



SUSTAINABILITY REPORT 2022

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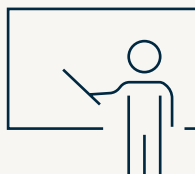
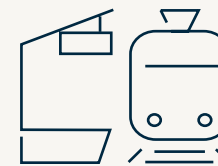


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GRI content index

VAS “Latvijas dzelzceļš” Sustainability Report for the period from 1 January 2022 to 31 December 2022 has been prepared in accordance with the GRI 1: Foundation reporting standards.

GRI Standard		Report section
Profile of the organisation		
2-1	Organisational details	About the report
2-2	Entities included in the organisation’s sustainability reporting	About the report
2-3	Reporting period, frequency and contact point	About the report
2-4	Restatements of information	About the report
2-5	External assurance	About the report
Activities and workers		
2-6	Activities, value chain and other business relationships	About LDz
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2-8	Workers who are not employees	Employees and workers
Governance		
2-9	Governance structure and composition	Governance model
2-10	Nomination and selection of the highest governance body	Council
2-11	Chair of the highest governance body	Council
2-12	Role of the highest governance body in overseeing the management of impacts	Council
2-13	Delegation of responsibility for managing impacts	Council
2-14	Role of the highest governance body in sustainability reporting	Council
2-15	Conflicts of interest	Management Board
2-16	Communication of critical concerns	Council

GRI Standard		Report section
2-17	Collective knowledge of the highest governance body	Council
2-18	Evaluation of the performance of the highest governance body	Council
2-19	Remuneration policies	Council
2-20	Process to determine remuneration	Personnel Management and Remuneration Policy
2-21	Annual total compensation ratio	Personnel Management and Remuneration Policy
2-22	Statement on sustainable development strategy	Preface
2-23	Policy commitments	Key policies for implementing good corporate governance
2-24	Embedding policy commitments	Key policies for implementing good corporate governance
2-25	Processes to remediate negative impacts	Key policies for implementing good corporate governance
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Stakeholder engagement		
2-29	Approach to stakeholder engagement	Key areas of sustainability and stakeholder engagement
2-30	Collective bargaining agreements	Collective bargaining agreements
Key areas of sustainability		
3-1	Process to determine material topics	Key areas of sustainability
3-2	List of material topics	Key areas of sustainability

Information on specific standards

Aspect		GRI Topic Standard	GRI Disclosure or LDz specific indicator		Report section
Environmental impact	Efficient management of resources, reduction of consumption and pollution	GRI 3: Material Topics 2021	3-3	Management of material topics	Efficient management of resources, reduction of consumption and pollution
		GRI 301: Materials 2016	301-1	Materials used by weight or volume	Materials
		GRI 303: Water and effluents 2018	303-5	Water consumption	Use of water resources
			306-3	Waste generated	Waste
	Energy efficient and reduced consumption of energy resources	GRI 3: Material Topics 2021	3-3	Management of material topics	Energy efficient and reduced consumption of energy resources
		GRI 302: Energy 2016	302-1	Energy consumption within the organisation	Energy efficient and reduced consumption of energy resources
	Emissions generated by the Company and the impact of climate	GRI 3: Material Topics 2021	3-3	Management of the essential area	Emissions generated
		GRI 305: Emissions 2016	305-1	Direct GHG emissions	Emissions generated
		GRI 305: Emissions 2016	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Emissions generated
	Promoting sustainable mobility		LDZ-1	Promoting sustainable mobility	Promoting sustainable mobility
Social impact	Employee wellbeing and social protection	GRI 3: Material Aspects 2021	3-3	Management of material topics	Employee wellbeing and social protection
		GRI 401: Employment 2016	401-1	New employee hires and employee turnover	Employee turnover
		GRI 401: Employment 2016	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Social protection
		GRI 401: Employment 2016	401-3	Parental leave	Social protection
		GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	Occupational safety and health
		GRI 403: Occupational Health and Safety 2018	403-2	Hazard identification, risk assessment, and incident investigation	Occupational safety and health
		GRI 403: Occupational Health and Safety 2018	403-3	Occupational health services	Occupational safety and health
		GRI 403: Occupational Health and Safety 2018	403-4	Worker participation, consultation, and communication on occupational health and safety	Occupational safety and health

Information on specific standards

Aspect	GRI Topic Standard	GRI Disclosure or LDz specific indicator	Report section
Social impact	GRI 403: Occupational Health and Safety 2018	403-5 Worker training on occupational health and safety	Occupational safety and health
	GRI 403: Occupational Health and Safety 2018	403-6 Promotion of worker health	Occupational safety and health
	GRI 403: Occupational Health and Safety 2018	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational safety and health
	GRI 403: Occupational Health and Safety 2018	403-8 Workers covered by an occupational health and safety management system	Occupational safety and health
	GRI 403: Occupational Health and Safety 2018	403-9 Work-related injuries	Accidents at work
	GRI 403: Occupational Health and Safety 2018	403-10 Work-related ill health	Accidents at work
	GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	Cases of discrimination
	Professional development of employees	GRI 3: Material Topics 2021	Professional development of employees
	GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Activity of LDZ Learning Centre
	GRI 404: Training and Education 2016	404-2 Programs for upgrading employee skills and transition assistance programs	Activity of LDZ Learning Centre
	GRI 404: Training and Education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	Career assessment and career development activities
	Road safety	GRI 3: Material Topics 2021	Road safety
	GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Improving railway safety
	GRI 416: Customer Health and Safety 2016	416-2 Incidents of non-compliance Grouping the health and safety impacts of products and services	Improving railway safety
	Availability and improvement of passenger infrastructure	GRI 3: Material Topics 2021	Services for passengers with special needs
	GRI 413: Local Communities 2016	413-2 Operations with significant actual and potential negative impacts on local communities	Services for passengers with special needs
	Educating the public	GRI 3: Material Topics 2021	Educating the public

Information on specific standards

Aspect	GRI Topic Standard	GRI Disclosure or LDz specific indicator	Report section
	GRI 413: Local Communities 2016	413-1 Operations with significant actual and potential negative impacts on local communities	Educating the public
Promoting the professional growth of young professionals in the industry		LDz-2 Promoting the professional growth of young professionals in the industry	Promoting the professional growth of young professionals in the industry
Preservation/accessibility of the heritage of the past		LDz-3 Preservation/accessibility of the heritage of the past	Preservation/accessibility of the heritage of the past
Economic impact	Effective management, modernisation and development of infrastructure	3-3 Management of material topics	Effective management, modernisation and development of infrastructure
	GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	Investments in infrastructure and service development
	Attracting financing and investments for the development of operations	3-3 Management of material topics	Attracting financing and investments for the development of operations
	GRI 201: Economic Performance 2016	201-4 Financial assistance received from government	Attracting financing and investments for the development of operations
	Selection of cooperation partners and suppliers	3-3 Management of material topics	Selection of cooperation partners and suppliers
	GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	Selection of cooperation partners and suppliers
	Direct economic impact	3-3 Management of material topics	Direct economic impact
	GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	Direct economic impact
	Development of new technologies and digitalisation of operations	LDz-4 Development of new technologies and digitalisation of operations	Development of new technologies and digitalisation of operations

01

PREFACE

The Sustainability Report, prepared in accordance with the internationally recognised Global Reporting Initiative (hereinafter “GRI”) guidelines, makes it possible to identify and analyse the company’s impact on various aspects of sustainability over a longer period. This report presents and analyses the impact of the operating activity of VAS “Latvijas dzelzceļš” on the economy, environment, and society. The report gives an overview of the most important operational and financial indicators of VAS “Latvijas dzelzceļš”, the implementation of the most significant projects, the day-to-day operations as well as the public and international activities.



The year 2022 was a period full of upheavals all over the world, in which many companies, including VAS “Latvijas dzelzceļš”, faced the effects of the aggravation of the geopolitical situation, including the crisis of resources, supply chains, economy, and human values.

We are convinced that in challenging periods like this it is important for companies to think beyond day-to-day operations. In such turbulent times, it is especially important to think about the achievement of the Company’s goals and the continuous development even in rapidly changing conditions, the Company’s impact on the environment, society, and the economy of the entire country, as well as work on strengthening and improving the personnel teams

In 2022, VAS “Latvijas dzelzceļš” also paid a significant attention to all the above mentioned issues, as well as worked to ensure compliance and effective operation of the Company’s operations in the conditions of energy and other resource crisis, to promote the Company’s efficiency, create new business opportunities, high-quality and safe railway infrastructure development, and other essential areas of activity.

One of the top areas of activity in 2022 was the promotion of corporate governance, thus, based on the principles of sustainable corporate governance, a series of documents related to corporate governance were newly developed or updated in 2022, as well as their implementation in the Company was started. All these issues will also be relevant in 2023 and in the following periods, as LDz continues to work on the improvement and development of corporate governance, and the goal of all these activities is one – to be a modern and efficient Company that maintains, manages and develops safe, high-quality service for passenger and cargo transportation and functional and convenient railway infrastructure for all the groups of society to use.

Jānis Lange

Chairman of the Council
of VAS “Latvijas dzelzceļš”

Rinalds Pļavnieks

Chairman of the Management
Board of VAS “Latvijas dzelzceļš”

An aerial photograph of a railway track running diagonally across the frame. A train with several grey freight cars is visible on the left side of the tracks. The surrounding area is a dense forest with trees showing autumn foliage in shades of green, yellow, and brown. The lighting suggests a bright day with long shadows cast across the tracks and the forest floor.

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ABOUT THE REPORT

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Reporting period:	1 January 2022 – 31 December 2022.
Report publication date:	<p>In Latvian: in June 2023. The report is publicly available in Latvian and English on the site http://parskati.ldz.lv/.</p> <p>The report in English is submitted for publication in the international GRI database http://database.globalreporting.org/.</p>
Frequency of reporting:	<p>The Sustainability Report is prepared once a year since 2016. The previous report for 2021 was published in September 2022.</p> <p>The 2022 report has been prepared in accordance with the GRI (Global Reporting Initiative) 2021 reporting standards.</p>
Contact information:	Email address for queries or comments about the sustainability report of VAS "Latvijas dzelzceļš": Agnese.Licite@ldz.lv .
Corrections to information provided in previous years	No significant changes.

VAS "Latvijas dzelzceļš" (hereinafter also "LDz" or "the Company") is a state capital company, 100% of the capital shares of which are owned by the state and held by the Ministry of Transport.

VAS "Latvijas dzelzceļš" is the public railway infrastructure manager and the dominant company of the "Latvijas dzelzceļš" Group (hereinafter "the Group"). LDz manages the railway infrastructure and provides a set of minimum access services to the public railway and access to the public railway infrastructure connecting the railway infrastructure with service sites and provides services in the areas of freight wagon handling, wagon maintenance and inspection, electricity distribution, and trade services, rental services, information technology and electronic communications services.

The Company's registered office is at Gogola Street 3 in Riga, while its structural units and subsidiaries operate throughout Latvia, i.e., where there are important railway nodes and where the freight transit flows are handled, and the passenger transport are organised.

The report contains information on the Group's dominant company VAS "Latvijas dzelzceļš", as well as information on the key performance indicators of the Group's subsidiaries in 2022. The content of the report does not fully reflect the entire Group's activity in sustainability.

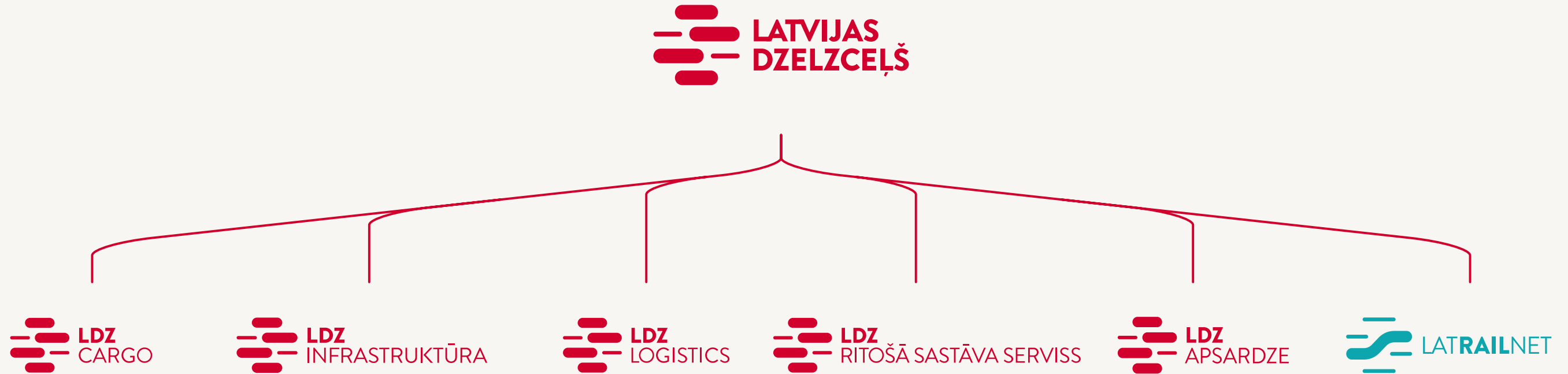
The Group consists of the dominant company and six dependent companies, of which five companies – SIA "LDZ CARGO", SIA "LDZ Loģistika", SIA "LDZ infrastruktūra", SIA "LDZ ritošā sastāva serviss" and SIA "LDZ apsardze" – the dominant company has a direct decisive influence. The Group also includes an independent joint-stock company "LatRailNet", which, according to European Union law, performs the essential functions of a railway infrastructure manager and is responsible for setting charges for the use of infrastructure and allocating capacity for rail transport. The dominant company of AS "LatRailNet" has an indirect decisive influence.

The review of the Sustainability Report of VAS "Latvijas dzelzceļš" in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) issued by the International Auditing and Assurance Standards Board, which is not an audit or review of historical financial information (ISAE 3000) (Revised), was carried out by the audit firm "PricewaterhouseCoopers".

The auditor was selected based on the fact that "PricewaterhouseCoopers" is also the auditor of the annual report of VAS "Latvijas dzelzceļš" for 2022. The decision to elect SIA "PricewaterhouseCoopers" as the auditor of the 2021-2023 Sustainability Reports was made at the Shareholders' Meeting of VAS "Latvijas dzelzceļš" convened on 29 July 2021.

The auditor's assurance is on [page 94](#) of this report.

Group structure on 31 December 2022



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ABOUT LDZ

The main function of VAS "Latvijas dzelzceļš" is the maintenance, renovation and development of public railway infrastructure for passenger and freight transportation, which is provided in accordance with the laws and regulations and quality criteria of the Republic of Latvia and the European Union and in accordance with the Multi-Annual Agreement No. L-7392/2018 "On the Planning and Financing of the Maintenance and Development of the Public Railway Infrastructure Under the Management of Vas "Latvijas Dzelzceļš" concluded between the Ministry of Transport and VAS "Latvijas dzelzceļš" dated 9 November 2018, and in accordance with the Medium-term operational strategy 2021 – 2025 of VAS "Latvijas dzelzceļš".



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Mission

We manage railway infrastructure safely, effectively, and sustainably, and continuously develop it. We provide competitive railway and logistics services in the interest of the Latvian economy and society.



Vision

We will be an efficient, competitive Company that offers customers high added value and responds flexibly to changes in the transport industry.



The overall strategic goal of LDz, which has been approved by the Cabinet of Ministers (Cabinet) Order No. 421 of 16 June 2021 is: Ensuring an efficient, safe, and sustainable management of railway infrastructure, competitive logistics, repair and maintenance of rolling stock, security services for strategically important objects, promoting the development of environmentally friendly railway transport.



Values

GROWTH

We strive to develop the Company in a sustainable and thoughtful way. We highly value the courage to take on challenges and the initiative to find solutions. We believe that only through constant change it is possible to achieve the most ambitious goals.

SAFETY

It is important that we always ensure safety. We are capable of identifying and effectively mitigating risks. We care about employees, customers, society, and the environment.

SYNERGY

We are a united team. We are proud of what we have achieved and are open to discussions on how we can improve our work. We work with partners, customers, and institutions to achieve common goals.



VAS "Latvijas dzelzceļš" in facts and figures (2022)



Established **on 2 September 1991**

and is considered the successor to the Latvian Railway Directorate, which was founded **on 5 August 1919**



Satiksmes ministrija

100%

Wholly owned by the Ministry of Transport of the Republic of Latvia



Gold award in the
sustainability index

in 2022

Gold award in the
sustainability index

in 2021



**4th largest
employer**

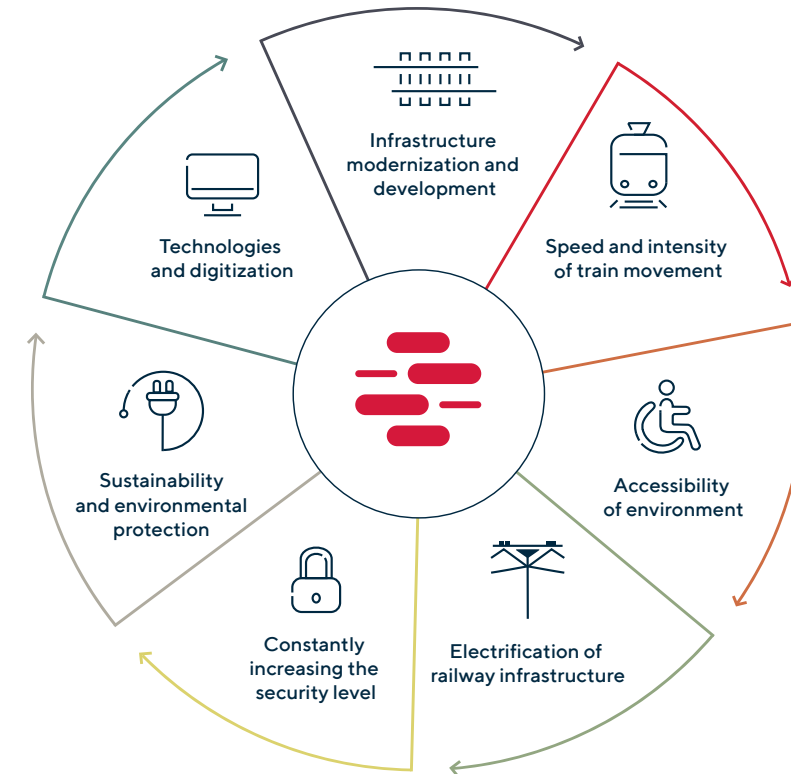
according to TOP 500 for
2021

the 3rd largest
employer

in 2020

Nasdaq Riga and "Prudentia"s Top101.lv list:

- Ranking No. 1 among transport, transit, and logistics companies (in 2021: ranking No. 1)
- Ranking No. 24 among the most valuable companies in Latvia (in 2021: ranking No. 20)



For VAS "Latvijas dzelzceļš", it is important to promote mobility in passenger and freight transport and to establish the railway as the backbone of public transport, according to the documents defining Latvian transport policy.

The priorities of railway infrastructure development are set out in the VAS "Latvijas dzelzceļš" Concept for Infrastructure Development Until 2035".

One of the strategic directions of LDZ's activity is also to attract more and more new customers to the Latvian transit industry, thus promoting the use of public railway infrastructure. This can be done by developing intermodal and multimodal logistics offers, forming strategic partnerships, getting to know existing and new markets, developing logistics offers on the market, and sales.



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VAS "Latvijas dzelzceļš" in facts and figures (2022)



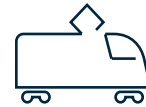
employees

3965

at 31.12.2022

4125

at 31.12.2021



number of passengers transported

15.6 million

in 2022

11.2 million

in 2021



turnover

EUR 153 million

in 2022

EUR 157.7 million

in 2021



the volume of transported freight

21.5 million tonnes

in 2022

22 million tonnes

in 2021



the Company's value

EUR 232.9 million

in 2022

EUR 307.56 million

in 2021



taxes and duties paid

EUR 45 million

in 2022

EUR 43.6 million

in 2021



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An overview of the infrastructure managed by LDZ

The LDZ infrastructure network is located within the geographical borders of the Republic of Latvia. Since the early days of the railway infrastructure, a 1520 mm wide track network has been used for passenger and freight transport in Latvia, which is wider than the track width in Western Europe, where mainly 1435 mm wide tracks are used. The standard of the tracks of the Latvijas dzelzceļš infrastructure corresponds to that of the railways in the Baltic countries and the neighbouring countries to the east.



1864.9 km

length of tracks operated



140

stations



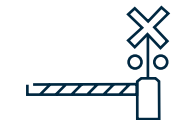
128

stops



1042

culverts



586

level crossings



694

bridges with a total length of 15.8 km



43

road overpasses



3223

exchange transfers



403

pedestrian crossings



1520 mm
wide tracks

1831.5 km



250.9 km
electrified sections



750 mm

wide tracks, along which runs the historic Gulbene-Aluksne-Banitis

33.4 km



up to 120 km/h

for passenger trains



up to 90 km/h

for freight trains

Maximum train speed on the railway infrastructure:



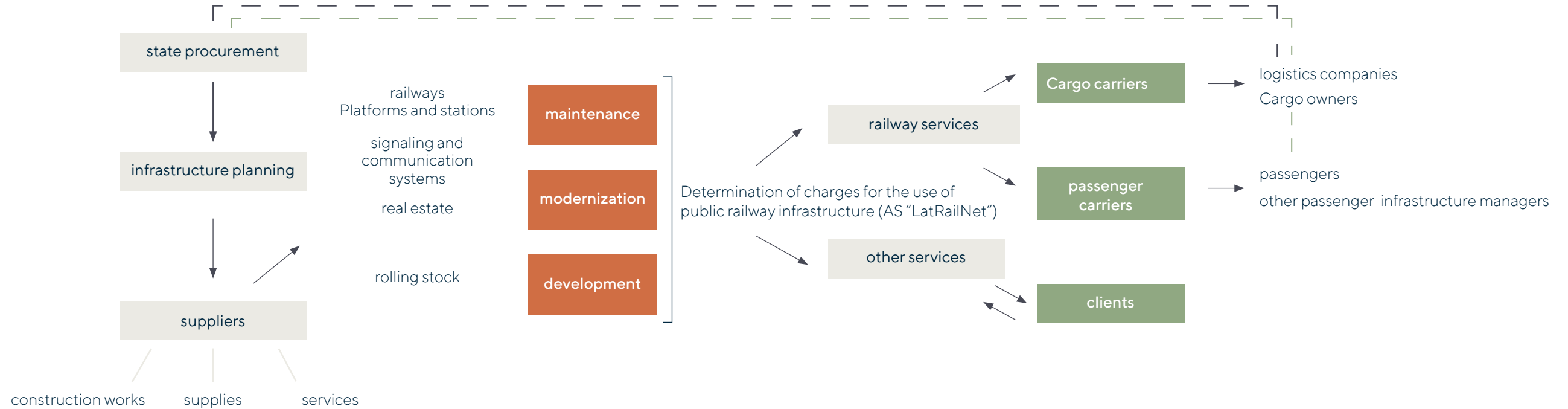
LDz infrastructure and electrified areas



* The DC voltage of electrified lines is 3.3 kV.



LDz's value chain



State procurement: Maintenance, renovation and development of railway infrastructure is ensured according to the Multi-Annual Agreement "On planning and financing of maintenance and development of public-use railway infrastructure under the management of VAS "Latvijas dzelzceļš" concluded between the Ministry of Transport and VAS "Latvijas dzelzceļš".

Infrastructure planning: LDz plans maintenance, modernisation and development works on the railway infrastructure in accordance with the transport policy planning documents to increase the speed of railway traffic, improve the safety, quality and availability of the infrastructure for passenger traffic and other technical capacities of the railway.

Charge determination (AS "LatRailNet") - The decisions on capacity allocation, the allocation of train routes, including the determination and assessment of access and the allocation of individual train routes, as well as the decisions on infrastructure charges, including the determination of charges and the determination of the charging system, are made by AS "LatRailNet", which is a Group company and over which the dominant company has a decisive influence.

Railway services: The main service provided by LDz is rail transport, including the provision of services required for passenger and freight transport. Most of the freight transport on the Latvian railway infrastructure is provided by the Group's company SIA "LDZ CARGO", which is also active on the international freight transport market. Passenger transport within the country's borders, on the other hand, is provided by AS "Pasažieru vilciens".

Other services: LDz also offers other services, such as the rental and sale of real estate, facility management, electricity procurement and electricity trading services.



Suppliers

VAS Latvijas dzelzceļš” procures various types of services and goods necessary for ensuring the Company’s operating activity, for providing passenger and freight transport and for performing other functions.

Major



construction works

repair works, construction and infrastructure modernisation works, etc.



services

insurance, financial services, legal services, legal advice, waste removal, etc.



supplies

various raw materials and supplies for maintaining infrastructure maintenance and for ensuring transportation (lubricants, fuel, sleepers, swarf, abrasives, electricity, etc.), technical units, video surveillance systems, equipment, etc.

LDz’s operating activity in 2022

One of the key performance indicators of VAS “Latvijas dzelzceļš” is the number of train-km travelled on the railway infrastructure, which is the basis for the calculation of the infrastructure usage charge and determines the depreciation of the infrastructure. LDz’s operations in 2022 were significantly affected by the war started by Russia in Ukraine in February 2022 and the subsequent economic and political sanctions against Russia and Belarus, as well as by other global processes related to these events.

