

CORPORATE SOCIAL RESPONSIBILITY REPORT 2017

**CRAFTING
THE IMPOSSIBLE**

VALMIERA GLASS GROUP
www.valmiera-glass.com





GROUP AND CORPORATE SOCIAL RESPONSIBILITY PRINCIPLES:



BUSINESS
ENVIRONMENT



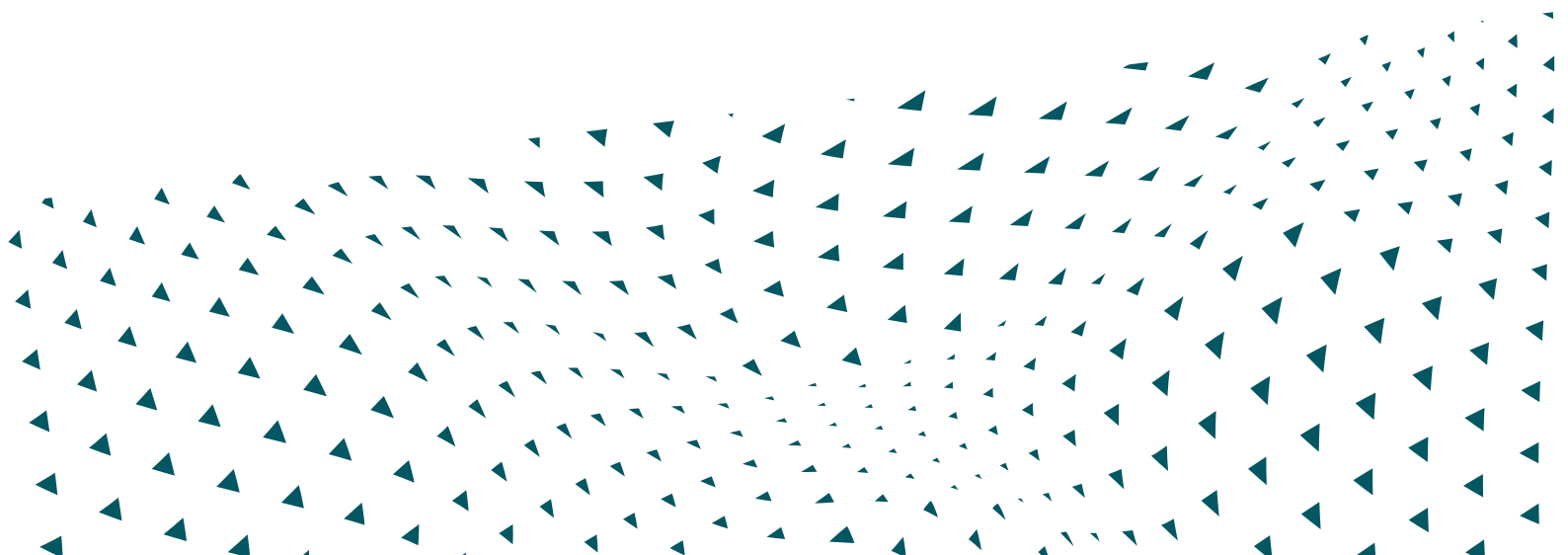
QUALITY AND
ENVIRONMENTAL
PROTECTION



EMPLOYEES



SOCIETY



BUSINESS - THE GLOBAL APPROACH

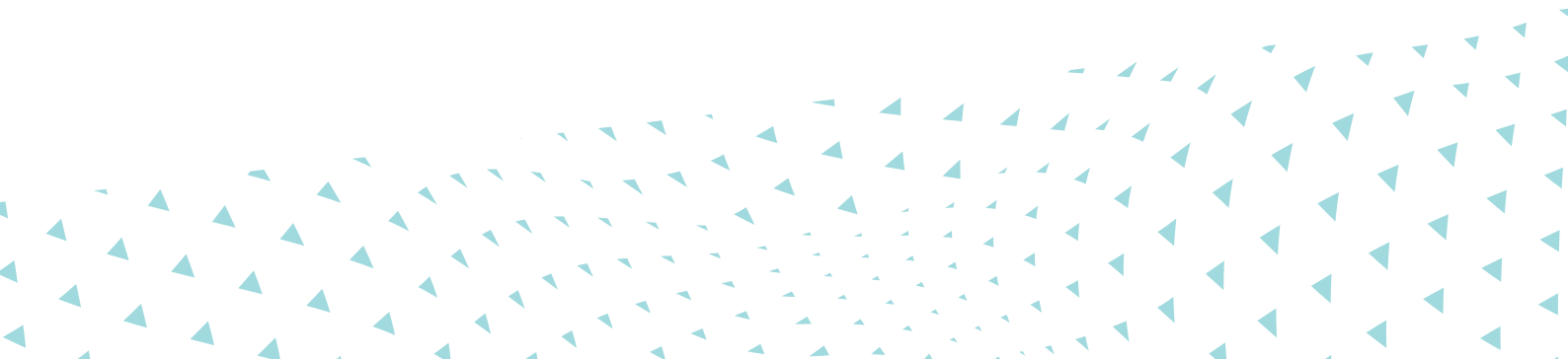
VALMIERAS STIKLA ŠĶIEDRA, AS and its subsidiaries, commonly under the name VALMIERA GLASS GROUP, are one of the leading manufacturers of glass fibre products in Europe with more than 50 years of experience in the manufacturing of glass fibre, covering more than 40 countries worldwide in terms of export. The Group's companies operate on two continents and in three different countries: Latvia, the United Kingdom and the United States.

