



SOCIAL RESPONSIBILITY
REPORT 2021



**VILNIAUS
BALDAI**

CONTENT

The Year 2021 for Vilniaus Baldai	3
Key performance indicators	4
A new factory	5
Responsible use of resources	6
Environmental protection and quality	7
Heat production from renewable energy sources	8
Employees	9
Work environment	10
Values system based on employees insights	11
Fair and transparent business practices	12
Social company	13
SDG index	14

THE YEAR 2021 FOR VILNIAUS BALDAI

The company's most important achievements in this year of the pandemic were its stability and the comprehensive care provided to its employees. Despite the challenges posed by COVID-19, we successfully managed to adapt to the situation, and increased our production capacity and sales. The company's sales revenue in 2021 amounted to 99 million euros, or 36% higher than the amount reached in the financial year 2020. Production started in the new factory, which contributed to the growth in production volumes and accounted for 19% of all the company's products in 2021.

Occupational safety and health remains one of our top priorities. We have created favourable conditions for our employees to be vaccinated, and the current immunisation rate in our workplace has reached 80-89%. By taking care of our employees in a responsible manner, we are also contributing to the general situation in Lithuania by achieving the required level of vaccination and stopping the spread of the virus.

Year 2021 was declared as the Year of Professionalism at Vilniaus Baldai. During this year, we created better conditions for internal career opportunities. This meant that our employees had an opportunity to attend either the Operators' Academy, Truck Drivers' Academy or the Electricians' Academy. An involvement survey showed that in 2021 the share of employees who felt involved in the workplace increased to 38% and the number of satisfied employees grew to 72%. We also paid a lot of attention to improving the experience of our employees by raising salaries and regularly upgrading the surroundings to create a comfortable working environment.

AB Vilniaus baldai



KEY PERFORMANCE INDICATORS

99
million EUR

Sales

101
million EUR

Production

3,25
million

Number of items
of furniture produced

923

Number of employess in
the group of companies

41
years

Average age of the employees

1881
EUR

Average salary

~0
%

Percentage of waste
entering landfill sites

~100
%

Use of FSC certified
wood raw materials

22259
MWh

Amount of heat sold
to the city of Vilnius

NEW FACTORY

In the financial year 2020, the Vilnius Baldai public limited liability company completed the first stage of its new factory project in Guopstai Village, Trakai District. The factory building was completed and equipped, new production lines were installed and the furniture production lines were gradually launched. The second phase of the relocation should be completed by the end of 2022.

The new Vilnius Baldai factory project is based on a long-term agreement with the company's main customer and was designed based on its needs. The total investment in the 73 thousand sq. m factory amounted to 55 million euros. It was built on a plot of 18 ha, located 5 km from Vilnius. This factory will allow the company to significantly improve its working conditions, as well as increase its production capacity and add new products.

Jobs for local people

As the production activities at the new factory are intense and ongoing, new jobs have been created and employees are being hired. In August 2021, the new factory employed over 200 workers.

Our employees travel to the new factory on a specially designated bus. So far, we have organised a total of 11 different routes, which are accessed by about a third of the employees. We are also creating jobs for people living in the local area and are constantly increasing the number of routes, depending on the requirements of the people applying for these jobs. The bus timetables are tailored to both the shifts and public transport schedules.

The employees are provided with comfortable changing rooms and modern lounges with computer facilities. The factory has also a canteen, where we reimburse a large share of the lunch prices.

Energy resource management

We have joined and are currently participating in a pilot project with our main client aimed at the implementation of an energy management system based on their best practice, which has been developed according to the ISO 50001 standard valid in Europe to improve energy efficiency. The implementation of the project is based on the Plan-Do-Check-Act principle. This is not a one-time project, but will run continuously with the employees being encouraged to save energy in a comprehensive manner through the use of various measures.



RESPONSIBLE USE OF RESOURCES

In order to use natural resources responsibly, Vilniaus Baldai has continually invested in energy-saving equipment and is implementing other technological innovations.

Production technology

More than half of the furniture manufactured by the company is made using hollow frame BoF technology, in which solid wood is replaced with recycled paper honeycomb. This reduces the consumption of wood, as a raw material, by up to five times.

Raw materials certified by the FSC and sourced from responsibly managed forests are also used in the production lines. The FSC chain-of-production certificate confirms that the materials used in the production are clearly identified as FSC-certified, or are separated from non-certified and uncontrolled materials throughout the production chain.

