “[Green Class 2025](#)”, was held at SarkanĶalns in Rēzekne Municipality, gathering around 2,000 schoolchildren, their teachers, and experts from forestry and related fields. This year’s event welcomed students and teachers from 42 schools and 139 classes across Latgale. “The Green Class” also stood out for its record 42 educational stations, where schoolchildren, teachers and other visitors explored the forest sector and related professions through practical and engaging activities.

Throughout the day, professionals from the forestry sector and related fields provided both educational and hands-on activities. Participants gained insights into forest care and management, the value of nature, the use of wood resources in sustainable products, and careers in forestry and wood processing. At the same time, the event highlighted the importance of the forest sector for societal well-being, economic development, and the conservation of biodiversity.

S4 Consumers and end-users

S4.SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business mode

Our products are sold in more than 50 countries worldwide, and we provide customers with high-quality service and tailored technology solutions. A network of **12** wholly owned **Riga Wood** product development and sales offices covers Europe and key markets overseas. This enables our customers to contact our product development directly and professionally. In our case, the customer is often not the end user; it could be a manufacturer or supplier of another product in more than 30 different industries.

This report primarily assesses the impact within the core business framework - [birch plywood production](#).

Customers experience. Customer satisfaction is one of the foundations of long-term cooperation. In addition to day-to-day communication and work, we engage customers through a complaints/suggestions mechanism and regular surveys. The aim is to get feedback on their experiences. Latvijas Finieris highly values customer feedback—both regarding its image and products. We build long-term relationships with customers who seek high-value products with added value.

Product Quality and Safety. Latvijas Finieris Group has established strict measures to guarantee that

production processes are harmless for human health and the environment. Latvijas Finieris Group ensures consistent quality of its products and services, the competitiveness of its products and guarantees that the operations are environmentally friendly. Independent reports conclude that the products manufactured by Latvijas Finieris Group and services offered meet the requirements of legislation and international standards and that these have been made by independent certification institutions, state inspections as well as our cooperation partners.

Responsible marketing practices. Latvijas Finieris marketing activities are based on the Group's values, which means products or services are promoted in a way that is ethical, sustainable and mindful of social and environmental impacts. It emphasises transparency, honesty and respect for consumer rights, ensuring that marketing strategies do not deceive, manipulate, or harm customers.

Access to information. Customers are provided with all necessary information and a straightforward complaint/claim mechanism.

Material risks and opportunities arising from impacts and dependencies on consumers

Our confidence: plywood products are and will continue to be one of the industry's best and most cost-effective uses of birch wood; at the same time, other birch products will also play an increasing role in developing the bio-economy. The growing potential of the bio-economy calls for active and regular assessment of other birch-based products and wood products in general, their technological and commercial readiness to fully utilise the Latvijas Finieris Group's core competence in birch products and learn new ones.

Wood products are natural carbon storage solutions that retain the carbon absorbed during tree growth throughout their entire lifespan. Therefore, we promote producing and using plywood and other wood products, contributing to climate change mitigation by replacing materials with a higher environmental impact and providing long-lasting solutions. We also support educating customers and other stakeholders about the benefits of wood products over alternative materials.

So, the other opportunities are enhancing customer service and our competitiveness through [product development](#) according to customer needs and future markets. One of our strategic directions and

sustainability priorities is the **Research and development of new products and processes.**

New products refer not only to birch plywood products, but also to increasing the value of wood by-products (side streams). In the process of developing new products, the risk of choosing a resource-intensive direction has been identified.

In 2021, we concentrated our product development and research activities under one roof by creating a separate unit, the **Product Research Laboratory (PRL)**, located in Bolderāja Industrial Centre. In 2023, an investment project to renovate the PRL premises and upgrade laboratory equipment was completed. PRL currently has more than 20 different test facilities, including a fully operational laboratory - scale plywood glueing and laminating facility. This is an important step for improved testing capabilities, product research and development of plywood products at a Group level.

In 2025, from the product assortment, 26% are registered as modifications or new products.