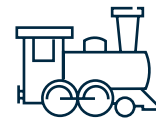
Considering that a large share of the sectoral sanctions (restrictions on types of freight, including restrictions on oil products and coal shipments) entered into force gradually, the real impact of the sanctions on LDz started to appear in the second half of 2022. Because throughout 2022 the Group paid special attention to diversification of target markets and freight segments, as well as to attracting new customers, there was a relatively small decrease in rail freight volumes in the 12 months of the reporting year: 21.59 million tonnes of freight were transported, which is 375 000 tons or 1.7% less than in 2021.



in passenger transport
train-km

6.28 million
in 2022

6.03 million
in 2021



SIA “Gulbenes-Alūksnes
bānītis” train-km

48.1 thousand
in 2022

48.4 thousand
in 2021



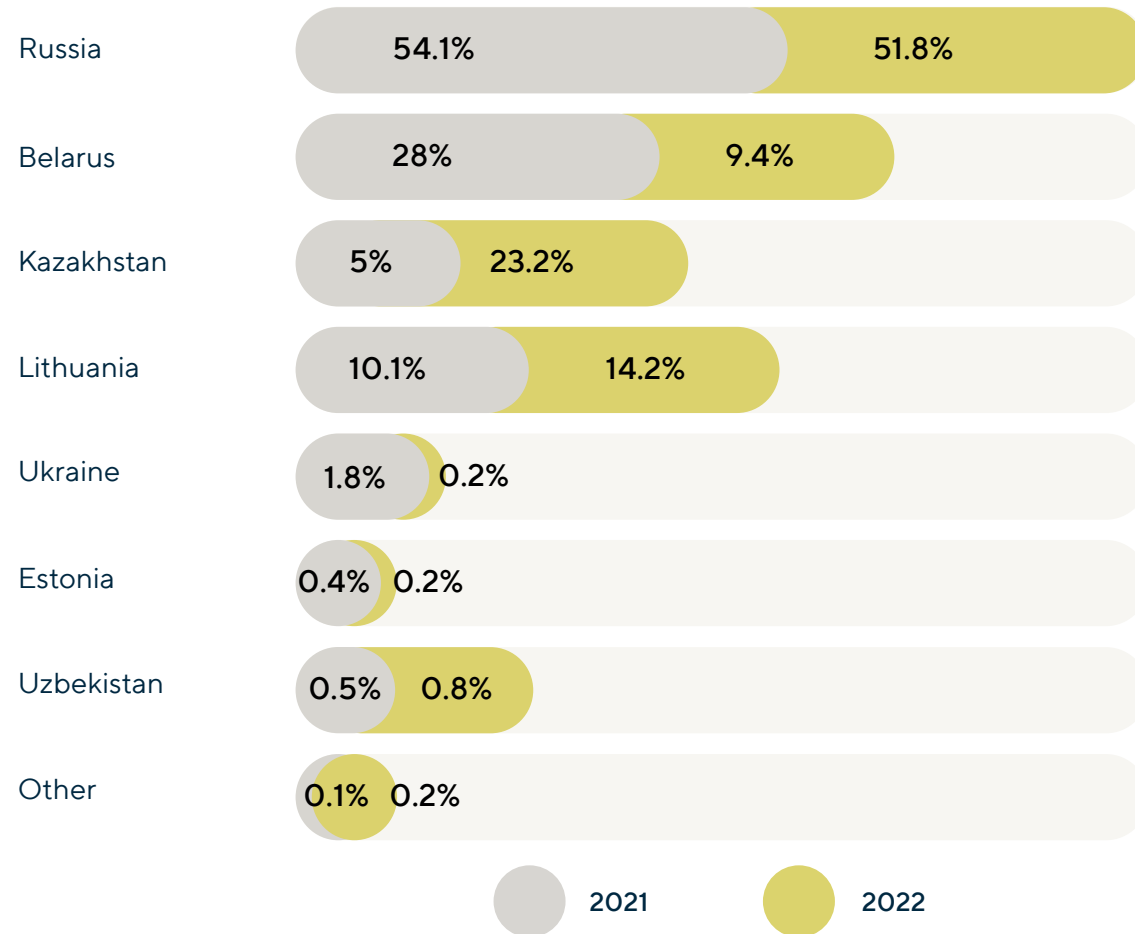
in freight transport
train-km

4.46 million
in 2022





4.64 million
in 2021



Share of freight volumes by country (imports and road transit) in 2021 - 2022






Types of transported freight

	Volumes in thous. tonnes	Share on 2022	Compared to 2021
 Domestic transport	1 698	7.9%	86.2%
 Export transport incl. from the near port stations	3 724 3 415	17.3 % 15.8%	175.4% 191.1%
 Import transport incl. towards the near port stations	14 072 12 090	65.2% 56%	104.4% 110.9%
 Road transit	2 094	9.7%	47.6%



Volumes of railway freight transport in the direction of Latvian ports

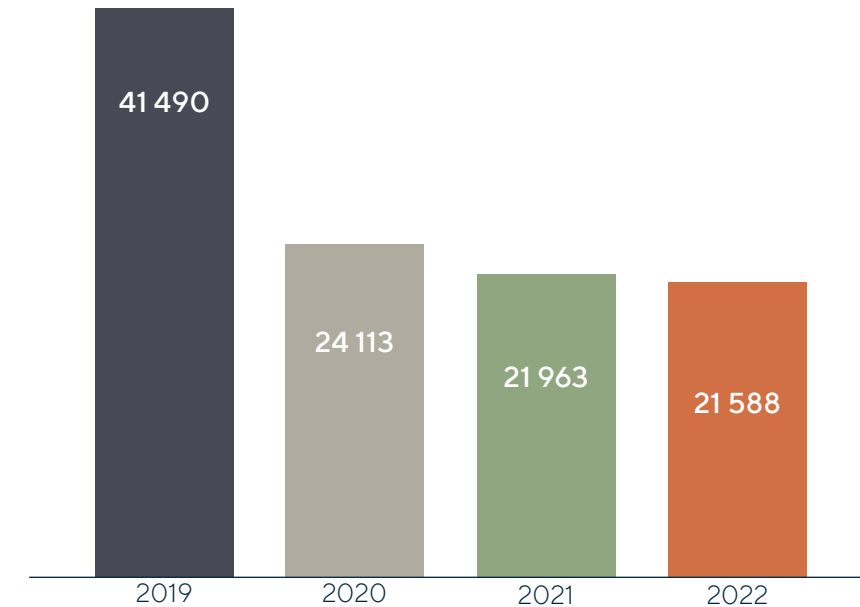
	Volumes in thous. tonnes	Share	Compared to 2021
 Towards the Riga port	7 198	45.6%	111.2%
 Towards the Ventspils port	5 264	33.3%	146%
 Towards the Liepaja port	3 328	21.1%	102.8%

Most of the freights are carried on the Latvian railway infrastructure by the company SIA “LDZ CARGO”, which is a Group’s company, and is also active in the international freight transport market. Passenger transport within the country’s borders, on the other hand, is carried out by AS “Pasažieru vilciens”.

In Latvia, the historic narrow-gauge railway has been preserved over a length of 33 kilometres and is still in operation. The passenger service between Gulbene and Aluksne is operated by SIA “Gulbenes – Aluksnes Banītis”.

As in other passenger transport sectors, rail passenger numbers gradually returned after the pandemic restrictions COVID-19 in 2022 and began to approach pre-pandemic levels. In 2022, a total of 15.7 million passengers were transported by rail, 40% more than in 2021 when 11.2 million passengers were transported by rail.

The Chart of the transported freight volume dynamics in 2019-2022
(thous. tonnes)





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ECONOMIC
IMPACT

INDEPENDENT
AUDITOR'S ASSURANCE
REPORT

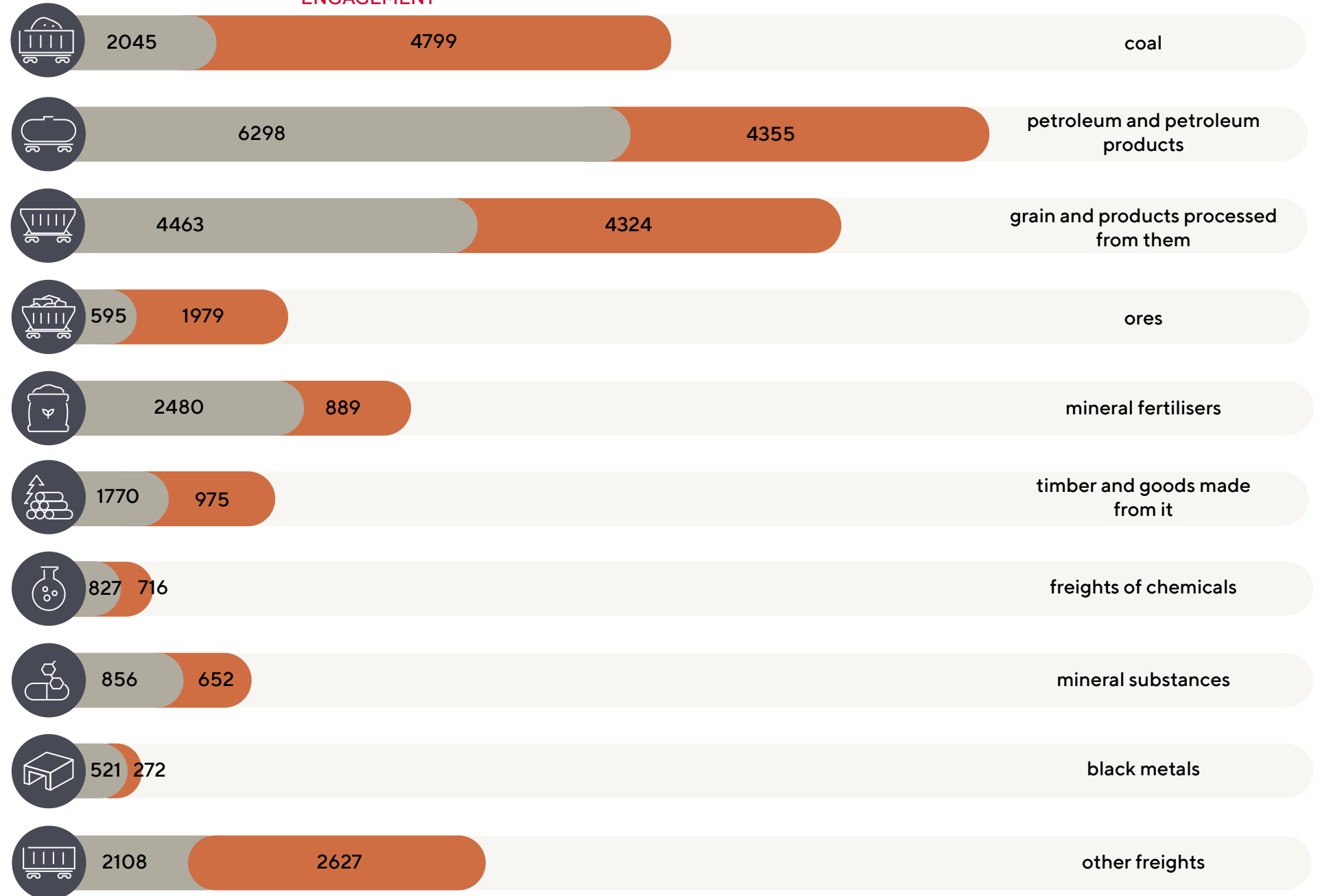
Volumes and share of freight transported
(thous.tonnes)



2021






2022





Passengers transported using the LDz infrastructure network (million passengers)

	2022	2021	2020	2019	Compared to 2021
 In total	15.7	11.2	12.9	18.6	140%
 In electric trains	13.9	10	11.6	16.6	139%
 In diesel trains	1.7	1.1	1.2	1.8	154%

The net turnover of VAS "Latvijas dzelzceļš" in 2022 was EUR 153 158 297, down by 2.9% from 2021. In the reporting year, based on the commitments and obligations set out in the Multi-Annual Agreement, financial stability payment balance payment of EUR 24 359 000 provided from the state budget was attributed to the revenue.

The performance of LDz's business activity in 2022 was zero (the performance of business activity of 2021 was also 0).

Key events and developments in 2022



promoting efficiency



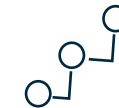
evaluation of technological processes



diversification of target markets and freight segments



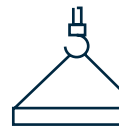
development of IT systems



cooperation in the implementation of the Rail Baltica project



work in the new geopolitical circumstances



infrastructure development

In 2022, VAS "Latvijas dzelzceļš" and the Group companies continued to take efficiency-enhancing and cost-saving measures by reviewing business, organizational and technological processes aimed at ensuring the Group's competitiveness and sustainability in the future.

Through the targeted revision of functions and changes in organizational structure, there was a further reduction in the number of employees in the parent company and in the Group as a whole.



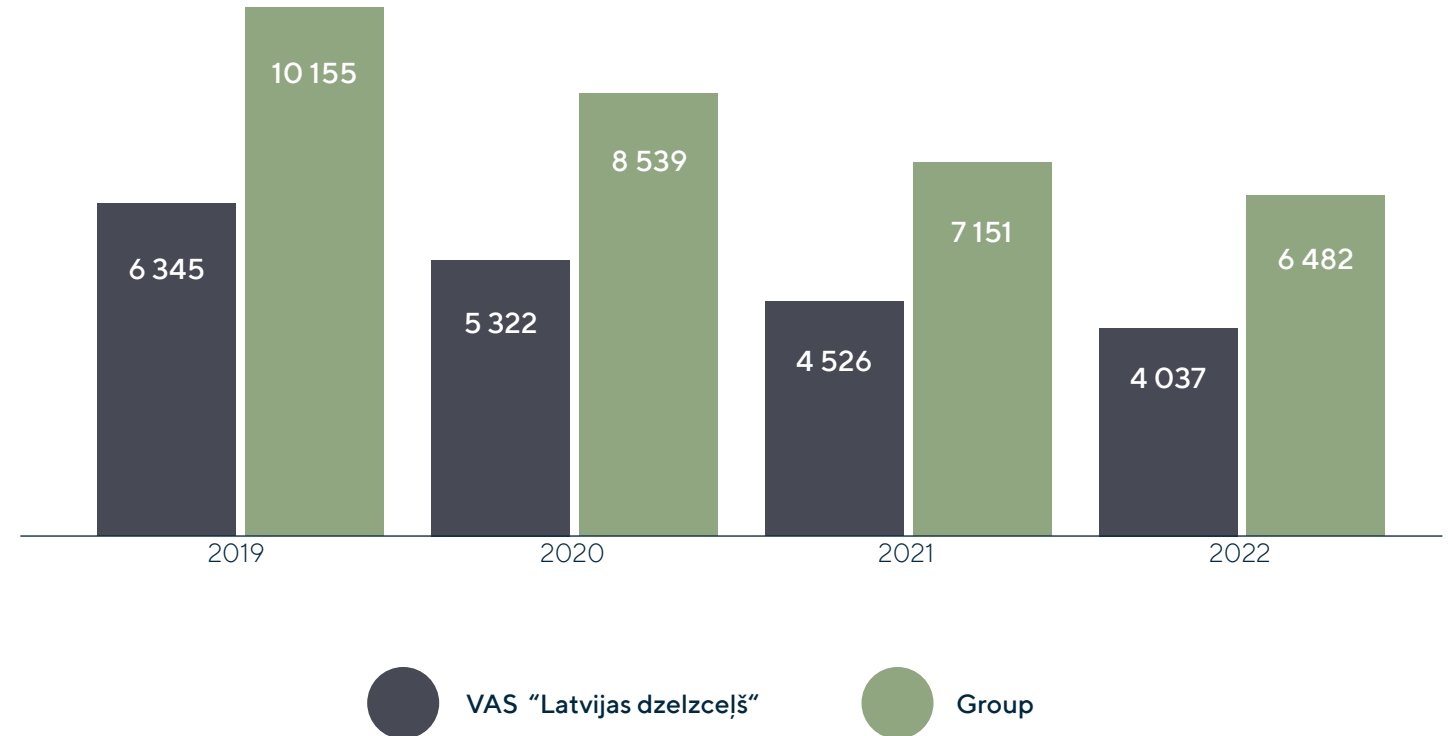
To compensate for the already declining freight volumes in previous years, exacerbated in 2022 by the newly imposed international sanctions against Russia and Belarus, the Group actively sought new opportunities to attract freight in existing and new markets throughout the year. Freight volumes from Central Asian countries – mainly Kazakhstan – as well as the agreement reached with Polish Railways for the regular transport of coal and other goods from the Port of Riga to Poland contributed to the total volume of rail freight transport in the reporting year.

Since the introduction of the first international sanctions against Belarus and Russia, VAS “Latvijas dzelzceļš” has been working actively and in close cooperation with the Ministry of Foreign Affairs, the National Customs Board of the State Revenue Service, etc. to find the best solutions to operate in the new geopolitical circumstances, to establish and constantly improve mutual cooperation in international freight transport and to monitor compliance with sanction requirements. LDz bases its activities on the principles of the rule of law and closely follows the instructions of the competent authorities in the field of sanctions control. Given the dynamics of changes in sanctions, this has been a challenging time.

In 2022, within the framework of the “Rail Baltica” project, the reconstruction of tracks continued in the Riga Central Railway Station and its surroundings, and the works of the viaduct of the Central Multimodal Junction were started – the dismantling of railway overpasses, the excavation of the railway embankment and other works. The project will continue until 2026, and LDz, together with the implementers has been tasked with ensuring the continuity of the station’s operation and the availability of the most important services throughout the reconstruction. After the reconstruction of the station in 2026, a total of 14 tracks will be open for train traffic, of which four will be “Rail Baltica” 1435 mm tracks, and the rest – LDz 1520 mm tracks.

In addition to the above-mentioned activities, in 2022, LDz also had a focus on projects for the development of railway infrastructure for passenger transport, which you can read about in the chapter “Railway infrastructure development projects” on [page 26](#).

Average number of employees



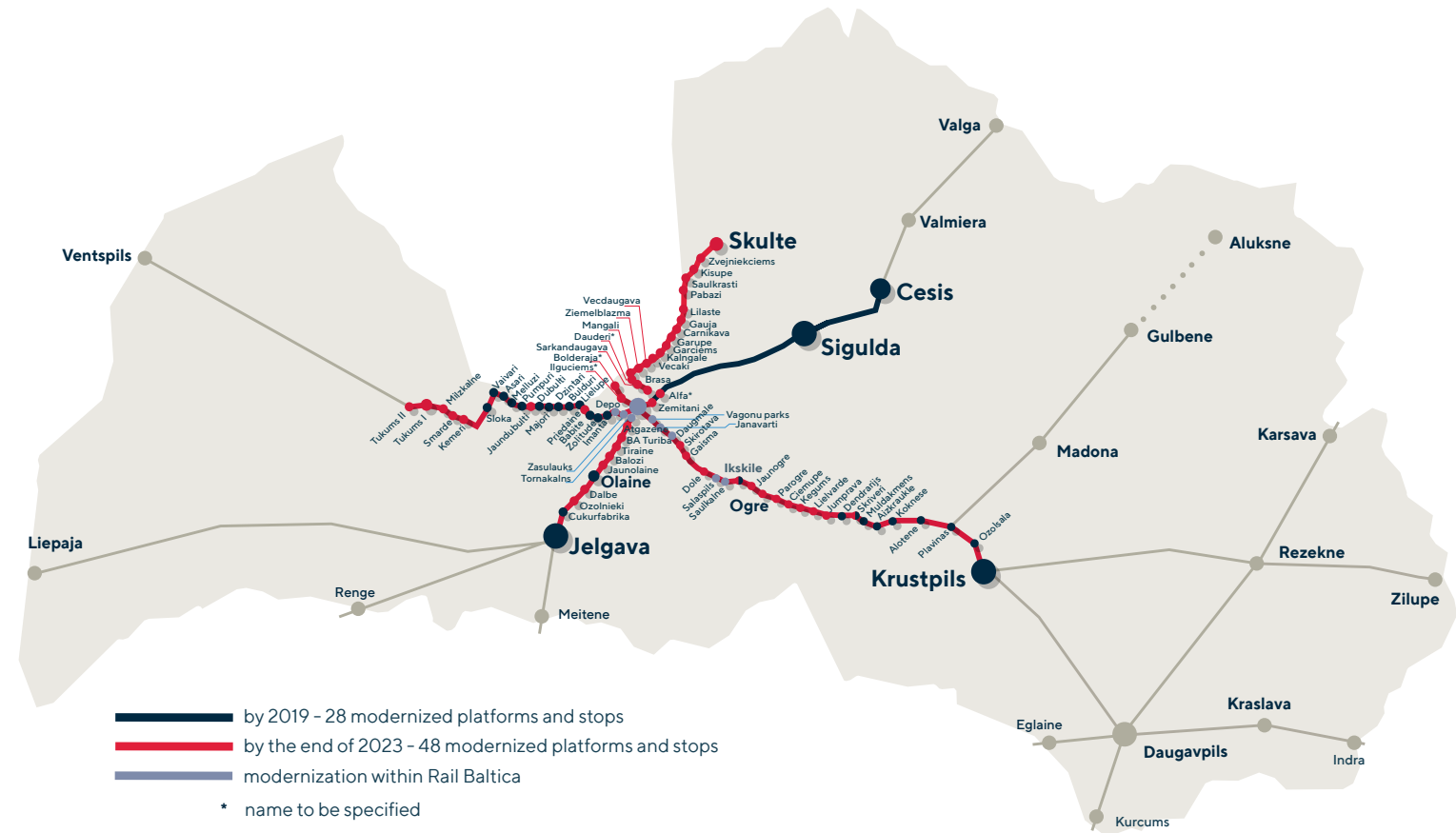


Railway infrastructure development projects

Modernisation and development of passenger infrastructure 3-3

In 2022, the LDZ also focused on one of the most ambitious railway infrastructure development projects in recent years, namely the modernisation and construction of passenger platforms at 48 stations and stops. In September 2022, design works were completed and construction works started so to modernise or build new platforms at 48 stations and stops on the electrified railway lines Riga – Tukums II, Riga – Skulte, Riga – Krustpils and Riga – Jelgava by the end of 2023. Platform modernisation will continue in the next EU fund planning periods as well.

A major event that has a direct positive impact on this project and the development of LDZ passenger infrastructure as a whole was the universal design standard for passenger infrastructure of VAS “Latvijas dzelzceļš” approved in April 2022, which determines the visual appearance of stations, stops and passenger platforms under the control of the LDZ, their equipment and the availability of the surrounding area.



The objective of the universal design standard is the visual aesthetics of the environment and all types of infrastructure, safety, intuitive, simple, convenient and pleasant usability, accessibility and approachability for all groups of society, and the easiest possible maintenance. It is important that this standard integrates the principles of environmental accessibility developed by the Association of Disabled People and their Friends “Apeirons”. The standard for universal design of passenger infrastructure is applied and implemented when upgrading the existing or building a new LDZ passenger infrastructure.

The development of railway infrastructure for passenger transport is based on the principle that regardless of the capacity of the station or stop or the number of passengers, everyone must receive an equivalent quality service everywhere in Latvia where railway is used. Therefore, all modernised LDZ stations and stops will be equipped according to the modular principle with high quality and visually appealing canopies of the appropriate size for the location, a sufficient number of benches, bicycle racks, and other equipment, as well as a convenient and understandable information and notification system.



According to the universal design standard, five station classes were distinguished, based on the forecast of passenger numbers for the period until 2035. The forecasts were prepared in cooperation with AS "Pasažieru vilciens" and VSIA "Autotransporta direkcija". Taking into account the fact that areas may develop and the number of inhabitants and their habits may change, which also changes the use and usability of stations, the classification of stations is revised at least every five years.

In 2022, active construction work also continued to complete the modernisation of the Sarkandaugava – Mangali – Ziemeļblazma section of Riga railway junction by the end of 2023 by building and electrifying the second track in the Mangali – Ziemeļblazma section, reconstructing the tracks of the station park and modernising the signalling system. As well as significantly increasing road safety and improving the quality of life and mobility of the area's population, this project will also reduce the risk of environmental pollution.



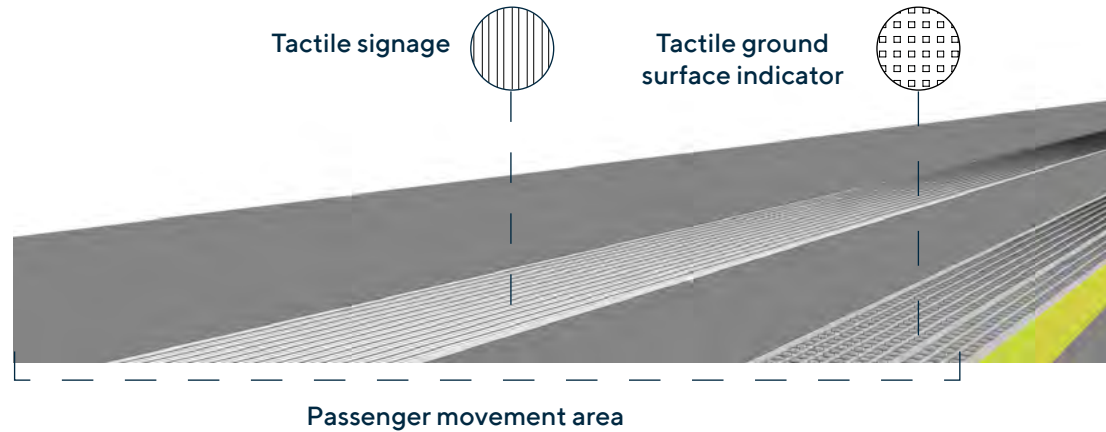
Pasažieru platformas aprīkojums tiek komplektēts atkarībā no stacijas klases un pasažieru plūsmas konkrētajā stacijā vai pieturas punktā.

Services for passengers with special needs

3-3; 413-2

According to the EU legal framework, VAS "Latvijas dzelzceļš" is obliged to ensure that people in wheelchairs can get to inaccessible platforms and that they can get on and off the train.

In the past, the railway infrastructure in Latvia was not designed to be conveniently and safely accessible for people with mobility impairments. Therefore, in recent years, VAS "Latvijas dzelzceļš" has paid special attention to ensuring that the railway infrastructure – stations and stops – is accessible to people with mobility impairments, older people, parents with prams and every member of society, both in the implementation of various large modernisation projects and in smaller projects.



In all stations and stops that are to be modernised, tactile signage for people with special needs and persons with mobility impairments will be integrated into the platforms, which will be connected to the existing pedestrian infrastructure of the municipality as far as possible.

LDz also pays attention to the accessibility of the environment in the stations and stops that are not yet included in the modernisation projects.

At Riga Central Station, announcements on the electronic display boards are adapted for people with visual impairments, while a ticket counter is equipped with an induction loop to help people who use hearing aids. Passengers in wheelchairs, on the other hand, receive assistance to get onto the platform and onto the train, including a mobile lift service. Since 2019, there has been a “Meeting Point” at Riga Central Station, where applicants can receive assistance to get onto the platform and onto the train upon prior request. The “Meeting Point” is equipped with two chairs and an audio console connected to the railway’s toll-free number 80021181.

Currently, the main railway station in Riga is undergoing ambitious changes as part of the “Rail Baltica” project. In the future, the accessibility of this facility will be ensured according to all modern requirements, but until the station is modernised, LDz offers a solution so that people in wheelchairs can use a chair lift or lift to get to the passenger platforms, as well as mobile lifts to put people on the train.

The mobile chair lift service is available in (no changes compared to 2021):



In 2022, 513 applications were received, of which 429 were fulfilled, because in 84 cases the person refused the service (in 2021, 148 applications were received, of which 116 were fulfilled).