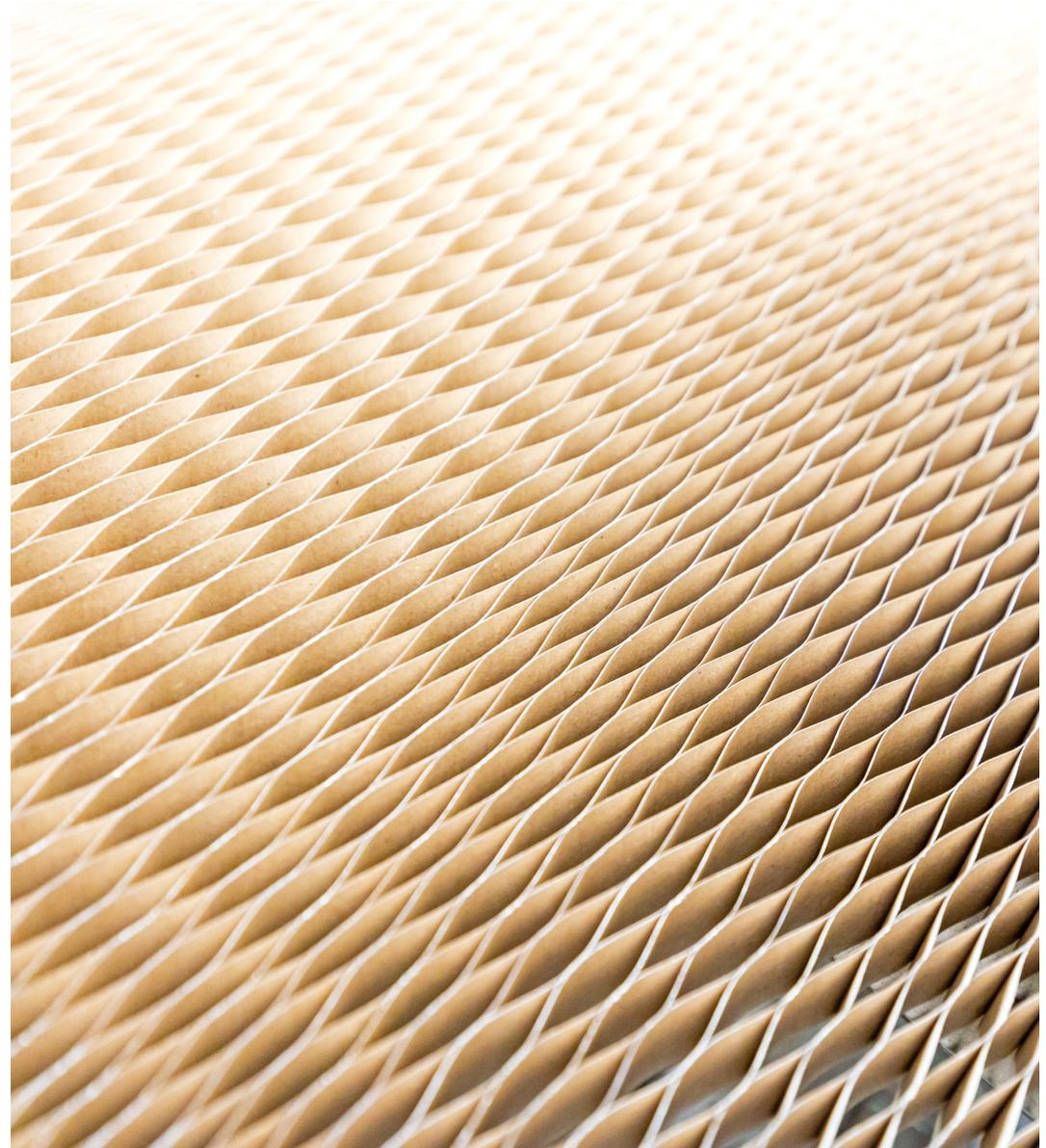
Use of FSC-certified wood raw materials in the company's products



Investments in equipment

Through continuous technological testing and investments in energy saving equipment, such as LED lamps for the UV coating line, the company has found ways to apply less materials and achieve a better product quality. In addition, investing in the modern and efficient SCHELLING cutting line has created an opportunity to achieve the optimal use of raw materials.

