

Sustainability Report 2024



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BRIEFLY ABOUT LATVIJAS FINIERIS GROUP



Birch plywood product
development and
sales offices
worldwide

12

Export
countries

56

92%

birch plywood export
outside producing
countries

Turnover	EUR 409 million
EBIDTA	EUR 81 million
Shareholders	590

Number of employees in the Group as a whole	2413
Number of employees in Latvian companies	2068
Taxes paid – total Group tax	EUR 40.2 million

Taxes paid in Latvia	EUR 29.2 million
Forest area	11 286 ha
More than	250 professions

The “Latvijas Finieris” Group’s 2024 Sustainability Report is a testament to how we are continuously developing our skills and competencies while responsibly managing the company’s impact on processes that affect environmental, social and economic issues.

This is the third time we have prepared a Sustainability Report, and with each new edition, we provide a more complete picture of the company’s achievements.

Over the past year, we have strengthened our sustainability initiatives – from energy efficiency and innovation to biodiversity protection and employee wellbeing. However, I would like to highlight a few particular accomplishments.

The Group manages 876 properties covering a total area of 14,751 hectares. Most of this is “forest of the future” – planted and cultivated with future decades in mind. That’s why developing an action plan for responsible forest management is especially important, emphasising long-term thinking – today’s economic interests are balanced with future forest productivity.

The products manufactured by “Latvijas Finieris” are competitive on global markets, and we have proven to our clients that we are a long-term cooperation partner who evolves and adapts to the demands of the business environment. A particularly significant issue is the presence of wood products manufactured in Russia and Belarus entering the European market by circumventing imposed sanctions. “Latvijas Finieris” has taken a clear and firm stance, cooperating with law enforcement and European industry organisations to help identify cases of unfair practices.

As a company that values trust highly, we understand that responsible business is about what we produce and how we operate. Last year, we continued our investment programme, with significant projects including expanding the “VEREMS” plant and reconstructing the Chemical Products plant as part of the “VIABOND” project. These developments will increase our birch plywood production capacity, and significantly expand the use of more environmentally

friendly binders in synthetic resins, partially replacing fossil-based components with renewable raw materials. The overall trend indicates that global demand for products made from renewable materials is growing and will continue to grow, ensuring long-term growth prospects for efficient forestry, wood processing, and targeted industry development in Latvia.

Our task is to learn how to measure our impact on the environment, society and the economy. We must also ensure data reliability, and work purposefully to define goals and an action plan to reduce negative impacts and enhance positive ones.

This is not an easy or quick task, but it is how we will continue developing our sustainable business model.

Sincere thanks to all our employees, clients and partners for everything we achieved in 2024!

Jānis Ciems
CEO of 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 2024 to 31 December 2024, 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 parent company will be used when referring to the parent company.

In previous years, Latvijas Finieris has voluntarily prepared sustainability reports following the GRI standard. This is the Latvijas Finieris Group's first attempt to develop a Sustainability report under the EU's Corporate Sustainability Reporting Directive (CSRD) and the underlying standards (ESRS). According to the CSRD and the national reporting law, we must develop the first report in line with ESRS in 2026 for 2025. During the preparation of the report, the Omnibus initiative was launched in the European Union, which means that soon, both the reporting obligation deadlines and the standard requirements will be reviewed and amended.

Basis for preparation of sustainability statement

Consolidated

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

2024-01-01

Reporting period end date

2024-12-31

BP-2

Disclosures in relation to specific circumstances

Developing the Sustainability Report based on the ESRS standards is a new reporting method. Latvijas Finieris acknowledges that the data and information included in the Statement may not be complete in some cases or

may not fully comply with all mandatory requirements of the ESRS standard. Since the national law ([Sustainability Reporting law](#)) stipulates that compliance with the new standard must be ensured starting

from 2025, some data, particularly those related to information that can be obtained from the participants in the value chain, is still ongoing.

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.

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 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 and are responsible for setting the long-term strategic direction of the Group as a whole. It has three members and appoints the Executive Board, which is responsible for day-to-day business operations and business conduct matters.

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 manages the strategic directions of Latvijas Finieris products and makes appropriate decisions. It also directs strategic decisions to the Group for consideration/approval by the

Target defining process

In 2024, we have initiated the process of defining sustainability targets and key performance indicators (KPI). Many employees are involved in this process, as working groups were formed based on the defined sustainability priorities. Within these groups, using information and data on the current situation and considering the Group’s strategic directions, efforts are being made to define specific targets and indicators to measure them.

This is a time-consuming process, conducted thoroughly, engaging employees according to their competencies and areas of responsibility. We believe that involving employees can achieve both realistic and meaningful target-setting, deepen employees' understanding of sustainability topics, and ensure that the targets we define are completed in the future.

We plan to finish the target and key performance indicators (KPI) setting process by end of 2025.

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 by regularly monitoring 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

The Executive Board of AS Latvijas Finieris is the entire Group’s highest governing body overseeing sustainability, 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, 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 project board members, thus being actively involved in and overseeing the implementation of the sustainability project within the Group.

The **Sustainability Project Board** comprises AS Latvijas Finieris CEO and two other Executive Board members. Its primary role is to provide overall project oversight, meet regularly with the project leaders, listen to ideas, review draft documents and methodologies, and advise and support. The Sustainability Project Board also oversees impacts, risks and opportunities.


Sustainability Project managers provide operational leadership and coordinate the project tasks. They also manage the process, advise and support colleagues, ensure the double materiality process by identifying and assessing impacts, risks and opportunities, setting sustainability priorities, and organising and coordinating the setting of targets and KPIs.

The task of the **leaders** or “**key people**” (middle management members but not only) of sustainability priorities of Latvijas Finieris is to be open and participate in the creation and implementation of the sustainability system, gradually changing the company’s internal culture, highlighting the impact of everyday work processes in the context of sustainability, as well as talking to colleagues and subordinates about the sustainability targets, criteria and methods.

Target setting

In accordance with the established sustainability priorities, several working groups have been created, involving a number of employees. Each working group also includes and involves representatives from senior management, including Executive Board members and even the members of the Supervisory Board.

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

	Number	% of total number of employees	Proportion of women, %
Top Management	10	0,5%	10%
Middle level managers	63	2,5%	29%
Administration	143	6%	55%

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 2024, **nine 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 key audit topics included: cyber security risk management, occupational safety instruction practices, ensuring the quality of technological materials in procurement, veneer procurement within the group, procurement document management, implementation of the Viobond project, opportunities for improving the land accounting system, verification of donation usage, circulation of representation items within the company, consideration of public interests, and participation in the management of the “SarkanĶalns” real estate.

Opportunities for improvement have been identified to ensure more precise compliance with legal requirements, enhance internal processes and procedures, and continue efforts in managing cyber security and occupational safety risks. No significant risks threatening the company’s financial stability, asset and resource preservation and efficiency, physical or other types of security, or the interests of shareholders and the public were identified in the 2024 audits.

Main risks identified

The most significant (high-level) risks are related to the availability and access to wood resources, and the illegal 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 risks also have been identified as medium-level risks - manager succession risks, cyber security risks, fire safety and investment risks.

Sanctions

Latvijas Finieris advocates fair competition and European values in its professional everyday life. A particularly significant issue is the presence of wood products manufactured in Russia and Belarus entering the European market by circumventing imposed sanctions. We were one of the initiators and continue to support the European Commission’s investigation into the circumvention of anti-dumping restrictions by Russian birch plywood products entering the EU market. The investigation is ongoing, but it is already known that the European Commission has uncovered evidence that anti-dumping duties are being circumvented through

trade routes via Kazakhstan and Turkey. It should be stressed that with the Russian invasion of Ukraine, plywood produced in the aggressor countries is sanctioned by the EU. This kind of illegal activity both harms EU producers and finances the brutal war that Russia is waging in Ukraine. Maintaining fair market competition and breaking all direct and indirect trade ties with aggressor countries is a priority for Latvijas Finieris.