PRODUCTS - FROM SAND TO STARS

VALMIERA GLASS GROUP is the only group of companies in the world with a vertically integrated structure capable of providing a full glass fibre manufacturing cycle - from glass melting and fibre development to manufacturing and sale of finished glass fibre products - and a wide range of glass fibre products for the thermal insulation market, with temperature stability of up to 1250°C.

The glass fibre production focuses on various industrial markets; glass fibre products are used for further processing in technical (electro, thermal and sound) insulation materials and as ready-made materials for machine building, construction and other. In VALMIERA GLASS GROUP we make impossible things possible and improve the quality of life for millions of people. With our unique glass fibre we are supplying humans with unbelievable possibilities. We are shielding people from fire, making heavy products fly, creating forever lasting constructions and letting explore the depths of oceans and the Earth.

The Group's companies operate in compliance with quality and environmental policies, and common principles of business ethics and philosophy. The business philosophy of the group goes hand in hand with the company's vision, mission and values.



VISION

Become the leader of the industrial glass fibre market in Europe.

Our vision reflects the essence of the operations of the VALMIERA GLASS GROUP. We focus on implementing each individual customer's requirements, while maintaining high manufacturing productivity by designing and introducing innovative solutions, making prudent use of resources, whilst remaining environmentally responsible.

MISSION

Make the impossible possible.

VALUES

AMBITION - We do not stop at what we have done. We are constantly seeking to overcome the limits of a glass fibre manufacturer, a company and human resources.

INGENUITY - Our competence lies in the skill to use existing resources, dealing with the challenge of creating something new, innovative and unseen.

INNOVATION - We can not afford to follow others, we need to find and choose an unusual path - a new way of building the glass fibre industry.



BUSINESS ENVIRONMENT

"We create products that serve well and protect people, as well as make the impossible possible and improves the quality of life for millions of people. This makes us leaders in the industry, and with our help fire, water and space can be conquered."



RELIABLE, SAFE AND STABLE PARTNER

Our goal is to be a reliable, safe and stable partner for our customers, suppliers and cooperation partners in the long term. We responsibly create high quality products, choosing the best ingredients and materials.

With continuous improvements, we aim to increase our company's quality management system based on a comprehensive analysis and successful collaboration with our partners.

LONG-TERM GROWTH

Thanks to our ideas and knowledge, we create new products and ensure the future of the company. Continuing this way, we want to address the tasks given by our customers and fulfil their demands and expectations. We consider any market change as an opportunity to grow even more as we can develop and offer more innovative products, services and solutions by investing our profits, knowledge and skills.

We strengthen our dialogue with customers and suppliers by communicating and meeting with them, as well as taking part in exhibitions and other knowledge and opinion exchange activities. Within marketing communications, which also includes advertising products, we observe the ethical principles and regulations of the particular country, as well as provide objective and true information about our products. In addition, we regularly conduct customer surveys, carrying out customer satisfaction research.

High and unchanged quality is a priority of product manufacturing and sales, as evidenced in the manufacturing of glass fibre and its products, as well as the certification of products in accordance with the requirements of today's market.

NET SALES: 125.86 MILLION EURO

NET PROFIT: 8.22 MILLION EURO

EBITDA: 19.60 MILLION EURO

EBIT: 8.48 MILLION EURO

ROCE: 0.10%

PROFITABILITY OF OPERATING PROFIT: 6.7%



BEING RESPONSIBLE, ETHICAL AND FAIR

For a company to develop in the long-term, countless factors are critical, including organizational culture and professional ethics of employees and management. In 2017 we developed the Code of Business Ethics, defining 12 key principles in business that help find answers to questions about various ethical dilemmas in everyday work, interpersonal communications, as well as relations with governmental and non-governmental institutions and business partners.