When adding new items to the range of furniture manufactured by the company, we strive to select the lightest possible materials with the lowest density, which are strong enough to withstand the mechanical requirements when put together. At the same time, we look for the most economical and the safest product packaging solutions, to the product to reach its end customer intact and in the best condition. All of these steps have allowed us to work together with our main customer to achieve our common goal – producing sustainable and high-quality products that are affordable to as many people as possible.



ENVIRONMENTAL PROTECTION AND QUALITY

Every piece of furniture produced by Vilnius Baldai must meet our high quality, functional standards. It must also have a unique shape and be created in a sustainable environment, according to the goals is set for the company by our main customer. In other words, we pay special attention to both the quality of our furniture and to environmentally-friendly solutions. This ensures that the end user will receive high quality and eco-friendly furniture.

Quality assurance

The company has implemented the Quality, Environmental Protection and FSC Production Management System, which is periodically certified in accordance with the ISO 9001, ISO 14001 and FSC-STD-40-0047 standards. By listening to our customer's environmental, social and working condition requirements, we have established strict requirements when purchasing products, raw materials and services, as well as in our own operations.

The company implements the LEAN system, which allows the whole team to improve and to perfect our ongoing management processes. One part of the continuous improvement of our processes is KAIZEN. Contributions to this approach are made by four specialist teams, as well as by other proactive team members. In this way, we have implemented approximately 30 process improvements each year, leading to consistently improved work efficiency and a better product quality.

Environmentally-friendly solutions

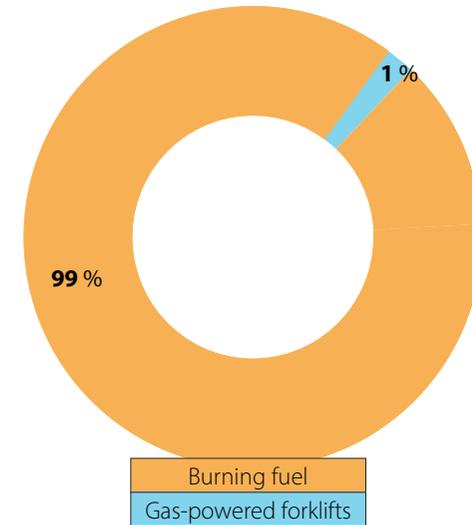
Every year, the company sets our environmental goals that will help us protect the environment more efficiently. These goals include the economical use of energy resources and raw materials, waste sorting and recycling, and constant improvements to our working environment.

There are containers for sorting waste in all the company's production and administrative premises, which help to constantly strengthen the responsible attitude prevalent within the company.

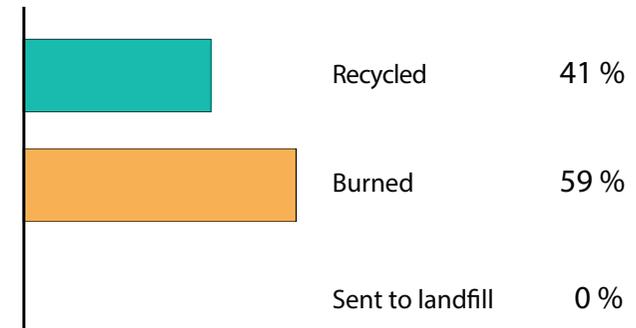
We are aiming to reduce our CO2 emissions. In 2021, we are planning to abandon gas-powered forklifts and switch to lithium-ion powered electric forklifts. By 2028, we are planning to replace all our refrigerants with environmentally-friendly alternatives and to continue using electricity from renewable sources.

We are contributing to IKEA's 2030 goal of using only materials that can be recycled and that are produced using renewable resources. Currently, 41 percent of our materials are recycled and 59 percent of them are burned, so that 0 percent of the company's waste goes to landfill sites.

Sources of CO₂ emissions in the company



Waste management in the company



HEAT PRODUCTION FROM RENEWABLE ENERGY SOURCES

The private limited company Vilniaus Baldai became an independent heat producer in 2018. This means that the company produces heat energy from renewable resources and supplies this energy to the district heating networks of Vilnius.

A new UNICONFORT 4.5 MW biofuel boiler with an economiser and an efficient smoke cleaning system was installed in the company's boiler house. The main fuel for this boiler is a by-product of the production process – sawdust. In total, Vilniaus Baldai has invested over EUR 1.5 million in this heat energy production and supply project.