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

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 **590 (588 private persons, two legal persons)** non-controlling shareholders (data for 30 December 2024), most of whom are current or former company employees.

Latvijas Finieris strategy sets out objectives for a seven-year period, which are regularly discussed and, where necessary, updated. Broad employee involvement in the design and implementation of the strategy ensures the effective delivery of the 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.

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**.

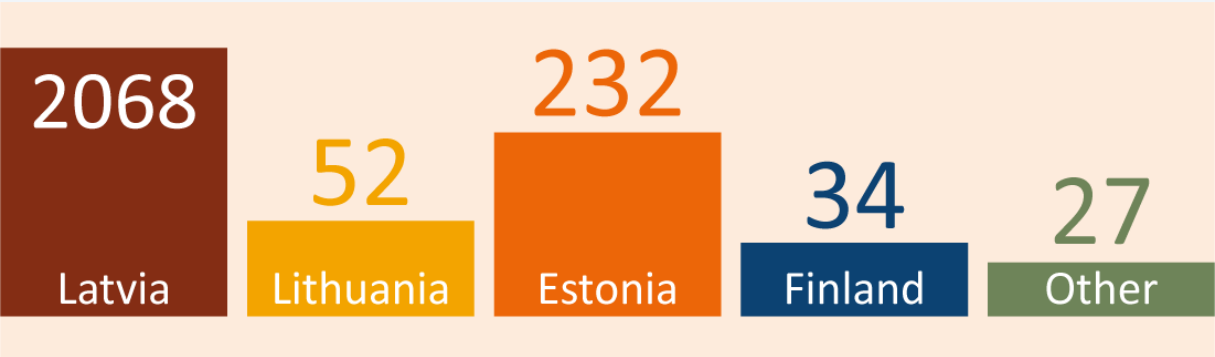
"Sustainability" as one of the strategic pillars demonstrates the importance of this topic throughout the Latvijas Finieris business model and value chain. Sustainability priorities, defined based on materiality assessment, support the overall development of the Group, clearly outlining the path for 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

Number of employees by geographical area



Key performance indicators of Latvijas Finieris Group

	2022	2023	2024
Net profit	EUR 34.2 million	EUR 55.6 million	EUR 57* million
Net turnover	EUR 350 million	EUR 405 million	EUR 409* million
Plywood production	310 km3	323 km3	333 km3
Plywood deliveries	283 km3	297 km3	309 km3
EBITDA	EUR 56.5 million	EUR 79.1 million	EUR 81 million

*Unaudited financial figures

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, more than 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](#).

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

EXPORT VOLUME OF BIRCH PLYWOOD OUTSIDE THE PRODUCING COUNTRIES (LATVIA AND ESTONIA, m³)

2022	2023	2024
91%	93%	92%



BIRCH PLYWOOD SALES BY REGION (m³)

	2023	2024
European Economic area	80,5	80,7
Rest of the World	19,5	19,3

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.

Investments

Russia's brutal war in Ukraine has continued to have a significant impact on resource prices of all kinds and, consequently, on processes in the global and, in particular, the European economy. Therefore, the situation in the birch plywood markets is complex and uncertain. However, in recent years, we have been able to adapt to very challenging external changes. We continue to believe in the development opportunities in a secure and united Europe, and we continue to work with confidence on the development of the Group, including the launch of an investment programme of more than 200 million euros.

Last year, we continued our investment programme, with significant projects including the expansion of the "VEREMS" plant and the reconstruction of the Chemical Products plant as part of the "VIOBOND" project. These developments will increase our birch plywood production capacity and significantly expand the use of more environmentally friendly binders in synthetic resins, partially replacing fossil-based components with renewable raw materials.

The veneer production plant "Kuldīgas fabrika" was opened in 2024 in the Kuldīga region. It was recognised with the Sustainable Construction Award and received acclaim in the annual forestry industry awards "Čiekurs," particularly for its sustainability solutions. Additionally, an expanded workshop of the "Iekārtu rūpnīca" with new machinery was opened in the Bolderāja area of Riga. Construction also began on a unique wooden building complex at the "ZĀBAK" tree nursery in the Sigulda region.

Total Group investments, million EUR

2021	2022	2023	2024
19.9	26.9	58.3	100

Breakdown of investments in 2024 (% or total in EUR)

- Product and Process development - 55.7 %
- Land and Real estate - 23.2 %
- Capital investments - 21.1 %

Taxes paid (in million, EUR)

	2022	2023	2024
Total Group	35.3	42.11	40.2
Latvia	24	30,11	29.2
Outside Latvia	11.3	12	11

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.

Local 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.	Provide foundational strategies and align profit with organisational goals.
Suppliers	Everyday work and communication; supplier's evaluation.	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.
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 and Scientific Institutions	Custom and joint projects, knowledge sharing and R&D.	Drive research, innovation, and sustainable product development.

SBM-3

Material impacts, risks, and opportunities and their interaction with strategy and business model

Impact materiality	material	<div>Climate change mitigation</div> <div>Biodiversity and ecosystems</div> <div>Waste</div> <div>Circular economy</div> <div>Working conditions</div> <div>Health and safety</div> <div>Customer experience</div> <div>Corporate culture</div> <div>Relationship with suppliers</div> <div>Cyber security</div> <div>Development of new products</div>	<div>International sanctions</div> <div>Profitability (performance)</div> <div>Wood resources sufficiency</div> <div>Employee engagement</div>
	non-material	<div>Water use</div> <div>Pollution</div> <div>Social dialogue, collective bargaining</div> <div>Equal treatment and opportunities</div> <div>Other work related rights</div> <div>Affected communities</div> <div>Society education and engagement</div> <div>Protection of whistleblowers</div> <div>Political engagement and lobbying</div> <div>Workforce sufficiency</div> <div>Other resource sufficiency</div>	
		non-material	material
			Financial materiality
<div>Environmental</div> <div>Social</div> <div>Governance</div>			

The materiality matrix demonstrates which sustainability topics are material in terms of impact, which are material in terms of both impact and financial materiality, as well as those that, based on the first materiality assessment, were evaluated as not material.

After identifying the material topics, eight sustainability priority areas were defined, in which work has begun on setting goals and KPIs for the year 2030.

Latvijas Finieris Group’s sustainability priorities 2024

E (environmental)	S (social)	G (governance)
Climate Change	Employees Engagement	Performance (profitability)
Waste Management	Occupational Safety	Cyber Security
		R&D of new products/ processes
		Sufficiency of Wood Resources in Future

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 and performance), 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 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.

IRO-1

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

<p>At the end of 2023, Latvijas Finieris began its first materiality assessment, which concluded in January 2024. The evaluation approach and methodology were developed based on the requirements of the EU Sustainability Reporting Standards (ESRS).</p> <p>The first step included analytical work, exploring the company's internal information (structure, governance model, strategy, risk management system, policies, products, processes and other data), and defining the issues that are material to the company's own operations. In understanding the context, not only the company's own operations were covered, but also the value chain at both the upstream and downstream levels.</p> <p>To identify the impacts, risks and opportunities, not only internal information was used, but also external available data, including the practices of similar companies, reporting standards, and requirements defined within frameworks such as GRI, ESRS, SASB</p>	<p>Forestry Management Standard, S&P Global Ratings ESG Materiality Maps and other. Interviews were conducted with function/business unit managers and other colleagues. Additionally, the opinions of external stakeholders were gathered through direct conversations and, for example, by supplementing existing customer or supplier annual surveys with questions mainly related to environmental and social topics.</p> <p>As a result of analytical work, a "long list" of identified sustainability issues was created.</p> <p>The next step involved assessing the impact of the identified sustainability topics and identifying risks that had not previously been included in the existing Risk Management Process. It is worth noting that the most significant risks (see the risk section), relating to resource availability, cybersecurity, and product markets, had already been identified within the Risk Management System.</p>	<p>The materiality assessment was carried out by the Latvijas Finieris Sustainability Project Board (see part GOV-1, Roles and responsibilities with regard to sustainability matters).</p> <p>Each topic's impact on the environment and/or people was assessed based on four criteria on a five-point scale: scale, scope, irremediability of negative impact, and the likelihood of impact occurrence if it is potential rather than existing. Thus, based on the previously analysed internal and external information, as well as the expertise of the Executive Board members, the material sustainability topics for Latvijas Finieris were identified.</p> <p>Risks and opportunities in this phase (2023/2024) were identified, but not assessed; the company plans to do it in 2025, enhancing the methodology to meet the ESRS standard requirements for double materiality assessment.</p>	<p>From the identified material sustainability topics, eight priority sustainability areas were defined (see part SBM-1), and work on defining KPIs and goals was initiated.</p> <p>While double materiality assessment is a relatively new process, Latvijas Finieris plans to review it annually.</p> <p>Based on materiality assessment this report discloses information on the following ESRS topics:</p> <ul style="list-style-type: none">E1 Climate changeE4 Biodiversity and ecosystemsE5 Resources and circular economyS1 Own workforceS4 Consumers and end usersG1 Business conduct
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With a view from outside