All the Group staff members are familiar with the Code of Business Ethics and it has been made publicly available on our website and the intranet. The Group's objective in 2018 is to introduce new employees of the Group with the Code of Business Ethics, as well as to update existing employees' knowledge of its basic principles.

PARTICIPATING AND DEFENDING INTERESTS

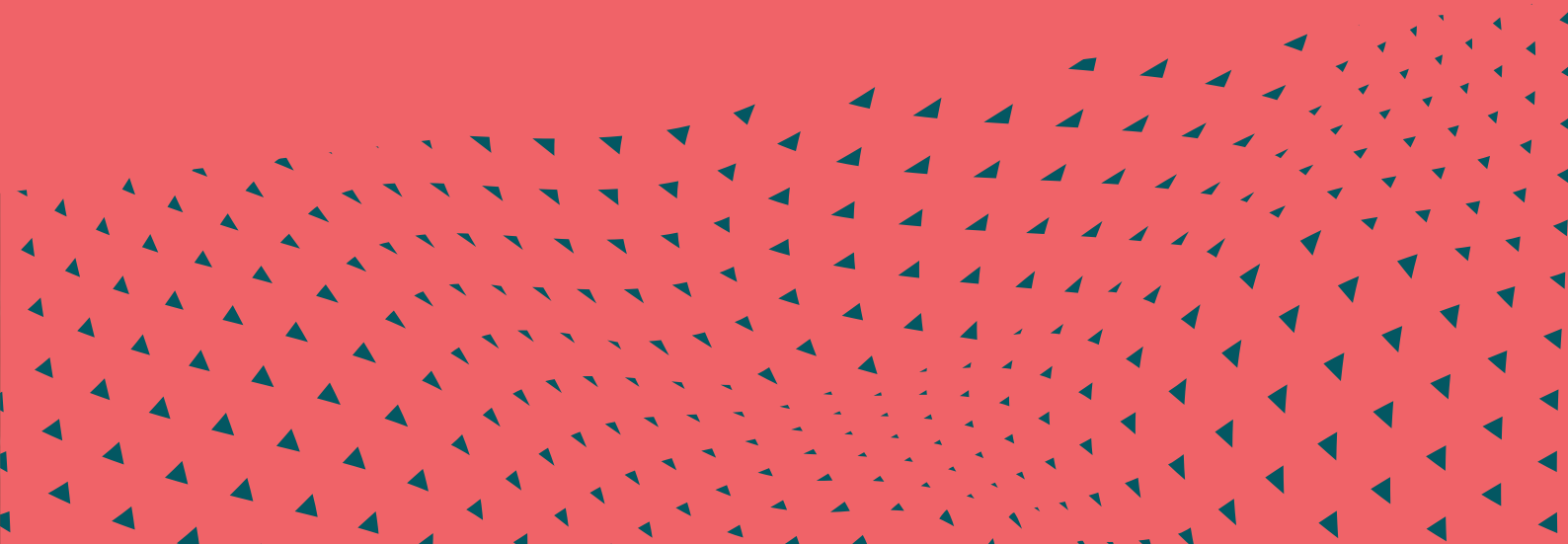
In 2017, we actively expressed and defended our position in industry development issues, ensuring the representation of the glass fibre manufacturing industry in the Latvian economy and enhancing the improvement of the business environment and increase the international competitiveness of the company. We participated in discussions on the Mandatory electricity procurement component as a significant limiting factor for manufacturing businesses in Latvia, as well as defended our rights in anti-dumping proceedings in the European Commission in relation to the import of glass fibre construction mesh from Asia. As a result, the European Commission issued a regulation imposing an anti-dumping fee on glass fibre mesh imported from China, Malaysia, Taiwan, Thailand, India and Indonesia. The regulation will remain in force for the next five years.

VALMIERAS STIKLA ŠĶIEDRA, AS, the parent company of VALMIERA GLASS GROUP, is a member of the two largest Latvian business organizations - the Latvian Chamber of Commerce and Industry and the Employers' Confederation of Latvia.



EMPLOYEES

“Our glass fibre is produced by machines, but the business is created and lead by the people - in everything we do, the people are what is most important.”



PEOPLE

Our most important resource and the value that helps in meeting our long-term goals are professional, loyal and satisfied employees. Employees are our main driving force, which makes us special. Our employees are educated experts in various areas related to the manufacturing and processing of glass fibre.

In 2017, on average, 1084 employees were employed in the parent company of the VALMIERA GLASS GROUP in Latvia, with the rest in subsidiaries in the United Kingdom and the United States.

EMPLOYEES: 1426

AVERAGE AGE: 38.5 YEARS

STAFF DEVELOPMENT PROGRAM

We implement a personnel development program that includes the assessment of individual qualifications of each employee and his/her professional development plan. The main criteria for personnel policy are job stability, ways to express oneself innovatively in terms product development and a professional approach to quality assurance.