Business investment in research and development as a percentage of added value:

1.2 % (average of 2021–2023 period)

1.1 % (average of 2022–2024 period)

1.3 % (average of 2023–2025 period)

Cooperation with science

Support for knowledge development and transfer is one of the prerequisites for successful business

development, which is why we have made closer cooperation with scientific institutions and educational institutions a priority at the strategic level, especially in the search for more high added value applications for birch.

To achieve this, over the last 10 years, we have focused on combining Latvia's scientific potential to identify and implement research projects that improve the understanding of the properties of birch wood products and their changes due to different factors, as well as looking for ways to further processing and adding value to the side streams of production. We have a particularly close, long-standing collaboration with the [Latvian State Institute of Wood Chemistry](#) (LSIWC): we follow the

research on the chemical transformation of woody biomass particularly closely, with a focus on biorefining topics.

In close cooperation with Latvian, Nordic and European scientists, we have also made several important practical steps in the research and development of wood chemical processing products and technologies in recent years. One of the most prominent is the experimental extraction factory, [Betulin Lab](#), which was opened in 2022. It has two main activities – the production of birch bark extracts and research into new applications, and the preparation of birch bark for export to pharmaceutical companies in the European Union.

Until now, the extracts have been produced in powder form; however, through a method developed at the LSIWC, the company's specialists, working in close collaboration with the institute, have introduced a new process for [oleogel production](#).

Oleogel is a gel-like substance, formed by colloidal particles of birch bark triterpene extracts combined with components of vegetable oil, creating a stable suspension. This technology enables the substance to be used in the development of cosmetic emulsions, particularly through **cold Pickering emulsion technology**. It opens up new opportunities for sustainable and innovative cosmetic products.

Identified material impacts, risks and opportunities

Topic	Title & description	Type	Upstream	Own operations	Downstream	Short-term	Medium-term	Long-term
S4	<p>Customer experience</p> <p>Customer satisfaction is one of the foundations of long-term cooperation. The company values customer feedback, both in terms of image and product quality. It builds long-term relationships with clients who are interested in the "most valuable" products, with added value. Customers are provided with all the necessary information and an easy-to-use complaint/claim mechanism.</p>	● Actual positive impact			●			●
S4	<p>Responsible product marketing</p> <p>Honest and transparent information is provided to customers and potential customers, without any misleading claims. The company is able to respond quickly to market changes and demand.</p>	● Actual positive impact			●			●

Topic	Title & description	Type	Upstream	Own operations	Downstream	Short-term	Medium-term	Long-term
S4	Open communication The company provides complete information about the service and/or product quality, composition, safety, origin, usage instructions, etc. This information is freely accessible and does not in any way limit consumers, nor are they discriminated against. Responsible data recording, third-party audits, and ensuring data reliability are also maintained.	● Actual positive impact						●
S4	Increasing customer competitiveness Enhancing customer competitiveness through new product development.	● Opportunity			●			●

S4-1 **Policies related to consumers and end-users**

General approach in relation to engagement with consumers

Latvijas Finieris provides its customers with complete birch plywood solutions tailored to their unique needs and creates added value throughout the supply chain. Our products and related services are known worldwide under the brand name Riga

Wood, and its wide range of products is summarised in detail in the publicly available [Plywood Handbook](#).

Customers are one of our most important categories. We work together to build long-term relationships based on mutual respect and understanding of our customers' needs. We change together with the industries, helping our customers

become more sustainable and competitive. In addition to day-to-day communication and work, we engage customers through a complaints/suggestions mechanism and regular surveys. The aim is to get feedback on their experiences.

The Latvijas Finieris [Suppliers Code of Conduct](#) sets out what we as a company value in our suppliers,

how we operate and what we stand for. The Supplier Code of Conduct is based on the Code of Conduct of Latvijas Finieris Group. We expect all our employees and suppliers, as well as other business partners, to adhere to the same high standards and ethical behaviour.