Golden Pine Cone 2024

The Golden Pine Cone Award was presented to Uldis Bīķis, Chairman of the Supervisory Board of Latvijas Finieris AS, in the nomination "For Contribution to the Development of the Industry."

In the nomination "For Scientific Contribution to the Development of the Industry" a diploma was awarded to the team led by Dr sc.ing. Jānis Rižikovs and Dr sc.ing. Aigars Pāže from the Latvian State Institute of Wood Chemistry for the solutions developed for applying birch processing residue (suberic acid) to substitute petroleum products in various polymer systems. The team includes experts Ainārs Bobulis and Artūrs Raimonds Feldmanis from Latvijas Finieris AS.

In the nomination "For Innovative Entrepreneurship" Latvijas Finieris AS received a diploma and recognition for innovation in the new veneer plant in Kuldīga. More information is available [here](#).

Latvian Sustainability Management Award 2024

Latvijas Finieris AS received recognition for its achievements in the category "Responsible Collaboration with Partners," which assesses responsible cooperation and sustainable supply chain management. More information is available [here](#).

On the list of the most valuable companies in Latvia

In the 2024 ranking of Latvia's 101 most valuable companies, Latvijas Finieris AS has maintained its steady 15th position.

Latvijas Finieris AS is one of only four privately owned domestic capital companies included in the top fifteen of this ranking. More information is available [here](#).

TOP Employee 2024

For the first time in the survey's history, the main title of "TOP Employer 2024" was awarded to AS "Latvijas Finieris", surpassing previous leaders and climbing 17 positions compared to the previous year. The "TOP Employer" survey was conducted for the 14th year by the leading online recruitment company Alma Career Latvia, in cooperation with [Firmas.lv](#) and the Association of the Business Services Industry. More information is available [here](#).

Annual Award of the Employer's Confederation of Latvia

In the category "For the company's contribution to strengthening defence – for support to Ukraine's defence capabilities", the award went to Latvijas Finieris AS. More information is available [here](#).

Kuldīga Municipality Entrepreneur of the Year Award

Kuldīga Municipality congratulated the winners of the Kuldīga Municipality Entrepreneur of the Year Award. In the nomination "Regional Investment in Construction 2024", Latvijas Finieris AS received an award for the veneer production facility Kuldīgas fabrika, which was opened last year. More information is available [here](#).

Kohila Veneer tops the ranking of Estonian timber companies

In the 2024 ranking of Estonian timber industry companies by Estonia's most popular financial newspaper, "Aripaev", plywood producers occupy the top three places, showing that birch plywood as a niche product is doing better than the timber industry as a whole, Latvijas Finieris mill Kohila Veneer is ranked second in this assessment. More information is available [here](#).

Award winner of the competition "Sustainability in Architecture, Construction, Design in the Baltic States 2024"

The third-place award in the nomination "Most Sustainable Project" in the category "New Construction" was given to AS Latvijas Finieris for the design of the new veneer production plant "Kuldīga fabrika." The international jury evaluated the use of wooden structures, as well as the technological process and equipment used. 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).

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

E1-1 Transition plan for climate change mitigation

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.

As mentioned earlier in the report, we have started working on defining sustainability targets and key performance indicators, which we plan to complete in 2025. From the defined climate-related targets, as the impact on climate is one of the Group's sustainability priorities, an action plan will be developed accordingly, essentially serving as our transition plan.

GHG emission reduction

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.

GHG emission reduction targets, like other sustainability goals, are currently in the process of being defined. When setting these targets, we rely on historical and actual data, consider the business strategy, and take into account overall industry development trends, particularly in Northern Europe.

Since the setting of targets and key performance indicators is still in progress, it is not possible to determine the exact expenditures required to implement the transition plan; they will be identified in the coming years.

Potential locked-in GHG emissions from key assets and products

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.

Alignment with overall business strategy

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.

Approval process

Sustainability targets and key performance indicators, as well as the resulting activity (and transition) plans and associated costs, will be approved by both the Executive Board and the

Supervisory Board, exactly as the business strategy. Once the transition plan is completed, it will be monitored through the target and KPI monitoring process at least once a quarter.






CO2 sequestration and storage

The climate benefits come not only from reducing GHG emissions but also from sequestering carbon from the atmosphere. Proper forest management and using selected tree seedlings in reforestation can significantly increase the wood growing stock in forest stands and thus contribute to natural carbon storage.

Increasing carbon sequestration in forestry has its limits, determined by plant physiology and the amount of land available for afforestation. In the long term, a forest, like any natural system, tends to move towards a state of equilibrium, including in terms of carbon balance. Therefore, one of the most effective ways to help reduce CO₂ emissions into the atmosphere is to use wood products. The longer a wooden product is used, the longer the CO₂ produced by forestry is not released back into the atmosphere.

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	Use of electricity 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).	● Actual negative impact		●				●
E1	Heat energy (production and use) 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.	● Actual negative impact		●				●
E1	Use of basic (technical) materials 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). 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).	● Actual negative impact	●	●				●
E1	Logistics (supply chain, deliveries and internal transport) 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 CO ₂ , which increases the risks of global climate change, etc. emissions into the air as nitrogen oxides and carbon monoxide.	● 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 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. At Latvijas Finieris, we are convinced that to preserve the quality of the environment for future generations, everyone needs to get involved, change their mindset, and act responsibly towards our common home, planet Earth.

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 policy

Energy efficiency and energy conservation is an integral part of business strategy of Latvijas Finieris. Being aware of the energy efficiency opportunities, Latvijas Finieris is focusing on a balanced and rational supply of energy resources, as well as on increasing the share of own renewable energy in the total energy mix, making the best use of the resources available.

The mission of Energy Policy is to make good use of energy resources with the aim of reducing energy consumption per unit of output as well as increasing the share of energy obtained from renewable sources.

We plan to review the Energy policy during 2025.

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.

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).

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 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.

The total energy consumption in 2024 was slightly lower (530.25 GWh vs 534.58 GWh) compared to 2023. However, the total amount of birch plywood produced has increased, which means that, when calculating energy consumption per unit of production, we have been 4% more efficient.

At the same time, the total amount of renewable energy within the group has slightly decreased, from 85% to 83%. 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.

In general, we plan to reduce fossil fuel use by 2030.

