



# ESG REPORT

Environmental impact  
Social responsibility  
Corporate governance



August 2022  
Reporting period January - December 2021

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This is the second non-financial report on the implementation of environmental, social responsibility and corporate governance principles prepared by AS "VIRŠI-A" and affiliated companies (hereinafter also VIRŠI and the Group) operating under the "VIRŠI" brand. The report was made in accordance with the ESG Reporting Guide 2.0 guidelines developed by Nasdaq and published in May 2019. It was created to introduce VIRŠI customers, employees and shareholders, as well as others, with the sustainability, social responsibility and corporate governance indicators and initiatives of VIRŠI.

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**TODAY, THERE IS A GROWING BELIEF THAT THE PERFORMANCE AND SUCCESS OF ANY BUSINESS MUST ALSO BE SEEN IN THE CONTEXT OF SUSTAINABILITY, ASSESSING ITS PERFORMANCE IN LINE WITH ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE ASPECTS. THEY PROVIDE A MUCH DEEPER AND BROADER INSIGHT INTO OPERATIONS OF A COMPANY, ENSURING GREATER OVERVIEW OF ACTIVITIES.**

**2021 HAS BEEN A CONVINCING YEAR FOR THE DEVELOPMENT OF THE COMPANY. DURING THIS YEAR, WE SUCCESSFULLY IMPLEMENTED THE MOST AMBITIOUS PROJECT OF THE YEAR, LAUNCHING THE IPO OF THE COMPANY'S SHARES ON THE NASDAQ RIGA STOCK EXCHANGE AND THUS ATTRACTING ALMOST 10,000 INVESTORS, THE STRONGEST RESULT EVER IN THE LATVIAN CAPITAL MARKET.**

**WE HAVE ALSO WORKED ON THE FURTHER EXPANSION AND MODERNISATION OF THE NETWORK OF FUEL STATIONS, AS WELL AS THE DEVELOPMENT OF ALTERNATIVE FUEL INFRASTRUCTURE. IT SHOULD ALSO BE MENTIONED THAT IN 2021 WE HAVE TAKEN THE NEXT STEP TO BECOME A FULLY-FLEDGED ENERGY COMPANY, STARTING TO OFFER ELECTRICITY PURCHASE OPPORTUNITIES TO OUR BUSINESS SEGMENT CUSTOMERS. THESE INITIATIVES, TOGETHER WITH STRONG FINANCIAL RESULTS, GIVE US CONFIDENCE IN THE FUTURE SUSTAINABILITY OF THE COMPANY'S BUSINESS MODEL.**

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**Jānis Vība**  
VIRŠI Chairman of the Board

## Activities of the Group during the reporting period

Sustainability is responsible management, which takes into account not only the economic benefits of a company's operation, but also about its impact on the environment and society as a whole. Therefore, the indicators included in this ESG report must be viewed in the context of overall indicators of the Group for their objective evaluation.

Year 2021 has been a year of strong growth, and compared to 2020, the turnover has increased by 29% or EUR 49.5 million which has been facilitated by the further expansion and modernisation of the Group's gas station network, as well as the development of the product range in food stores and the dynamics of the fuel market. In 2021, fuel retail sales volume of the Group increased by 6.1%. At the end of 2020, there were 63 filling stations in the network, while at the end of 2021 – 65 filling stations, and the base of loyal customers continued to grow confidently within the year. Turnover in grocery stores increased by 27.5% or EUR 7 million.

In 2021, the Group actively continued making investments and promoting the availability of compressed natural gas (CNG) in the market, opening three more CNG filling stations in the territory of Latvia. Currently, CNG is the most optimal available solution for reducing harmful emissions caused by heavy trucks, therefore the development of the CNG network helps Latvia achieving the goal of reducing the amount of harmful emissions in the transport segment. Currently, the network of the Group consists of 68 gas stations, of which 8 stations offer the compressed natural gas product.

At the end of 2021, AS "Virši-A" invested EUR 1.5 million in SIA "GasOn" with the aim of expanding the use of CNG in Latvia also by expanding the mobile natural gas delivery solution. The strategic goal of the Group in the coming years is the production and sale of biomethane, therefore a mobile natural gas supply solution is an essential infrastructure stage in achieving this goal.