TRAINING AND QUALIFICATION ADVANCEMENT

We are constantly investing resources and means for both newly-hired and permanent staff training, thus contributing to the professional and career development and growth of all levels of staff. Training is organized on a regular basis – in accordance with the individual development goals of the employees. The company realizes both internal and external training, attracting the relevant specialists.

One of the methods of personnel management in the company is mentoring, through which the existing employees transfer their knowledge and help newly arrived employees, specialists and managers to become familiar with the working environment. There are special meetings organized, presenting and acquainting with the company's activities, its units and manufacturing departments, the assortment of products produced, applications and other organizational and technical issues.

The VALMIERA GLASS GROUP's internal communication channel, aside from informal ones, is the intranet and the newsletter *VALMIERA GLASS NEWS*.

SAFE WORKING ENVIRONMENT

We take care of compliance with safety and occupational health rules at the company on an everyday basis. Therefore, we have attracted a competent work safety team that provides support and advice at all manufacturing facilities. Employees have access to medical care at the company. The safety of our employees is put at the forefront. In cooperation with managers an analysis of work environment risks is carried out, of which the results and possible risk minimization techniques are afterwards discussed with each employee.



Taking care of the health of our employees and improving their quality of life, we have raised also the question of employee education on health and safety issues in the company.

In 2017, VALMIERAS STIKLA ŠĶIEDRA, AS conducted a seminar on the prevention of negative stress, prevention of burnout syndrome and early diagnosis of oncological diseases. . We also provide medical care for employees on a daily basis by providing a nurse.

SUPPORT AND HELP PROVIDED TO EMPLOYEES

For many years we have been an associate of the labour union, to maintain a successful relationship between employer and employee. VALMIERAS STIKLA ŠĶIEDRA, AS provides a range of social benefits (in addition to the ones required by legislation) to its employees under Collective Agreement.

In 2017, an opportunity was provided to receive financial support for the birth or adoption of a child, the beginning of a child's schooling in the 1st grade and a child taking part in active recreation or creative camps. A supportive hand in sad events is invaluable, thus the company provides material support in case of accidents - severe illness or death of a close relative.

Financial support is not the only supporting contribution to families. Employees with dependent children can receive up to several additional paid free-days. Employees' families are also invited on to participate in annual sports games or family day, and at the Christmas Eve event for employees' children, organized by the company.

UP FOR EDUCATED YOUTH

We provide traineeship placements within the company and are involved in a work-based training project in cooperation with Valmiera Technical School (Latvia) and OFTC College (USA), which at the same time also contributes to the development of the industry represented by the company. In this way, we address and attract potential future employees, as well as make a significant contribution to the improvement of technical and exact sciences education.

We also regularly participate in career choice projects, promoting the company's image of a stable and sustainable employer.



ADDITIONAL BENEFITS FOR EMPLOYEES IN 2017:



FIRST SCHOOLING MONEY
FOR THE BEGINNING OF
THE CHILD'S SCHOOL IN
THE 1ST GRADE



PAYMENT FOR A CHILD
BIRTH / ADOPTION



COVERAGE OF EXPENSES
OF CHILDREN'S CAMPS



LOYALTY PREMIUM FOR
LONG-TERM EMPLOYMENT



HEALTH
INSURANCE



GIFTS FOR
CHRISTMAS



PAID FREE-DAY,
ADDITIONAL LEAVE



TRAINING, SCHOLARSHIPS,
STUDY LEAVE



SENIOR PREMIUM FOR
AN EMPLOYEE, WHO HAS
ACQUIRED PENSIONER
STATUS AND NO LONGER
WORKS FOR THE COMPANY



FINANCIAL SUPPORT IN
THE EVENT OF DEATH OF A
FAMILY MEMBER



QUALITY AND ENVIRONMENTAL PROTECTION

"We are focused on satisfying each customer's needs: we are ready to redefine our productivity standards and able to implement innovative solutions while maintaining environmental responsibility."

AIMS OF THE ENVIRONMENTAL POLICY

We ensure the manufacturing of the globally-demanded products with unique qualities – glass fibres – by mutually balancing economic, social and environmental dimensions. The objectives of our environmental policy in organizing the manufacturing processes are:

- rational use of nature and energy resources;
- reduction and elimination of environmental pollution;
- preventive identification and management of environmental risks.

By implementing our environmental protection policy, the company emphasizes sustainability, prevention and evaluation.