In the financial year 2021, the company sold heat to the city of Vilnius at a 22,6% cheaper rate compared to the heat production costs declared by Vilniaus šilumos tinklai.

Amount of heat sold (MWh)



EMPLOYEES

Vilniaus Baldai pays a great deal of attention to the continuous improvement of working conditions within the company, by investing in the training and professional development of our employees. In addition, the average gross salary in the company was 20 per cent higher than the average monthly wage in Lithuania for Q2 of 2021.

We have successfully managed the challenges posed by the pandemic by enabling some of our employees to work from home, ensuring a safe environment for those working in the factories, regularly disinfecting the premises and implementing all the recommended COVID-19 management measures.

In renewing our collective agreement, we have improved the working conditions for our employees; for example, we have provided a possibility to adjust the working hours if someone needs to start work later or leave home earlier, and then make up the hours at an agreed time.

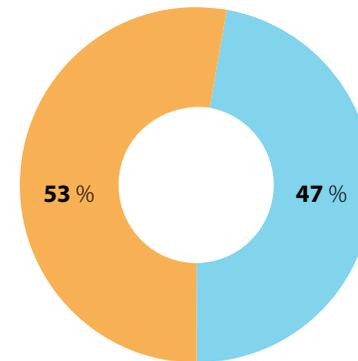
Better conditions for internal career opportunities have also been created. The employees were given an opportunity to attend the Operators' Academy, Truck Drivers' Academy or the Electricians' Academy, and during the reporting year, 31 employees participated in these training courses. We filled missing positions by providing internal training for the employees, as well as offering career or career change opportunities to our existing employees. The academies have created great benefits to both our company and our team of employees; therefore, these academies will continue to provide ongoing training.

Average monthly salaries (EUR)

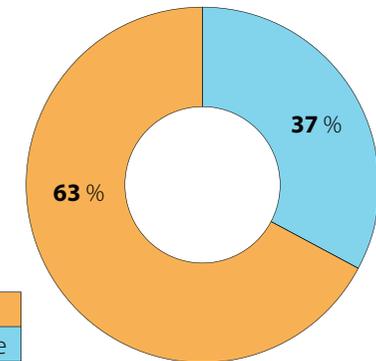
	2019	2020	2021
Management staff	6.573	5.765	6.480
Specialists	2.146	2.534	2.399
Workers	1.550	1.690	1.782
Total:	1.643	1.800	1.881



Administration



Production



Male
Female

WORK ENVIRONMENT

When organising our job selection processes, we strictly follow the requirements of the legal acts and follow the examples of good practice. Our aim is to ensure a comfortable, safe and development friendly working environment.

Ensuring equal opportunities

We ensure equal opportunities for our existing and potential employees at all stages of the employment process – from the announcement of vacancies and the selection of candidates, to the employment conditions, education, work environment, etc.

The company has a zero tolerance policy with regard to discrimination on any grounds: race, religion, gender identity, ethnicity, marital or family status, age, political affiliation, nationality, physical ability, sexual orientation or any other aspect of a person's identity.

Respect for human rights

We guarantee that our employees can enjoy all basic human rights, alongside respectful behaviour, and the protection of honour and dignity. They are free to participate in public and political life, as well as to express their opinions, while ensuring that their public statements are understood as a personal opinion and not as the position of the company. We respect the right of our employees to choose to become members of a trade union.

Working environment with zero tolerance for harassment

The company will not tolerate harassment in any form.

Protecting the interests of children

We do not use child labour – the company does not employ anyone who is younger than the statutory minimum age of employment and strictly prohibits all forms of forced labour.

Occupational health and safety

We strive to ensure a safe work environment and are constantly working to improving our safety measures. As a result, an electronic incident registration module has been developed by the company. This means that anyone can register sites where there is a potential risk of injury or another disaster, and can subsequently see when the hazard will be removed and who is responsible for this action. In addition, we insure all employees against accidents at work, as well as providing them with personal protective equipment, special clothing and shoes. We also provide medicines and vaccines, while monitoring and checking the health of our employees.

The necessary information on safety and health issues is provided to our personnel, including (but not limited to) fire safety areas, the proper handling of chemicals and equipment, emergency preparedness and first aid. We carry out internal training and delegate specialists to participate in external training. Thus, we are constantly helping our employees to improve and raise their level of awareness, so that everyone personally protects themselves and their team members, and can take all necessary measures in case of danger.