The purpose of the strategic investments made in 2021 is to continue the expansion and modernisation of the gas station network of the Group. As part of this, 5 new gas stations have been opened, located near Olaine, in Nākotne (Dobele District), Liepāja (Cukura Street), Riga (Katrīnas dambis) and Auce. Investments were made in the internal infrastructure and design of the gas stations, renovating and modernising 19 filling stations, where production areas were purposefully improved, making them more energy efficient and more convenient for employees' daily work.

The total investments of the Group in 2021 increased by 95% or more than EUR 7 million compared to 2020 and reached EUR 14.7 million.



## Environmental impact (E)

As part of this report, the second audit of the GHG emissions of the Group was conducted in accordance with the requirements of ISO 14064-1:2018 and in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. The GHG emissions audit was performed by calculating and analysing both direct and indirect carbon emissions at all three levels (Scope 1, Scope 2, Scope 3) for the year 2021 as the reference period.

### CNG

As in the world, the transport sector in Latvia is one of the biggest generators of GHG emissions. If a gradual transition to electric cars has begun in the light transport category, heavy freight transport, as the largest producer of GHG emissions in the transport sector, is still a big challenge for which there is no clear solution. In search of ways to reduce the amount of harmful emissions in the operations of the Group, a pilot project was carried out in 2021, within the framework of which one of the fuel trucks with a diesel engine used in logistics was rebuilt into a diesel/CNG hybrid. In daily operation, this means that this car runs on CNG, but when the CNG tank is empty, the car switches to diesel. Also, in 2021, a new CNG-powered truck was purchased for fuel transportation, as well as one light truck for technical service needs. Currently, within the Group, CNG-powered cars are actively used in all segments – heavy, light truck and light transport.

WITH THE DEVELOPMENT OF TECHNOLOGY, ALSO IN LATVIA, WHERE THERE ARE NOT AS MANY SUNNY DAYS AS WE WOULD LIKE, THE USE OF SOLAR ENERGY IN THE LONG RUN CAN BRING TANGIBLE ECONOMIC BENEFITS BOTH TO THE COMPANY ITSELF AND TO OUR CUSTOMERS. WE INSTALL SOLAR SYSTEMS FROM 12 TO 50 KW IN VIRŠI STATIONS. WE ANALYSE THE AVAILABLE ROOF SPACE AND IMMEDIATE CONSUMPTION IN THE MIDDLE OF THE DAY IN SUMMER TO ACHIEVE THE FASTEST POSSIBLE RETURN ON INVESTMENT. IN ADDITION, IT IS NOT JUST ABOUT THE FINANCIAL BENEFITS, BUT ALSO ABOUT A CLEANER ENVIRONMENT AROUND US. AS A RENEWABLE AND SUSTAINABLE SOURCE OF ENERGY, THE SUN OFFERS REAL OPPORTUNITIES TO ACHIEVE THE GOALS OF CLIMATE NEUTRALITY AND STRENGTHEN ENERGY INDEPENDENCE. WE HAVE A CLEAR VISION AND A PLAN FOR THE ACTIVE IMPLEMENTATION OF SOLAR ENERGY SOLUTIONS IN THE COMING YEARS, WHICH INCLUDES BOTH EQUIPPING OUR SERVICE STATIONS AND BUILDING LARGER PARKS.

### Solar panels

In 2021, station Brocēni was equipped with solar panels, which is also the first station in the VIRŠI network having solar panels. In 2022, additional solar panels were installed on the three largest available roofs at the station, reaching a total capacity of 50 kW. In 2022, the introduction of solar panels in a large number of VIRŠI network stations is being implemented.

Jānis Bethers  
VIRŠI Head of Business  
Development





## Implementation of ISO 14001:2015

Since 2015, the Group has implemented an operational and investment strategy in accordance with ISO 50001 requirements. On the other hand, in 2021, the improvement of quality standards and the implementation of the environmental management system in accordance with the requirements of ISO 14001:2015 were determined as a priority, as a result of which certification was obtained in September 2021. This confirms that the companies of the Group fulfil all requirements of environmental protection laws and regulations in good faith at the highest level, adhere to an integrated approach to pollution prevention and control, and ensure the environmental requirements and laws set forth in the certificates of category C and B polluting activities.

## Environmental protection, energy efficiency, modernisation

In 2021, in the framework of the Group, 19 gas stations were modernised and improved in order to meet the highest quality standards, provide the opportunity to prepare a wider assortment of fast snacks for customers, create a unified image of the Company, and use more energy-efficient solutions in lighting solutions. In an effort to reduce electricity consumption, indoor lighting fixtures in 16 stations were replaced with more energy-efficient alternative solutions, achieving a yearly saving of 14.64 megawatt-hours.