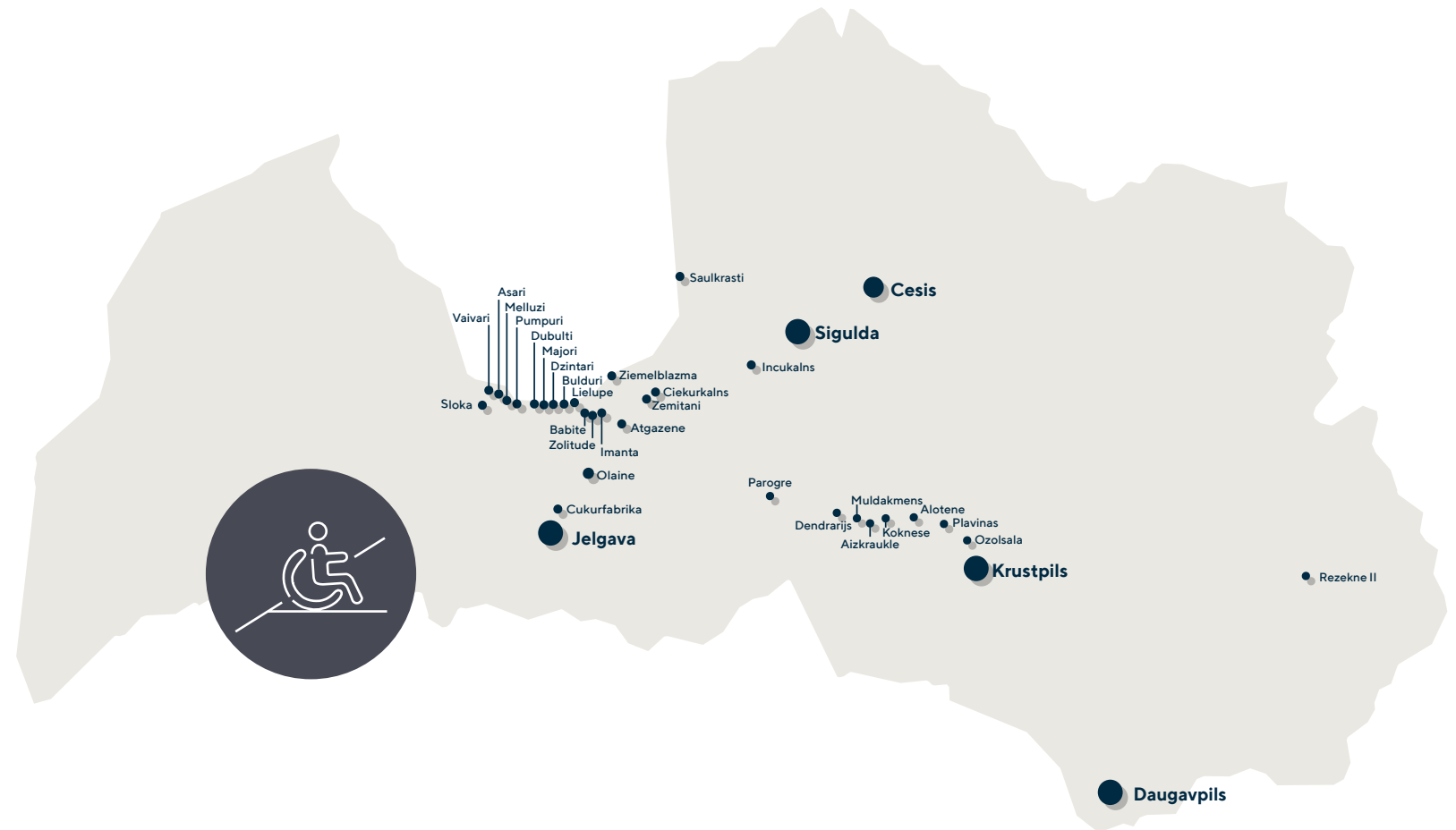


Installation of fences and pedestrian crossings in railway infrastructure facilities

Although rail is rightly considered not only the “greenest” but also the safest mode of road and public transport, road safety is a top priority for LDZ, which is attracting constant attention and investments.

Thus, under the project “Installation of fences and pedestrian crossings in railway infrastructure facilities”, the construction of crossings and safety fences in Riga and its surroundings will be completed over a length of more than 20 kilometres by the end of 2023. As part of the project, work on the following railway stations is planned: Zaslauks – Lacupe, Brasa – Sarkandaugava – Mangali – Ziemeļblazma, Ciekurkalns – Jugla, Tornakalns – Tiraine, and Skirotava stations.

Platforms with ramps for people with mobility impairments are available at the following stations and stops (no changes compared to 2021):

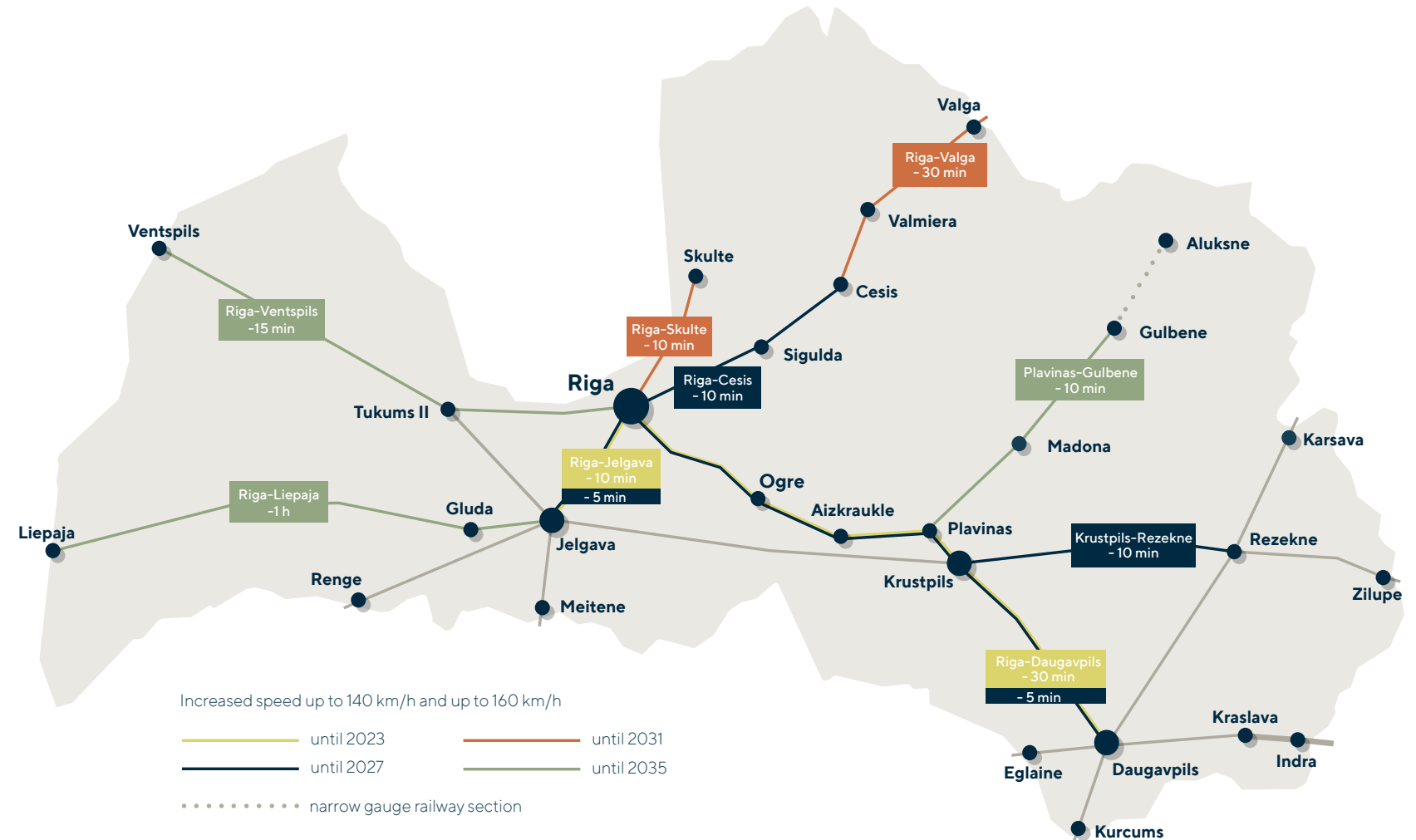




Modernisation of the railway infrastructure to increase the train speed

The speed of passenger transportation by rail is one of the key factors influencing whether people choose rail, another form of public transport or their own car for their daily or holiday commute.

In order to shorten the travel time between the destination stations and increase traffic safety at level crossings, modernisation works will be carried out on the sections from Lielvarde to Skrīveri and Riga – Jelgava by the end of 2023 as part of the project “Modernisation of railway infrastructure to increase train speed”. As part of the project, the railway infrastructure on these lines will be modernised over a total length of more than 100 kilometres. Level crossings will be equipped with new crossing signal systems and automatic barriers, the geometry of railway curves and electrical contact networks will be rebuilt, and other work will be carried out to ensure train speeds of up to 140 km/h at certain points.





Contact network replacement

In order to make the railway ever more environmentally friendly, LDz continued work in the reporting year on the project to replace the existing but technically obsolete 3.3kV contact network system with a 25kV system, as well as to gradually expand the electrified railway network. The deadline for completion of this ambitious project is 2026, and it will bring several benefits, including reducing the cost of power supply equipment, allowing it to be included in the common European rail network, stabilising the efficiency of power supply on the lines, enabling more intensive and faster train speeds for passenger traffic, while motivating freight operators to switch to electric trains. In total, it is planned to improve zero-emission railway infrastructure on 81 kilometres of track.

Establishing an interoperable railway system in the Baltic countries

Work on the project continued in 2022 and will be completed in 2023, the aim of which is to introduce a new technological model in the railways of Latvia and Estonia, gradually replacing the station and train movement control system with modern, interoperable information technology systems in the Baltic and European markets. VAS "Latvijas dzelzceļš" and AS "Eesti Raudtee" of Estonia have signed a grant agreement with the Innovation and Networks Executive Agency (INEA) for the implementation of the project "Establishing an Interoperable Railway System in the Baltic States" with the aim of replacing the operational management system of automated transport currently in operation by LDz to a new operational transport management system and complement the existing transport management system in Estonian railways.

The project "Establishing an interoperable railway system in the Baltic States" envisages:

- an analysis of possibilities for implementing telematics applications for passengers and freight (legislation; business model; processes; system architecture);
- the development of a common system concept;
- the implementation of a prototype of a real-time railway transport management system;
- the development of technical specifications and purchase/implementation of systems – infrastructure management and interoperability with the CIS railway system.

Activity of the subsidiaries

The Group includes the dominant company and six subsidiaries, in five of which the dominant company has a direct decisive influence, and in one – an indirect decisive influence. Subsidiaries provide a wide range of services in the railway industry, i.e., freight and international passenger transportation by rail, maintenance, repair and modernisation of rolling stock, physical and technical security services, development and provision of international multimodal logistics services, as well as the performance of the essential functions of the railway infrastructure and are responsible for the infrastructure determination of usage charges and capacity allocation for rail transport.

One of the Group companies "LDZ infrastruktūra" is currently in the process of liquidation as in 2021 VAS "Latvijas dzelzceļš" agreed to the decisions of the relevant dependent companies and decided to present to the Cabinet the issue of changes in the structure of the Group, and by Order 13 of 12 January 2022, the Cabinet decided to allow VAS "Latvijas dzelzceļš" to terminate its shareholding in SIA "LDZ infrastruktūra" by liquidating it, as well as to terminate the indirect decisive influence of SIA "Rīgas vagonbūves uzņēmums "Baltija"" and to allow SIA "LDZ ritošā sastāva serviss" to terminate its shareholding in and direct decisive influence of SIA "Rīgas vagonbūves uzņēmums "Baltija"", as a result of the reorganisation of SIA "Rīgas vagonbūves uzņēmums "Baltija"" by merging to SIA "LDZ ritošā sastāva serviss". The liquidation process of SIA "LDZ infrastruktūra" is expected to be completed in 2023.

In the reporting year, the activities of the Group's subsidiaries were significantly affected by the international sanctions imposed on Russia and Belarus, including the impact on the volumes of freight transportation, the supply of spare parts necessary for repairs, etc. Therefore, the subsidiary companies paid special attention to the diversification of markets in their fields of activity – attracting customers in other markets, for example by concluding cooperation agreements with customers in the Baltic States, Poland and other countries where tracks with a width of 1520 mm are used. Likewise, both LDz and the entire Group were affected by the rapid rise in energy resource prices, as a result of which companies searched for and found more efficient ways of operating, which would provide an opportunity to save energy resources.



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SIA "LDZ CARGO" is a subsidiary company of VAS "Latvijas dzelzceļš", which is the largest transit and transport industry company in Latvia and an important railway freight carrier also on the European scale. SIA "LDZ CARGO" has been granted the EU unified safety certificate, which allows freight transportation in the territory of Latvia, Lithuania and Estonia.

One of the main services of SIA "LDZ CARGO" is the transportation of a wide range of international and domestic freight using containers and wagons, including transportation of oil products, coal, metals, timber, foodstuffs, mineral fertilizers, chemical products, as well as dangerous and oversized cargo.

The most important freight segments are:



22.7%

grain and grain processing products



21.4%

coal



18.8%

petroleum and petroleum products



volume of freight
transported by rail

19.97 million tonnes
in 2022

1.3% less
compared to 2021



net turnover from
operating activities

EUR 148.44 million
in 2022

2.8% higher
compared to 2021



profit

EUR 5.1 million
in 2022

EUR 7.05 million
in 2021



Sustainability index: Platinum category rating



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The subsidiary company of VAS "Latvijas dzelzceļš" – SIA "LDZ Loģistika" – offers customers intermodal freight forwarding and logistics services, thereby attracting new customers to the Latvian transit industry and promoting the use of public railway infrastructure. SIA "LDZ Loģistika" closely cooperates with carriers, ports, terminals, as well as other companies that provide transportation services both in Latvia and abroad.



SIA "LDZ apsardze", a subsidiary of VAS "Latvijas dzelzceļš", is one of the leading companies in Latvia in the field of security services, which provides physical security services of facilities and cargo, designs and installs security, fire protection and video surveillance systems, performs their maintenance and technical maintenance, as well as carries out monitoring of the received alarm signals. The company SIA "LDZ apsardze" has received the special permit No. 146/2016-TA for the indefinite security operation, as well as the Industrial Safety Certificate No. 380, and its management system is certified according to the ISO 9001:2015 standard requirements. Also in 2022, as before, the company actively participated in various procurements of security services and acquired new customers outside the Group.



Net turnover from
the operating activity

EUR 19.2 million

in 2022

35% higher

compared to 2021



profit

EUR 712 000

in 2022

up by EUR
631 000 than a
year earlier

compared to 2021



2022 to/from Latvia
and in transit were
transported

35 788 TEU*



Sustainability Index:
Silver category rating

*TEU – Twenty-foot equivalent unit is a statistical unit based on a 20-foot (6.10 m) long ISO container to provide a standardised measurement of containers of different capacities and to describe the capacity of container ships or terminals.)



revenue from the
operating activity

EUR 7.59 million

in 2022

EUR 7.63 million in 2021



profit

EUR 193 400

in 2022

EUR 120 000 in 2021



Sustainability Index: Silver category rating



The subsidiary company of VAS “Latvijas dzelzceļš” SIA “LDZ ritošā sastāva serviss” carries out technical maintenance and repair of railway vehicles and equips and modernises locomotives. In addition, the company’s range of main services includes the rental of main freight, shunting diesel and track machinery, locomotive reserve maintenance, and selling of fuel. In 2022, due to geopolitical developments, the purchase of spare parts and materials necessary to ensure the company’s operations was also affected – their supply from the usual markets was no longer possible, so opportunities were sought in other markets.



The dominant company has indirect decisive influence in AS “LatRailNet”, which is part of the Group. AS “LatRailNet” performs the essential functions of the public railway infrastructure manager – making decisions on capacity allocation, allocation of train routes, including the determination and assessment of access, and the allocation of individual train routes, and decision-making on infrastructure fees, including fee determination and determination of fee collection schemes. AS “LatRailNet” performs its functions in such a way as to promote the implementation of LDz’s Medium-term operational strategy and business model, strictly observing the principle of equality in relation to railway carriers and applicants.



Net turnover

EUR 59.6 million
in 2022EUR 47.33 million
in 2021

profit

EUR 325 000 loss*
in 2022EUR 753 000
in 2021

*Changes in the volume of services provided; unplanned increase in the cost of energy resources, materials and spare parts and delays in deliveries for the provision of locomotive repair centres and wagon repair

Sustainability index:
Gold category rating

Net turnover

EUR 1.3 million
in 2022EUR 1.18 million
in 2021

profit

EUR 37 569
in 2022EUR 57 848
in 2021












An overview of the employees of VAS "Latvijas dzelzceļš" in 2022 2-7; 2-8

One of the current issues in human resources management at LDz in recent years is the recruitment of young employees and the adoption of motivational measures for employees in early retirement in order to pass on their many years of knowledge to the young professionals.

In 2022, 23 employees of the Company retired. On the other hand, in order to motivate younger employees to build a career in the Company, employees are offered the opportunity to participate in various motivational and skills development programmes, so that the number of young professionals at VAS "Latvijas dzelzceļš" gradually increases.

LDz's structural units are spread throughout the territory of Latvia, where the Company's employees ensure high-quality and safe maintenance of the railway infrastructure. Most of the staff are employed in the major cities of Latvia, which are also the main railway hubs for both freight and passenger traffic.

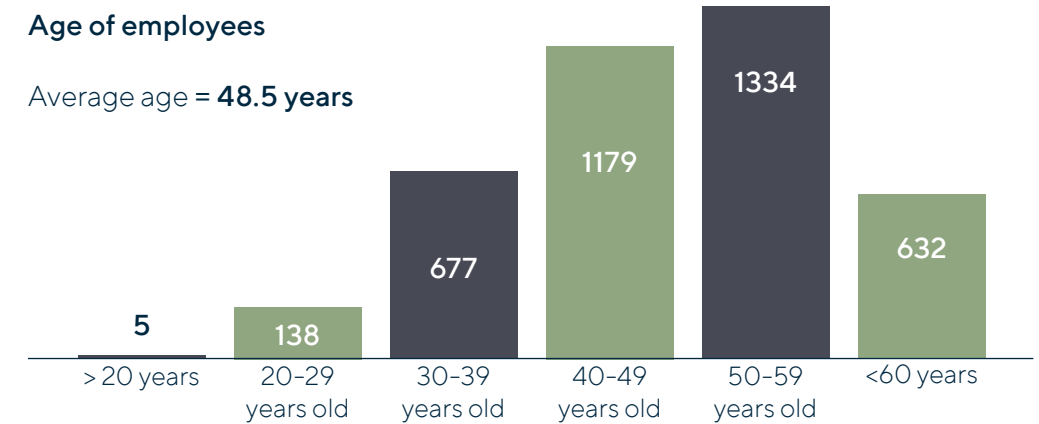
Type of employment:

 permanent employees	in 2022	3936		2556		1380
	in 2021	4093				
 temporary employees	in 2022	21		7		14
	in 2021	32				
 authorisation agreements	in 2022	8		7		1
	in 2021	-				

Only Company employees are employed at LDz.

Age of employees

Average age = 48.5 years





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Type of contract in 2022

	Kurzeme	Zemgale	Riga and subords	Latgale	Vidzeme
temporary	1	2	8	10	
permanent	464	661	1424	1139	248
authorisation agreements	1	1	5		1

Number of employees

Average number in 2022 **4037**

Changes compared to 2021 -489


Number as at 1 January 2022 **4125**

Changes compared to 2021 -688

Number as at 31 December 2022 **3965**

Changes compared to 2021 -160

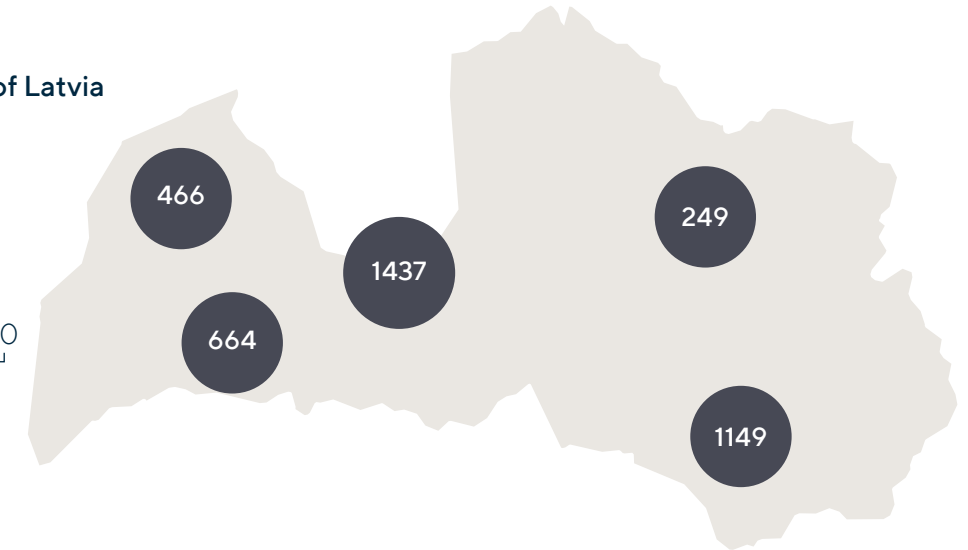
Breakdown by gender

 in 2022 **2570** or **65%**
in 2021 2684 or 65.1%







 in 2022 **1395** or **35%**
in 2021 1441 or 34.9%

Workplace in regions of Latvia

Kurzeme - 475
Zemgale - 679
Vidzeme - 269
Latgale - 1202
Riga and suburbs -1500
Data for 2021



Number of employees by type of employment (full-time and part-time), by gender

 full time	 2554 in 2022 2664 in 2021	} 3923 in 2022 4073 in 2021
	 1396 in 2022 1409 in 2021	
 part time	 16 in 2022 20 in 2021	} 42 in 2022 52 in 2021
	 26 in 2022 32 in 2021	



04

CORPORATE GOVERNANCE

2-9



Governance model

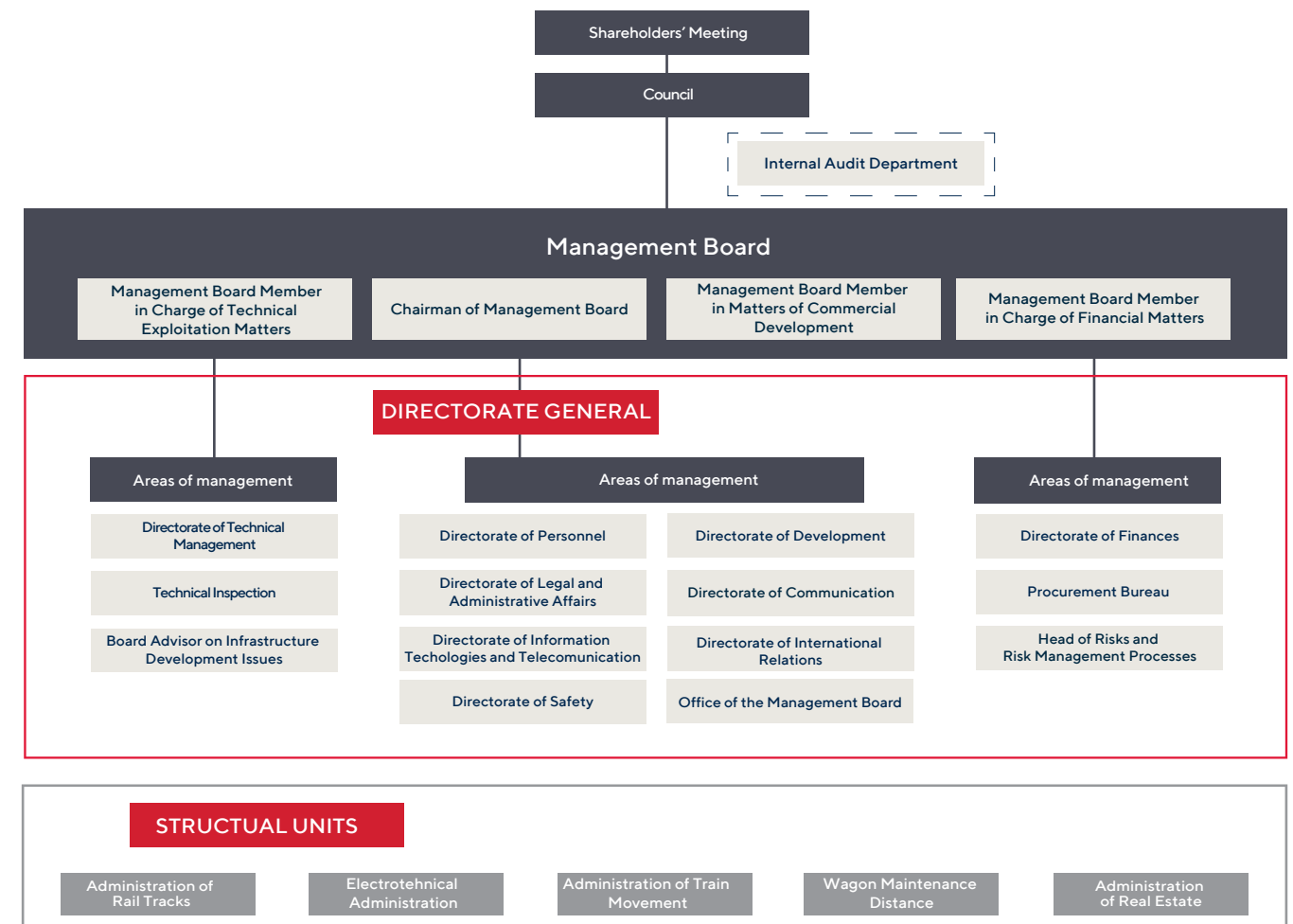
The governance model of VAS “Latvijas dzelzceļš” complies with the principles of good corporate governance practice. The Shareholder Meeting elects the Council, which in turn elects the Management Board and is its supervisory body.

In order to ensure effective management, decision-making and achievement of goals, the Company’s strategic and operational management are segregated. The development and strategic planning of LDz is carried out by the Management Board, while operational management is provided by the heads of the structural units of the General Directorate. The General Directorate of LDz ensures the execution of the decisions of the Management Board, orders and instructions of the Chairman of the Management Board and members of the Management Board in accordance with laws, Cabinet regulations, LDz’s Articles of Association, resolutions of the Shareholder Meeting, Council, and the Management Board, and other legal acts regulating the activities of LDz and binding on it. It organises the performance of the functions of VAS “Latvijas dzelzceļš”, develops strategy, policies, processes, procedures, business plans, budgets and other documents regulating the activities of VAS “Latvijas dzelzceļš” and the Group.

The operations activity of VAS “Latvijas dzelzceļš” is ensured by structural units, which are responsible for daily work on the tracks, at stations and stops, as well as real estate management, train traffic control and high-quality maintenance of information systems.

VAS “Latvijas dzelzceļš” and the rest of the companies of the Group are managed by boards; councils have been established in three subsidiary companies.