S4-3 **Processes to remediate negative impacts and channels for consumers and end-users to raise concerns**

Channels for consumers to raise concerns or needs

We engage customers through a complaints and suggestions mechanism and regular surveys. The

aim is to gather feedback on their experiences and remediate any potential negative impacts.

We conduct a focused customer survey once a year to understand the customer experience, needs, and potential areas for improvement. The survey

evaluates the quality of products/services, collaboration, marketing, and brand attributes.

We also monitor customer engagement metrics, including web, social media, and newsletter engagement.

According to Latvijas Finieris' integrated quality management system, a precise process is established for identifying and documenting serious issues and complaints regarding product quality, non-compliance with delivery terms, non-

compliance with wood supply chain conditions, and environmental issues, to ensure the elimination of the consequences and causes of identified non-conformities.

Complaints are categorised as "external" and "internal." External complaints are those received from customers, while internal complaints refer to issues or nonconformities identified within factories, as well as suggestions and proposals for improvement.

The procedure specifies the timelines for problem resolution and response, as well as responsible parties. Complaints and proposals are precisely

recorded in the existing digitised resource tracking system, allowing real-time tracking of execution statuses, related financial volumes (if applicable), and other relevant data.

Complaints and proposals are analysed in detail each year, and internal processes are improved if necessary.

Protection for individuals that use channels to raise concerns or needs

As a company, we are committed to honest and transparent communication with stakeholders, including our customers. We ensure the availability

of all necessary information for our customers and act by the principles set out in our [Code of Conduct](#) and [Supplier Code of Conduct](#) and values. First and foremost, we expect that the customer will contact us directly in case of any discrepancies or wrongdoing. We will address the situation as quickly as possible, drawing conclusions if necessary and improving our internal processes.

Latvijas Finieris has established an internal [whistleblowing system](#) that provides a secure means for reporting potential wrongdoing and ensures whistleblowers receive the protection mandated by law.

In accordance with the rules of the Latvijas Finieris internal whistleblowing system, the whistleblower's identity is protected and is known only to the Latvijas Finieris whistleblowing contact person.

Complaints are reviewed confidentially, respecting the right to privacy and data protection.

Number of complaints received from consumers during the reporting period

567

GOVERNANCE



G1 Business conduct

G1.GOV-1 The role of the administrative, supervisory and management bodies

The Group's parent company, [AS Latvijas Finieris](#), is a joint stock company with **645 (643 private persons, 2 legal persons) non-controlling shareholders** (as of 31 December 2025), the majority of whom are current or former employees of the company. Since the 1990s, we have regularly involved young managers and specialists in the ownership structure. We are currently doing this through a stock option plan. We are convinced that this helps ensure long-term, professional decisions grounded in multiple competencies for sustainable development.

The ownership structure defines our corporate governance model. We strive to manage

horizontally, involving all group employees whenever possible. We have defined clear responsibilities and decision-making authority at all management levels.

The General Meeting of Shareholders is the supreme decision-making body of the parent company. AS Latvijas Finieris operates within a two-tier corporate governance structure consisting of the Supervisory and Executive Board. This system is also commonly used in all subsidiaries.

The shareholders directly elect **the Supervisory Board**, which is responsible for setting the long-term strategic direction of the Group as a whole. It has three members and appoints the Executive

Board, responsible for day-to-day business operations and business conduct matters.

The Executive Board currently has seven members, each responsible for a specific sector of operation. The Board meets weekly and receives monthly financial reports from the business units. The Executive Board reports to the Supervisory Board quarterly on all key aspects of the Group's operations. Shareholders also have direct access to the quarterly summary information through a restricted access section on the Latvijas Finieris website.

The **Product Development Council** manages the strategic directions of the products manufactured by Latvijas Finieris and makes appropriate decisions. It also directs strategic decisions to the Group for consideration/approval by the Executive Board and/or the Supervisory Board. The Product Development Council comprises one Supervisory Board member and two Executive Board members.