In its operations, the Company continuously strives to improve environmental and energy efficiency performance, save natural resources and control environmental pollution in an effort to reduce it. Measures taken in 2021 to promote environmental protection:

- At 3 stations, fuel filling equipment was replaced with new equipment equipped with a STAGE 2 vapor collection system to return fuel vapours to the fuel tank and reduce the release of fuel emissions into the atmosphere;
- In order to prevent contamination of soil and groundwater with oil products, anti-infiltration coating was laid, asphalt concrete coating was renewed in the entire territory of one of the purchased gas stations;
- Cleaning of rainwater treatment equipment was carried out at 19 gas stations, fuel tanks were cleaned at 11 stations.

Maintenance of biological treatment facilities is carried out regularly. During the reporting year, one of the facilities was renovated and the operation of the facility was improved;

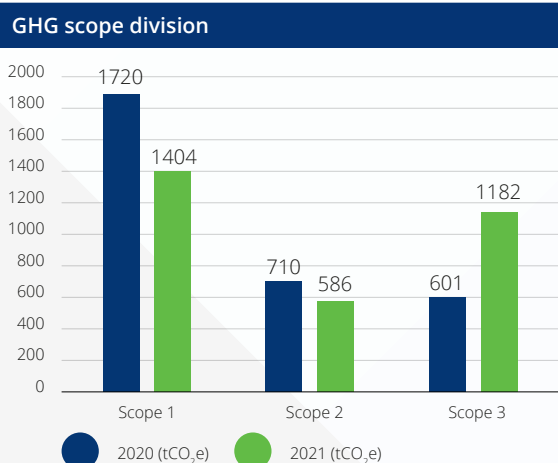
- In relation to the historical soil pollution of the filling stations, in accordance with the category B permits for polluting activities, pumping out of contaminated groundwater or remediation works was carried out in two stations;
- In 5 stations, geo-ecological research was carried out to determine the quality of soil and groundwater in the studied areas. As a result of the research, it was established that the limits of oil products were not exceeded in any of the underground water monitoring wells;
- AS "VIRŠI-A" transferred 104.68 tonnes of hazardous waste to licensed hazardous waste transportation companies during the year, which is 25% less than in 2020. The Company uses waste sorting practices on a daily basis – during the reporting year, the Company handed over 372.13 tons of sorted waste, which is 10% more than in 2020.

## E1 GHG emissions

The basic activity of the of the Group is related to industries, which, similarly to other parts of the world, also make up a significant part of GHG emissions in Latvia. Reducing them is an essential prerequisite for preventing the consequences of climate change. Therefore, it is also important for us to evaluate the carbon footprint of the Group in order to see and be able to analyse the main sources of emissions.

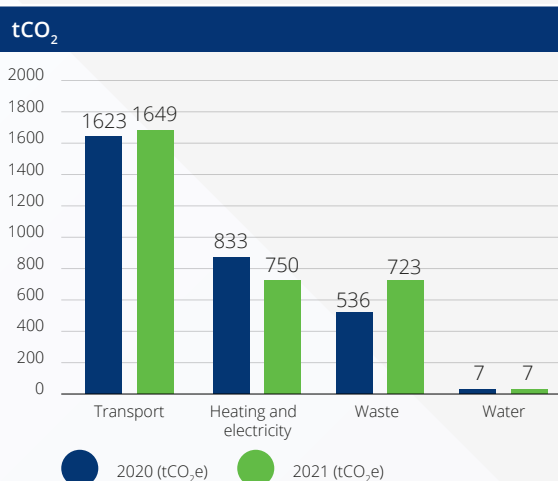
The GHG emissions audit of 2021 was performed by calculating and analysing both direct and indirect carbon emissions at all three levels (Scope 1, Scope 2, Scope 3). The GHG emissions report of the Group was made in accordance with the requirements of ISO 14064-1:2018 and in accordance with the GHG Protocol Corporate Accounting and Reporting Standard. It is important to note that when calculating Scope 3 emissions, indicators related only to aviation, waste management and water consumption were included. Other emission parameters, such as emissions that characterise worker mobility or emissions related to the upstream and downstream stages of the supply chain, were not calculated due to the lack of data for their full analysis.