Toxic substance abuse is prohibited

The work processes in the company require clear thinking and quick reactions. We depend on our workers for the quality of our production, as well as the safety of the employees and other team members. The use of alcohol, drugs and other psychotropic substances is strictly prohibited in the company, as is arriving at work under the influence of such substances.



VALUES SYSTEM BASED ON EMPLOYEES INSIGHTS

The core values of Vilniaus Baldai are responsibility, teamwork and professionalism. We have refined these together with our entire team of company employees, and we regard these values as the basis of our daily activities, communication and cooperation.

In striving to meet the expectations of our entire team and to provide as many opportunities as possible to share insights and improve, 2021 was dedicated to the value of professionalism and to related initiatives.

The "Vilniaus Baldai" magazine for our employees and the short info publication "Info Koriukas" were published quarterly, in which we shared both the company's news and other practical and interesting content. We also introduced Suggestions and Comments boxes that allowed the employees to conveniently share their ideas and ask questions. We actively shared information about our company on social media, and we will continue many of these activities in the new year of our operations.



FAIR AND TRANSPARENT BUSINESS PRACTICES

Vilniaus Baldai's Code of Ethics is based on the values of trust, honour and honesty, which are cherished by the entire team. The code defines certain principles of conduct to ensure compliance with how we should work, establish and maintain the relationships with our colleagues, customers, business partners and other members of society. All members of the company's team are required to comply with the provisions set forth in the Code of Ethics.

Prevention of bribery and corruption

Our employees are prohibited from accepting cash gifts or cash equivalents (such as gift vouchers that can be transferred or exchanged for cash), as well as bank cheques, money transfers, investment securities, marketable securities, loans or shares. This includes giving or accepting gifts, as well as receiving benefits in exchange for favourable conditions intended to affect a business transaction or to gain business or a personal advantage.

Company suppliers, subcontractors and their business environment

We strive to ensure that the company's business partners, including the suppliers of services, goods or raw materials and their sub-suppliers, as well as the companies operating or performing work in the company's territory, comply with the provisions set out in the Code of Ethics. These provisions include the provision of equal opportunities for employees at work, respect for human rights, protection of the safety and health of employees, prevention of harassment, child or forced labour, and prohibitions on the use of drugs, alcohol, unallocated dangerous drugs or other psychotropic substances. Such provisions are also aimed at making the employees aware of our approach to support the prevention of corruption and bribery.



SOCIAL COMPANY

At Vilniaus Baldai's subsidiary, Ari-Lux, people are employed who have lost their capacity for professional and general work, including those who are economically inactive and unable to compete in the labour market on equal terms. In this way, we are helping these individuals return to the labour market and develop the necessary skills, while promoting integration and thus contributing to less social exclusion.

We have informally granted Ari-Lux the status of a non-profit company, and we will continue striving to meet the needs of the people who work at the company by adapting the jobs and creating conditions for them to work according to their capabilities.

In the financial year 2021, Ari-Lux had 76 employees.



SDG INDEX



Employees

9 page



Work environment
Fair and transparent business practices

10 page
12 page



Employees
Work environment

9 page
10 page



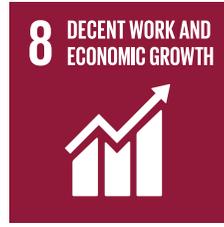
Employees
Work environment
Fair and transparent business practices

9 page
10 page
12 page



A new factory
Responsible use of resources
Heat production from renewable energy sources

5 page
6 page
8 page



A new factory
Employees
Work environment
Social company

5 page
9 page
10 page
13 page



A new factory
Responsible use of resources

5 page
6 page



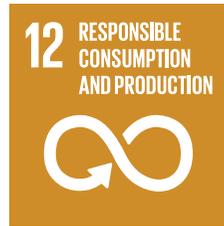
Work environment
Values system based on employees insights
Fair and transparent business practices

10 page
11 page
12 page



Responsible use of resources
Heat production from renewable energy sources

6 page
8 page



Responsible use of resources
Environmental protection and quality
Energy resource management

6 page
7 page
5 page



Environmental protection and quality

7 page



Responsible use of resources

6 page



Values system based on employees insights
Fair and transparent business practices

11 page
12 page



Values system based on employees insights

11 page