GREEN THINKING AND LONGEVITY

The principle of sustainability is intended to ensure a balance between the fulfilment of client, societal, shareholder and legal requirements:

- customer requirements – a high quality product that is harmless to humans and the environment and whose manufacture is subject to cleaner manufacturing principles, as confirmed by independent auditors;
- societal requirements – improvement of economic and social well-being, as well as maintaining the quality of the environment;
- legislative requirements – non-exceeding of limits, reduction of manufacturing impacts on the environment, regular environmental monitoring;
- shareholders' demands – manufacturing, ensuring profitability and long-term growth opportunities.



INNOVATION AND RISK MITIGATION

Identifying and implementing innovative, best-available technologies and organizational measures, as well as informing and educating employees are essential parts of the principle of prevention, including:



The production of glass yarn based on the single-stage manufacturing method - the world's best available method. It dramatically reduces energy consumption and thus the impact on the environment.



For glass melting furnaces, the most environmentally friendly fossil fuels are used - natural gas burned with oxygen. The heat recovered from flue gases is used for heating water. As a result, both fuel consumption and pollution emissions to the atmosphere are significantly reduced. The use of oxygen reduces NOx emissions by ~ 70% compared to combustion of fuel with air.



For lighting the company uses energy-efficient bulbs. As far as possible, natural light is used efficiently, providing efficient light transmission through windows and reflecting light from the walls of the premises.



For wastewater treatment, a specific method is used which allows recovering resources from the waste water for reuse in the manufacturing process, as well as creating a by-product that is used as a resource in another economic sector. This method contributes to a reduction in the consumption of new resources and an increase in the quality of discharged drainage water.



Informing and educating employees about work, fire safety and environmental issues before starting work and periodically throughout employment.

We regularly monitor environmental performance with the goal of improving it. Monitoring is carried out by internal and external auditors. Environmental monitoring is carried out, including determination of the impact made by resource consumption and manufacturing on the environment (air, water, soil), as well as assessment of the effectiveness of organizational measures.

INTERNATIONAL MANAGEMENT SYSTEM STANDARDS

The company processes are organized in accordance with international management system standards – ISO 9001: 2015, ISO 14001: 2004 and ISO: 50001. The data management system is constantly updated to ensure timeliness and continuity of information.

Compliance with these principles in manufacturing has contributed to a significant reduction in the impact made on the environment, for example:

OVER THE LAST 10 YEARS VALMIERAS STIKLA ŠĶIEDRA, AS HAS REDUCED THE FOLLOWING PER MANUFACTURED PRODUCTION UNIT:

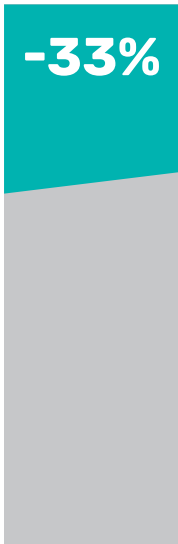
Thermal energy
consumption,
Gcal/t.prod.



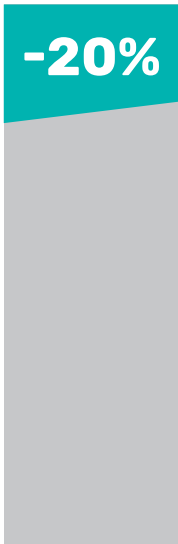
CO₂ emissions,
CO₂ t/t.prod.



Gas consumption,
m³/t.prod.

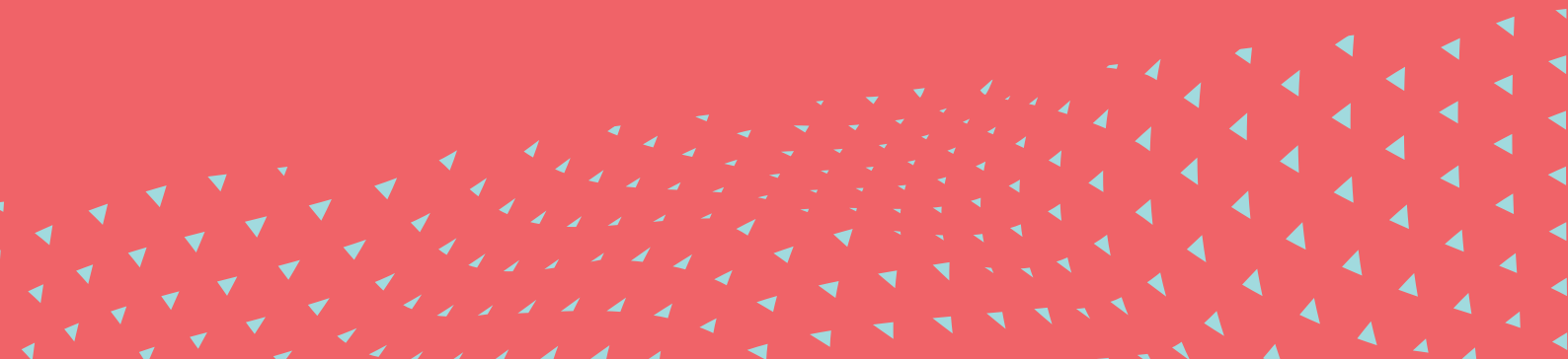


Electricity
consumption,
kWh/t.prod.