By collecting the data, the total GHG emissions of the Group in 2021 were 3,172 tCO<sub>2</sub>e. The Group has managed to reduce emissions at the Scope 1 level by 316 tonnes and at the Scope 2 level by 124 tonnes, while Scope 3 has seen a significant increase – 581 tonnes more than in 2020. In general, at the Group's level, GHG emissions have increased by 141 tCO<sub>2</sub> in 2021. The table shows the division by Scope 1, Scope 2 and Scope 3 levels.



The significant increase in Scope 3 can be explained by the more intensive involvement of outsourcing in fuel transportation, 5 new stations in the gas station network, which also affects the amount of sorted and unsorted waste.

Looking at the distribution of total volumes by GHG emission sources, it can be seen that transport accounts for an increase of 26 tCO<sub>2</sub>e, while waste accounts for an increase of 187 tCO<sub>2</sub>e. In the heating and energy category, a reduction of 83 tCO<sub>2</sub>e has been achieved, and water has remained unchanged at 7 tCO<sub>2</sub>e. The increase in the amount of waste can be explained by several factors – both with the opening of new gas stations and a significant increase in turnover in the retail segment, however, the amount of waste should be highlighted as a side effect of COVID-19. Due to the impact of COVID-19, not only the amount of food packaging that ended up in the waste, but also the previously non-precautionary waste related to masks, gloves, safety suits, etc. increased significantly. The Group considers the portion of sorted waste as a positive feature, as there was a success in doubling this part of waste.



## E2 Intensity of GHG emissions

Emission intensity describes the volume of carbon that companies emit per unit of activity. In order to evaluate the GHG emission intensity of the Group, the profit and total carbon emission figures of the Group for 2021 were taken as a basis, which amounted to 0.48 kilograms for every euro earned, being 0.24 kg less than in 2020.

## E3 Direct and indirect energy consumption (MWh)

Direct energy consumption within the Group was made up of transport (91%), i.e., consumption of diesel fuel, gasoline, LPG and CNG, as well as heating self-sufficiency (9%) from wood pellets and heating fuel, totalling 5167.8 MWh per year. On the other hand, almost 96% of the indirect energy consumption was made up of electricity consumption for filling stations and office operation. It was also supplemented by the use of natural gas within the gas stations (3.4%) and the consumption of central heating energy (0.9%), totalling 7108 MWh per year. In general, within the framework of direct and indirect energy consumption, it was possible to reduce it by 201.4 MWh compared to 2020.

Direct energy consumption (MWh)		Indirect energy consumption (MWh)	
Transport	4693	Electricity	5847
Heating	475	Central heating	54
<b>TOTAL</b>	<b>5168</b>	<b>TOTAL</b>	<b>5901</b>

## E4 The intensity of energy consumption

Just as when analysing the intensity of GHG emissions in the operations of the Group, when evaluating energy consumption, the profit and direct energy consumption indicators of the Group in 2021 were taken as a basis. When evaluating the year 2021, the energy intensity was 2 kWh for every euro earned.

## E5 Main sources of energy

In 2021, the VIRŠI Group used various types of energy, of which transport and electricity are the most important part of the consumed energy in MWh. A complete summary of the various energy sources is highlighted in the tables below:

Transport	
	MWh
Diesel fuel	4175
Petrol	516
LPG	0.38
CNG	1
<b>TOTAL</b>	<b>4693</b>





Electricity	
	MWh
Electricity consumption at filling stations	5698
Electricity consumption for offices and other objects	149
<b>TOTAL</b>	<b>5847</b>

Heating provision	
	MWh
Wood (pellets)	147
Heating fuel	325
Consumption of centralised heat energy	54
Natural gas for filling station heating purposes	207
<b>TOTAL</b>	<b>736</b>

## E6 Water consumption

This is one of the indicators that shows the amount of water consumed, which is mostly used to operate the network of VIRŠI stations. In 2021, the total hot and cold water consumption of the Group was 19,543 m<sup>3</sup>, which is 589 m<sup>3</sup> more than in 2020.

## E7 Environmental policy and management

In 2021, the improvement of internal processes and the implementation of the environmental management system in accordance with the requirements of ISO 14001:2015 were determined as a priority, as a result of which the certification was obtained in September 2021.