The **Internal audit** institution oversees the risk management process and regularly assesses the internal control. The work agenda is based on the annual audit plan approved by the Supervisory Board.

G1-1 Business conduct policies and corporate culture

Corporate culture

Our Vision: To be the global leader in viable and customer-orientated birch wood solutions.

Our Mission: Work, earn, and invest responsibly by developing long-term relations with customers, employees, forest owners, cooperation partners and society.

Values:

Safety. We create a safe environment and act responsibly.

Respect. We respect each other and promote honesty, loyalty and mutual trust.

Development. We strive for self-improvement and encourage the growth of others.

Leadership. We are the owners of our work; we take the initiative to get the job done.

Our performance and achievements are based on values strengthened over decades and management principles proven in responsible work.

These have provided a strong foundation for a coherent corporate culture and relationship-building practices, thus fostering a common understanding of goals, growth, and development.

Our governance model, directed towards responsible leadership, a culture based on values and high ethical principles of committed employees, ensures transparent business practices throughout

the Group's value chain and the fair treatment of market participants, customers, suppliers, other business partners and society.

We base our relations with business partners on the principles of responsiveness, honesty and trust, and we do not disclose confidential or business information that has come into our possession during an employee's work. We respect the traditions of other countries by working with them. The professionalism and integrity of our team are at the heart of what we do.

Fair governance, competition, and the principles of mutual behavior and treatment are reflected in our value of "Respect" which is the foundation of our internal culture. We provide Latvijas Finieris employees with information and training on how to avoid actions that could be considered restrictive of competition. For example, negotiating prices with competitors, coordinating bids, or various agreements that could potentially have a negative impact on the market are not allowed. Among other aspects, we also assess the content of contracts through the prism of fair competition.

Mechanisms for reporting non-compliance

Suppose a violation of the Latvijas Finieris Code of Conduct, other policies or principles, or applicable laws or regulations is noticed or suspected. In that

case, we invite to report it in one of the following ways:

- informing your direct supervisor/contact person in the company;
- informing trade union support persons;
- informing an internal auditor;
- submitting a whistleblowing report. The identity of the whistleblower is protected and not disclosed. Information on the whistleblowing procedure is available on the website of Latvijas Finieris.

According to the new version of Code of Conduct and the first Supplier's Code of Conduct, we plan to improve the concern report mechanisms across the entire Group, as well as to continue to educate employees on the behavioural and conduct issues included in the Code of Conduct, thus strengthening and enhancing our corporate culture even more.

Anti-corruption and anti-bribery

We do not tolerate corruption in any form: we do not offer, pay or accept bribes or similar financial or non-financial benefits in the public or private sector. Our approach is not to overdo corporate gifts and hospitality and not to offer or accept gifts or other hospitality-related expenses of disproportionate value that may have a potential or actual impact on

decision-making or even the mere appearance of such an impact.

We respect every employee's right to privacy and activities outside the company. However, there may be situations where an employee's private interests clash with the company's. It is, therefore, important for everyone to recognise such situations and avoid conflicts of interest in decision-making.

The functions most exposed to the risks of corruption and bribery are those that work daily with contracts - customer orders, as well as the procurement.

The fundamental principles of ethical conduct, along with precise explanations of what is expected from employees and what is strictly prohibited, are defined in our [Code of Conduct](#).

Code of Conduct

We developed the new version of [Code of Conduct](#) within the Group in 2025. Percentage of employees who have signed the Code of Conduct: **AS "Latvijas Finieris" - 94 %, VEREMS - 92%, Riga Wood Baltics - 100%, SIA "Latvijas Finieris mežs" - 100%**. Other subsidiaries continue the implementation process and data will be available for 2026. The process is integrated into the hiring process for new employees.

We also developed the first [Suppliers Code of Conduct](#) in 2025. The Suppliers's code of Conduct

sets out what we as a company value in our partners, how we operate and what we stand for. The Supplier's Code of Conduct is based on the Code of Conduct of Latvijas Finieris Group. We expect all our employees and suppliers, as well as other business partners, to adhere to the same high standards and ethical behaviour. A reference to the document is incorporated into contracts of all types and forms, as well as other procurement-related documentation.