SOCIETY

“Our goal is to support and make a positive contribution to society and the area in which we operate, by showing through our example that an initially impossible story of success can become possible.”



For many years, being a trusted partner, we have provided significant financial support for projects of public interest, as well as taken an active role in various publicly important activities. We give special support for projects that promote children's activities, as well as strengthen general and vocational education and culture in the respective regions.

By creating products with high added value, we count on that today's results and future perspectives are directly dependent not only on the improvement of our intellectual capacities, but also on purposeful promotion of social capacity.

CONTRIBUTION TO EDUCATIONAL SECTOR

In order to educate young people and increase their understanding of manufacturing and the exact sciences, we provide students with the opportunity to visit, free-of-charge, the company's production facilities. In 2017, we participated in one of the largest career education events in Latvia, "Shadowing Day", in which young people were given the opportunity to get acquainted with the professions and everyday work of the company and employees.

In promoting the professional growth and career development of young specialists, we annually participate in various exhibitions organized by educational institutions (for example, RTU Career days, exhibition "Skola"), and as much as possible provide young people with traineeship placements in the company and support the winners of the educational olympiads (for example, the Flag Festival organized by Valmiera Pargaujas Gymnasium).

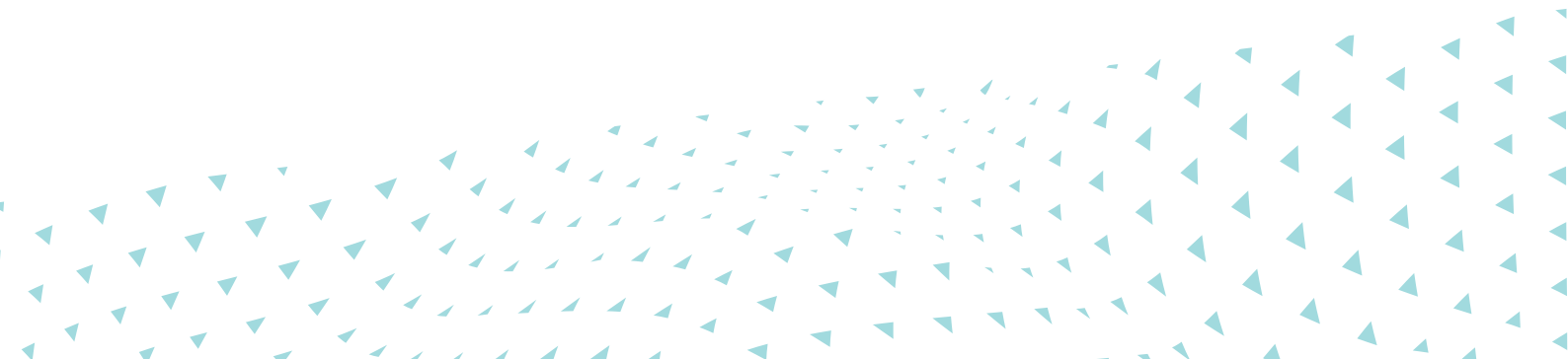


For several years we have been contributing to the development and implementation of a work-environment-based training program in Valmiera (Latvia) and Dublin (United States) in cooperation with Valmiera Technical School and OFTC College in the USA, in order to bring the content of vocational education in line with the requirements of the labour market. Labour market-oriented vocational education is a guarantee for young people not only to receive an accredited vocational education diploma, but also a practical education which enables them to start work immediately after graduation. We are proud to be pioneers in promoting workplace-based education.

REGIONALLY IMPORTANT EMPLOYER

Being aware of ourselves as a large, regionally-important employer, the VALMIERAS STIKLA ŠĶIEDRA, AS team participated in the festive parade “Valmiera virmo” at the Valmiera City Festival. More than 80 companies, organizations and institutions participated in the festive parade, including Valmieras stikla šķiedra, AS – about 200 employees with families. The employees greeted Valmiera residents, guests, friends, acquaintances and former company employees who had gathered along the streets with cheers.

These and other events are one of the ways in which we participate in youth education. Through our example, we want to show young people and let them know not only the type and specifics of our business, but also the fact that everyone has the opportunity to create successful and sustainable business stories.