In its activities, the Group strives to continuously progress and improve the performance of the environmental and energy management system, ensuring the highest quality products and services, saving natural resources, controlling environmental pollution, aiming to reduce it, as well as using sustainable and energy-efficient nature-friendly products and

solutions. The requirements of environmental and energy management system obligations are respected and observed when serving customers, storing and selling fuel products and goods, providing services, announcing procurements, purchasing new technological equipment, and implementing reconstruction and new development projects. The Company constantly assesses the compliance of its operations according to the related requirements of the environment and energy management systems, and acts in accordance with EU regulations, laws of the Republic of Latvia, Cabinet regulations, binding Latvian government regulations and other requirements of the laws and regulations.

## E8 / E9 Monitoring of climate issues

In order to ensure a common understanding of the impact of business on the environment and the main challenges and goals in the operations of the Group, a Materiality Analysis of sustainability goals is being conducted in 2022.

The parties working in the Group among the stakeholders, investors, policy makers, financial industry, academic environment, non-governmental sector and industry associations, having experience in working with companies in the above-mentioned sectors, policy making and investment attraction, were surveyed in the framework of the study by means of direct interviews regarding the questions on the most important sustainability goals for the oil products, energy and food retail industry and its sustainable development in Latvia.

Gathering the views of stakeholders on the sustainability issues of the Group will help map the Group's impact on the environmental, social and governance areas and highlight potential sustainability themes that will be the basis for the sustainability plans of the Group.

## E10 Monitoring of climate issues

EUR 3,187,081 have been invested for action on climate issues in 2021, which included investments in more ecological transport, creation of CNG and future biomethane infrastructure, replacement of new generation lighting, freezers, heating boilers in the station network, as well as biomethane research work.



# Social responsibility (S)

## S1 CEO pay ratio

In 2021, the ratio of the total remuneration of the Chairman of the Board of VIRŠI to the average remuneration of other full-time employees was 8.43:1.

## S2 Gender pay ratio

An important indicator showing the observance of gender equality is the median ratio of the total remuneration of women and men in a company. At the top management level, the average salary of women is 1.05 times higher than that of men. On the other hand, the average salary received by men working in the administration of the Group companies is 1.18 times higher than the salary of women. The difference between the average salary of women and men is due to the variety of positions held by employees in the companies of the Group. The ratio of salaries of men and women working in the network of gas stations is 1:1, that is, the salary of employees occupying the same level of position does not differ by gender.

## S3 Employee Turnover

In 2021, more than half of the employees have been working in the companies of the Group for more than three years, 11% of the employees have been working for 3–4 years, while 31% of the employees have been working in the companies of the Group for five years or more. At the group level, the workforce turnover in 2021 was 45.8%. It is based on the turnover of employees of the gas station network, which is 50.7%. The turnover of administrative staff is 19.8%.

## S4 Gender diversity

Of all the employees employed in the administration and the companies of the Group in 2021, 43% were women, 57% were men, while of all those employed at gas stations, 67% were women and 33% were men. Among senior managers, 61% of employees were men and 39% of employees were women. The proportion of men and women holding entry-level or lower-level positions in the administration is 39% and 61%, respectively, while among gas station employees 87% women and 13% men held positions of this level in 2021.

## S5 Temporary employee ratio

In 2021, VIRŠI hired 4 part-time employees.

## S6 Non-discrimination principle

VIRŠI observes the prohibition of any kind of discrimination in its activities, which is stipulated in the laws and regulations in force in the Republic of Latvia, and in its employment approach is guided by the principle of equal opportunities and treatment of all employees. VIRŠI does not discriminate against people on the basis of such considerations as a person's sex, age, race, colour, disability, religious, political or other beliefs, national or social origin, financial or family status, sexual orientation or other circumstances and actions that are illegal or do not comply with generally accepted ethical and moral principles. Also, VIRŠI observes the prohibition of different treatment established in the laws and regulations governing labour rights, both when establishing legal employment relations and during them in planning the career of employees and determining remuneration. All employees are provided with equal and fair opportunities to use the opportunities and benefits available in the companies of the Group. VIRŠI respects the right of employees to organise and join organisations freely, without any direct or indirect discrimination.



## S7 Injury rate

VIRŠI is convinced that employees have the right to a safe and healthy working environment. Safety is always our priority. The goal of VIRŠI is to ensure that every employee returns home safe and sound at the end of the working day. Creating a safe working environment and taking care of the safety and health of employees is an essential focus of the human resources management of the Group. In 2021, 3 employees suffered injuries of a injuries with minor consequences, no accidents with serious consequences or fatal outcomes occurred.