During the 2025 we also reviewed almost all the policies that are available in our [website](#).

Whistleblowing

The company Latvijas Finieris has an internal [whistleblowing](#) system in place to ensure the safe reporting of potential violations and to provide whistleblowers with the protection required by the regulatory enactments. Whistleblowing means providing information about a possible violation or dishonest conduct that may harm the interests of the public, as well as a violation of the internal rules of AS Latvijas Finieris, if the information about the violation was obtained in connection with the performance of employment duties or the establishment of legal relations related to the performance of employment duties, and it is reasonable to consider this information to be true.

No whistleblower complaints were received in 2025.

G1-2 Management of relationships with suppliers

Approaches in regard to relationships with suppliers

We value long-term relationships with partners, so we strive to further develop business ties with companies that consider the sustainability impact of their operations on employees, the environment and society. Our general principles are described in the Group's [Supplier's Code of Conduct](#) and [Timber purchasing Policy](#). To ensure a responsible and efficient procurement process, there is a written internal procurement procedure.

We assess the relevance and quality of offers according to the level of importance of the specific procurement, looking at items such as the development of new products and services, technological innovation, scope of offer, flexibility and opportunities for joint growth. An important criterion for choosing suppliers is their reputation and their social responsibility, which includes paying taxes, safety at work, responsible use of resources, professional treatment and fair trade. Geographical location is also important.

In the production of birch plywood, which is our core business, more than 90% of the basic materials (veneer plywood, other raw materials, including packaging) are sourced from local suppliers, defined as companies geographically located in the countries where our production facilities are located (Latvia, Finland, Estonia and Lithuania). The layout of the Group's factories in the Baltic states and Finland is established to minimise distances for the transportation of timber and other essential raw materials and thus also minimise the greenhouse gas (GHG) emissions from the process.

To meet the Group's business goals and strive for excellence, we build long-term partnerships with leading suppliers in various industries. For major procurement, we carry out detailed supplier assessments, risk analysis and risk diversification, as well as allocate responsibilities across the procurement phases, thus reducing potential corruption risks and ensuring transparency and traceability of the process.

Every year, we analyse the largest and most important service providers and suppliers of goods (companies registered in Latvia). Our internal criterion for assessing how many and which companies are analysed, is the volume of cooperation. The aim of the analysis is to verify the social responsibility of our most important suppliers. We use publicly available information in our analysis, based on the following criteria:

- ratio of wages to the statistical average wage in the region;
- existence of a tax debt;
- potential for conflict of interest;
- representatives of sanctioned countries as beneficial owners, on the company's board, council or as proxies;

Countries of supply of basic materials (materials, veneer logs, packaging)

Country	Share of deliveries, %			
	2022	2023	2024	2025
Latvia	53.6	57.4	53.4	52.3
Finland	17.5	17.3	20.9	20.3
Lithuania	11.3	9.9	10.1	7.7
Estonia	10.3	9.9	8.7	9.6
Total	92.7	94.5	93.1	89.9
Other countries	7.3	5.5	6.9	10.1

Risk analysis of cooperation partners of AS Latvijas Finieris

	2021	2022	2023	2024
Number of analysed cooperation partners in Latvia with which the volume of cooperation exceeds EUR 10 000/year	483	585	500	500
Partners with significant social responsibility risks, number	9	16	34	36
Percentage of cooperation volume (EUR)	0.27%	1.88%	1.2%	1.3%

- absence of employees;
- SRS special cooperation program (additional to the core criteria), etc.

We negotiate with partners for whom we identify significant social responsibility risks after analysing publicly available information and, if no corrective action is taken to address non-compliance, we review the terms of cooperation. We continue to develop high-quality communication with our business partners on the sustainability issues that are important to us, to better understand their concerns and to enable them to be more visible. Cooperation with three suppliers has been terminated in 2025.