Energy consumption and mix

Title	Consumption
Fuel consumption from coal and coal products (MWh)	0
Fuel consumption from crude oil and petroleum products (MWh)	8678
Fuel consumption from natural gas (MWh)	57796
Fuel consumption from other fossil sources (MWh)	0
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	23136
Total fossil energy consumption (MWh)	89610
Share of fossil sources in total energy consumption (%)	16.9
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)	342314
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	98325
The consumption of self-generated non-fuel renewable energy (MWh)	0
Total renewable energy consumption (MWh)	440639
Share of renewable sources in total energy consumption (%)	83.1
Total energy consumption (MWh)	530249
Non-renewable energy production (MWh)	66474
Renewable energy production (MWh)	342314

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

Emission Summary

	Group Total 2023	Group Total 2024	Change
Scope 1	21 116.0	23 445.7	11%
Scope 2	13 777,4	14 542.4	6%
Scope 3 (total)	121 514.6	135 675.9	12%
Scope 3 categories:			
Purchased goods	83 415.0	80 764.5	-3%
Purchased services	-	2 139.9	
Capital goods	-	8 221.6	
Fuel and energy-related activities	-	3 446.5	
Waste generated in operations (included in category 1)	1 335.6	817.7	-39%
Downstream transportation and distribution	36 764.0	40 285.7	10%
Total Scope 1,2,3 CO2 emissions	156 4552.0	188 206.4	20%

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.

In comparison to year 2023, the total emissions have increased by 20% because we are developing our calculation methods and including Scope 3 categories which were previously not included like capital goods and purchased services, the increase in emissions can also be attributed to increase in plywood production and related delivery increase by sea and land transport. In 2025, we plan to define our emission reduction targets for 2030.

Accumulated CO2 in:	tCO2
Plywood products	178 847
Side stream products	150 659
Side streams for energy production (substitution for fossil fuels)	285 580

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). The input data for the calculations are forest type, dominant species, compartment area number of trees, stand age, average tree diameter, average tree height, basal area, and volume. To characterise the average carbon stock in deadwood and wood products, data from the national 2023 GHG inventory (Ministry of Climate and Energy, 2023) were used.

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 2024 in the forests managed by Latvijas Finieris is 64 thousand m³ (average 5.3 m³-ha-1 per year or 0.2 m³-ha-1 more than in 2023), natural mortality in 2024 is 14.5 thousand m³ (1.2 m³-ha-1) and harvesting volume – 51.2 thousand m³ (15% more than in 2023). The change in growing stock is -1.8 thousand m³ (a decrease of 0.1% from the stock at the beginning of the year), i.e. the stock of living trees in the forests managed by AS Latvijas Finieris has slightly decreased in 2024; however, when totalling the changes that occurred in 2022, 2023 and 2024, the growing stock in forests managed by JSC 'Latvijas Finieris' continues to increase.

Despite a negative growth in the growing stock, the total GHG emissions remain negative (–31.0 thousand tonnes of CO₂ equivalent per year). Due to the increase in logging volumes, the largest source of CO₂ sequestration in 2024 is wood products (24.9 thousand tonnes of CO₂), followed by deadwood (mortality and logging residues, 8.6 thousand tonnes of CO₂). CO₂ stock in the biomass of living trees has also slightly increased—by 2.3 thousand tonnes of CO₂—due to structural changes in forest stands, which, despite a decrease in stem wood volume, have allowed for an overall increase in carbon stock in living biomass.

GHG emissions sequestered in Latvijas Finieris forests, 2024

	Living biomass	Dead wood	Soil	Wood products	Total emissions sequestered
Emissions, tCO ₂	-2272	-8639	+2366	-22 471	-31 016

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.	<div></div> Potential negative impact	<div></div>	<div></div>				<div></div>
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.	<div></div> Actual negative impact	<div></div>	<div></div>				<div></div>
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.	<div></div> Risk	<div></div>	<div></div>				<div></div>

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.

E4.IRO-1

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.

We will report more about the results of the study in the next report, and we will also use the results in defining sustainability targets and in planning future studies, if such are necessary.

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 six hectares, while their protective zones extend across **380 hectares**, making up **3.32%** 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;

Material risks to own business model

The most significant risks identified within the framework of the Risk management system and materiality assessment is the future availability of wood resources—see section GOV-5 (Risk management and main risks).

- **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).

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

In the project "[Economic assessment of the potential for balanced development of the Latvian forest sector and scenarios for sustainable development](#)", the researchers plan to analyse the current regulatory framework and its impact on the economy and ecosystem services, study foreign experience in sustainable forestry and adapt it to Latvian conditions, as well as model development scenarios that balance economic, ecological and social aspects, ensuring long-term prosperity and the conservation of resources for future generations.

The project will develop detailed scenarios covering a range of approaches from intensive economic growth to conservation strategies. In addition, concrete recommendations for policymakers to improve the regulatory framework and develop a sector strategy will be offered.

Biodiversity protection policy in or near protected area or biodiversity-sensitive area

Latvian legislation in forest management area is among the strictest in Europe. Our properties include state-designated micro-reserves and buffer zones for specially protected bird species such as the white-backed woodpecker, the lesser spotted eagle, and the black stork. Economic activities in these areas are carried out in accordance with the specific species protection plans.

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.

Policy related to biodiversity and ecosystems

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

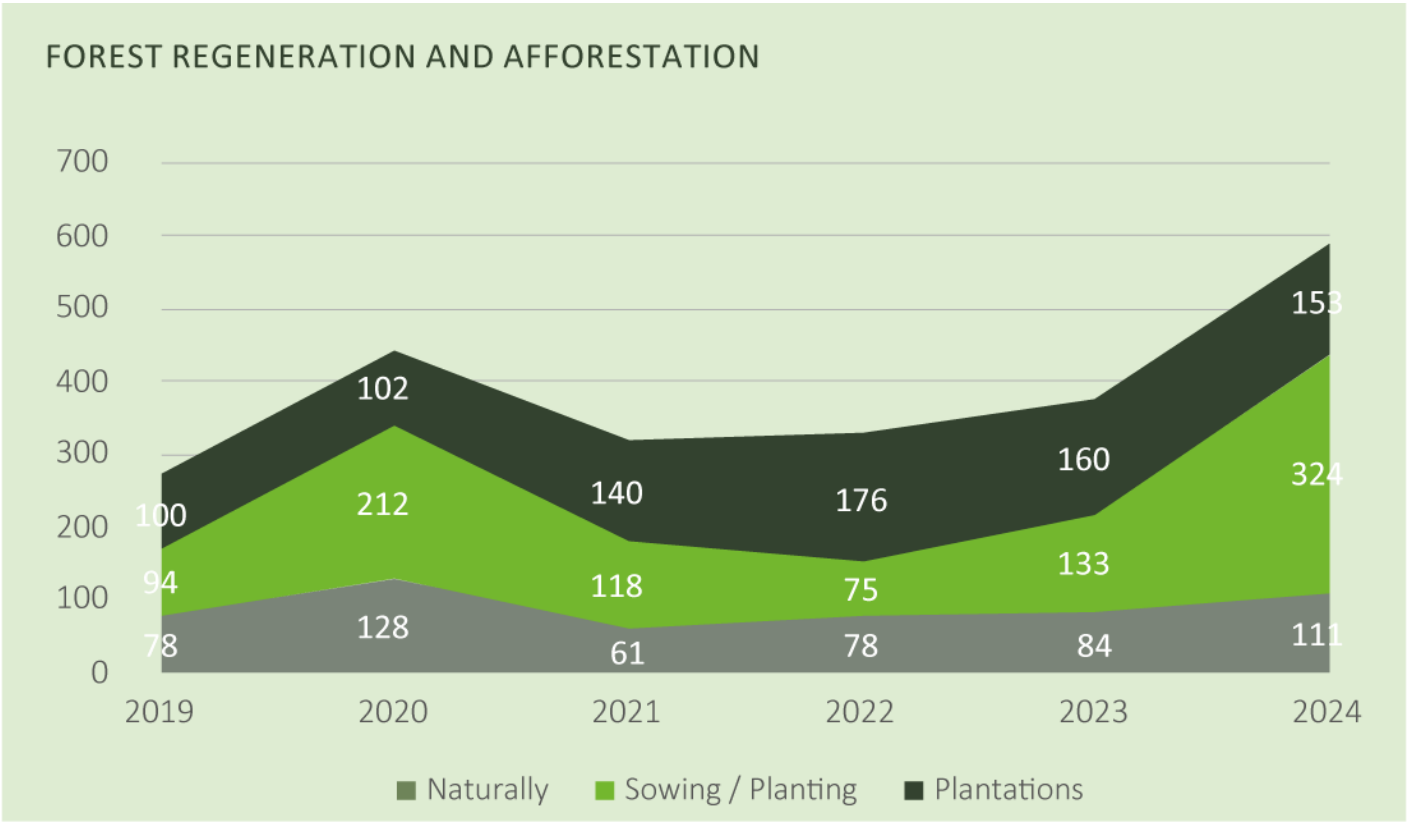
We continued our cooperation with the forest industry, which started in 1995, in maintaining and supporting the Birch programme.