## S8 Health and safety

VIRŠI takes care of providing employees with a safe and modern work environment and workplace equipment that meets the requirements of occupational safety, in compliance with all laws and regulations in force in the Republic of Latvia regarding occupational safety requirements. Every employee who starts working in the Group is introduced to and confirms with his/her signature that he/she is familiar with the internal rules and work safety regulations. Every year, VIRŠI conducts fire safety training for its employees. Taking care of employees' health – every employee of the Group has access to health insurance.

## S9 Child employment and forced labour

VIRŠI complies with all the restrictions set by the laws and regulations in force in the Republic of Latvia regarding the employment of children and does not practice forced labour.

## S10 Human rights

Respect for human rights is an integral part of the core values of VIRŠI. In its activities, the Group respects the fundamental human rights enshrined in the Constitution of the Republic of Latvia, the European Convention for the Protection of Human Rights and Fundamental Freedoms, the European Social Charter and other laws and regulations in force in the Republic of Latvia, ensures that the Group is not are not involved in any human rights violations, and guarantees that VIRŠI has not been involved and will not be involved in human rights violations. In 2021, not a single case related to violations of employees' rights or conflicts at work was detected. Employees are informed of the call to contact their immediate supervisor if they encounter human rights violations. Persons who have noticed illegal activities can bring it to attention by using the internal whistleblowing mechanism established by the Group. This helps to reduce reputational, security and other risks related to illegal activities detected in the companies of the Group.



# Corporate governance (G)

The institutional system of the management of the Group consists of shareholders, the Council, the Board. Shareholders are the owners of the Group, whose competence is to make decisions related to the most important issues of the Group's operation and existence. The Council is the supervisory body of the Group, which represents the interests of the shareholders and supervises the activities of the Board. The executive body of the Group is the Board, which manages the daily commercial activities of the Group. The articles of association of the Group determine a number of issues, for the decision of which the Board must receive the consent of the Council, thus ensuring that the Council is also involved in the decision-making on the most important issues as a supervisory and advisory body.

## G1 Composition of the Management Board

The Board operates in accordance with the approved regulations of the Board. The responsibility of the Board is the strategic management of the Group, responsibility for the realisation of the set strategic and tactical goals and the results of their achievement. The Board is responsible for compliance with all binding laws and regulations, risk management and financial results of the Group. In accordance with the Corporate Governance Code, candidates for Board member positions are nominated based on the criteria of professionalism and competence. Board members may be elected by persons whose work experience, education, qualifications and reputation ensure the professional performance of the Board member's duties in the best interests of the Group. The Group observes the principle of gender equality regarding the appointment of qualified persons to management positions in the companies of the Group.



**JĀNIS VĪBA,**  
Chairman of the Board

Jānis Vība joined the VIRŠI management team in 2017 as a Board Member and Executive Director. Jānis has a higher education in economics and business management, obtained from the Stockholm School of Economics (SSE Riga). Before joining VIRŠI, Jānis had more than 15 years of experience in business and financial management. In April 2021, Jānis Vība was confirmed as the Chairman of the Board. Jānis is responsible for development and implementation of the development strategy of the Group, development projects, investments, and employees.



**LINDA PRŪSE,**  
Board Member and Head of the Retail Department

Linda Prūse has a higher education in sports pedagogy at the Latvian Academy of Sport Education. She has 25 years of experience in management positions in three companies in the fuel industry. She has been working at VIRŠI since 2014, and since 2019 she has taken care of the development strategy and efficient operation of the retail network stores of the Group, leading, motivating and organising the work of the retail team.



**VITA ČIRJEVSKA,**  
Board Member and Financial Director

Vita Čirjevskā has more than ten years of experience in the financial sector and a higher education in economics and business management, obtained from the Riga School of Economics (SSE Riga). She joined the VIRŠI management team in 2019 as a Financial Director, responsible for the supervision, planning, control and accounting of the financial area.