The Company has the following bodies



Organisational chart of VAS “Latvijas dzelzceļš” on 31 December 2022



Shareholders/owners

The state joint-stock company “Latvijas dzelzceļš” is a state capital company, 100% of the capital shares of which are owned by the state, and led by the Ministry of Transport. The interests of the shareholder are represented at the Shareholders’ Meeting of LDz by the State Secretary of the Ministry of Transport or another official of the ministry determined by the order of the state secretary, who has all the rights, duties and responsibilities of a representative of the holder of capital shares provided for by law. An oversight of the activity of VAS “Latvijas dzelzceļš” is carried out in accordance with [the Law on Governance of Capital Shares of Public Person and Capital Companies](#), which clearly defines cooperation mechanisms for convening shareholder meetings and exchanging information.

In 2022, seven Shareholders’ Meetings were held to discuss, among other things, matters related to the 2021 annual report of VAS “Latvijas dzelzceļš”, the consolidated report and the consolidated operating performance of the Group. The results of the 2021 internal audit were also reviewed and the internal audit work plan for 2022 was approved, and a new member of the LDz Council was elected. Shareholder Meeting familiarised itself with the report on the evaluation of the Management Board’s work, discussed the issue of prior approval of the main conditions for determining employee remuneration, measures related to the threat of insolvency, and adopted a decision on increasing the share capital of VAS “Latvijas dzelzceļš” and amendments to the Articles of Association. In the past year, several decisions were also made on dealing with real estate.

Council

Until 13 January 2023, the Council of VAS “Latvijas dzelzceļš” consisted of five persons. The principles of organising the activities of the Council and cooperation with Shareholders are determined by the Rules of Procedure of the Council of VAS “Latvijas dzelzceļš”. At the time of publication of this report, the amendments to the Articles of Association of VAS “Latvijas dzelzceļš” have entered into force by the resolution of the extraordinary Shareholder’s Meeting of 13 January 2023, which provide that the LDz Council shall consist of three members. Council composition until 31 December 2022:

- **Jānis Lange** – Chairman of the Council
- **Andris Liepiņš** – deputy Chairman of the Council, an independent member of the Council
- **Reinis Ceplis** – an independent member of the Council
- **Andris Maldups** – a member of the Council (removed from the position of a member of the Council from 13.01.2023)
- **Juris Kaļēnuks** – an independent member of the Council (removed from the position of a member Council from 13.01.2023)

Total in 2022



Council
meetings

22



Decisions
taken

154

The procedure of nominating members of the Council of VAS “Latvijas dzelzceļš” conforms to the best corporate governance practice principles, ensures an open, honest and professional selection of Management Board members and thereby promotes the building of a professional and competent body of the Company.

The procedure for the selection and removal of members of the LDz Council as a public corporation and its dependent companies is determined and complied with by external legislation and the legislation adopted on the basis thereof.

Based on the Law on Governance of Capital Shares of Public Person and Capital Companies and in accordance with the Cabinet Regulation “Procedure for Nominating Board and Council Members in Capital Companies in which Capital Shares are Owned by the State or a Derived Public Person”, the procedure for selecting and evaluating candidates for the position of a member of the board and a member of the council is carried out by the Nomination Commission, which includes the representatives and independent experts nominated by the shareholder or the Council of Capital Companies, as well as the representatives with voting rights nominated by the coordinating institution (Cross-Sectoral Coordination Centre).

The composition of the Council is such to ensure the competencies and independence necessary for optimal corporate governance and for the nature of VAS “Latvijas dzelzceļš”’s business or industry in evaluation and decision-making. Information on the professional experience and education of the Council members is published on the Company’s website. In the LDz Council, two out of three Council members are independent and meet the independence requirements set by external laws. Currently, all Council members are men, women are not represented on the Council. The term of office of Council members is five years.



Jānis Lange

Chairman of the Council of VAS "Latvijas dzelzceļš"

Pursuant to the resolution of the extraordinary Shareholder's Meeting of 13 January 2023, Jānis Lange was re-elected to the office of Chairman of the Council of VAS "Latvijas dzelzceļš" for a five-year term.

Term of office: 02.02.2023 – 01.02.2028

J. Lange has earned a Master's degree in Economics and Management Sciences from the Faculty of Economics and Management, University of Latvia. He has earned a Bachelor's degree in Economics from the Faculty of Economics of the Agricultural University of Latvia. He has been the Executive Director of the City of Riga since 2021. From 2008 to 2013 he was a member of the Board of AS "Latvijas Valsts ceļi"; from 2013 to 2021 he was the Chairman of the Board of the same company. In 2008, he was Head of the Jelgava branch of VAS "Latvijas Valsts ceļi".

From 2004 to 2007 he was deputy Director of the municipal agency "Pilsētsaimniecība" of the city of Jelgava in matters of project implementation.



Andris Liepiņš

Deputy Chairman of the Council of VAS "Latvijas dzelzceļš",
an independent member of the Council

Term of office: 07.06.2019 – 06.06.2024

A. Liepiņš graduated from Riga Business School of the Riga Technical University, earning a Master's degree in Business Administration, Columbia University (USA) earning a Master's degree in International Relations, and the University of Latvia earning a Master's degree in Public Management and a Bachelor's degree in Economics.

He was the deputy Chairman of the Board of AS "Latvenergo", a member of the Audit Committee and Human Resources Committee, Chairman of the Board of VAS "International Airport "Rīga", Chairman of the Board of AS "Air Baltic Corporation", from 2001 to 2014 – deputy State Secretary of the Ministry of Economics.



Reinis Ceplis

Independent member of the Council of VAS "Latvijas dzelzceļš"

Term of office: 07.06.2019 - 06.06.2024

R. Ceplis has graduated from the Faculty of Economics of the University of Latvia earning a Bachelor's degree in Economics and a Certified Financial Analyst degree in the USA (from the CFA Institute).

Chairman of the Council of the audit firm "Baker Tilly Baltics", Chairman of the Council of VSIA "Paula Stradiņa Clinical University Hospital" and member of the Board of the Family Health Centre "Stārķa Ligzda", as well as Chairman of the Board of SIA "Good Health" and Head of Healthcare Product Development at SIA "Respectful Consulting". He is a former CEO of SIA L&T, the Latvian subsidiary of the Finnish joint-stock company AS Lassila & Tikanoja PLC, Finance Director of AS "A.C.B.", corporate finance specialist of the investment bank SUPREMA, corporate finance specialist of the investment bank Trasta komercbanka, and Head of the Listing Department of the Riga Stock Exchange.

Audit Committee

The Audit Committee of the LDz Council was established with the aim of assisting the LDz Council in overseeing the process of preparing its annual reports and in carrying out the tasks of monitoring the functioning of the internal control and risk management system. It operates in accordance with legal requirements and observes the principles of good corporate governance. The Rules of Procedure of the Audit Committee describe the tasks, rights, and duties of the committee, its activities, responsibilities as well as the composition and structure of the committee and are published on the LDz website. The Audit Committee is responsible for reporting to the Council on any deficiencies identified: in the preparation and/or audit of the annual financial statements and consolidated financial statements, in the effectiveness of internal control and risk management and internal audit, and to report promptly on any non-compliance with the Law on Audit Services by the Sworn Auditor. The Chairman of the Audit Committee is Reinis Ceplis and the member of the Committee is Andris Liepiņš.

**The role of the Council on sustainability matters**

2-12; 2-13; 2-14

The Medium-term operational strategy of VAS "Latvijas dzelzceļš" for 2021-2025 has been approved by the Council and the Council has an oversight over the implementation of the strategy in accordance with its Rules of Procedure. Every six months, a report on the implementation of the action plan for the implementation of the strategy is submitted to the holders of the capital shares, which is reviewed and approved at the Council meeting.

The LDz Council is a supervisory body that oversees the work of the LDz Management Board. The Management Board's Rules of Procedure set out the responsibilities and activities of the Management Board members, including safeguarding the interests of the Company in specific areas. These areas also include sustainability issues – environmental protection, road safety, occupational health and safety, monitoring of procurement processes, human resources management, internal and external communication and other issues.

In order to ensure more efficient management of the areas under their responsibility, the members of the Management Board oversee the structural units of the General Directorate, to the employees of which the members of the Management Board may issue orders and give binding instructions in their area of responsibility.

According to the Rules of Procedure of the LDz Council, it is also part of the Council's duties to approve the main policies that govern the operating principles of VAS "Latvijas dzelzceļš" in relation to risk

management, prevention of conflicts of interest, anti-corruption, corporate governance, remuneration, dividend, internal audit, disclosure of information, circulation and confidentiality, whistleblowing, implementation of fair competition, diversity, sustainability, research of business partners, risk management in case of sanctions, processing of personal data and once a year the review of the reports to the Council set out in the main guidelines.

Representatives of the Company's management – both members of the Council and the Management Board – are constantly improving their knowledge in corporate governance and sustainability issues, including attending various training sessions. All members of the Management Board and Council of LDz have obtained the professional board and council member certificate of the Baltic Institute of Corporate Governance.

The LDz Council and Management Board also played an important role in determining LDz's essential areas of sustainability by participating in interviews, as well as after gathering the opinions of external and internal stakeholders, proposing LDz's essential areas of sustainability and creating a matrix of essential areas of sustainability, getting to know the result of this process.

In addition, the Chairman of the LDz Management Board and Council prepares a statement on the sustainable development strategy, which is included in the introductory part of this report. The sustainability report is approved at the Management Board meeting, and after approval it is also brought to the attention of the LDz Council.

Communication of important issues

2-16

The Rules of Procedure of the LDz Council regulate the information sharing procedure and the right of the Council to request information from the Management Board that is necessary for the Council's decision-making. The information for decision-making shall be provided to the Council one week before the date of the meeting or in a shorter period as decided by the Chairperson of the Council. The LDz Management Board is obliged to inform the Shareholder about important issues related to the Company's business, e.g. if the financial situation deteriorates. At each meeting of the Council, the LDz Management Board informs the LDz Council about the results of the Company's operating performance, including problematic issues important for the Company.

In the reporting year, the following critical issues for the Company's operation were considered – the impact of the international sanctions on LDz's financial indicators and the necessary state co-financing to ensure financial stability in order to prevent the threat of insolvency.

Evaluation of the performance of the Council

2-18

Once a year, the Council of VAS "Latvijas dzelzceļš" conducts a self-assessment, and information on the Management Board's self-assessment and the main conclusions on the performance are presented to the Shareholder Meeting for consideration. In 2022, an external evaluation of the work of the LDz Management Board was also carried out in accordance with the Cross-Sectoral Coordination Centre guidelines.



Remuneration of the Council members

The remuneration of Council members is determined in accordance with the requirements of the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Cabinet Regulation No. 63 "Regulation on the Number of Board and Council Members of a Public Person Capital Company and Public-Private Capital Companies, as well as the Maximum Monthly Remuneration of Board and Council Members" of 4 February 2020.

The LDz's Council members do not have a fixed variable part of their remuneration, nor are any compensations paid in case of dismissal or resignation.

In 2022, the total remuneration paid to the members of the LDz Council was EUR 164 589 (including national social insurance mandatory contributions) (in 2021 – EUR 137 423).

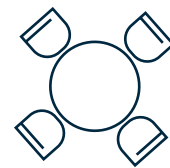
Management Board

The Management Board is the executive body of LDz that manages and represents the Company. The Management Board is responsible for the operations of the LDz, for keeping the accounts in accordance with the law, for managing the assets of the LDz and for handling the funds of the Company in accordance with the law, LDz's Articles of Association, the resolutions of the Council and the Shareholder Meeting. The internal procedures and working methods of the Company's Management Board are set out in the Rules of Procedure of the Management Board of VAS "Latvijas dzelzceļš".

The procedure for nominating and electing members of the Management Board of LDz, as well as the mandatory requirements for candidates, are determined by the Law on the Governance of Capital Shares and Capital Companies of Public Persons, the Cabinet Regulation issued on the basis thereof, as well as the guidelines of the Cross-Sectoral Coordination Centre. The process of nominating Management Board members complies with the principles of good corporate governance practices, ensures an open, fair and professional selection of Council and Management Board members, thereby promoting the establishment of a professional and competent capital company institution. The composition of the Management Board is formed in such a way as to ensure the competencies necessary for good management and the types of commercial activities or the industry of LDz, independence in evaluating and making decisions.

At the time of publication of this report, the amendments to the Articles of Association of VAS "Latvijas dzelzceļš" have entered into force by the resolution of the Extraordinary Shareholder's Meeting of 13 January 2023, which provide that the LDz Management Board shall consist of three members. There were also changes in the composition of the Management Board – On 9 February 2023, the Council of VAS "Latvijas dzelzceļš" (LDz) decided to remove the Chairman of the Management Board of VAS "Latvijas dzelzceļš" Māris Kleinbergs. Until the end of the selection process, the current Management Board member Rinalds Pļavnieks was appointed Chairman of the Management Board. Currently, one member of the Management Board is a male and one member is a female.

In 2022



meetings of the Management
Board

59



decisions taken by the
Management Board

411



Rinalds Pļavnieks

Chairman of the Management Board of VAS "Latvijas dzelzceļš"



Vita Balode-Andrews

Member of the Management Board of VAS "Latvijas dzelzceļš"

Term of office of the Management Board member: 01.08.2021 – 31.07.2026

Term of office: 10.02.2023 until the end of the open competition for the position of Chairman of the LDz Management Board.

Since 2020, R. Pļavnieks has been the head of the railway, air, sea and large-scale freight department of SIA "GEFCO BALTIC" in the Baltic Sea region. Before that he was the Head of global customers in the "GEFCO" SA group at its head office in France. Until 2016, he worked as a business development manager at "GEFCO UNITED KINGDOM" LTD in the United Kingdom. From 2012 to 2015 he also held various positions at SIA "GEFCO BALTIC".

R. Pļavnieks has experience as a lecturer at Riga Technical University in the Faculty of Computer Science and Information Technology and at the Faculty of Engineering and Management. In addition, R. Pļavnieks was a lecturer at the Maritime Academy of Latvia – Port and shipping management bachelor's programme "Transport and Logistics" and "International Business Strategy".

R. Pļavnieks studied at the Maritime Academy of Latvia, where he earned the qualification as an economist in port management, and a master's degree in maritime transport management engineering. Since 2021, he was a member of the Management Board of VAS "Latvijas dzelzceļš".

Term of office: 01.06.2020 – 31.05.2025

From 2009, V. Balode-Andrews worked at the Swedish state-owned airport company "Swedavia AB", where for the last six years she was the economic director responsible for the company's commercial activities and real estate development, retail and airport advertising, parking and mobility. Prior to that, she worked for six years at SAS Scandinavian Airlines, where, after completing the company's management trainee programme, she was the manager responsible for freight carriage operation routes in the eastern market.

V. Balode-Andrews studied at the Stockholm School of Economics, where she earned a Master's degree in Economics, specialising in Economic Analysis and Control. She later also studied in the university's doctoral programme and earned a licenced degree in accounting and business administration.



Remuneration of Management Board members

2-19

The remuneration of the Management Board members is determined in accordance with the Law on Governance of Capital Shares of a Public Person and Capital Companies and Cabinet Regulation No. 63 of 4 February 2020 "Regulations on the Number of Board and Council Members of a Public Person Capital Company and Public Private Capital Companies, as well as the Maximum Monthly Compensation of the Board and Council Members".

Information on the determination of remuneration of LDz Management Board members, its amount, types, allocation procedure and other motivation tools are laid down in the guidelines for remuneration and motivation of VAS "Latvijas dzelzceļš" Management Board members approved by the Council. The amount of the monthly compensation of a member of the LDz Management Board is determined by the decision of the LDz Council and the Council can review it once a year after the approval of the annual report, as well as after the approval of the results of the performance, taking into account the amount of the fixed part of the remuneration in the private sector, a capital company of the appropriate size for the relevant position in the sector, evaluating the criteria specified in the Cross-Sectoral Coordination Centre guidelines criteria. A LDz Management Board member may be paid a bonus of up to the amount of their two months' salary. The decision on the payment of the bonus is made by Council, taking into account the performance of LDz in the previous reporting year, the fulfilment of the Medium-term operational strategy, the activity of the Management Board member and their contribution to the achievement of the Company's objectives - in accordance with the achievable targets set for each Management Board member - key performance indicators (KPI).

The LDz Management Board members may be granted severance pay capped at three months' remuneration in the cases stipulated in the Law on Governance of Capital Shares of Public Persons and Capital Companies.

In 2022, the remuneration of the three LDz Management Board members totalled EUR 421,967 (including national social insurance mandatory contributions).

The performance of the Management Board members is evaluated in accordance with the Cross-Sectoral Coordination Centre guidelines and the procedures set out in the internal regulations of the Ministry of Transport. The individually achievable targets of each Management Board member for the next period are determined by the decision of the LDz Council. In addition, at the end of the assessment period, each Management Board member carries out a self-evaluation against the objectives and competences set for him or her, which is submitted to the LDz Council for review once a year after the approval of the annual report.

Conflicts of interest

2-15

The members of the Management Board and the Council of VAS "Latvijas dzelzceļš" are state officials, therefore conflicts of interest and issues of combining positions are resolved in accordance with external laws on prevention of conflicts of interest in the activities of state officials. The LDz Council's Rules of Procedure set out the obligations to comply with external regulations and actions in the event of a conflict of interest or potential conflict of interest. The management of conflicts of interest of LDz state officials and the resolution of issues of accumulation of offices, which fall within the competence of the Management Board and the Council of the Company, are overseen by the appointed representative of the holder of the state capital shares. At the same time, LDz has internal control mechanisms in place to avoid risks of conflict of interest both in the activities of state officials and in the activities of all Group employees. This includes maintaining and updating the list of positions exposed to the risk of corruption in the Group in accordance with the Anti-Fraud Policy. During the reporting year, two training seminars on corruption risks and conflicts of interest were held, one of which was attended by all employees whose job duties are exposed to corruption risk and the other by members of the procurement committees.

Ethical Code describes the explanation of the concept of conflict of interest that applies to all employees of the Group, including state officials. The commitment to comply with the Ethical Code has been reaffirmed in the internal rules of LDz, according to which employees are obliged to comply with generally accepted ethical standards both in their relations with colleagues, customers and visitors and in their contacts with governmental, municipal and non-governmental institutions. Paragraph 8 of the Basic Principles of Business Ethics of the Counterparties of the Group requires that the counterparty of LDz is to certify that its employees will not participate in decision-making when in a conflict of interest situation, nor will they use the influence that could have arisen from such a conflict of interest situation in making a certain decision.

In 2022, VAS "Latvijas dzelzceļš" underwent an internal audit aimed at assessing the internal control system of corruption, conflict of interest and fraud risks and gaining confidence that the established controls are appropriate, sufficient and effective, risks are managed and risk mitigation measures are implemented.



Key policies for implementing good corporate governance

2-23; 2-24; 2-25; 2-26

In order to achieve its long-term goals and growth in the future, VAS "Latvijas dzelzceļš" incorporates aspects of sustainable management into its strategic development plans and daily processes. When planning the direction of corporate social responsibility activities, LDz takes into account the ten basic principles of the United Nations Global Compact and Corporate Social Responsibility, which promote respect for human rights, ensuring good working conditions, protecting the environment and fighting corruption. In order to promote the development of corporate governance culture in Latvian incorporated companies, the Corporate Governance Advisory Council established by the Ministry of Justice of the Republic of Latvia developed the Corporate Governance Code (Recommendations for Best Corporate Governance in Latvia) in 2020, which defines 17 principles, taking into account the requirements set out in the corporate legislation of the Republic of Latvia and the recommendations of the Organisation for Economic Co-operation and Development (OECD) for corporate governance. The principles defined in the Code are intended to complement the procedures laid down in laws and regulations and to provide stable but flexible guidelines for developing the most appropriate corporate governance model for the company. VAS "Latvijas dzelzceļš" also complies with this Code and the principles contained therein in its operations. Compliance is described in more detail in the announcement of VAS "Latvijas dzelzceļš" on corporate governance in the Group in 2022.

Once a year, the LDz Council reviews reports on the performance of all relevant policies and the results achieved. In addition, all relevant policies are reviewed and updated at least every three years to ensure their relevance. During the reporting year, the Management Board approved the Group's Personnel Management and Remuneration Policy and amendments to the Group's Corporate Governance Code. In addition, the internal audit policy, the Anti-Fraud Policy and its implementation plan were approved in 2022. During the reporting year, the LDz Management Board familiarised itself with the reports on the implementation of the Group's remuneration policy in 2021 - 2022, on the progress of the Group's risk management process in 2021 and on the approval of the risk appetite for 2022, as well as the report on the implementation of good corporate practices in 2021.

The Corporate Social Responsibility and Sustainability Policy has been developed to achieve the Group's strategic goals, based on principles of sustainability and responsibility in interactions with customers, employees, cooperation partners, society, and the environment.

In accordance with this Policy, the Group manifests responsible business practices on a daily basis and implements the Corporate Social Responsibility and Sustainability Policy in the following areas:



employees



customers



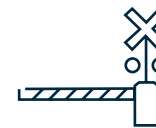
environment



society



business environment



road safety



Corporate Governance Code

The purpose of the Corporate Governance Code is to establish uniform principles according to which LDz implements corporate governance, promoting ethical, responsible and transparent corporate governance practices in the Group.

The Corporate Governance Code contains information on the Group's corporate values, information on LDz's organisational structure and management, information on the LDz Shareholders and Shareholders' Meetings, the LDz Council, the Management Board and LDz's shareholding in subsidiaries. The Code contains information on the Group's corporate governance tools, corporate social responsibility, remuneration policy, avoidance of conflicts of interest in the activities of the Council and the Management Board members, and internal control and risk management. The Code also defines the procedure for disclosure of information, cooperation with related and interested parties and the control mechanism to ensure corporate governance.

The Corporate Governance Code was approved in 2021.

Risk Policy

The Group's Risk Management Policy sets out the basic principles of risk management and the elements of the risk management process in the Group, as well as the division of responsibility between the dominant company of VAS "Latvijas dzelzceļš" and its subsidiaries in complying with this Policy.

The administration of the Group's risk management system is carried out by the LDz Management Board, while oversight is carried out by the Council. As of 2022, the Group Risk Management Committee consists of members of the Management Board of VAS "Latvijas dzelzceļš", the Group's Risk Director and the Head of Internal Audit.

In implementing the Risk Management Policy, LDz's risk and risk management process director, risk managers of the dependent companies, risk supervisors, risk owners or responsible managers of the field, project managers are mainly involved. Risk owners inform the risk manager report, at least once a quarter, on the identified risks, changes in risk indicators, and determined or planned risk mitigation and control measures.

The Risk Management Policy was approved in 2020.

The risks identified in the Group's companies are registered in the risk registers, assessed according to a uniform qualitative assessment method, and new or improved existing control measures are planned to prevent or reduce them.

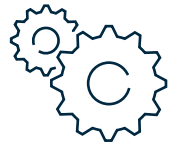
To ensure effective risk management, the Group's risks are divided into risk categories that combine similar or related risks in terms of potential consequences. The overall risk level in 2022 increased and can be assessed as high. The causes of significant risks are external factors related to the geopolitical situation, the war in Ukraine, the established international economic sanctions against Russia and Belarus, and which directly or indirectly affect all risk categories.



Types of risks



Security risks, including risks related to transport security, physical infrastructure security, security of IT, etc.



Operational risks, including infrastructure maintenance and operation, ensuring and continuity of production processes, rolling stock operation, service delivery process, etc.



Financial risks, including taxes, ensuring the financial stability of the Company, budget planning and control, creditworthiness, conclusion and control of transactions, etc.



Legal risks, including legal, compliance, procurement, corruption and conflict of interest risks, data protection for natural persons, etc.



Strategic risks, including risks related to strategic planning, implementation of investment projects, reputation, planning and implementation of new development directions, etc.

Internal Audit Policy

The Internal Audit Policy has been developed with the aim of laying down uniform principles and tasks of internal audit, requirements for independence and objectivity of internal audit, and requirements for quality assurance in the Group.

The Policy is implemented by LDz's Internal Audit Unit; its implementation is overseen by the LDz Council and the Audit Committee.

To ensure the quality of internal audit, the Policy defines a set of measures to ensure the value, efficiency, competence, and compliance of internal audit work with the International Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors, the Fundamental Principles of the Professional Practice of Internal Auditing and the monitoring of the Ethical Code. The Internal Audit Policy was approved in 2022.

The internal audit function in the Group is ensured by the Internal Audit Unit of LDz, which is functionally subordinate to the Management Board of VAS "Latvijas dzelzceļš", but administratively subordinate to the Chairman of the Management Board of VAS "Latvijas dzelzceļš".

Every year, the Management Board of VAS "Latvijas dzelzceļš" approves the internal audit work plan, and the staff of the structural unit systematically reviews and evaluates the quality, efficiency and compliance of the internal control system of LDz's functions and corresponding processes with the legal requirements and the defined strategic and operational objectives. The work plan is agreed on in the Council of VAS "Latvijas dzelzceļš" and in the Shareholders' Meeting.

In 2022, the staff of Internal Audit Unit conducted 9 audits, including 8 audits of the common systems of VAS "Latvijas dzelzceļš" and one audit in the dependent company of LDz.

One of the key events in the geopolitical situation during the reporting year was the sanctions risk audit, in which the effectiveness of sanctions risk management in the Group was assessed, including the adequacy of controls in place, the adequacy of IT solutions applied and the adequacy of assessment documentation. As a result of this audit, improvements to the sanctions process and the functionality of the supporting IT solutions were recommended and implemented.

In 2022, taking into account the "Guidelines for the internal audit of the internal control system to prevent corruption and conflicts of interest (including managing of conflicts of interest and corruption risks)" developed by the Ministry of Finance, an evaluation audit of the internal control system of corruption and fraud risks was carried out, in which opportunities for improving fraud and the frequency of assessment of corruption risks and procedures related to the risk of conflict of interest.

In the reporting year, an IT audit was also carried out, assessing the internal control system to ensure the continuity of IT and business processes. In general, the IT and business continuity control system was assessed as sufficiently effective, indicating the need to continue to assess IT systemic risks and develop appropriate controls for a wider range of IT systems. During the reporting year, audits of other important areas were also conducted, i.e., procurement procedures, real estate management, commercialisation risk and staff motivation, development and succession assurance audits.



As a result of the audits carried out in 2022, 62 recommendations were made, of which 11 had a high priority, 39 a medium priority and 12 a low priority.

Personnel Management and Remuneration Policy

2-20, 2-21

The Personnel Management and Remuneration Policy has been developed with the objective of establishing consistent personnel management, development and remuneration guidelines, policies, basic principles, key responsibilities and areas of activity across the Group and is approved by the LDz Management Board and Council as one of the Group's key policies.