SUPPORTING LOCAL COMMUNITY

Alongside the above, the priority areas supported by the GROUP remain unchanged – support for local children's and youth sports (such as football and basketball), cultural projects, as well as local community charity projects. Sponsorship is based on long-term cooperation with carefully selected partners. We support projects that strengthen the Valmiera Glass® brand and communicate our values.

For many years the company has been one of the main sponsors of VALMIERA GLASS/VIA football and basketball teams. Past cooperation has shown that our contribution is important to the growth of its functionality and results, as the team's performance from season to season has only improved. In 2017, the football club won the gold medal and acquired the Latvian football 1st league championship title, while the basketball team received the vice-champion title in the Latvian basketball 2nd league championship.

CREATIVE AND INITIALLY IMPOSSIBLE IDEAS

We are glad to support creative and innovative projects that require the use of the production of the GROUP. In 2017, Atex® product was given by VALMIERA GLASS UK Ltd. to two students from the Design Academy Eindhoven in the Netherlands to enable them to produce their diploma work – the interior lighting product "Light Screens".



EVALUATIONS, ACHIEVEMENTS

2013

Awarded the title of one of the strongest Latvian export brands in the research "The Red Jackets", receiving a Red Jacket as the prize.

The Gold Award "Sustainability Index", obtained by companies that demonstrate openness and transparency, publicly communicating all major aspects of sustainability.

Employer's Confederation of Latvia (LDDK) award of Employee Friendly Company.

The special prize "Regional Strength" of the Ministry of Environmental Protection and Regional Development for significant contribution to the development of local community and the environment.

Award in the nomination "TOP 500 Regional Company" within the competition of TOP 500 Largest Latvian Companies.

2011

The "Export Champion" award of the Ministry of Economics of the Republic of Latvia and the Investment and Development Agency of Latvia (LIAA), which is granted once.

Swedish Business Award in the category "Sustainable Growth Award".

2012

Employer's Confederation of Latvia (LDDK) award as Best Employer in Vidzeme.

2015

The company received the Green Excellence Award from the State Environmental Service as one of Latvia's companies that protects the environment at the highest level and implements measures for reducing the impact on the environment at its own initiative.

"Business Award 2015" of Valmiera Municipality and the Latvian Chamber of Commerce and Industry for outstanding achievements in export markets by setting up manufacturing facilities in the United Kingdom and the United States.

2014

Award in the nomination "TOP 500 Exporter" within the competition of TOP 500 Largest Latvian Companies.

Prudentia and Nasdaq Riga award as the company with the largest share price increase among the TOP 101 most valuable companies in Latvia.

2017

VALBARR® received 3rd place in the nomination "Trademark of the Year – for the World" in the competition organized by the Patent Office of the Republic of Latvia, the Latvian Chamber of Commerce and Industry and the Latvian Designers' Society.

2016

Award in the nomination "TOP 500 Regional Company" within the competition of TOP 500 Largest Latvian Companies.

P-D VALMIERA GLASS USA Corp. receives the Georgia State award "Business Deal of 2016".

VALMIERAS STIKLA ŠĶIEDRA, AS receives the Vidzeme Planning Region award in the nomination "Exportability".

COMMUNICATION

In order to inform society and our partners about the corporate social responsibility strategy and implemented activities of the VALMIERA GLASS GROUP, we regularly create and provide communication through various communication channels.



MASS MEDIA

Information on the achievements, activities, awards and projects implemented by the GROUP, information on various TOPs and rank ratings, industry comments, interviews and product development information.

ANNOUNCEMENTS ON NASDAQ, ORICGS.LV

Information on financial results and major events in accordance with requirements of regulatory enactments. Corporate Governance Report and Corporate Social Responsibility Report.

VALMIERA GLASS NEWS

Informative GROUP newspaper for existing and former employees. Prepared and issued 4 times a year.

SOCIAL NETWORKS

Information about company achievements, activities.

Society engagement campaigns.



EVENTS, CONFERENCES, VISITS, EXHIBITIONS, CORPORATE EVENTS, ETC.

Participation of the company's management and leading specialists in the following events:

- Latvia-US Business Conference in Chicago "Spotlight Latvia";
- SEB Baltic corporate customer event "The Challenges of Europe in change: a UK perspective".

Visits of high-ranking officials in the companies:

- Visit of the Ambassador of Latvia to the United Kingdom to VALMIERA GLASS UK Ltd.
- Visit of the Ambassador of Latvia to the United States to P-D VALMIERA GLASS USA Corp.;
- Visit of EU Funds Monitoring Committee to VALMIERAS STIKLA ŠĶIEDRA, AS.