Description of policy to prevent late payments

Our policy is to ensure the procurement process is in accordance with best practices by selecting and evaluating cooperation partners, adhering to the principles of fair business collaboration, respecting the interests of society and the environment, and evaluating the reliability of the business partner and the risks of the transaction.

Invoice payment terms are specified either in the invoice or outlined in the contract, taking into account also the requirements of external regulations.

Since our suppliers represent different countries, primarily European, but not only each with its specific customs and requirements when agreeing on the conclusion of a transaction, both parties agree on the payment terms and deadlines stipulated in the contract or invoice. We do not delay the deadlines agreed upon with our partners. The payment terms can range from advance payments to up to 90 days or more from purchase or delivery. The purchased products and services differ in nature, delivery complexity, execution time, etc.

Social and environmental criteria for selection of supply-side contractual partners

In addition to the supplier evaluation criteria already described, in collaboration with existing or when on-boarding new suppliers, we integrate our key sustainability topics and priorities into daily communication. For example, whether the supplier manages its greenhouse gas (GHG) emissions, has plans for emission reduction, implements emission reduction measures, or engages in discussions with its own suppliers, etc. We believe that through collaboration and education we can influence our suppliers' attitudes towards social and environmental topics. We have developed a [Supplier Code of Conduct](#), which helps us more effectively embed sustainability practices and topics into everyday operations and mutual cooperation with suppliers. The Suppliers's code of Conduct sets out what we as a company value in our partners, how we operate and what we stand for. The Supplier's Code of Conduct is based on the Code of Conduct of Latvijas Finieris Group. We expect all our employees and suppliers, as well as other business partners, to adhere to the same high standards and ethical behaviour.

G1-3 **Prevention and detection of corruption and bribery**

Bribery or suspicions of bribery can be reported in the same way as other types of violations or non-compliance with the behavioural principles defined in the [Code of Conduct](#) and other internal regulations. Reports can be made according to the [whistleblowing](#) procedure described on the Group's website, as well as by reporting to the direct supervisor (manager), internal auditor, or union support persons.

The whistleblowing report is reviewed by a committee of at least three members, which is established for each specific case based on an order issued by the Chairman of the Board. The committee is formed by taking into account the information submitted by the Latvijas Finieris whistleblowing contact person regarding the areas affected by the whistleblower's report and following instructions regarding which individuals are restricted from accessing the report during its

review process. If the Chairman were involved, the next institution to approach would be the Supervisory Board.

The opinion prepared by the whistleblowing committee includes the results of the investigation into the circumstances mentioned in the report and recommendations/necessary actions for further steps.

The opinion is submitted to the Executive Board.

After reviewing the whistleblowing report, the contact person sends the whistleblower information about the facts found and the decisions made or actions taken. Depending on the topic and area in which the report was received, management representatives are informed of the case, and a decision is made regarding improving internal processes, if possible.

G1-5 **Political influence and lobbying activities**

We develop opinion leadership in the forest sector and operate actively in other sectors. We exercise our rights to express our opinions on issues of importance to the Group and society, thereby representing the industry's professional, data-driven, and practical experience.

We are interested in the sustainable development of the sector and the national economy, so we

participate in decision-making by joining and forming non-governmental and sectoral professional organisations, sectoral policy initiatives, and working groups.

We are active members of various public organisations representing employers and businesses from different sectors, such as education, science, sustainability, and other areas.

We do this to voice our opinions and shape the debate on issues of importance to society.

Information about the organisations we are members of is publicly available on our [website](#).

At the senior management level, all members of the Executive and Supervisory Boards, as well as several middle-level managers, are involved according to

the specific responsibilities within their respective scopes of activity.

Latvijas Finieris does not support political parties and/or candidates for public office in any way, including financially.

G1-6 Payment practices

Latvijas Finieris has developed an instruction for the procurement document flow and the payment process. The purpose of the process is to establish a unified movement, processing, and settlement process for received creditor invoices and related documents associated with the receipt of goods and services, ensuring invoice processing in accordance with local legislation and the Group's internal requirements.