The Personnel Management and Remuneration Policy aims at ensuring the employment of professional and loyal employees, to promote the motivation of employees to achieve the Group's goals, as well as to promote the involvement of every employee in improving the quality of work performance. At the same time, the goal of the policy is to provide employees with adequate and competitive remuneration for their work and investment and to promote the development of employee competencies.

According to LDz's Articles of Association, the Management Board agrees with the Shareholder Meeting on the main conditions for determining the remuneration of the Company's employees, which have been developed by the Management Board on which the remuneration system for LDz employees is based.

The control, monitoring and updating of the Policy is carried out by the LDz Personnel Department, which monitors compliance in the Group with the requirements of the Policy and the documents developed on the basis of it, carries out inspections where necessary and proposes and orders changes for approval.

The Personnel Management and Remuneration Policy has been approved in 2022.

Annual total remuneration figure

The highest paid person of LDz in 2022 was the Chairman of the Management Board.

2022 wage (and wage dynamics) data are used in the calculations – paid wages, bonuses, allowances, loyalty remuneration – the LDz wage fund.

total annual remuneration
average annual remuneration for all employees of the
organisation, except the highest salaried person

$$\frac{120480}{17142.46} = 7.028162$$

percentage rise in the total annual remuneration
for the highest salaried person
average percentage rise in the total annual remuneration for
all employees of the organisation, except the highest salaried person

$$\frac{0\%}{6\%} = 0\%$$



Anti-Fraud Policy

The purpose of the Anti-Fraud Policy is to create an internal control environment that would ensure the prevention of fraud, including in the areas of preventing conflicts of interest and combating corruption, as well as to ensure the detection of possible cases of fraud, certain levels of responsibility for the evaluation of control measures and the examination of possible cases of fraud.

The Policy complies with the requirements binding on the Group specified in the Whistleblowing Law and the Cabinet Regulation No. 630 of 17 October 2017 "Regulations Regarding Basic Requirements for Internal Control System for the Prevention of the Risk of Corruption and Conflict of Interest in Institutions of a Public Person".

The Anti-Fraud Director (Security Director) is responsible for the supervision and control of the Policy in the Group. The Internal Audit Unit of LDZ organizes and carries out Policy compliance control and inspections in order to evaluate the compliance of the implemented anti-fraud procedures with the implemented internal legislation. In the reporting year, an audit of the assessment of the internal control system of corruption and fraud risks was carried out.

The Policy prescribes the basic anti-fraud principles and requirements to be followed by Group companies and their employees.

The Anti-Fraud Policy was approved in 2022.

Reports received in 2022 and actions taken

In 2022, 16 reports were received via one of the information channels – email, telephone, social media communication options, post, word of mouth, LDZ intranet – including 11 reports of possible fraud. The information received was examined and proposals were drawn up to improve the monitoring system. One of these reports was registered as a whistleblower report. After receiving this report, a comprehensive investigation was conducted, which did not confirm the information in the whistleblower report.

Security Policy

The Group's Security Policy aims to implement the security procedures implemented to protect the railway infrastructure and to promote an open business partnership. In addition, this Policy aims to improve staff's skills and understanding of security issues in order to identify possible risks and threats in a timely manner, develop and implement solutions to mitigate threats, and strengthen the ability to respond to possible security incidents – infrastructure, transactions, information protection and personnel, in strict compliance with the provisions set out in external and internal legal acts, as well as the general legal principles.

Supervision and control of the Group's Security Policy is provided by the Security Director.

The Security Policy was approved in 2021.

Road Safety Policy

The purpose of the Road Safety Policy is to establish the principles of road safety management in the Group and its functions, the documents and systems necessary to implement the Policy in order to achieve an excellent level of safety.

The function of monitoring, controlling and providing instructions for compliance with the Policy in LDZ and the Group companies is provided by the Chief Technical Inspector. The new version of the Road Safety Policy was approved in March 2023.

Information on road safety in 2022 can be found in the chapter "Road Safety" on [page 79](#).

Environmental and Energy Management Policy

The purpose of the Environmental and Energy Management Policy is to establish the environmental and energy management principles and tasks of VAS "Latvijas dzelzceļš" and its subsidiary companies, in order to reduce the negative impact of the economic activities of the Group's companies on the environment.

LDZ's Development Department is responsible for maintaining and improving the Group's overall environmental and energy management system, which, if necessary, proposes amendments to the Environmental and Energy Management Policy. The Environmental and Energy Management Policy was approved in 2021.

See information about the Environment and Energy Management Programme 2022–2028 and the things accomplished in the area in 2022 is published in the chapter "Environmental impact" on [page 60](#).



Ethical Code

2-27

Ethical Code summarises the basic principles of best business practices and professional ethics and conduct of the employees of the Group's parent Company and its subsidiaries.

LDz's Ethical Code includes such important aspects as occupational safety, road safety, human rights, equal opportunities, professional activity, political activity, and mutual respect. Also, the code describes the basic principles of the Company in environmental protection and use of natural resources, principles of fair business, basic principles of information protection, as well as cooperation with customers, suppliers, and society.

The principles contained in the Ethical Code are observed by all employees of the Group, in the performance of work and position duties, in mutual communication, as well as in relations with shareholders or participants, state, local government and non-governmental institutions, customers, suppliers and other third parties. Possible violations of the Ethical Code can be reported, and the received reports are reviewed by the Ethics Commission of the Group.

Ethical Code was approved in 2021.

In 2022, informative visual materials were developed. Internal communication activities are planned for 2023. Explanations will be provided about the principles contained in the Ethical Code.

Compliance with the requirements of laws and other legislation

2-27

LDz monitors compliance with the requirements of laws and other legal acts in its business activities. Each new legal act that could affect the interests of LDz, according to LDz for the determined division of competence, is sent to the responsible structural unit for evaluation, whether changes are required under the influence of the legal act LDz's internal legal acts or otherwise in the Company's operations. All structural units whose work may be affected by regulation are involved in the evaluation, as well as if necessary, the risk manager. After the evaluation, the requirements of the regulatory acts are adapted into the internal documents of LDz and in a controlled environment.

In 2022, no significant fines or sanctions were applied for non-compliance of VAS "Latvijas dzelzceļš" operations with laws and regulations. No significant sanctions and penalties were applied in 2021 either.



05

KEY AREAS OF
SUSTAINABILITY
AND
STAKEHOLDER
ENGAGEMENT



LDz, as one of the leading transport, logistics and infrastructure companies in Latvia and the Baltics, works closely with other market participants and various counterparties.

Engagement of internal and external stakeholders

When developing the GRI Sustainability Report for 2022, a new list of the Company's external stakeholders was created, identifying those companies, institutions and organisations in the private, state and non-governmental sectors whose activities affect LDz or on which LDz's business activity has or might have an impact.

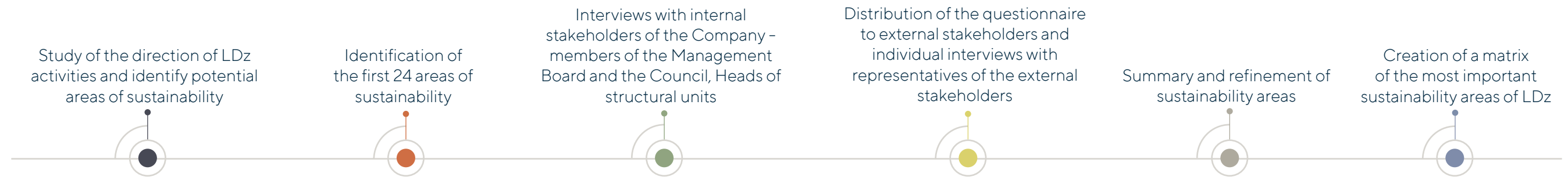
By surveying both external and internal stakeholders of the Company, VAS "Latvijas dzelzceļš" determined the most important areas of sustainability – in social, economic, and environmental aspects – in six steps, which meet the requirements of the GRI standards for determining the important areas of sustainability and involving stakeholders.

Initially, by analysing the directions of LDz activities, current issues of the industry, sustainability reports made in previous years and practices in the railway industry, 24 sustainability areas were identified, which cover the Company's potential environmental, social and economic impact aspects.

These areas were validated and specified in interviews with representatives of the Company's Council and Management Board and managers of certain functions, as well as the assessment of these internal stakeholders was obtained for the proposed sustainability areas, ranking them in priority order. Whereas the opinion of the employees on current issues related to the working environment is determined by conducting regular surveys and using other feedback tools.

An online questionnaire was created for surveying the external stakeholders. A total of 34 responses were received from the LDz sustainability areas, ranked from most important to least important. Respondents also had the opportunity to add additional topics in each of the areas, as well as provide an opinion on LDz's overall sustainability performance. In addition to the questionnaires, some management representatives from external stakeholder groups were interviewed to get a more comprehensive picture of their views on the linkage of LDz activities with industry and its policy planning processes, opportunities for improvement, and potentials for sustainable development.

The external stakeholders included in the study were grouped into categories and each of them represented several companies or organisations.





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Key external stakeholders of VAS "Latvijas dzelzceļš"

Stakeholder	Stakeholder organisations whose representatives participated in the interviews		Stakeholder organisations surveyed	
 Customers	AS "Pasažieru vilciens" Riga Freeport Authority Ventspils Freeport Authority	Liepāja Special Economic Zone Administration	AS "Baltijas Ekspresis" AS "Baltijas Transīta serviss"	
 Counterparties	SIA "Eiropas dzelzceļa līnijas"		General company "BERERIX" "Leonhard Weiss" OÜ AS "BMGS"	AS "RB Rail" RP SIA "Rīgas satiksme" City Development Department of Riga City Council
 Policy makers, supervisory authorities	Ministry of Transport		VSIA "Autotransporta direkcija" State Railway Administration State Railway Technical Inspection	
 Non-governmental organisations; Local communities	Foundation "Association of Disabled People and Their Friends "Apeirons"		Baltic Institute of Corporate Governance Association "Institute of Corporate Sustainability and Responsibility (InCSR)"	Latvian Association of Railway Workers Latvian Cyclists' Union Alliance of Riga Neighborhoods
 Unions	Latvian Trade Union of Railway Workers and Transport Sector			
 Other			Financial institutions Educational institutions The media	Municipalities International railway institutions



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Key stakeholders – associations and organisations, a member of which LDz is

Organisations working in Latvia

Latvian Association of Railway Workers

Latvian section of the European Association of Railwaymen
(A.E.C.)

Latvian Trade Union of Railway Workers and Transport Sector
(LTURWTS)

Baltic Corporate Governance Institute (BCGI)

Community of European Railway Infrastructure Managers
(CER – The International Rail Transport Committee)

Institute of Corporate Sustainability and Responsibility

International organisations

The International Union of Railways (UIC)

The International Rail Transport Committee (CIT)

The Commonwealth Member State Rail Transport Council
(CSŽT – Совет по железнодорожному транспорту государств – участников Содружества)

Platform of Rail Infrastructure Managers in Europe (PRIME)

The Association of Railway Security Managers and Railway/Transport Police Forces (COLPOFER)

RFC8 – North Sea – Baltic Rail Freight Corridor (NSB RFC)

The Organization for Cooperation of Railways
(KSTP – Международный Координационный совет по трансевразийским перевозкам)

Coordinating Council on Trans-Siberian Transportation (OSŽD – Организация сотрудничества железных дорог)

RailNetEurope (RNE)





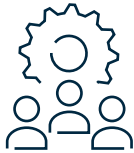
LDZ's external stakeholders and key topics



Satiksmes ministrija

Shareholder – Ministry of
Transport

- The development of the railway industry and its role in ensuring passenger and freight mobility
- Strategy, management, financial and operational performance of LDZ
- Contribution to the national economy
- Compliance of the activity with the laws and regulations
- European Green Deal



Employees, trade unions

- Collective bargaining agreement
- Involvement of employees in the development of the Company
- Employee welfare and social protection, rights, development, motivation
- Occupational safety and health



Supervisory authorities and
policymakers

- Operational compliance with the requirements of Latvian and EU legislation and fair competition
- The development of the railway industry and its role in ensuring passenger and freight mobility
- Security of critical infrastructure
- Data security



Customers

- Efficiency and quality of infrastructure and services – infrastructure availability, train speed, safety, passenger notification, etc. aspects
- Cooperation in infrastructure development planning and efficiency improvement
- Availability of information



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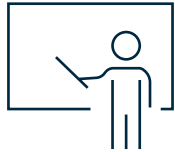
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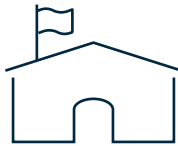
Educational institutions

- Involvement in the development of educational programmes that meet the requirements of the labor market
- Involvement of LDz's experts in educational programmes
- Lectures on safety lectures for the children of schools and preschool educational institutions



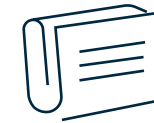
Counterparties

- Clear and transparent procurement, fair competition, and legal compliance
- Involvement of LDz in the planning and implementation of important transport projects



Municipalities

- Cooperation in promoting the mobility of population - in building parking lots, bicycle spaces, etc. in municipalities where railway stations are located
- Availability of information on planned infrastructure development



Media

- Availability of information about LDz, its principal activities, management, and current events
- Involvement in raising issues related to railway safety



Non-governmental
organisations and local
communities

- Involvement of organisations and representatives of local communities and consultations on the development of important LDz infrastructure projects and their impact on the interests of local communities
- Noise level and other environmental aspects
- Availability of information on planned infrastructure development
- Consultations on environmental accessibility and its improvement
- Conducting informative safety campaigns to reduce the number of the injured and killed in railway accidents



Financial institutions

- LDz's financial performance, significant developments, compliance with laws, and compliance with contractual terms



International railway
organisations

- Representation of the interests of the Latvian railway industry in the formation of EU policy
- Information on the main developments, documentation, and draft legislation - timely anticipation of legal and technical changes

The Company communicates and cooperates with each of the external stakeholders in a certain way, being aware of its impact on the Company's operation in the short and long term and striving to find a solution acceptable to all parties in problematic cases. By constantly assessing the social, environmental or economic impact of their activities, external stakeholders are involved in solving important issues that take place at different levels and formats.

According to the conducted survey of external and internal stakeholders and the results of the interviews, the vision of all parties on the most important areas of sustainability of LDz was aggregated, which is described in more detail in the chapter "Key areas of sustainability" on [page 58](#).



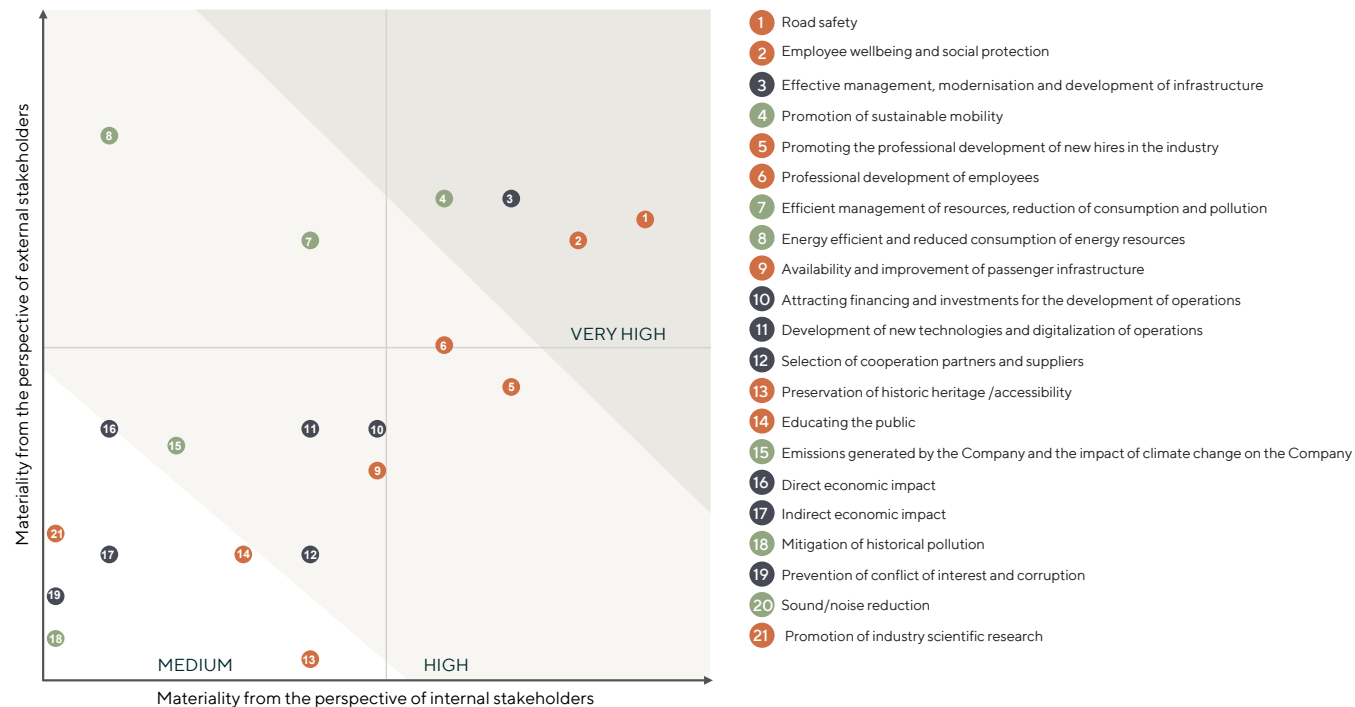
Key areas of sustainability

3-1; 3-2

The external and internal stakeholder questionnaire and the results of the interviews were used to capture the views of both parties on the key areas of LDZ sustainability.

The result of this process is a matrix with the most important areas of sustainability. In accordance with the matrix, the content structure of the sustainability report was created, based on the requirements of the GRI 2021 Standards and the best practice of publishing information.

Both external and internal stakeholders consider road safety, employee well-being and social protection, infrastructure modernisation and development, as well as promotion of sustainable mobility to be the most important areas of LDZ sustainability.



The sustainability report contains a total of 16 very important, important and some moderately important topics. Following the GRI standard, all 16 topics are assigned corresponding GRI indicators or material aspects defined by the Company, which are marked with the indicator LDZ-x. LDZ fully reports on two areas of social impact whose significance is rated as medium – the preservation of historical heritage and public education. This is due to the fact that LDZ has established a museum of railway history and ensures its operation, while public education is an important part of LDZ’s Medium-term operational strategy 2021-2025 – LDZ regularly conducts awareness campaigns on safety near the railway and other important issues related to other key impact areas – transport safety and effective management, modernisation and development of infrastructure, among others.

Areas of environmental impact:

- Promotion of sustainable mobility
- Efficient management of resources, reduction of consumption and pollution
- Energy efficient and reduced consumption of energy resources
- Emissions generated by the Company and the impact of climate change on the Company
- Mitigation of historical pollution
- Sound/noise reduction

Areas of economic impact:

- Effective management, modernisation and development of infrastructure
- Attracting financing and investments for the development of operations
- Development of new technologies and digitalization of operations
- Selection of cooperation partners and suppliers

- Direct economic impact
- Indirect economic impact
- Prevention of conflict of interest and corruption

Areas of social impact:

- Road safety
- Employee wellbeing and social protection
- Promoting the professional development of new hires in the industry
- Professional development of employees
- Availability and improvement of passenger infrastructure
- Preservation of historic heritage / accessibility
- Educating the public
- Promotion of industry scientific research

06

ENVIRONMENTAL IMPACT

Railway is one of the most environmentally friendly modes of transport, producing about eight times less carbon emissions per tonne-kilometre than other modes. However, the railway sector is also part of the result of human activities and has an impact on the environment and the climate in general. Therefore, VAS "Latvijas dzelzceļš" is constantly striving to reduce the negative impact of its operations and is also looking for more environmentally friendly solutions in the rail sector.



- Promotion of sustainable mobility
- Efficient management of resources, reduction of consumption and pollution
- Energy efficient and reduced consumption of energy resources
- Emissions generated by the Company and the impact of climate change on the Company

Promoting sustainable mobility

LDz-1

The documents defining and developing the Latvian transport policy and the whole European Union and its main objectives define railways as the backbone of public transport, providing an integrated and sustainable transport system that promotes the mobility of passengers and freight throughout the EU, including the territory of Latvia.

In order to successfully achieve this status, VAS "Latvijas dzelzceļš" has developed a concept for infrastructure development and defined priorities for infrastructure development and identified projects to be implemented by 2035. In addition, a number of infrastructure development projects are being implemented, described in more detail on [page 26](#), which aim to improve customer comfort and accessibility of the railway for all groups of society, increase train speed, increase the safety level of the railway, reduce the environmental damage it causes, etc.

The railway is becoming more and more popular as a mode of transportation. Before the COVID-19 pandemic, nearly 20 million passengers were transported annually on the Latvian railway infrastructure.

After the decline in passenger numbers in 2020 and 2021, there was a positive development in passenger transport in 2022 – passenger numbers gradually returned to and approached pre-pandemic levels. In the reporting year, a total of 15.7 million passengers were carried by rail, up by 40% compared with in 2021, when 11.2 million passengers travelled by rail.

Based on these trends, the special attention given to passenger rail transport at political, public, national, and municipal levels, the ever-increasing demand for multimodal transport solutions, as well as the trends in passenger transport in most countries of the European Union, a further increase in passenger numbers and the share of passenger transport in the railway infrastructure is forecast to increase in use in Latvia.

Cooperation with stakeholders in promoting mobility

With a view to making the use of train transport in everyday life as convenient as possible for the population, VAS "Latvijas dzelzceļš" actively cooperates with the municipalities on whose territory passenger stations or stops are located to promote the creation of mobility points near them – by installing bicycle sheds, car parks, adjusting other types of public transport arrival and departure times to the list of trains so that it is convenient for people to get to the station and commute the distance on the train. In cooperation with the passenger transport company, express trains have been introduced on certain routes in recent years. Less busy stops have also been closed to shorten the commuting time.

Also in future passenger transport line modernisation projects, in cooperation with VSIA "Autotransporta direkcija", passenger carriers and local governments, the functionality, load and location of existing stations and stops will be evaluated, as well as the potential need to build new stations and stops.

VAS "Latvijas dzelzceļš", as the only railway infrastructure manager in Latvia, is actively working to ensure that the railway infrastructure intended for passengers is accessible to every citizen. In order to ensure this, a long-term cooperation partner and consultant of LDz is the foundation "Association of Disabled People and their Friends "Apeirons"".

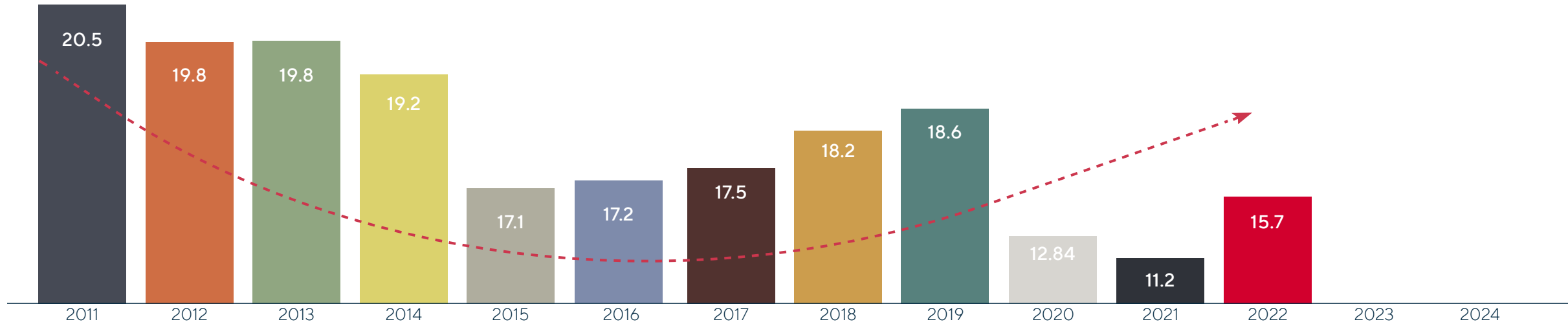
Customer satisfaction

VAS "Latvijas dzelzceļš" regularly surveys the opinion of the population on the quality of infrastructure to ensure that the development of railway infrastructure goes in the direction desired by users.

This measurement is done through an annual public survey.



Passenger transport (million people)



The results of the survey conducted in January 2023



> 70%

of the respondents were completely satisfied or rather satisfied with the appearance and cleanliness of station buildings and stops, platforms



60%

of the respondents considered platform equipment lighting, seats with canopies as satisfactory



62%

of the respondents were satisfied with the safety in the stations and their territory



42%

of the respondents were satisfied with the availability of shopping, dining and other services at stations



Efficient management of resources, reducing consumption and pollution

3-3

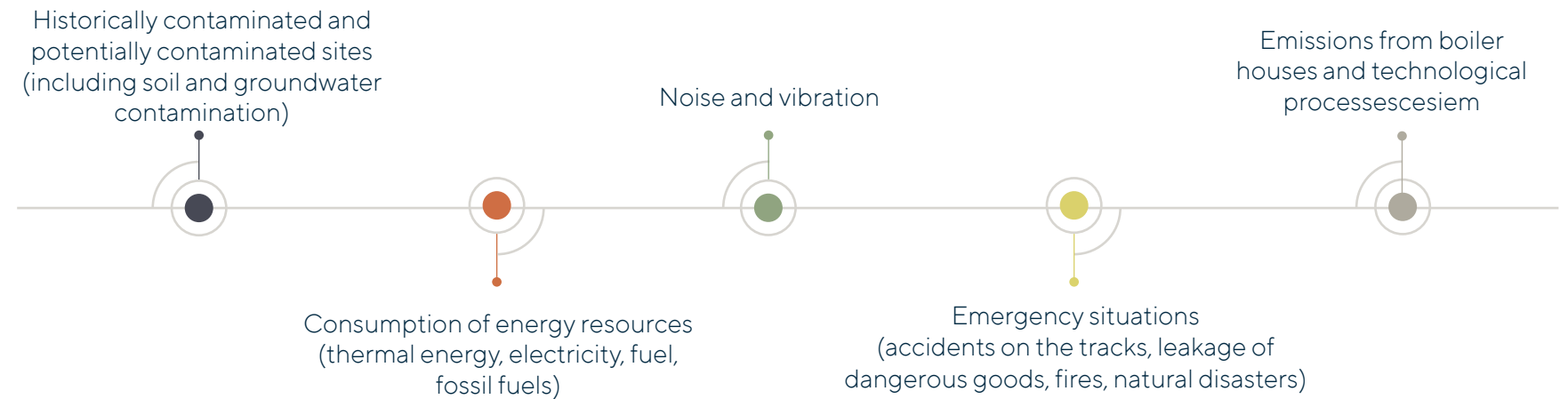
In order to ensure effective and sustainable management of environmental protection and energy resources, the Group has approved an Environmental and Energy Management Policy, more detailed information on which is available on [page 50](#).