Participation in industry exhibitions:

- International construction exhibition BUDMA in Poland;
- The largest composite industry exhibition in Europe and worldwide - JEC World in France;
- The largest technical textiles and non-woven materials exhibition at Tech-textil in Germany;
- Composite materials and innovative materials exhibition CAMX & IFAI in the USA;
- International construction exhibition BATIMAT in France;

Participation in local and educational exhibitions:

- RTU Career Day;
- Exhibition SKOLA;
- Vidzeme Business Days.

Corporate events:

- Annual leisure and sports holiday for VALMIERAS STIKLA ŠĶIEDRA, AS employees and their families;
- Family holiday for VALMIERA GLASS UK Ltd. employees and their families;
- Participation in the festive parade in the Valmiera City Festival;
- Christmas event for the children of VALMIERAS STIKLA ŠĶIEDRA, AS employees.

Shareholders' meetings:

- VALMIERAS STIKLA ŠĶIEDRA, AS shareholders meeting on May 26, 2017;
- VALMIERAS STIKLA ŠĶIEDRA, AS Extraordinary General Meeting of Shareholders on December 4, 2017.



WEBSITES WWW.VALMIERA-GLASS.COM AND WWW.ATEX-MEMBRANES.COM

Information about the GROUP's news, products and their applications, company policy information, certifications, principles of business ethics and sales rules. A separate section "For investors" for shareholders and investors, which summarizes all stock exchange news items published on the GROUP.

INDIVIDUAL APPOINTMENTS

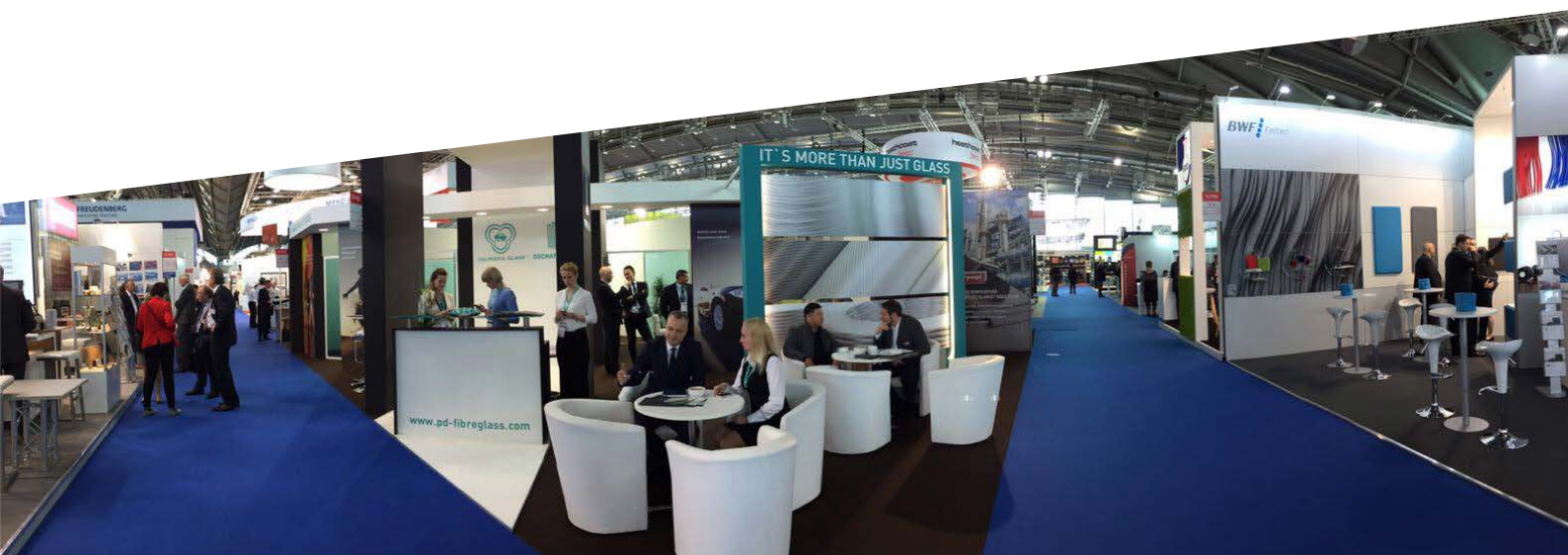
There is systematic, regular communication and meetings with customers, suppliers and other partners and stakeholders.

SOUVENIRS AND CORPORATE MATERIALS

By promoting a sense of belonging to the company and the development of the corporate image, different corporate materials and souvenirs are created as needed.

SPONSORSHIP

Support for local children's and youth sports (such as football and basketball), cultural projects, as well as local community charity projects. We support projects that strengthen the VALMIERA GLASS® brand and communicate our values.



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