Before organising the procurement with potential partner, the responsible employee evaluates the supplier according to the established internal procedures, including compliance with the internal Sanctions Risk Management Regulations.

The goal is to ensure the procurement process in accordance with best practices – by selecting and evaluating cooperation partners, adhering to the

principles of fair business collaboration, respecting the interests of society and the environment, and also evaluating the reliability of the business partner and the risks of the transaction.

Invoice payment terms are specified either in the invoice or outlined in the contract, taking into account the requirements of external regulations.

If there are no specific agreements with suppliers regarding payment terms, payment is made within 30 days. If there is an agreement with suppliers on specific invoice payment principles and terms, these are outlined in a mutually signed contract, and Latvijas Finieris strictly adheres to these terms. Specific terms can range from advance payments to payments within 90 days, for example.

Targets 2030, governance related

Following the double materiality assessment, four sustainability priorities are in the field of governance.

Sustainability priority	Target 2030	KPI 2030	KPI value 2025
Fair Competition and International Sanctions	Support the principles of fair competition	Illicit plywood volume below 10%; year 2026 - below 13%	13.9 %
Performance (profitability)	EBITDA vs. turnover 20% (2030)	EBITDA vs. turnover, %	19 %
Sustainable Wood Resource Sufficiency in the Future	Develop a scientifically based approach to the use of forest resources, balancing biodiversity and economic aspects (efficient use of land, including nature conservation areas, etc.)	University of Latvia study "Economic assessment of the balanced development potential and development scenarios of the Latvian forest sector"	accomplished
	Engage in solving and advancing issues relevant to the sectors	Participation and involvement in industry and professional associations; ongoing	32 employees in more than 58 different organisations*
	Educate the society about land use, forestry, and the applicability of wood products	Participation of LF representatives un public events Participation in campaigns initiated by third parties	performance description below
	Positioning the thinking of the forest sector among young people, students and teachers, including environmental education	LF events, activities in cooperation with higher and vocational education institutions. General education activities are supported through other organizations, such as "Latvijas Koks" etc.	performance description below
Research & Development of New Products/ Processes	Annually allocate resources to comprehensive product/process research and development. Up to 2% of value added.	Investment in research and development - % of value added	1.97% (three year average 1.3 %)

*32 employees of the "Latvijas Finieris" concern represent the interests of the concern or its individual companies in more than 58 different organizations (foundations, societies or similar associations, federations, etc.), state institutions of various levels, state and municipal enterprises, commercial companies, international organizations.

Educate the society about land use, forestry, and the applicability of wood products

Participation of LF representatives un public events

Participation in campaigns initiated by third parties

Event type	Number of the events	Audience reached
LF mentions in media	1672	33 790 653
Environmental education events	5	10 500
Participation in conferences, seminars	14	8000
Other events together with higher and vocational education institutions	445*	730 85

- *Includes "Lietkoka čemodāna" classes in schools

Positioning the thinking of the forest sector among young people, students and teachers, including environmental education

LF events, activities in cooperation with higher and vocational education institutions. General education activities are supported through other organizations, such as "Latvijas Koks" etc.

- Excursions to Latvijas Finieris facilities - 14 excursions, about 300 participants, including from universities and vocational schools.
- Latvijas Finieris participation/ involvement in university events - RTU and LU career days, RTU Climate Change Hackathon, award competition with LMA students, participation in an international summer school (in Kuldīga) for LMA and visiting students, ViA bioeconomy conference.
- Environmental educational activities - fully organized by Latvijas Finieris, in SarkanĶalns - "Green Class"; also activities together with cooperation partners, including Latvijas Valsts meži, in Salaspils, Tērvete, Jelgava and Kuldīga.
- Participation with a stand/ activity within the STEAM HUB Student Song and Dance Festival.
- Informative day for career teachers - info about Latvijas Finieris, industry, excursion.

Disclosure requirements and incorporation by reference

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