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.

Metrics considered relevant



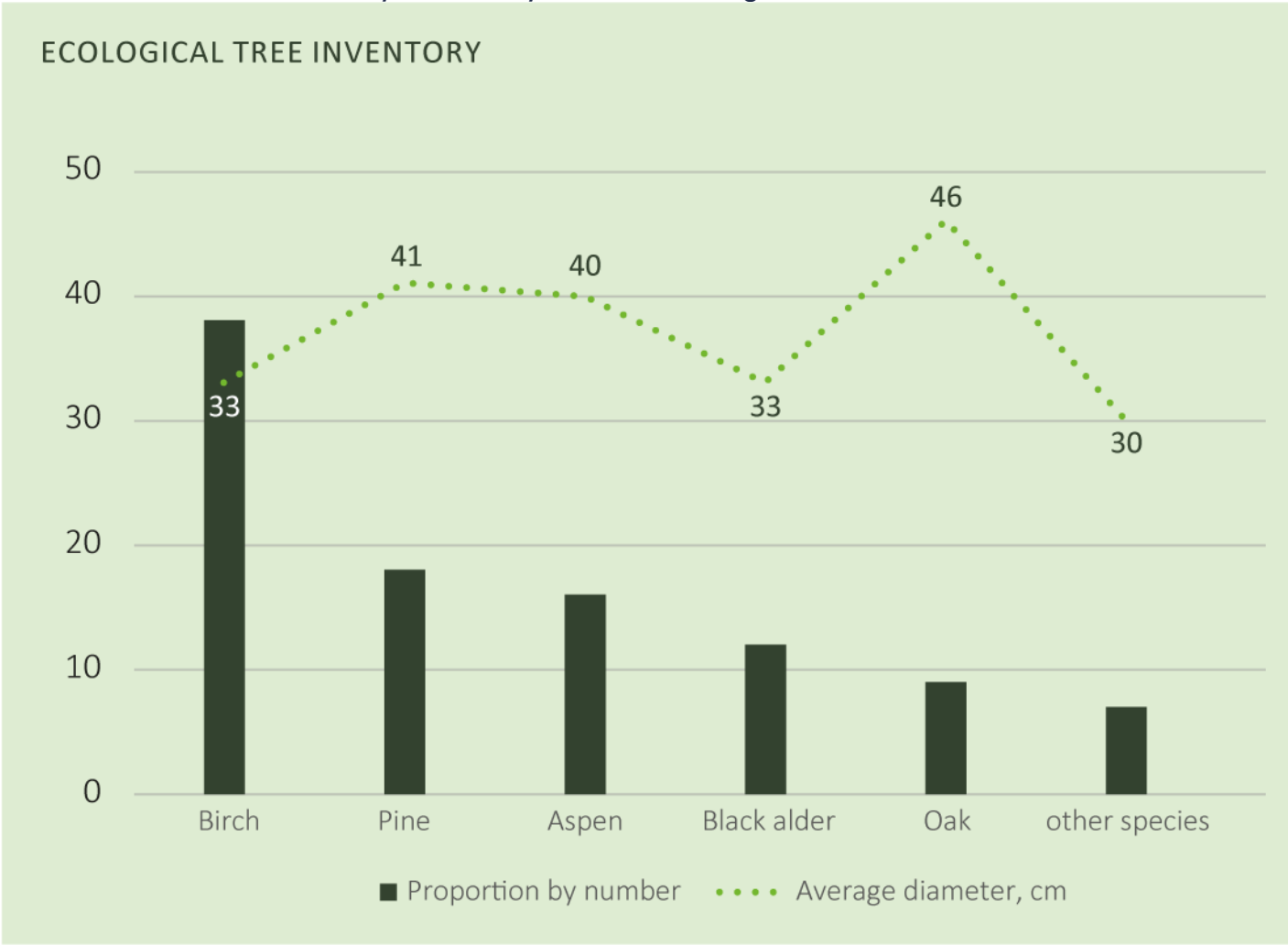
Reforestation of non-forest land is carried out by establishing plantation stands, where it is in accordance with legislation and local municipal territorial planning. When creating plantation forests, we preserve natural values – tree groups, ponds, etc. Overall, in Latvijas Finieris Mežs (LFM) properties, plantation forests account for 25% of the forest stands.

Reforestation of 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

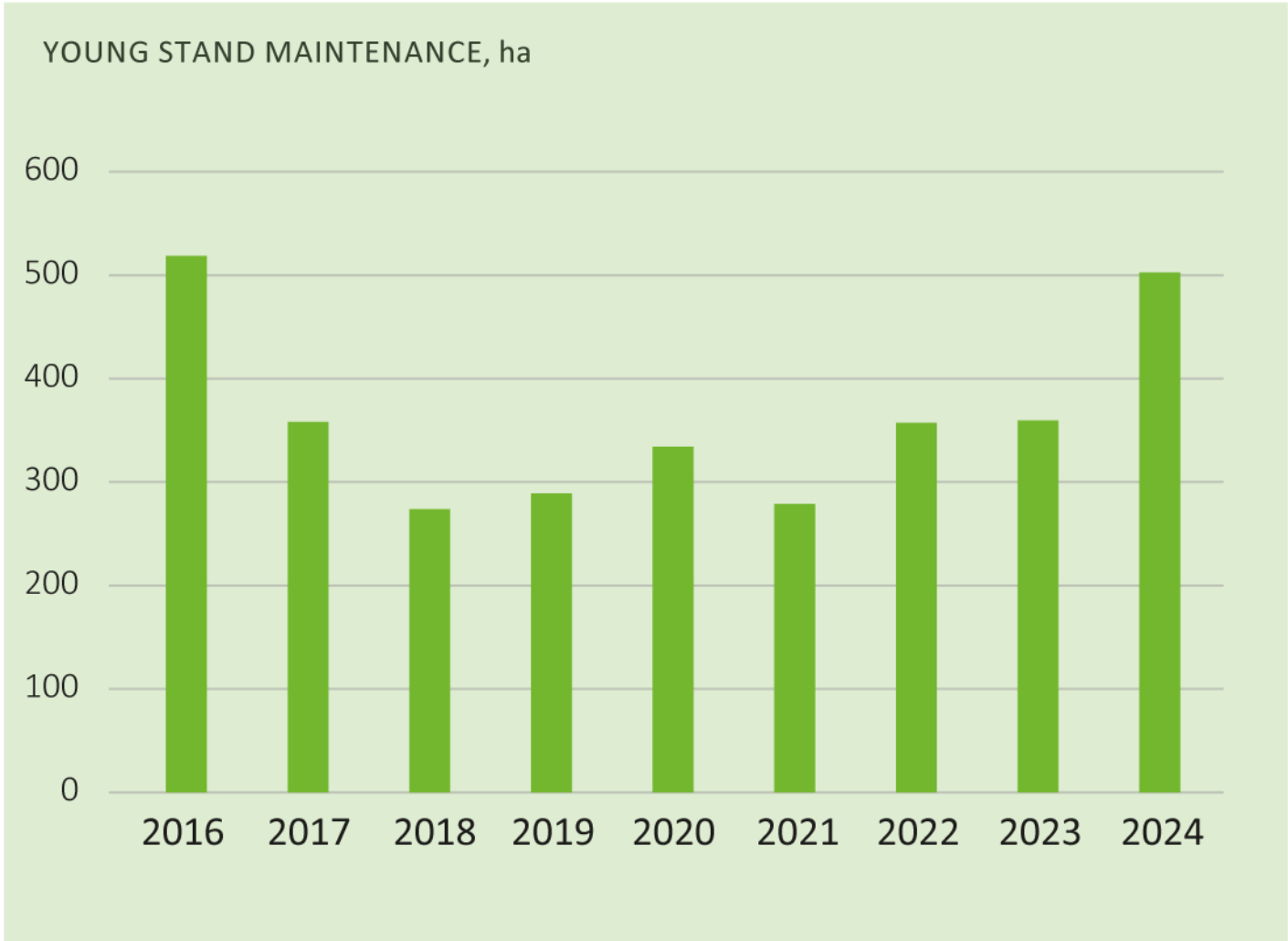
factors. As a result, the new forest grows faster, captures more CO₂, and generates a larger assortment of high-quality roundwood, which can be used to produce long-lasting wood materials that continue to serve as carbon storage throughout their life cycle.