On 7 March 2022, VAS "Latvijas dzelzceļš" was certified as an environmental management system standard (ISO 14001:2015) and the certified environmental management system was integrated with the certified energy management system since 2017, creating an integrated environmental and energy management system in the Company.

In February 2022, a monitoring audit of the Energy Management System was carried out, during which no inconsistencies with the requirements of the Standard were identified.

Taking into account the certification of the environmental management system, in 2022 the Environment and Energy Management Programme of VAS "Latvijas dzelzceļš" for 2022-2028 was approved, which lays down the management of the essential aspects of the environment for this time period.

After the annual review of environmental aspects carried out in 2022, the program has identified the following essential environmental aspects of the operation of LDz:



For each of these environmental aspects, the most important requirements of the laws and regulations were identified, a description of the situation was made and further measures were determined or tasks defined for the period 2022-2028. The main areas of energy consumption in 2022 have remained unchanged – consumption of electricity, thermal energy, and diesel fuel. Within the framework of the energy management system, performance indicators for energy management have been defined for the important areas of energy consumption, which are assessed annually and revised if necessary.



As part of the environmental and energy management system, LDz employees are educated about the importance of energy efficiency in daily activities, as one of the important factors is the human factor – daily habits.

In 2022, a training seminar was organised for LDz employees “Environmental protection issues and current events in the environmental and energy management system of VAS “Latvijas dzelzceļš”, which discussed such topics as performance indicators of LDz’s energy management system in 2021, plans for measures to improve environmental protection and energy efficiency in 2022, LDz environment and energy management programme for 2022–2028, and other related topics.

Several articles on the topic of energy efficiency have been published in the LDz intranet during the reporting year, for example: “VAS “Latvijas dzelzceļš” has received an environmental management system certificate”, “Take action today and reduce the costs of energy resources in the future!”, “Sintija Kalna: Environmental matters in the railway start with every employee” etc.

Materials

301-1

To ensure that railway infrastructure is safe and of high quality, various materials are used in its maintenance and development – sand and gravel, crushed stone, wooden and reinforced concrete sleepers, and others. The amount of these materials varies from year to year and depends on the extent of the planned repairs. Recycled materials are not used in the core business.



Use of water resources

303-5

One of the most consumed resources for VAS “Latvijas dzelzceļš” daily needs and economic activity is water, which is obtained both from centralised water supply systems provided by various merchants, and also from water extraction wells owned by the Company.

Considering that water is one of the natural resources that cannot be renewed as quickly as it is consumed, the conservation of water resources is one of the basic requirements for environmentally friendly economic activity, and LDz also tries to operate as sustainably as possible.

VAS “Latvijas dzelzceļš” uses recycled materials in its operations:

	2022	2021	Type of resource
 Used reinforced concrete sleepers (pcs.)	19 382	13 612	Renewable material
 Used wooden sleepers and drills(pcs.)	556	816	Renewable material



the amount of water extracted and used

76 415 m³

in 2022

73 215 m³

in 2021



the amount of wastewater generated and treated

88 163 m³










in 2022

81 479 m³

in 2021

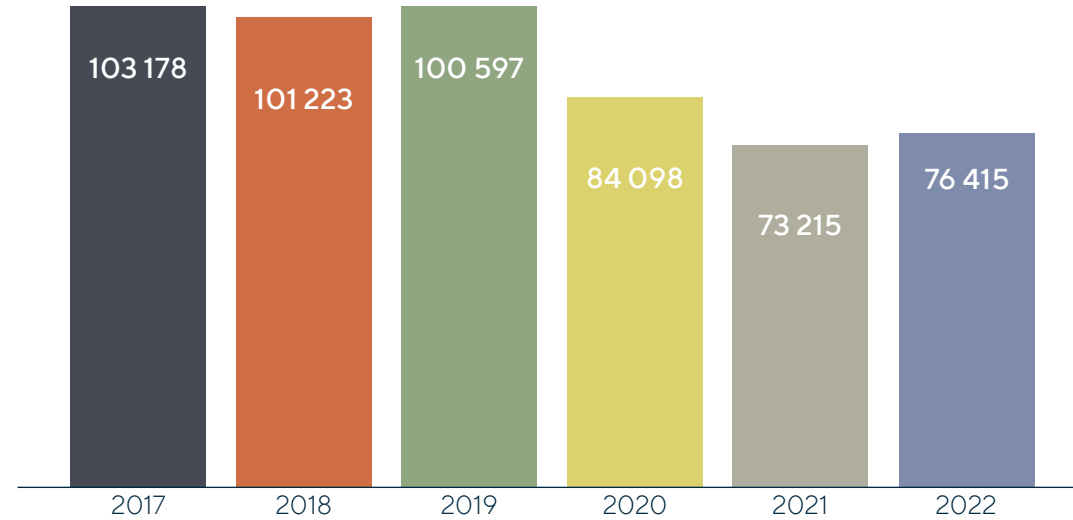


Materials consumed for infrastructure construction and repair works in 2022 and their volume

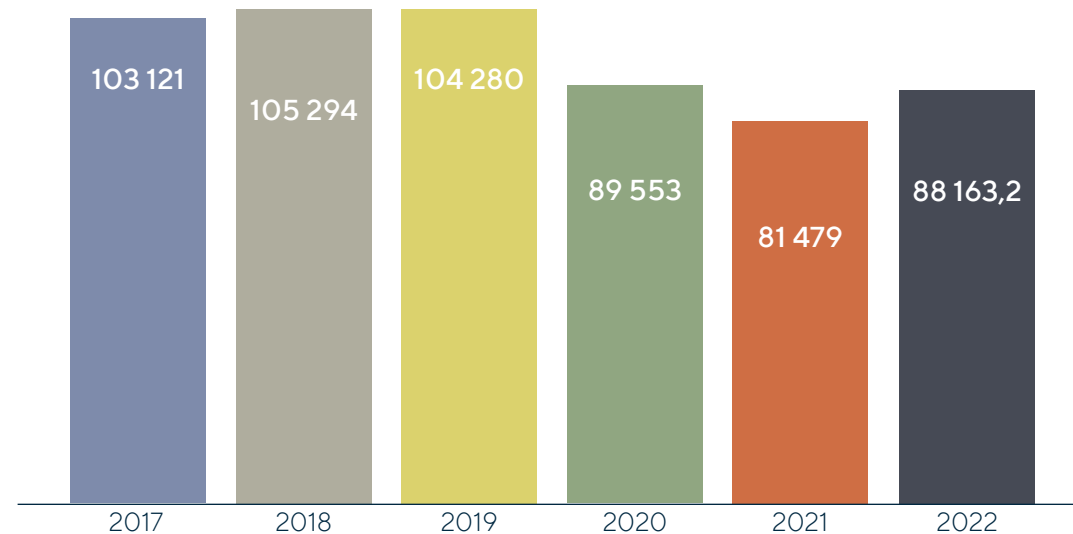
	Material	in 2022	in 2021	Unit of measure	Resource type
	Sand	2 708 650	2 490	tonnes	Non-renewable material
	Gravel (dolomite chips))	408 700	282	tonnes	Non-renewable material
	Granite chips	26 015	55 565	tonnes	Non-renewable material
	Impregnated oak sleepers	818	1 758	pcs.	Renewable material
	Impregnated softwood sleepers	2 254	4 087	pcs.	Renewable material
	Alternating oak burrs	24 485	267	m ³	Renewable material
	Alternating softwood trusses	32 029	578	m ³	Renewable material
	Bridge trusses (wooden)	413	4	pcs.	Renewable material
	Reinforced concrete sleepers	1 516	7 148	pcs.	Non-renewable material



The dynamics of the amount of water extracted (m³) and used by year



Amount of generated and treated wastewater (m³)



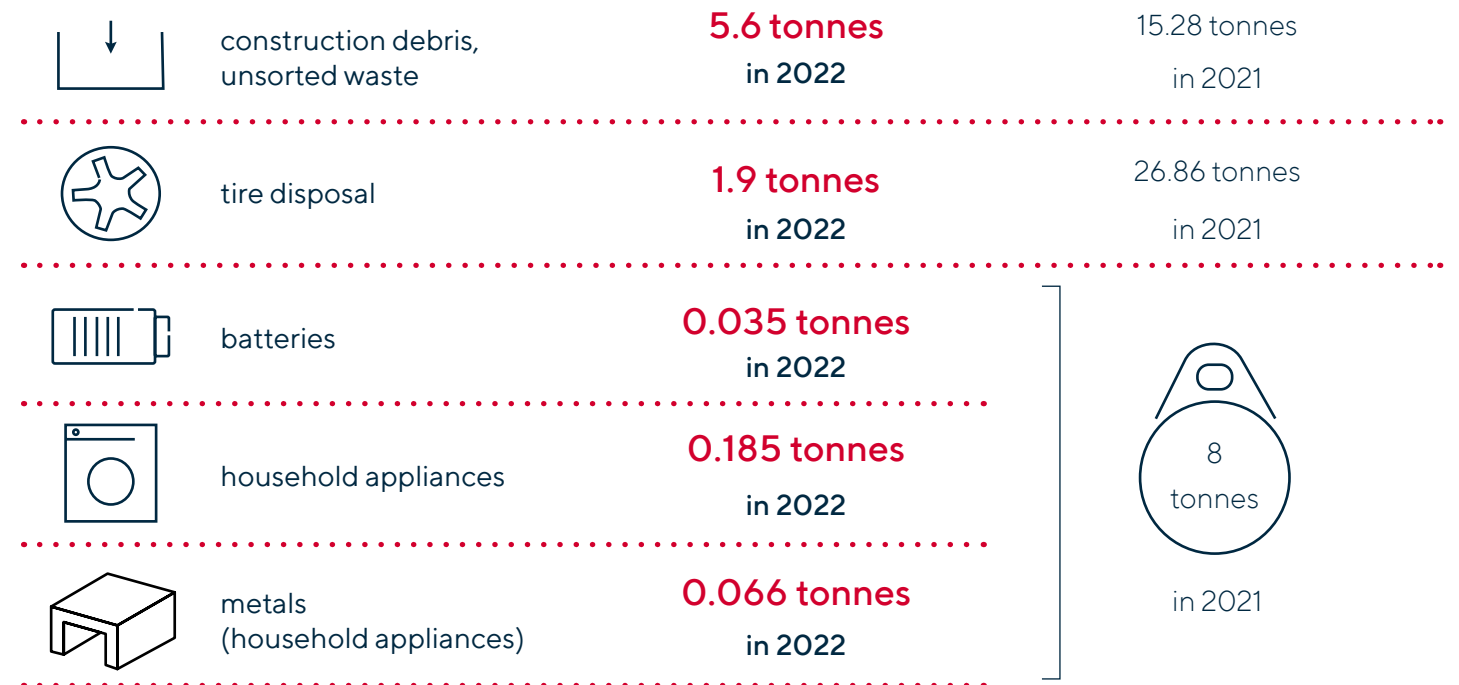
Waste

306-3

Just like almost every economic activity is related to the creation of various wastes, the railway industry is no exception in this regard. As a result of LDz's operations, various types of waste are generated, including hazardous and recyclable waste. Payment invoices are received from waste management companies every month, which include information on the amount of household waste handed over (m³). Also, the amount of hazardous waste in tons was obtained from waste management companies, to whom the hazardous waste was handed over for further appropriate management.

In 2022, a total of ~10 487 m³ of household waste was handed over (in 2021 – 10 440 m³) and in the field of waste management, LDz cooperated with 30 companies in the reporting year and a total of EUR 198 707 were paid for waste management.

Hazardous waste transferred to LDz for disposal





Office work organisation in 2022



were
purchased

6729 packs

office paper

333 packs less than in 2021

Energy-efficient and lower consumption of energy resources

3-3; 302-1

Measures to improve the energy efficiency of buildings are defined in the real estate development and management program of VAS "Latvijas dzelzceļš" for the period until 2030. The program sets goals to reduce the specific consumption of electricity and thermal energy in real estate, to increase the energy efficiency of real estate, as well as to reduce the consumption of electricity and water in the operation and management process of real estate.

To ensure the economic activity of LDz – energy resources used for production processes, heating and lighting of buildings, road transport:

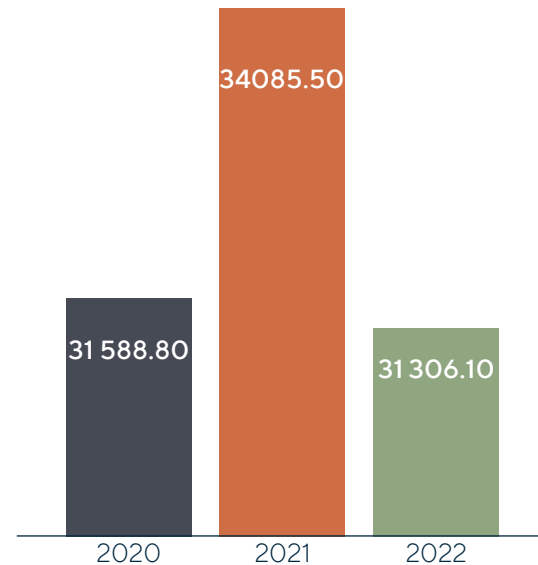
- Fossil energy resources: diesel fuel, gasoline, furnace fuel, natural gas, liquefied petroleum gas, coal
- Electricity
- Heat energy
- Renewable energy resources: firewood, wood pellets and briquettes, heat pumps

Electricity

Electricity is a critically necessary resource for ensuring the basic operations of VAS "Latvijas dzelzceļš" – LDz uses electricity on a daily basis for various production processes and maintenance of the railway infrastructure, as well as for indoor and outdoor lighting and office equipment.

One of the tasks defined in the Environmental and Energy Management Programme of the LDz is the reduction of electricity consumption in the management of the railway infrastructure, as well as in the operation and management of real estate.

Electricity consumption MWh/year



Electricity consumption for maintenance of LDz infrastructure

	2022	2021	2020
Electricity consumption for railroad switch heating (MWh/year)	1 538 (- 31.6%)	2 247.8 (+ 759%)	296 (- 79.7%) ¹
Electricity consumption for external lighting (MWh/year)	2 876.2 (-8.08%)	3 128.9 (-14.8%)	3 670.8 (-17.1%)
Electricity consumption for operation of SCB* and communication equipment (MWh/year)	11 618,6 (-2.03%)	11 891 (+ 2.4%)	11 614.7 (-7%)

*SCB- signaling, centralisation, blocking



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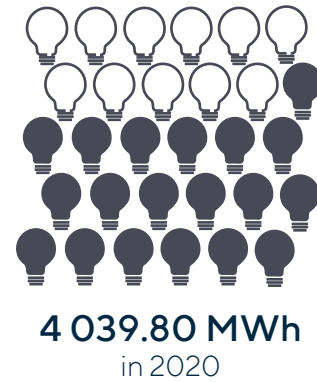
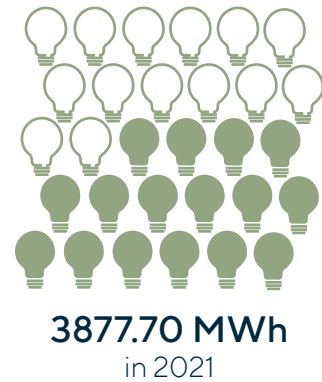
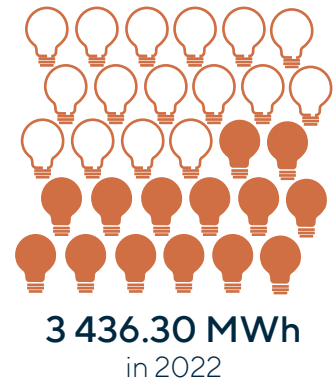
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Electricity losses MWh/year



In 2022, the amount of electricity sold (trade) to legal and natural persons

in 2021



Legal users (including LDZ subsidiaries)

10 898 034 kWh

10 550 452 kWh



Household users

5 995 728 kWh

6 345 172 kWh



In total

16 893 762 kWh

16 895 624 kWh

VAS "Latvijas dzelzceļš" as a public service provider provides electricity distribution services as a system operator and trade services as an electricity trader.

LDZ connections for electricity trade



household users

4 257
in 2022

+



connections

4 555
in 2022

4 581
connections
in 2021



legal entities

982
in 2022

966
in 2021

177

internal structures of the Group

173
in 2021

805

external customers

793

in 2021



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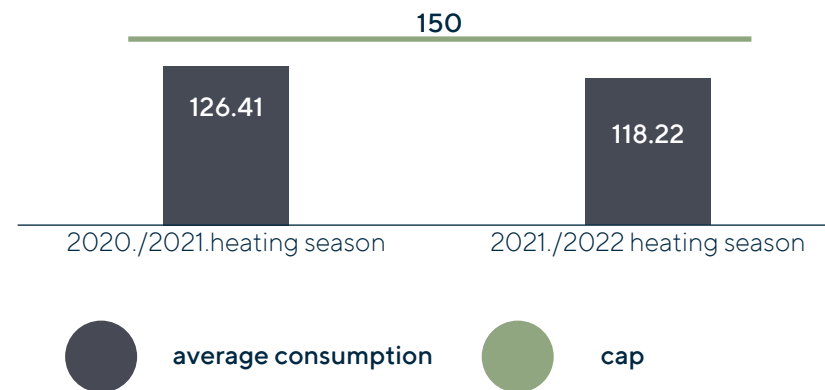
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Thermal energy

Reducing heat energy consumption is one of the achievable goals set by VAS "Latvijas dzelzceļš" in the field of energy efficiency. Insulating the buildings owned by LDz is among the most effective techniques to simultaneously save heat and electricity and improve the quality and sustainability of buildings.

According to the LDz Programme for Real Estate Development and Management 2021 - 2030, the specific thermal energy consumption should be below 150 kWh/m² per year. In the 2021/2022 heating season, the LDz consumed 118.22 kWh/m², which met the target set in the programme. The reduction in this heating season took place in all regions.

Average thermal energy consumption in kWh/m²



total thermal
energy consumption

16 221.2 MWh
in 2022



sold
thermal energy

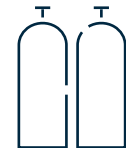
10 407.5 MWh
in 2022

Consumption of non-renewable fuel resources in 2022



coal

376.2 MWh



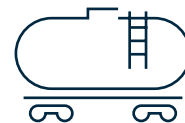
natural gas

2361 MWh



fuel for
household stoves

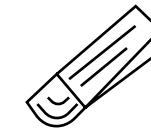
711.9 MWh



liquefied
petroleum gas

5306.5 MWh

Consumption of renewable fuel resources in 2022



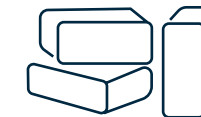
firewood

506.0 MWh



wood
pellets

2101.3 MWh



wood
briquettes

1.3 MWh



Diesel fuel

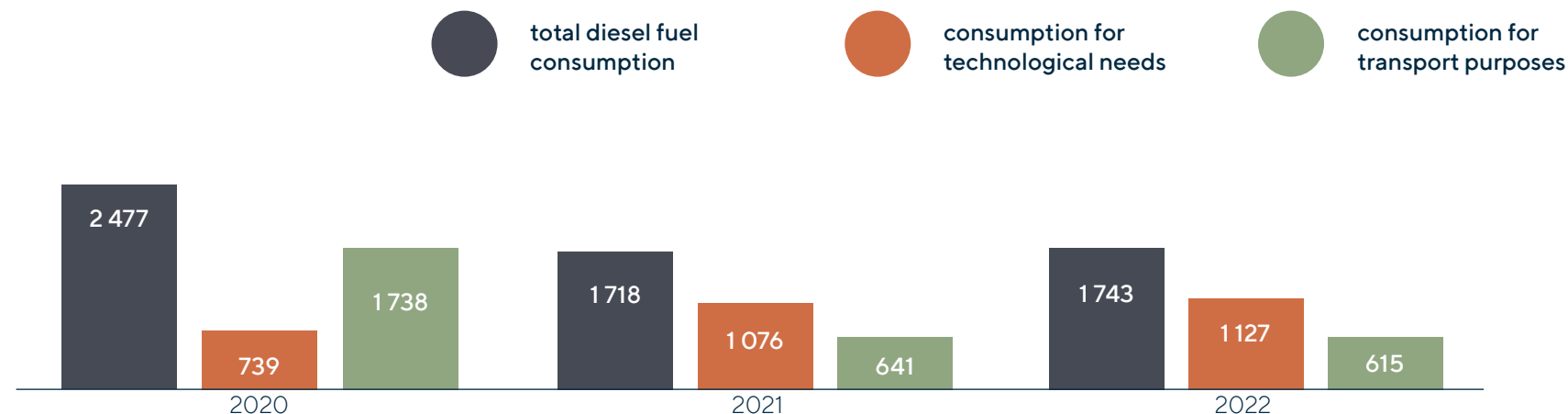
Diesel fuel is used for the maintenance of the railway infrastructure, as well as for the performance of various tasks related to the provision of Company functions, by accounting for its total consumption for technological needs and transport needs.

In the reporting year, the total consumption of diesel fuel increased slightly – it was 25 000 litres (1.5%) more than in 2021. During this period, the consumption of diesel fuel for technological needs has increased, but it has decreased for transport needs.

The total consumption of diesel fuel for transport needs has decreased by 4.1% in 2022, this was facilitated by the GPS control introduced and maintained by LDz, route planning and the replacement of the car fleet with newer cars that are more economical in terms of fuel consumption. On the other hand, consumption for technological needs has increased by 4.74%, which is related to the increase in the volume of infrastructure management and maintenance works in the reporting year

Compared to the previous year, the number of vehicles (freight and light vehicles) used by LDz (owned and leased) in the Company has slightly increased, i.e., by 5 units, while the use of full-service rental vehicles has decreased.

Diesel fuel used in thous. litres



Using the LDz resource management system, the fuel consumption of road transport is evaluated in liters/100 km, monitoring whether the consumption does not exceed 20% of the average consumption of the vehicle specified by the manufacturer, in accordance with the Manual on average fuel consumption and CO₂ emissions established by the Road Traffic Safety Directorate.

Emissions generated

3-3; 305-1; 305-7

VAS "Latvijas dzelzceļš" has so far collected information on the volumes of emissions related to rail freight transportation provided by diesel locomotives. The amount of emissions is calculated taking into account the amount of diesel fuel used in the Group's subsidiary company SIA "LDZ CARGO". Since freight transportation has decreased in recent years both in terms of train kilometers and volumes, accordingly, the amount of emissions caused by diesel locomotive movement continued to decrease in the reporting year.




Considering that these indicators do not reflect direct emissions from VAS "Latvijas dzelzceļš", the calculation of total GHG emissions from LDz within Scopes 1 and 2 expressed in CO₂ equivalents will start in 2023. At the same time, it is planned to define the boundaries of Scope 3 and collect data from 2024 onwards. The Company's CO₂ equivalents will be calculated according to the methodology of the GHG Protocol A Corporate Accounting and Reporting Standard. In 2023, the emissions for 2022 will be calculated, while in 2024 the emissions for 2023 will be calculated.



On the other hand, direct GHG emissions in LDZ are currently calculated only for boiler houses that have been issued a category B or C polluting activity permit by the State Environmental Service. For boiler houses, emissions are calculated as part of the Natural Resources Tax.

The Natural Resources Tax calculator developed by State Environmental Service is used for boiler houses that correspond to category C. On the other hand, for boiler houses that correspond to category B, an individually developed emission limit project for stationary pollution sources is used to calculate emissions, which is developed by the entrepreneur at the request of LDZ. In these emission limit projects, all factors and formulas are given so that LDZ can independently calculate emissions.

Annual emissions from freight diesel trains (tonnes)

Emission, t		2022	2021	2020
	CO ₂	51 230	53 751	64 619
	NO _x	582	621	806
	PM	12	12	17

The UIC Environment Strategy Reporting System 1990-2030 Methodology and Policy methodology is used in the calculations of NO_x emission factors.

Impact of climate change

Climate change and the associated extreme weather conditions can also significantly affect the railway industry – in recent years, the air temperature on the territory of Latvia often reached extreme heat, which can affect railway infrastructure and train safety. When the air temperature is above +30 degrees Celsius for a prolonged period, the rails in open areas can heat up to 50 degrees or more.

The temperature range in Latvia is very wide: from -30 to +30 degrees and even more. This is taken into account when laying and fixing railway tracks, but the tracks have their own physical and chemical properties. In other words, the rails contract in the cold, but expand in the heat.

When building railway infrastructures, temperature fluctuations and their effects on the rails are taken into account – so that in winter there is not too much distance between them at the joints. If, on the other hand, the rails are too close together in summer when temperatures are high, this can lead to an internal overload that causes so-called overturning of the tracks – a buckling or deformation that, in the worst case, can even cause a traffic accident with a derailling train.

To avoid such emergency situations, the dynamic load, i.e. the direct impact of the rolling stock on the track during travel, is reduced. It can be reduced by reducing the speed, because then the impact on the track is more uniform, without rapid changes in the dynamic load, i.e. with a lower probability of a critical impact on the heated tracks. Therefore, the speed of trains can be reduced in certain sections during extremely hot weather.

In recent years, natural phenomena such as storms have been observed with increasing frequency in Latvia. Strong gusts of wind can also affect the accuracy of train services – branches blown onto the tracks, various objects, etc., trees fallen on power lines – significantly affect the railway infrastructure. In addition, railway operations are affected by unstable weather conditions in winter – rapid temperature changes, snowfall can disrupt the operation of signalling, traffic lights, points and other equipment, causing delays in train services.



07

SOCIAL
IMPACT



Aspects of social impact:

- Employee wellbeing and social protection
- Availability and improvement of passenger infrastructure
- Preservation of historic heritage /accessibility
- Promoting the professional development of new hires in the industry
- Professional development of staff
- Road safety
- Educating the public

Employee wellbeing and social protection

3-3

Employee turnover

401-1

According to the Group's Personnel Management and Remuneration Policy, which is described in more detail on [page 49](#), that employees are the most important strategic resource of LDZ, which creates and develops the Company's values and ensures its competitiveness in the service market. Personnel management processes at LDZ are organised and managed in such a way as to maintain and develop the Company's values – growth, safety and synergy – and to be understood and respected by all employees. In VAS "Latvijas dzelzceļš" and all the Group's companies, employees are treated fairly and in accordance with the law, a safe and healthy working environment is created, and the Company takes care of the physical and social well-being of employees. LDZ is a responsible employer that provides its employees with such social guarantees that strengthen their sense of job stability and social protection. The Personnel Management and Remuneration Policy of LDZ sets out the goals to be achieved in this area, including providing employees with adequate and competitive wages for their work and investment, promoting the development of important competencies, thereby improving work efficiency and productivity in the long term.