## G2 Independence of the Council

In accordance with the requirements of the laws and regulations and good corporate governance practices, the functions of the Board and Council of the Group are separated. The Council operates in accordance with the approved Council Regulations. None of the members of the Council holds an active position in the companies of the Group. The Corporate Governance Code of the Group sets out the procedure for selecting and appointing Board members. In the process of electing and appointing the Council members, shareholders should try to ensure diversity of gender and experience of the candidates for Council members in order to promote comprehensive discussions and careful evaluation of decision-making. In order for the Board decisions to be made objectively and professionally, the Board consists of one or more independent Board members who meet the criteria defined in the Corporate Governance Code. Currently, the Board has one independent Board member.

Name, Surname	Function
Jānis Riekstiņš	Chairman of the Council
Jānis Rušmanis	Deputy Chairman of the Council
Ilgvars Zuzulis	Council Member
Andris Prieditis	Council Member
Ivars Blumbergs	Council Member
Silva Skudra	Council Member

## G3 The relationship between management compensation and the achievement of non-financial goals

In order to ensure a common understanding of the impact of business on the environment and the main challenges and goals in the operations of the Group, a Materiality Analysis of sustainability goals is being conducted in 2022. As part of the project, the stakeholders of the Group were surveyed on questions about the most important sustainability goals with the help of direct interviews. Gathering stakeholders' views on the sustainability priorities of the Group will help map the Group's impact and set sustainability goals. As a result of the project, it will be possible to introduce uniform sustainability goal guidelines among all the Group's employees and include them in the work performance evaluation system, which is linked to monetary motivation.

## G4 Collective agreement and trade union

The employees of the Group are not unionised, but the management team of the Group is open and supportive of such employee rights. Employees can freely join the trade unions of their choice, while the Group ensures on a daily basis that work in each Group company meets the requirements and regulations of a modern working environment, is physically safe and emotionally pleasant, promoting employee motivation and work productivity.

## G5 Evaluation of suppliers

Responsible behaviour towards the employees, customers, suppliers and cooperation partners of the Group and the local community is a self-evident value of the Group. We also expect such responsibility from our suppliers and cooperation partners, with whom we implement every cooperation project. The Group has implemented an internal control system for the prevention of money laundering and terrorism financing, which provides criteria for the identification, investigation and evaluation of transactions and cooperation partners in order to proactively recognise signs of unusual or suspicious transactions, as well as established procedures for actions in case of detection of such signs. In addition, the lending policy for cooperation partners of the Group has been approved, determining the detailed procedure by which the Group evaluates the creditworthiness of existing or potential cooperation partners in order to reduce its credit risks.

## G6 Ethics and anti-corruption position

The Group has developed and implemented an employee Code of Ethics, which defines ethical and unethical activities, defines the basic principles of work and behavioural culture, and also strengthens professional ethics in the interaction of employees with the management of the Group, with each other, in work with the clients, cooperation partners of the Group and every interested party. Every employee of the Group undertakes to comply with the Code of Ethics upon starting employment.

The Group has developed and approved an anti-corruption and conflict of interest prevention policy, which includes the prohibition of fraud, personal gain and corruption, as well as defines the conflict of interest and sets requirements for the actions of employees in case of detection of such activities. VIRŠI follows a zero-tolerance policy towards corruption and other illegal activities in its work.

## G7 Privacy policy

The Group carefully monitors the compliance with the laws and regulations governing the protection of personal data, paying attention to data protection and security, including the education of employees in their daily work. The Group has implemented a personal data protection system that complies with the General Data Protection Regulation. This system consists of personal data processing policies, internal procedures and procedures, the execution and updating of which is ensured by a personal data protection specialist.

## G8 ESG progress reporting

This is the second non-financial report of the Group on the implementation of the principles of environmental, social responsibility and corporate governance, made in accordance with the Nasdaq ESG reporting guidelines, which in turn is intended for the markets of the Nordic and Baltic countries. In the future, the ESG report will be an integral part of evaluating performance of the Group.

## G9 Disclosure policy and practice

The transparency of the financial and non-financial performance results of VIRŠI is ensured by publishing various financial and non-financial information on the website of the Group. An annual financial report is published once a year with the opinion of an independent auditor. Starting from 2020, VIRŠI undertakes to publish a non-financial or ESG report annually in accordance with the Nasdaq ESG reporting guidelines or any other binding guidelines, if they are adopted, as well as any other report in accordance with the requirements of the laws and regulations of Latvia and regulatory institutions.

## G10 External validation of information

The information included in this ESG report has not been verified by an independent auditor, but the measurement of GHG emissions was carried out by an external consultant SIA SMartGreen.



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