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 620 hectares, which accounts for 5.4% of the total forest land area.

In LFM forest areas, **nine micro-reserves** have been established for the protection of specially protected species and habitats: one micro-reserve for a protected plant species, four for protected animal species, and four 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 35 ha**, with **buffer zones around the micro-reserves covering 67 ha**.

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

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 2024, a total of **142.67 ha** 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 941 hectares or 8.1% 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)	13.37	2015
Little eagle (Kujas nature park)	4.58	2008
Little eagle	0.44	2021
Aspen tree forest habitat	2.93	2006
Broadleaf forest habitat	7.21	2007
Bog forests (Rāzna National park)	1.41	2014
Buffer zones around micro-reserves	66.86	
Little eagle	43.07	
Black stark	23.79	
Together	102.07	

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 19 ha and an average density of 59%.

Additionally, LFM, while conducting invasive species monitoring, has identified ten unregistered areas with a total area of 26 ha. In 2024, chemical treatment of hogweed was carried out on an area of 36 ha. In 2025, 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 **236** hunting clubs over an area of **11 607 ha** in our properties. The areas covered by these agreements account for **86% 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.

VOLUNTARY NATURE PROTECTION		
Protection grounds	Number	Area, ha
Protected tree or group of trees	6	3.48
Bird’s nest	1	0.01
Beaver territory	12	17.95
Biologically valuable forest stands	3	2.65
Micro-hollow	1	1.02
Swamp	5	21.13
Ravine	2	2.92
Floodplain	14	68.9
Other	16	24.61
Together	60	142.67

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.

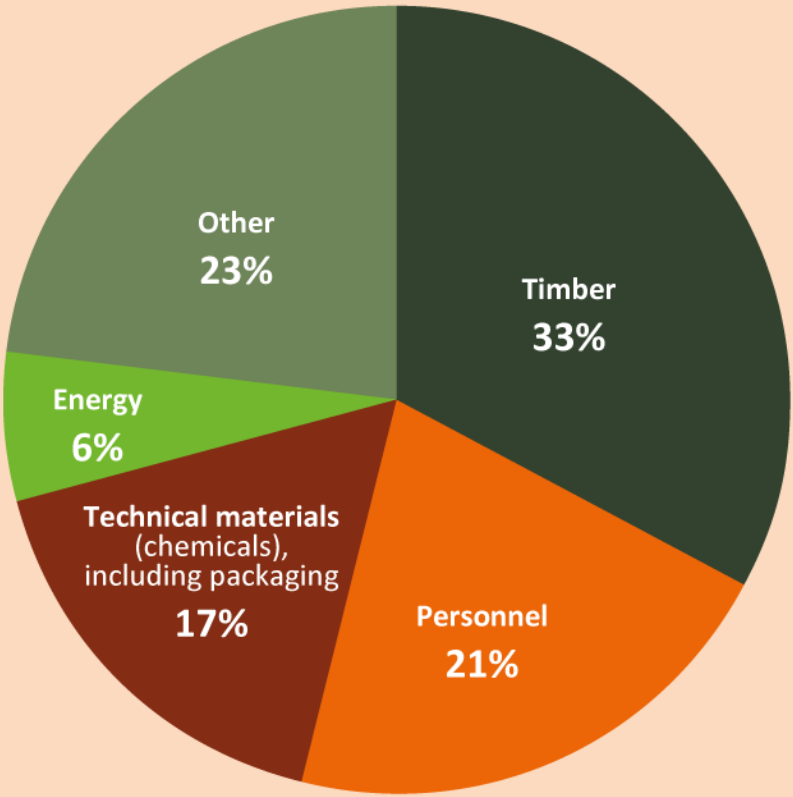
The end-of-life phase is the life cycle stage where assumptions are still required. Since our plywood products are exported to various countries worldwide and used in more than 30 industries, determining the impact, risks, and opportunities at the end of their life cycle currently relies on assumptions ([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 2024, LATVIJAS FINIERIS GROUP (IN EUR)



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](#).

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 bio-polymer 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 2024 was 649,846 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 Lignums have also started the project. We plan to move to plain packaging across all our factories in the next few years.

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 triterpene compounds present in birch bark extract are biologically active, natural compounds with antibacterial, antioxidant, and anti-inflammatory properties and cell viability-enhancing qualities. These properties are highly valued and applied in the pharmaceutical, cosmetic and food industries. Its potential in other sectors is still under exploration.

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

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, 2024

Type of waste	t per year
Total Waste generated	2187
Non-hazardous waste diverted from disposal due to recycling	605
Non-hazardous waste diverted from disposal due to other recovery operations	1072
Hazardous waste directed to disposal	256
Non-hazardous waste directed to disposal by landfilling	254
Non-recycled waste	510
Percentage of non-recycled waste	23
Total amount of hazardous waste	256

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 **2,413**. For more employee details, see S1-6, "Characteristics of the undertaking's employees".

The ESRS2 disclosure includes all employees within the Latvijas Finieris Group who the 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 2024 (annual average):

Group - 96

Latvia - 86

Estonia - 5

Finland - 5

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.

Employees 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 2024 - 3.6**, KPI for 2027 - 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, 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.

Identified material impacts, risks and opportunities

Topic	Title & description	Type						
			Upstream	Own operations	Downstream	Short-term	Medium-term	Long-term
S1	Secure employment Labour relations and social protection. The Latvijas Finieris Group complies with all regulatory requirements relating to employment. 97% of employees have permanent employment contracts. Additionally, the group provides social guarantees for employees – both those defined by labour laws and those outlined in collective agreements.	Actual positive impact						
S1	Work time 97% of the Group's employees have permanent employment contracts. Office workers are subject to regular working hours, while factory workers operate in shifts.	Actual positive impact						
S1	Safety culture (occupational safety) The company ensures compliance with external occupational health and safety requirements. Occupational health and safety is also one of the sections of the collective agreement. In addition to ensuring compliance, we have made occupational safety as one of our strategic priorities and are intentionally building a culture of occupational safety, where every employee understands the importance of occupational safety and takes action to address any shortcomings they identify.	Actual positive impact						
S1	Work schedule impact on health The impact of work schedules on the health of workers in manual labour professions. Currently, it involves shift work, with 12-hour shifts in relatively challenging conditions (temperature, noise, etc.).	Potential negative impact						
S1	Adequate wages Fairly determined, understandable, and adequate compensation. In Latvian companies, the minimum wage is reviewed and set higher than the national minimum wage each year.	Actual positive impact						

Topic	Title & description	Type	Upstream	Own operations	Downstream	Short-term	Medium-term	Long-term
S1	Rapid changes in the labour market Unfavourable and rapid fluctuations in the labour market, employee turnover (within the risk management system, external risk).	● Risk		●		●		
S1	Safety culture is not established The safety culture has not been established, leading to potential reputational risks and other related concerns.	● Risk		●				●

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 ethics](#) 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.