The approach to creating the working environment is implemented in three main directions

- Creating a stable, predictable and supportive work environment
- Employee involvement in Company development planning
- Increasing the professional qualifications of young specialists

New hires in 2022

until 20 years

5



20-29 years

18



30-39 years

25



40-49 years

45



50-59 years

49



60 years
and over

19



The number of employees who have terminated their employment relationship, including retired employees



321

the employment relationship
was terminated

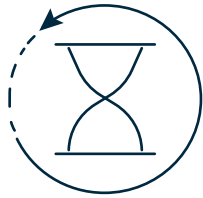


21

of them – retired employees



Total labour turnover



by age

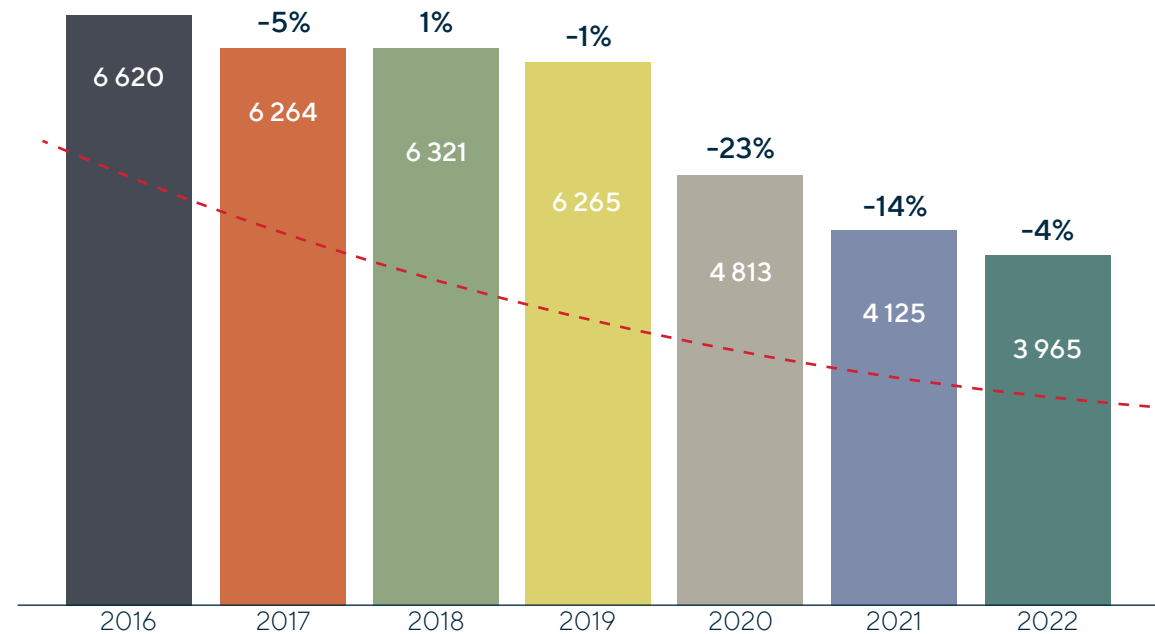


by region

	Number	%	Men	%	Women	%
until 20	0	0%	0	0%	0	0
20-29	30	9.3%	25	11.5%	5	4.8%
30-39	68	21.2%	46	21.2%	22	21.2%
40-49	59	18.4%	43	19.8%	16	15.4%
50-59	94	29.3%	66	30.4%	28	26.9%
60 and over	70	21.8%	37	17.1%	33	31.7%
	321		217	67.6%	104	32.4%
Kurzeme	37	11.5%	26	12%	11	10.6%
Zemgale	40	12.5%	28	12.9%	12	11.6%
Riga	96	29.9%	58	26.7%	38	36.5%
Riga vicinity	33	10.3%	16	7.4%	17	16.3%
Vidzeme	24	7.5%	22	10.1%	2	1.9%
Latgale	91	28.3%	67	30.9%	24	23.1%



Changes in the number of employees over the years



Social protection

401-2

In addition to the social guarantees stipulated in the national legislation, additional guarantees have been introduced for every employee of LDz, in accordance with the Collective bargaining agreement concluded between the Group companies and the Latvian Trade Union of Railway Workers and Transport Sector.

Collective bargaining agreements

2-30

VAS "Latvijas dzelzceļš" is the largest railway industry company in Latvia and has a long-standing and close cooperation with the Latvian Railway and Transport Industry Trade Union. The Group companies concluded a collective bargaining agreement with the trade union, and every employee of the Group has a free choice - to be a member of the trade union or not, but most of the guarantees and benefits specified in the collective bargaining agreement apply to all employees, only certain benefits specified in the collective bargaining agreement are defined only for members of the trade union.

The collective bargaining agreement provides for a wide range of social guarantees for the employees of the Group for various life situations, as well as measures provided by the employer to improve the working environment and promote the employee's well-being and motivation. According to the collective bargaining agreement on such significant changes as reorganisation of the Company or its structural units, reduction of the number of employees, etc. information is provided to the union immediately.

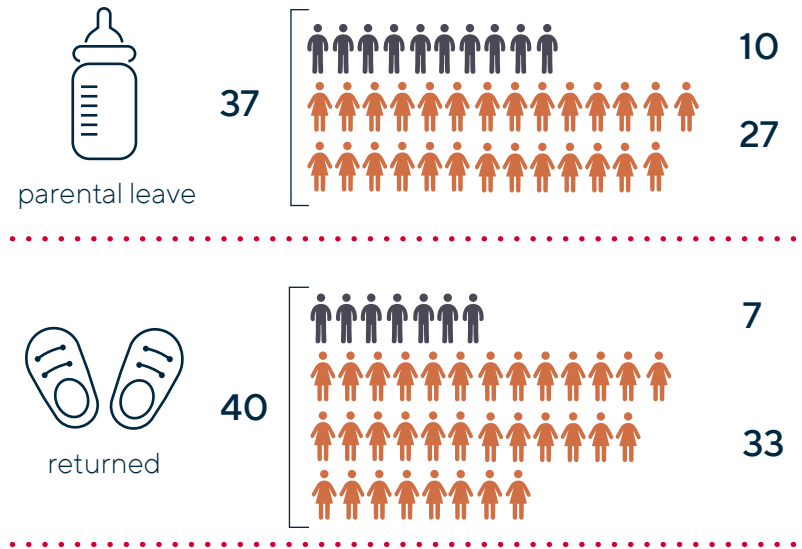
In 2022, taking into account the significant increase in consumer prices in the country, in order to maintain the competitiveness of wages of LDz employees in the overall labor market and take care of the level of well-being of employees, a one-time bonus was paid to LDz employees in the amount of 5% of the 11 months of 2022 (January-November) calculated gross wages for the time actually worked.



The collective bargaining agreement contains the defined types of social guarantees

- Additional payments for work performed in addition to one's direct duties
- Additional vacation days for 5, 10 and 15 years of service in the railway
- Additional leave for work under special conditions
- Additional paid rest days for the employee on significant anniversaries and holidays
- Covering moving expenses (only for LRTITU members)
- Guaranteed life and work accident insurance
- Financial support for pupils' parents
- Paid health insurance policy
- Financial support due to accidents or their consequences (only for LRTITU members)

Parental leave



37 employees (8 men and 29 women) returned from their parental leave in 2021, and 30 employees (8 men and 22 women) were employed after returning to work for 12 months.

401-3

Occupational safety and health

403-1; 403-2; 403-3; 403-4;
403-5; 403-6; 403-7; 403-8

In order for the working environment to be safe for all employees, VAS "Latvijas dzelzceļš" complies with the requirements of the laws and regulation of the Republic of Latvia in this area, and the Company has developed binding internal regulatory documents – the Occupational Safety Policy and the Occupational Safety System.




The purpose of the Policy is to determine the Group's occupational safety management principles and directions of action, in compliance with the requirements of the laws and regulations governing the field of occupational safety, in order to create and ensure a safe and harmless working environment for the life and health of employees.

The Technical Inspection of VAS "Latvijas dzelzceļš" is responsible for the implementation of the Occupational Safety Policy and compliance with the state-level regulatory framework in the Company, whose duty is to control and monitor compliance with labor safety regulations, as well as to provide recommendations to constantly improve labor protection in the Company.

VAS "Latvijas dzelzceļš" Occupational Safety Policy and Occupational Safety system include the organisational structure, division of responsibilities, internal monitoring of the work environment, planning and risk assessment of the work environment, as well as determine specific measures to achieve the set goals in labor protection.



Workplace inspections in 2022

Structural unit		Planned	Unplanned
	Railway Department	87	42
	Electrotechnical Department	80	10
	Real Estate Department	30	1
	Train Traffic Department	6	6
	Wagon Maintenance Distance	14	6

As a result of these inspections of the internal monitoring of the working environment, a number of inconsistencies were discovered and eliminated that posed risks to the safety and health of employees, e.g. the storage of gas and oxygen cylinders in an unsuitable place, the use of personal protective equipment after its expiry date, the improper use of personal protective equipment when working at height, the storage of chemical substances in unlabelled containers, the absence of safety signs, in places where increased employee attention is required, etc.

In addition, following the internal monitoring inspections of the working environment, several occupational health and safety measures were carried out during the reporting year to improve the working environment – including the improvement of the microclimate through the installation of air conditioning units, the levelling of damaged floors and scheduled repairs of work, household and hygiene rooms.

The occupational safety system (OSS) establishes both the procedure for assessing the risks of the work environment and the control of compliance with OSS requirements. The Occupational Safety Department of the LDz Technical Inspectorate controls compliance with OSS requirements by both organising internal monitoring inspections of the working environment and conducting comprehensive and fair investigations of occupational accidents to determine the causes and draw conclusions with the aim of improving occupational safety.

In matters of occupational safety, the heads of the structural units consult with the employees – they discuss measures that may have an impact on the health and safety of the employees, plan and organise instruction and training on occupational health and safety issues, and inform the employees about the risk assessment of the working environment, the results of investigations into occupational accidents, and other issues.

Before entering into labour relations and before using new procedures and equipment, each employee is properly trained and instructed. Information material on occupational safety and health, models, diagrams, etc. are prepared and handed out to employees or posted at workplaces.

VAS “Latvijas dzelzceļš” pays for a health insurance policy and a mandatory health check-up for all employees, as well as provides workers with all the work protection equipment necessary for the performance of their duties. On the other hand, with various internal communication techniques, employees are regularly reminded of both the prerequisites for a healthy lifestyle and the possibilities to prevent risks related to safety in the work environment.



Accidents at the workplace

403-9; 403-10

In 2022, there were four accidents at work at "Latvijas dzelzceļš" as a result of exposure to work environment factors, in which 4 employees were injured. In two of these cases, the victims were found to have severe health problems.

The investigation of occupational accidents was conducted in accordance with the requirements of Cabinet Regulation No. 950 of 25 August 2009 "Procedures for the Investigation and Registration of Occupational Accidents".

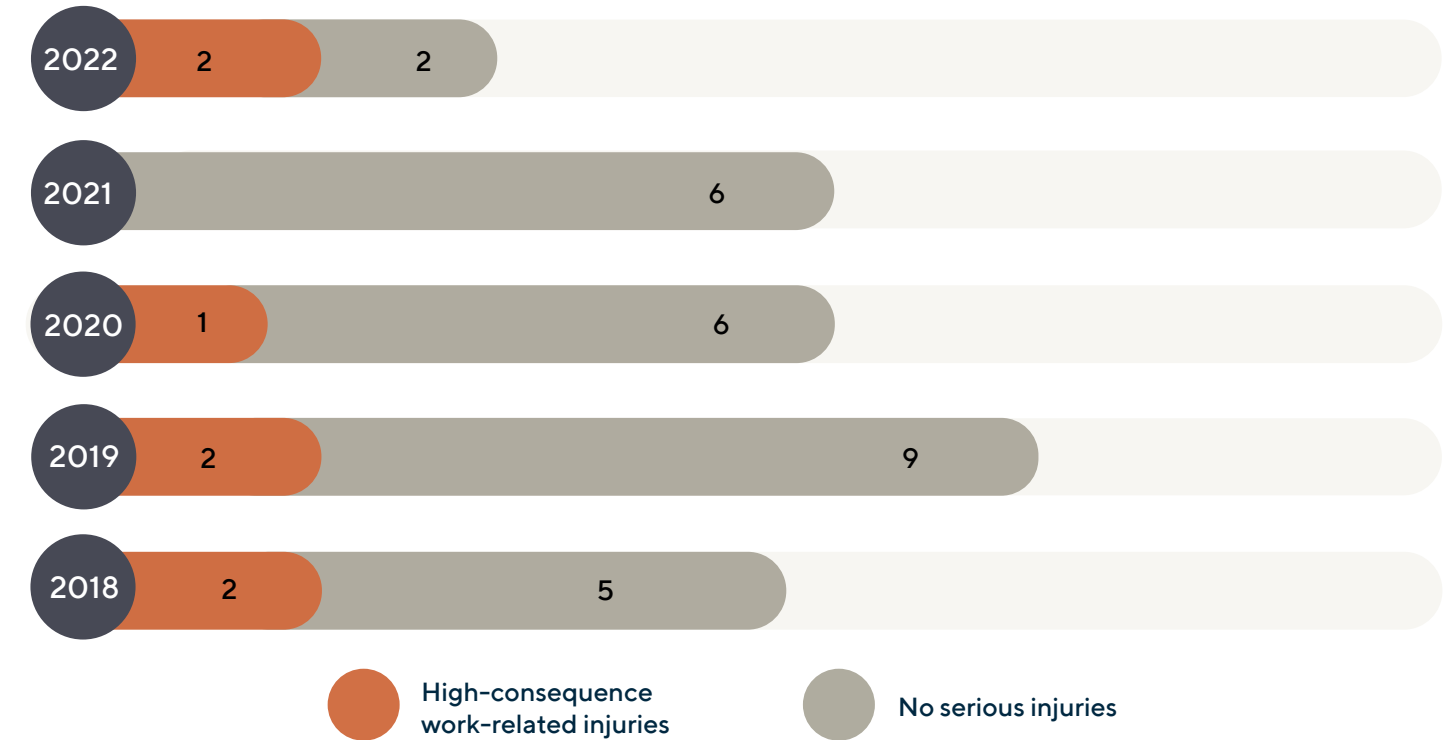
In two accidents, the victims did not have serious health problems, so the investigation was carried out by the employer - VAS "Latvijas dzelzceļš". The necessary documents were prepared, coordinated with the official of the State Labour Inspectorate (SLI) and submitted to the SLI.

Two accidents with serious consequences were investigated by a SLI official, involving the representative appointed by LDz, and the documents were mutually agreed upon.

Of the four accidents at work, the cause in two cases was tripping. The cause of one accident was the violation of the requirements of the occupational safety and health instructions and the performance of work without proper training and permission from the immediate supervisor - the employee arbitrarily performed actions that were not assigned to him and for which he was not properly trained.

On the other hand, the cause of another accident was the wrongly chosen method of moving the weight by hand, the workers' lack of auxiliary equipment and deficiencies in the work safety instructions. Although the worker was trained to work with the equipment, the instructions did not include information on how to move the equipment, and the worker did not receive clear instructions from his direct supervisor on how to move the equipment safely either.

Dynamics and breakdown of the number of employees injured in accidents according to the severity of the injuries



Total rate of registered fatalities due to injury at work (per 1 million working hours) = 0

High-consequence work-related injuries (per 1 million working hours) = 0.3

Frequency of work-related injuries (per 1 million working hours) = 0.6

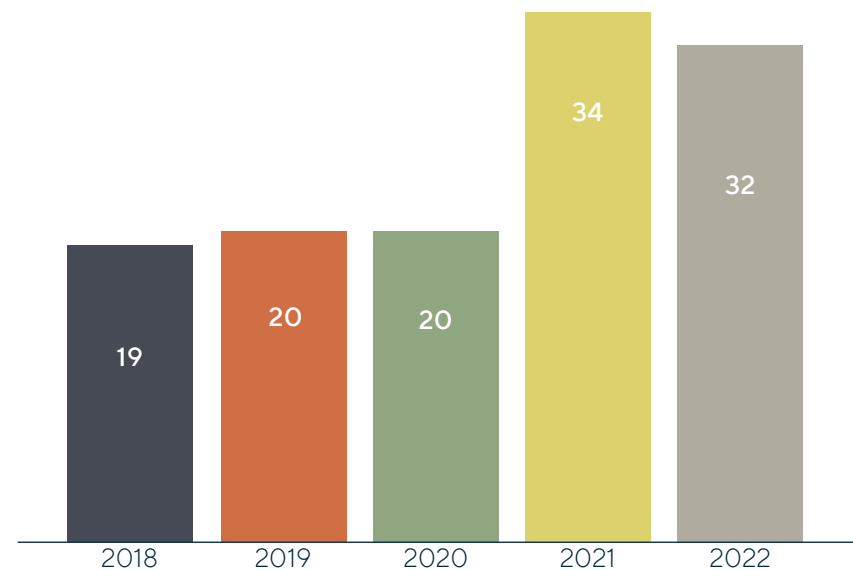
* LDz employs only Company employees and these statistics include only working hours of LDz employees.



Work in the railway industry is physically demanding and difficult for some occupations, and every year Company employees are diagnosed with occupational diseases contracted in the course of their work. Occupational diseases are most common among workers who perform physical labour on a daily basis. The causes of occupational diseases among workers are mainly related to physical and physical risk factors of the working environment, such as vibrations of the hands and wrists, pushing or pulling of weights, and long-term static posture.

In 2022, VAS "Latvijas dzelzceļš" confirmed occupational diseases for 32 employees, which is two cases fewer than in 2021.

Dynamics of the total number of occupational diseases at VAS "Latvijas dzelzceļš"



Cases of discrimination

406-1

During the reporting year, there were no incidents of discrimination in the Company (there were none in previous years either). VAS "Latvijas dzelzceļš" observes the principles of non-discrimination, employing people of different ages, genders and nationalities.

Professional development of employees

3-3

The Group's Personnel and Remuneration Policy stipulates that the Company supports the professional development of employees by providing them with learning and growth opportunities that enhance professionalism and promote the building of loyalty.

Activity of LDZ Learning Centre

404-2; 404-1

The LDZ Learning Centre plays an important role in staff training. Therefore, this educational facility is being expanded to provide high-level educational programmes for the Group's employees and external customers.

LDZ Learning Centre in 2022

- **56** educational programmes were implemented (in 2021 – 42 programmes)
- **3775** learners were trained (1,195 in 2021), of which 3138 were men and 637 were women
 - **3616** the employees of VAS "Latvijas dzelzceļš"
 - **87** the employees of the subsidiary companies of the Group
 - **72** employees of external clients
- In total, **42 573** participant hours of training have been provided (in 2021 – 12,352 participant hours)
- 4 non-formal educational programmes with safe working environments have also been developed
- **81%** of learners from all those trained learned about railway safety and creating and about maintaining a safe working environment
- A pilot project for learning and improving the knowledge of railway technical operation rules has been launched in distance learning in an interactive e-learning environment, and the knowledge has been successfully acquired by **37** railway specialists
- **14** of the Company's mid-level managers improved their knowledge, skills and competencies as part of the educational programme "LDz Managers' Academy"
- **2628** railway specialists took the regular exam



Whereas, outside the LDz Learning Centre, in 2022, for the purpose of increasing their professional knowledge, employees attended, 156 times, the training courses organised by various educational institutions.

Career assessment and career development activities

404-3

Every employee of VAS "Latvijas dzelzceļš" has the opportunity to make a career in some of the structural units. With the involvement of the Personnel Department, both the professional qualifications of the employees and their personal desire to improve their professional skills and competencies are assessed.

Based on the internal regulations of LDz, career development interviews must be conducted before the transfer of specialist and manager-level employees to another position. The results of career development interviews are summarised in opinions or summaries and are used as a basis for the transfer/non-transfer of the evaluated employee or for another career development purpose. If necessary, an individual development plan is additionally created with specific tasks and deadlines for the development of competencies, and repeated discussions must take place at the end of the period specified in this plan.



43

Career development interviews were conducted for employees

- With nine employees in connection with career development opportunities in another position
- Seven employees were transferred to the applied position
- One employee was transferred to another position
- An individual development plan was created for one employee for six months, upon successful completion of which transfer to the applied position will be possible
- 36 employees were interviewed in connection with the assignment for training in the "Managers Academy 2022" programme

Society

Road safety

3-3

Improving railway safety

416-1; 416-2

One of Company's main priorities is the safety of pedestrians and other road users in the vicinity of the railway. Therefore, the Road Safety Policy is one of the key policies of the LDz.

In 2022, VAS "Latvijas dzelzceļš" continued to make targeted investments in improving railway safety, and more detailed information about the implemented projects can be found on [page 26](#).

Two level crossings at Livberze station and on the Kalvene - Ilmaja section were equipped with automatic barriers with remote control and a video surveillance system in the reporting year

One railway crossing at Sigulda station has replaced operation of crossing barriers from semi-automatic and automatic

Six level crossings with heavy traffic were equipped with additional signs "In case of traffic jam, do not enter the level crossing area"

One level crossing in the section Jelgava - Gluda (Jelgava, Tervetes iela) is equipped with an additional crossing traffic light

Two pedestrian crossings in the section Zaslauks - Priedaine (Babite) and in the section Priedaine - Dubulti (at Jurmala, Turaidas iela) were equipped with an alarm system

One new pedestrian crossing was installed at Strenci station



In terms of road safety violations, no violations were identified in the reporting year, just like in 2021, and no fines or sanctions were imposed on the Company.

VAS "Latvijas dzelzceļš" has been implementing informational measures for several years, drawing the public's attention to railway safety issues, as well as educating children and young adults about issues related to safety near railways. These measures are described in more detail in the chapter "Educating the public" on [page 82](#).

Accidents on the railway

In accordance with Directive (EU) 2016/798 of the European Parliament and the Council of 11 May 2016 on railway safety and Cabinet Regulation of 02.06.2020 "Procedure for the classification, investigation and registration of railway accidents" accident statistics do not include cases where people intentionally cause a collision with a train (suicide or attempted suicide).

In 2022, 8 accidents qualified as suicide or attempted suicide were registered, of which 7 accidents were fatal and in one accident one person was seriously injured.

The analysis of the accidents that have happened has shown that people are still most often injured in collisions with a train because the precautionary rules in the track area are not observed – people were not careful enough when crossing the tracks, did not make sure whether a train was approaching. Unfortunately, there are also fatalities and injuries due to deliberate recklessness, for example by clinging to moving rolling stock.

In the reporting year, six people died on the territory of railway stations, while nine accidents occurred on road sections, of which seven people died and two were seriously injured.

Six accidents occurred during the daylight hours, and nine – during the dark hours of the day out of all the accidents that occurred in the reporting year.

Causes of accidents

	Collision between a car and a passenger train on a level crossing	one person seriously injured in 1 accident	In five accidents, the injured were under the influence of alcohol. They used headphones in three accidents
	Being in the railway track area without observing the safety rules	Nine accidents and nine fatalities, of which: a person was sleeping in the track area – seven accidents; a person walked in the middle of the track – two accidents	
	Attachment to rolling stock in motion	One person died in one accident	
	Crossing the tracks in front of a moving train	Four accidents: three died; one seriously injured	
	Collisions of the rolling stock and vehicles took place on level crossings	Four cases – in all cases drivers violated the road traffic rules	



PREFACE

ABOUT THE
REPORT

ABOUT
LDZ

CORPORATE
GOVERNANCE

KEY AREAS OF
SUSTAINABILITY
AND STAKEHOLDER
ENGAGEMENT

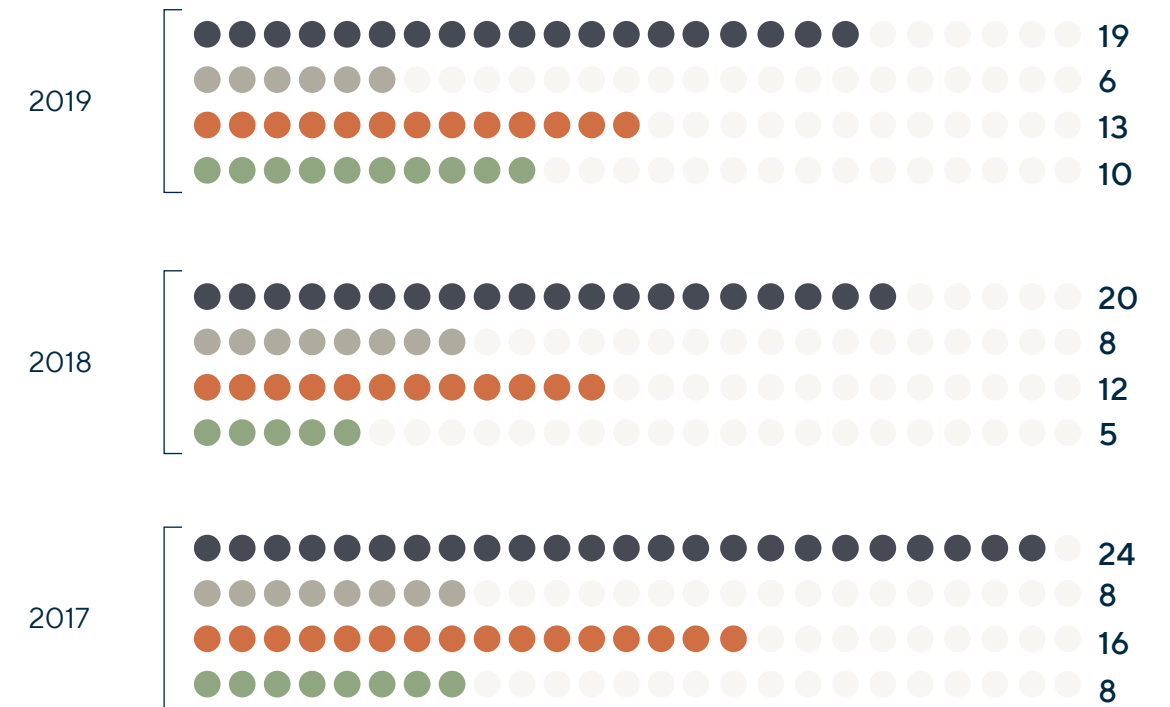
ENVIRONMENTAL
IMPACT

**SOCIAL
IMPACT**

ECONOMIC
IMPACT

INDEPENDENT
AUDITOR'S ASSURANCE
REPORT

Railway accident victims



number of people injured in serious accidents



victims



fatalities



suicide or attempted suicide



Educating the public

3-3; 413-1

Educating on railway safety issues

In the last ten years, an average of 18 people per year died in railway accidents in Latvia, and most accidents are due to careless or reckless behaviour. In order to remind people to cross railway tracks safely and to reduce the number of people injured and killed in railway accidents, VAS "Latvijas dzelzceļš" has been carrying out information activities for several years to remind the population of the most important safety rules to follow when being near or crossing railway tracks.