By 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 safety and health and the health and safety of those around them.

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.

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 wellbeing 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
Projects	1498	1470
Employee involved	491	453

Main types of engagement and frequency

Daily/ regular

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

Work Efficiency Programme

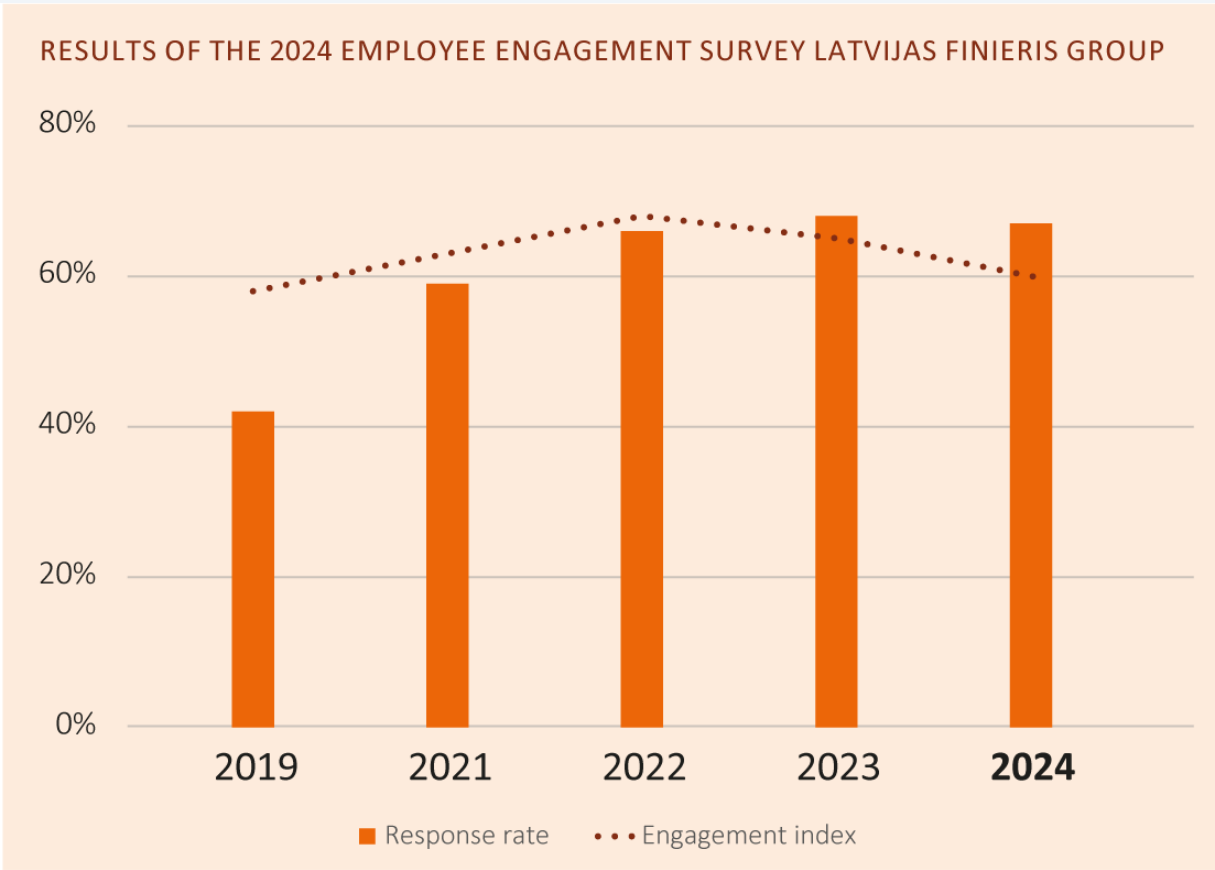
Trust representatives

Once a year

Employee Engagement Survey

Employee development discussions with supervisor

Recognition events (annual employee awards)



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.

S1-6 **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 – 30.12.2024. The overall employee characteristics include all full-time employees, while those employed under fixed-term contracts are not included in this data (3%).

Characteristics of Latvijas Finieris employees - number of employees by gender

Gender	Number of employees (head count)
Male	1705
Female	708
Other	0
Not reported	0
Total Employees	2413

Number of employee who have left voluntarily
164

Percentage of voluntary employee turnover
6 %

Total number of employee who have left Group’s companies: 311
Percentage of total employee turnover: 12 %

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

Country	Number of employees (head count)
Latvia	2068
Lithuania	52
Estonia	232
Finland	34

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

Contract type	Group	Latvia	Lithuania	Estonia	Finland
Permanent employees	2354	2024	52	217	34
Temporary employees	47	44	0	3	0
Non-guaranteed hours employees	12	0	0	12	0

Number and percentage of employees by age

	Group	Latvia	Lithuania	Estonia	Finland
Number of employees under 30 years old	250	217	2	27	2
Percentage of employees under 30 years old, %	10%	10%	4%	12%	6%
Number of employees between 30 and 50 years old	1177	977	31	133	18
Percentage of employees between 30 and 50 years old, %	49%	47%	60%	57%	53%
Number of employees over 50 years old	986	874	19	72	14
Percentage of employees over 50 years old, %	41%	42%	37%	31%	41%

Number and percentage of employees by gender

	Group	Latvia	Lithuania	Estonia	Finland
Male	1705	1460	40	150	30
Male, %	71%	71%	77%	65%	88%
Female	708	608	12	82	4
Female, %	29%	29%	23%	35%	12%

Number of employees (head count) at top management level

Gender	Number
Female	1
Male	9
Other gender	0
No data	0
Total	10

Percentage of employees at top management level

Gender	%
Female	10
Male	90
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
Set by AS Latvijas Finieris, EUR	750	800	860
In the Republic of Latvia, EUR	500	620	700

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	2024
Latvia	1709	1812	1685
Esonia	2042	2098	1981
Lithuania	2134	2289	2233
Finland	3730	4035	4085

RATIO OF BASIC SALARY FOR WOMEN TO BASIC SALARY FOR MEN IN LATVIJAS FINIERIS BUSINESS UNITS



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 2024 (AS Latvijas Finieris): **1263 (A)** and **912 (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 - **29 sick notes** (data about AS Latvijas Finieris, parent company, 2024).

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	88%	100%	0%	0%	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, **353** employees of AS "Latvijas Finieris" have taken time off (2024).

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 2024, **18 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 2024 (seminars, trainings, conferences, think tanks, and other) - **389**.

Training hours per employee (data from AS Latvijas Finieris)

2022 - 11.4 h

2023 - 10.2 h

2024 - 12.7 h

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](#).

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

	2023	2024
Managers and professionals, including administration	57%	43.37%
Worker’s professions	43%	56.63 %

Programme “Be a leader!”

In 2024 special attention was given to developing leadership skills among the workforce. These employees perform daily tasks that require a general understanding of the role, functions, skills, and responsibilities of a leader. To foster the development of these competencies, a training course titled **"Management. Leadership. LEAN"** was implemented.

The professional development programme for managers and specialists “Be a Leader!”, was continued, expanding on the “Self-Management” module initiated in 2023. All administrative employees were given access to concise training videos on the e-learning platform. Additionally, practical workshops were organised for specific groups of managers and specialists. These workshops covered topics such as:

- Human behavior patterns;
- Effective communication techniques;
- Self-motivation;
- Stress management;
- Promoting employee wellbeing and more.

The number of employees who have completed management and communication topics in 2024, AS Latvijas Finieris

Total	632
Managers and professionals, including administration	362
Worker’s professions	270

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.

Number of recorded near misses per million hours worked

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

In 2024, the accident frequency rate increased from 10.52 to 14.56. This rise was mainly influenced by an increase in the number of minor accidents across various production facilities. At the same time, a review of the existing safety culture was initiated with the aim of promoting a positive attitude toward safety as a value and a daily habit. Additionally, an in-depth evaluation of the causes of accidents and near-miss incidents (NMIs) was introduced, allowing for proactive risk reduction of similar incidents occurring in the future.

Accident frequency rate*

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

(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

0

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

56

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.

Latvijas Finieris Green Class

Innovative, responsible, and values-based action starts at school, so in 2024, we continued our targeted dialogue with schoolchildren and young people on sustainable forest management. For example, in our educational event Latvijas Finieris [Green Class](#) on 5 September, 130 classes from 45 schools – **1500 primary school pupils and teachers** – gathered in SarkanĶalns in Vērēmu Rural Territory, Rēzekne Municipality.

Bioeconomy School

We are also actively involved in the Joint Stock Company Latvia's State Forests (LVM) competition for secondary school students LVM Bioeconomy School. In 2024, Latvijas Finieris continues to support young people who are willing to invest their time to understand the great importance of forest management and wood product manufacturing in Latvia's economy.

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

Support for Ukraine

In 2024, 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 9.5 million by the end of 2024.

We believe that together we can defeat evil and we will continue to help Ukraine until the war is over.

More information available [here](#).



sustainable use of bio-based products. In 2024, for example, 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.

Forest Days in Lithuania gathered over 100 participants. On 15 April 2024, the annual Forest Days event took place in Ukmergė, Lithuania, bringing together more than 100 participants. The event was attended by company employees, cooperation partners, local school students, and the Lithuanian youth guard. Together, they planted **6,000 birch saplings**.

Latvijas Finieris Annual Forest Days. On 29 April 2024, Latvijas Finieris' annual Forest Days brought together 244 employees of the Group and their family members, as well as Riga Wood clients from Latvia and abroad. Together, they planted approximately **16,000 birch saplings**, which will thrive and grow in the "Burkāni" area of Baldone parish. The event was attended by Riga Wood

colleagues along with clients from the United Kingdom, France, Japan, the Netherlands, Finland, Turkey, Germany and Sweden, as well as clients from Estonia, Canada, Lithuania and Poland. In total, Forest Days welcomed participants from 13 countries.

VEREMS Forest Days. With the aim of promoting awareness about the vital importance of effectively using Latvia's fertile land for the national economy, informational Forest Days were held on 10 May 2024 by VEREMS RSEZ SIA. The event gathered representatives from educational and cultural institutions of Rēzekne municipality, public organisations, businesses, as well as state and local government institutions.

The event combined symbolic planting of birch and pine trees with a tour of the VEREMS large-format birch plywood production facility and an overview of industrial timber construction examples as part of the factory's development project.

At the conclusion of the Forest Days, guests had the opportunity to attend three informative lectures. Artūrs Bukonts, Executive Director of the Latvian Forest Industry Federation, gave a talk titled "Build with Wood! – A Slogan, a Trend, or Perhaps the Solution to All Problems?" Jānis Staris invited participants to delve into climate issues in his presentation "Land Use in Latvia," while literary scholar and Doctor of Philology Ilga Šuplinska focused on the status, value, and vital role of the Latgalian language in today's society.

New nature trail

Birch Nature Trail Opened in [Sarkaņkalns](#). Continuing the development of Sarkaņkalns in Rēzekne Municipality as a place for education and active recreation, the Birch Nature Trail was officially opened on 15 November. The trail offers both adults and children the opportunity to explore the significance of the birch tree and the richness of biodiversity more closely. The 300-meter trail is equipped with informational stands and signage, making the walk an educational adventure.

The trail is suitable for leisurely and educational walks for nature lovers of all ages, providing an opportunity for diverse social groups to learn about land and forest use, as well as sustainable human interaction with the surrounding environment.

To enhance the learning experience, informational stands have been placed along the trail, highlighting the role of the birch tree in nature, specific species, and its benefits for human health. Additionally, the Sarkaņkalns area features detailed signs indicating directions and distances to specific landmarks. At the Adamova Lake swimming area in Sarkaņkalns, an information board has been installed with details about the biotops of the Adamova Lake Park.

Cooperation with education and scientific institutions

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.

Latvijas Finieris has long collaborated with the Latvia University of Life Sciences and Technologies, and in 2023 strengthened its relationship with the signing of an agreement with Riga Technical University.

In 2024, a new partnership was signed with the University of Latvia to promote mutual collaboration in education, science and research. This partnership marks an important step in the company's development, enabling the joint creation of innovative solutions and strengthening Latvia's position on the global stage.

We work continuously in collaboration with scientific institutions such as Latvian State Forest Research Institute "[Silava](#)" - forest research centre and [Latvian State Institute of Wood Chemistry](#).

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 2024, from the product assortment, 29% are registered as modifications or new products.

Business investment in research and development as a percentage of added value – 1.1% (average of 2022–2024 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.

Identified material impacts, risks and opportunities

Topic	Title & description	Type	Upstream	Own operations	Downstream	Short-term	Medium-term	Long-term
S4	Customer experience 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.	Actual positive impact						
S4	Responsible product marketing 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.	Actual positive impact						
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						

Topic	Title & description	Type	Upstream	Own operations	Downstream	Short-term	Medium-term	Long-term
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 [Code of Ethics](#) sets out the principles according to which the Group's companies and their employees operate and behave, including its relations with customers.

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 get feedback on their experiences and to remediate any possible negative impacts.

We conduct a focused customer survey once a year to understand the customer experience, needs, and potential necessary improvements. The survey

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

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

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 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 non-conformities identified within factories or suggestions and proposals for improvements.

The procedure specifies the timelines for problem resolution and response, as well as responsible parties. Complaints and proposals are precisely recorded in the existing resource tracking system, which is digitised, allowing for 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 Ethics](#) 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

631

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 owned by **590 (588 private persons, two legal persons)** non-controlling shareholders (data for 31 December 2024), 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 to ensure long-term professional decisions based on multiple competencies for sustainable development.

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

horizontally, involving all group employees as much as possible. We have defined clear responsibilities and authority in decision-making processes 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 Ethics](#).

Code of Conduct

We revised the [Code of Ethics](#) in 2024 and plan to implement the new version as Code of Conduct within the Group in 2025. We also continue to develop the Suppliers Code of Conduct and plan to approve it by the Executive Board at the beginning of 2025.

The Code of Conduct describes actions and behaviors that come from our culture, traditions and positive habits. It brings together written and unwritten conditions, policies and practices. The Code of Conduct is the "language" in which we build relationships and dialogue with our stakeholders: suppliers, customers and other cooperation partners, employees, shareholders and the communities within which we operate.

The Code of Conduct covers topics such as responsible business (compliance, fair competition, corruption, conflict of interest, protection of property, information and data, cooperation partners), responsibility for the environment (environment and climate, sustainable use of land and forestry), human rights and labour law, occupational health and safety, products and customers, dialogue with stakeholders, which includes communication, interest representation and support and contribution to society. Guidelines are also provided on where to report any identified or suspected non-compliance.

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 2023 and 2024.

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 criteria are described in the Group's [Procurement Policy](#) and [Timber purchasing Policy](#), which ensures a responsible and efficient procurement process, enabling the Group to fulfill its commitment through the so-called multiplier effect – to be a systemic part of the economy with a wide indirect impact on export, employment and taxes.

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;

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

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

Risk analysis of cooperation partners of AS Latvijas Finieris

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

- representatives of sanctioned countries as beneficial owners, on the company's board, council or as proxies;
- 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.

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 will help us more effectively embed sustainability practices and topics into everyday operations and mutual cooperation with suppliers.

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 Ethics](#) 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.

In 2024, the Code of Conduct was reviewed, so in 2025, we plan to improve the reporting process to ensure it is clearly understood and easily accessible to both external and internal stakeholders. We also plan to conduct employee training.

Information about policies is communicated to employees through training, internal information, management and department meetings and, if necessary, individual conversations.

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 opinion on issues of importance to the Group and society, thus representing the industry's professional, data-driven, and practical experience-driven view.

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 and several middle-level managers are involved according to the specific responsibilities of their scope 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.

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