In 2022, VAS "Latvijas dzelzceļš" implemented a safety campaign – "If you see rail tracks, take a pause!", and also organised safety lessons for children and adolescents.

At the beginning of the school year – in September 2022 – LDz organised an opening event on safety, where it joined representatives from the Childrens Clinical University Hospital, Latvian State Police and the 45th Riga Secondary School to provide information on child and adolescent safety and discuss how best to address school-aged children on safety compliance. Media representatives also attended the opening event.

LDz also invited all of Latvia's students and teachers to participate in the creative competition "If you see rail tracks, take a pause!", whose main task was to bring the campaign's visual solution and slogan to life in video format. Students danced, sang, moved it in drawings, etc. Almost 40 different videos from pupils in classes all over Latvia were submitted for the competition, and the 12 best works were put to a vote on the social networks Facebook and Instagram.

All current information on safety is also available on the website of VAS "Latvijas dzelzceļš" www.dzirdiredzidzivo.lv

VAS "Latvijas dzelzceļš" also regularly organises safety lessons in educational institutions so that the call to be extra attentive and careful near the railway is spread as widely as possible. In 2022, LDz specialists visited almost 200 classrooms in schools and pre-school educational institutions across Latvia with safety lessons, both in person and remotely, where around 4 000 children and young adults learned the rules for crossing tracks safely. In these safety courses, children and young people are taught how to behave properly and safely near the railway and on the train, and they also learn many interesting facts about the railway.



70%

of the respondents had noticed some of the campaign materials



82%

of the respondents stated that the purpose of the campaign was clear and understandable

REDZI
SLIEDES-
NOPAUZĒ!

79%

of the respondents agreed that the slogan "If you see rail tracks, take a pause!" depicts the desired behavior near railroad tracks





Promoting the professional development of young professionals in the industry LDz-2

VAS "Latvijas dzelzceļš" has been working closely with vocational and higher education institutions for several years to train and hire young professionals in the Company and the railway industry in general. Riga Technical University and the vocational training institutions in Riga and Daugavpils, where young professionals are trained for the railway sector, are among LDz's long-standing cooperation partners.

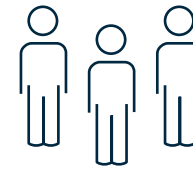
In 2022, LDz participated in the evaluation of the Railway Engineering degree programmes at Riga Technical University's railway study courses, as well as in the work of the expert group evaluating the degree programmes. The completion of the "Railway Engineering" degree programme will enable the development of technological capacity in the Group and provide an opportunity to attract the necessary qualified specialists for LDz's work in the future.

Preserving the heritage of the past LDz-3

VAS "Latvijas dzelzceļš" not only takes care of the quality, safety and development of the existing railway infrastructure, but also preserves the testimonies of railway history that tell of the beginnings of the railway system in Latvia, which date back to the second half of the 19th century.

The main preserver of the heritage of the railway industry is the Latvian Museum of Railway History, whose exhibitions are located in Riga, Uzvaras Boulevard 2a, and Jelgava, Stacijas street 3. The museum's operation is based on the museum regulations and the medium-term development strategy until 2030.

The museum is proud of the largest collection of rolling stock in the Baltic States and takes care of the preservation of the various testimonies of railway history. The museum's collections are regularly expanded, both through the search for and purchase of various items by the museum itself and through gifts from railway enthusiasts.



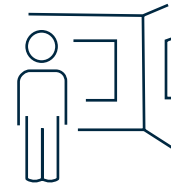
26 813
in 2022
museum visitors in person

8 377
in 2021



276
in 2022
people have participated in
remote museum classes

8 377
in 2021



20 513
museum collection



5
exhibitions
17 566
visitors



472
tours and
classes

7 130
visitors



EUR 57 074
in 2022
museum income from tickets

EUR 17 836,50
in 2021

The largest and most modern railway model of the Baltic States on a scale of 1:87 was completed in 2022 and can be seen in the museum. The model is 44 m² in size and unique, as most of the details are handmade. It was created over several years with the participation of model railway enthusiasts from Latvia and abroad.

An aerial photograph of a large train yard filled with numerous oil tank cars. The cars are arranged in long, parallel rows, stretching into the distance. They are primarily light-colored, with some featuring green or blue bands. The tracks are visible on the left side of the image, and the overall scene is hazy, suggesting a distant or elevated perspective.

08

ECONOMIC IMPACT



Aspects of economic impact:

- Effective management, modernisation and development of infrastructure
- Direct economic impact
- Development of new technologies and digitisation of operations
- Selection of cooperation partners and suppliers
- Attracting financing and investments for the development of operations

Efficient management, modernisation and development of infrastructure

3-3

VAS "Latvijas dzelzceļš" is one of the largest companies in Latvia, which makes a significant contribution to the national economy with its economic activity and ensures the use of railway infrastructure for passenger and freight transport. The main task of LDz is to manage the country's public railway infrastructure and provide safe, high quality and efficient railway services in the interest of the Latvian state and national economy. In accordance with the Railway Law, VAS "Latvijas dzelzceļš" provides the minimum access service complex of the public railway and access to the infrastructure of the public railway, which connects the railway infrastructure with crew positions, services, sorting and assembly of freight wagons, technical maintenance and inspection of wagons, electricity distribution and trade services, rental services, information technology services, electronic communication services, as well as other services.

In 2022, the implementation of the business model of VAS "Latvijas dzelzceļš" started in 2021 was continued. Based on this business model, in 2021, VAS "Latvijas dzelzceļš" Medium-term operational strategy and action plan for 2021 – 2025 was developed, which was accepted on 7 May 2021 under the decision of the Management Board of VAS "Latvijas dzelzceļš" decision and approved on 14 July 2021 under the decision of the Council of VAS "Latvijas dzelzceļš". Whereas, the "Latvijas dzelzceļš" concept for infrastructure development for 2021-2035" includes a description of the current railway infrastructure and related aspects of LDz operations and outlines the vision of the strategic development of Latvian railways and its most important directions, which are directly reflected in the medium-term operations of Latvian railways strategy, in infrastructure development and modernisation projects.

Investments in infrastructure and service development

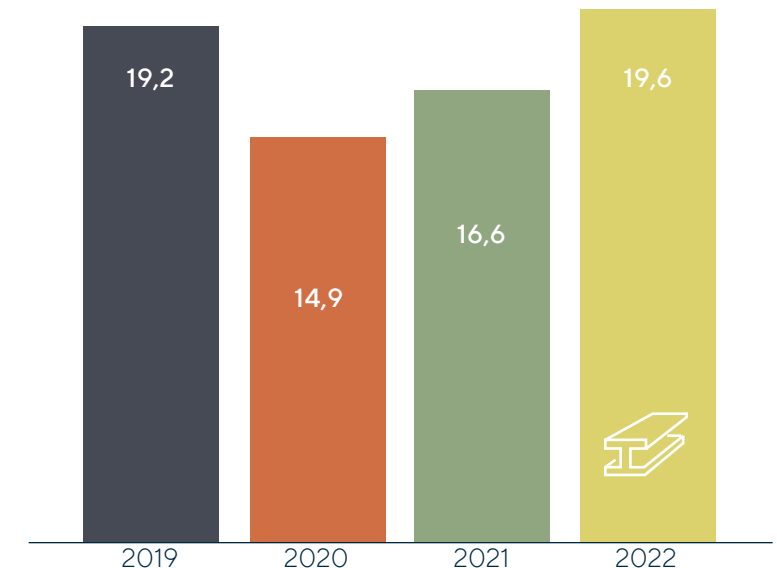
203-1

The mission of VAS "Latvijas dzelzceļš" as a public-use infrastructure manager is to ensure the creation and maintenance, renovation and development of railway infrastructure based on a sustainable financing model for the railway system that meets the requirements of customer mobility and the basic European railway network by implementing efficient management of the resources at its disposal and ensuring full cycle railway operations throughout the country.

In order to record the quality of the tracks and decide on the necessary improvements, several inspections are carried out each year. The assessment of the condition of the tracks is expressed by the average score obtained by dividing the total number of balls of the inspected section by the number of kilometres inspected. According to the tests carried out, the quality of railway tracks in Latvia has been rated as "excellent" for a long time.

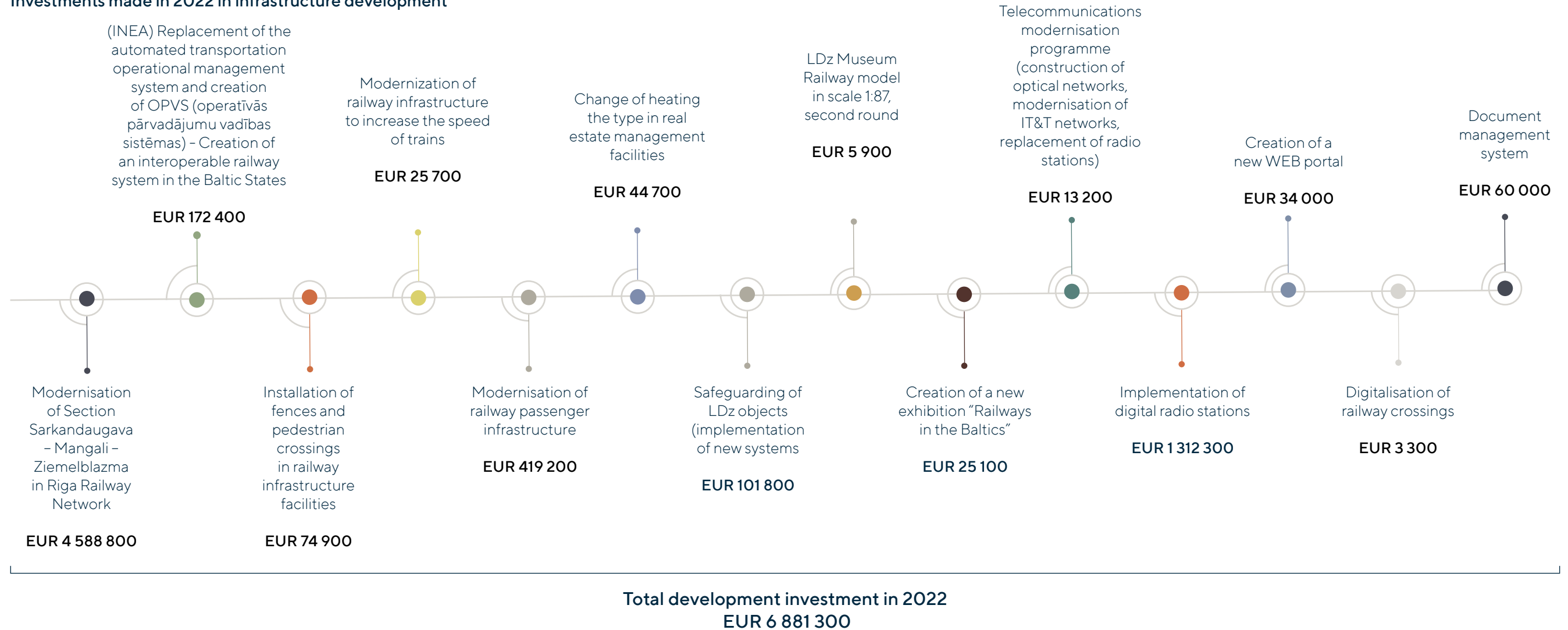
In 2022, the average number of points was 19.6, which is 3.0 points more than in 2021, when the rating was 16.6 points. This quality indicator was achieved thanks to investments in the infrastructure, ensuring its quality, safety and competitiveness.

Track quality rating in points





Investments made in 2022 in infrastructure development





Amount of capital investments made by VAS Latvijas dzelzceļš in 2022

EUR 19 million	Total – Amount of capital investments of VAS “Latvijas dzelzceļš” in 2022
EUR 10 million	Major repairs
EUR 1.4 million	Upgrading IT systems
EUR 0.7 million	Purchase of technological equipment for track repair and maintenance, as well as equipment for the further development of information systems and means of communication
EUR 6.88 million	Contribution to infrastructure development
EUR 0.1 million	Construction in progress includes materials purchased for investment projects

On 30.11.2021, the 2022 budget of VAS “Latvijas dzelzceļš” was approved by the decision of the LDz Council with an investment amount of EUR 84.08 million by reference to completed works. However, in 2022, capital expenditure programme budget was amended, reducing the funding required for the implementation of renovation and development projects in the reporting year. Thus, a reserve of EUR 63.85 million was created – assuming that this amount will not be used in 2022, and directed to the implementation of the started projects in 2023. Amendments to the programme were made in connection with changes in logistics chains in the world, the impact of international sanctions on the entering into transactions, as well as the level of inflation and the decisions of third parties.

Projects co-financed by EU funds and programs

While implementing its principal business goal – maintenance and development of railway infrastructure, VAS “Latvijas dzelzceļš” is constantly planning infrastructure improvement and modernisation, including attracting funding from European Union funds.

Modernisation of the Sarkandaugava–Mangali–Ziemeļblazma section of the Riga railway junction

The project envisages the construction of the second track in the Mangali–Ziemeļblazma section, as well as the modernisation of the centralisation of microprocessors with the aim of improving the processing capacity of the Riga railway node, significantly reducing bottlenecks and increasing efficiency.

The estimated total cost of the project is EUR 22.4 million, and 85% of the co-financing from the EU Cohesion Fund has been allocated to the implementation of the project.

In 2022, the tunnel in Park A of Mangali station had to be redesigned, thereby increasing the volume of works and extending the deadline for the completion of the works. On 17 October 2022 the Management Board’s decision was made to make amendments, increasing the amount of the construction contract by EUR 1 760 000 and extending the deadline for the works until 01.07.2023. On 20 October 2022, the LDz Council agreed to make such amendments.

Also, during the construction works, soil was found to be contaminated with glass production waste of unknown origin, these conditions also made the scope of the work to increase. On 12 December 2022, the Management Board passed the decision to give consent to making amendments, increasing the amount of the construction contract by EUR 270 000, and on 15 December 2022, the Council agreed to make the amendments.

Taking into account the impact of third-party requirements on changes in the designed solutions, on 12 December 2022, the Management Board made the decision to extend the deadline for the works until 27 March 2023. On 15 December 2022, the LDz Council agreed to make amendments. On 28 December 2022, construction contract was signed on the extension of the deadline for the completion of the works.

Modernisation of railway passenger infrastructure

The total cost of the “Modernisation of Railway Passenger Infrastructure” project is planned to be EUR 44.4 million. The project is implemented with 85% co-financing from the Cohesion Fund.



In 2022, at the end of the design phase, construction works were started, which will be completed by the end of 2023. As part of the project, an open competition "Supply, installation and integration of digital information displays" was announced in the reporting year.

Modernisation of the railway infrastructure to increase the train speed

The project "Modernisation of Railway Infrastructure To Increase the Train Speed" the total amount of the contract is EUR 57.93 million, and the project is implemented with 85% co-financing from the Cohesion Fund.

In the reporting year, a contract was concluded with the Association of Entrepreneurs "BMGS-FIMA-ALSTOM" with a reduced amount, because at the time of signing the contract, the entrepreneur informed that, due to the geopolitical situation, he would not be able to complete all the works by the deadline set in the procurement in connection with expected significant delays in the delivery of materials. Therefore, track works (straightening curves) were excluded from the scope of work.

According to the decisions of the Management Board on 28 November 2022 and the decision of the Council of LDz on 15 December 2022, the procurement-negotiation procedure will be held in 2023, without publishing the call for participation "Modernisation of railway infrastructure to increase the train speed: modification of microprocessor centralisation and microprocessor dispatcher centralisation systems".

Installation of fences and pedestrian crossings in railway infrastructure facilities

For the project "Installation of Fences and Pedestrian Crossings in Railway Infrastructure Facilities" the available funding is EUR 7.3 million and for its implementation, Cohesion Fund co-financing in the amount of 85% will be attracted.

On 22 August 2022, a contract was concluded with the merchant "LEONHARD WEISS OÜ", and taking into account the amount of work specified in the procurement and evaluating the organisation of the work, incl. the necessary time for receiving approvals, also from third parties, in the design phase, the construction works of the pedestrian tunnel were excluded from the scope of work, which due to the technological process cannot be carried out within the expected period, i.e., until 31 October 2023. The amount of the concluded Agreement is EUR 4,070,203.56 (excluding VAT). On the other hand, on 30 August 2022, the contract was signed with SIA "Firma L4" for construction supervision and expertise service with the contract amount of EUR 273,220 (excluding VAT).

Establishing an interoperable railway system in the Baltic States

This project is being implemented in cooperation with the Estonian company AS "Eesti Raudtee" and its expected total cost is EUR 5.3 million. The project is implemented with the co-financing of the Connecting Europe Facility (CEF)/(CEF) in the amount of 40%.

In 2022, activity No.2 of the project "Development of a common system concept" was completed – development of a common system concept and implementation plan in order to achieve a mutually usable railway system on Latvian and Estonian railways.

In the reporting year, work on the 3rd activity of the project "Implementation of the operatīvās pārvadājumu vadības sistēmas OPVS Prototype" was started – a contract was signed with UAB "Blue Bridge Code" for the implementation of the operational transport management system in LDZ for the total amount of EUR 1,323,000.

The project completion date is set for the end of 2024.

Preparations for the modernisation project of the electrified network of the Riga city/suburban railway

In the reporting year, several works were completed on the preparation of the project for the modernisation of the electrified network of the city of Riga / suburban railway, which is planned to be implemented within the framework of the Recovery and Resilience Instrument.

In this project, it is planned to improve the emission-free railway infrastructure in the Riga junction and on the Riga – Tukums line, as well as to expand the electrified zone Zasulauks – Bolderaja, by replacing and building the contact network, thus ensuring migration to the 25kV electrification system in the future, which is much more efficient and sustainable compared to the existing 3.3 kV system.

In May 2022, during the preparatory phase of the project, an initial assessment of the environmental impact of the proposed activity was received from the State Environmental Service stating that the environmental impact assessment was not applicable to the proposed activity. The Ministry of Transport, by concluding a contract with SIA "Ernst & Young Baltic", completed the work on the development of a unified cost-benefit analysis for the planned



activities related to the modernisation of the contact network and the expansion of the electrified area, as well as the project of VSIA "Road Transport Administration" for the purchase of battery trains. VAS "Latvijas dzelzceļš" is preparing the procurement documents and the project is expected to be completed by the 1st quarter of 2026.

Selecting counterparties and suppliers

3-3; 204-1

VAS "Latvijas dzelzceļš", as a public service provider, acts in accordance with the Law on Procurement of Public Service Providers in the organisation of procurement procedures, as well as complies with the Guidelines for Public Service Providers approved by the Procurement Monitoring Bureau and procurement rules developed by the Group, as well as the business ethics code of the Group's cooperation partners.

The aggregation of procurement plans and contracts, the organisation of procurement procedures and their legal monitoring within the Company is carried out by LDz's Procurement Office, which complies with all binding laws and also works with the LDz Security Department to ensure that all procurements are as transparent, fair and open as possible. Every procurement contract of LDz contains references to the Code of Business Ethics of the Group's cooperation partners, which must be observed by both contracting parties. In case of doubt, the whistleblower mechanism can be activated, which offers everyone the possibility to anonymously report possible cases of fraud, corruption or conflict of interest.

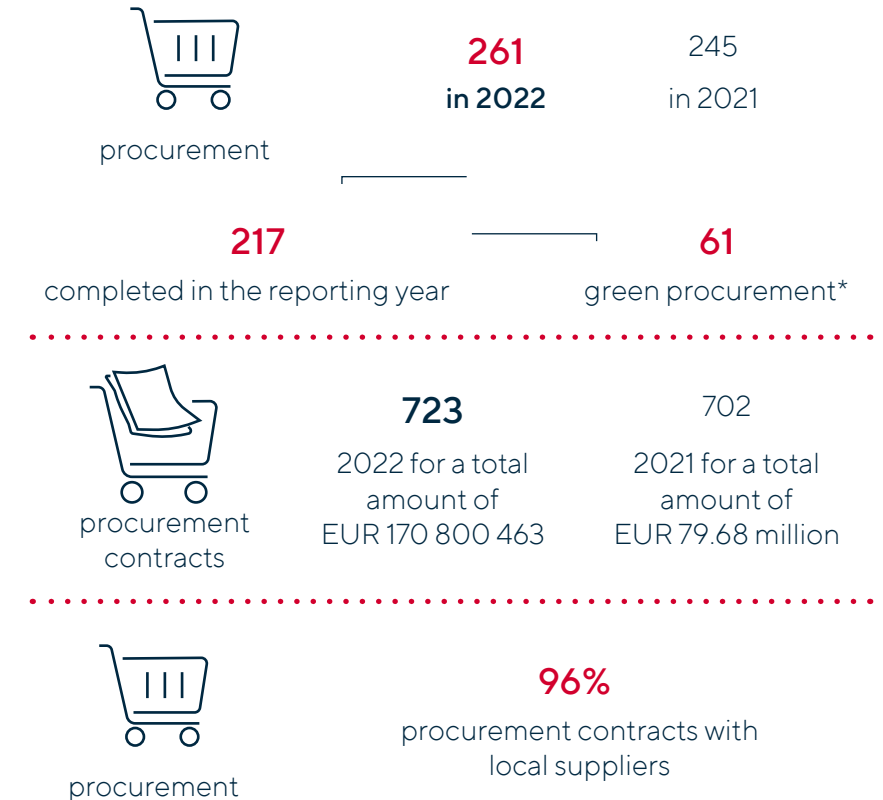
In the context of each procurement, the Procurement Office, before deciding on the award of a contract, conducts a review of the applicant to be awarded the contract in accordance with the International and National Sanctions Law of the Republic of Latvia. At the same time, it is verified that the product offered by the applicant is not subject to a ban on importation into Europe under the international or national sanctions legislation.

In total, 261 procurements have been made in 2022, including 61 of which the "green procurement" principle was applied, and within the framework of these procurements, goods such as office paper, printing equipment, computer equipment and servers, household goods (cleaning products, etc.), light bulbs, etc. were purchased. etc., as well as the procurement of services, electricity purchase, and construction. An important prerequisite for the operation of the Procurement Office is the efficient use of funds. Owing to a thoughtful and responsible procurement policy, in 2022, there were budget savings of EUR 16.79 million (8.95%). The amount saved is calculated by comparing the planned purchase amount of completed purchases with the actual purchase contract amount.

Efficient use of resources is an essential prerequisite for the functioning of the Procurement Office. Thanks to a sound and responsible procurement policy, budget savings of EUR 16.79 million or 8.95% were achieved in 2022. The savings are calculated by comparing the planned procurement amount of completed procurements with the actual procurement contract amount.

Out of all 723 contracts concluded in 2022, 25 contracts were concluded with foreign suppliers, 3 contracts were concluded with foreign branches operating in Latvia, all the others were contracts with Latvian suppliers.

Procurement



*Green procurement is procurement where environmentally friendly and/or recycled materials are used or purchased, or they contain environmental improvement and sustainability measures



Direct economic impact

3-3; 201-1

Since the adoption of LDz's Medium-term operational strategy, geopolitical conditions have changed significantly, which has also affected the activity of VAS "Latvijas dzelzceļš". With the start of the Russian war in Ukraine, the decline in cargo volumes already observed in previous years was negatively affected by the regime of sectoral sanctions. Considering that a large part of the sectoral sanctions entered into force gradually, the real impact of the sanctions was visible from the 2nd half of 2022, and in the reporting year there was a relatively small decrease in rail freight volumes – 21.59 million tonnes of freight were transported, which is 375 000 tonnes or 1.7% less than in 2021.

Positive trends were observed in passenger transport. Analysing the structure of rail transport in Latvia, it can be seen that the use of the rail network has been dominated by freight transport in recent years. Since 2020, this situation has changed and in 2022 the share of passenger transport in train kilometres will already be 60.6% of the total number of train kilometres on the rail network.

Being able to respond to changing market conditions, LDz has significantly optimized in previous years and continued to implement cost reduction measures in the reporting year in order to become a more efficient and competitive Company. In 2022, the organisational structures of the existing technical administrations and the Technical Management Department of LDz were analysed and the necessary changes in the structures and areas of activity of the technical block of LDz were defined, which would improve process management and decision-making. In the reporting year, the LDz Management Board adopted a decision "On LDz Restructuring Measures", which decided to create a working group, which should organize restructuring measures until the end of 2023, which will allow optimizing resources and increasing work efficiency. At the same time, considering the optimisation measures already carried out and planned, the minimally permissible threshold level of infrastructure management resources and investments has been reached in order to ensure the functionality of the existing infrastructure and compliance with the requirements of TEN (Railway Technical Operation Rules), therefore the possibilities to significantly

reduce infrastructure maintenance costs in the future only exist, reviewing and reducing the quantity and quality requirements of the railway infrastructure under the management of Latvian Railways. By taking targeted measures for cost reduction and operational efficiency, the actual operating costs of the Company in 2022 compared to the 2022 budget have been reduced by EUR 3.546 million or 2.7%.

Operating costs in 2022

	2022	2021	Proportion in 2022 %
Total operating costs	128 263 945	127 054 268	100%
Labour costs	62 103 071	66 301 664	48.4 %
Social insurance contributions	14 679 268	15 595 152	11.4%
Use of materials	4 447 756	4 092 970	3.5%
Fuel, fuel for heating	3 095 112	1 947 971	2.4%
Electricity	15 719 924	9 119 464	12.3%
Other costs	28 303 375	29 997 047	22%



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2022 turnover and its breakdown (EUR)

	2022	2021	Proportion in total revenue in 2022, %
Total NET turnover	153 158 297	157 710 504	100%
Revenues from the Minimum Access Service Package and access to infrastructure connecting infrastructure to crew locations	50 637 139	54 505 014	33.1%
State grant for the minimum access service complex and access to the infrastructure connecting the infrastructure to crew positions, including maintenance of unused crew positions	30 324 873	30 325 228	19.8%
Revenues for additional services of the infrastructure manager	21 752 112	19 059 715	14.2%
State grant to ensure financial stability	24 358 998	30 664 125	15.9%
Other services	26 085 145	23 156 422	17.0%



turnover

EUR 153.15 million
in 2022

EUR 157.7 million
in 2021



amount of taxes and
duties paid

EUR 45.06 million
in 2022

EUR 43.6 million
in 2021



company value

EUR 232.9 million
in 2022

EUR 307.65 million
in 2021



The average gross salary of VAS "Latvijas dzelzceļš" employees in 2022 was EUR 1 430.90 per month (in 2021: EUR 1 347.50), which is EUR 57.90 more than the average in the country as a whole. According to the data of the Central Statistical Bureau, the average gross salary in Latvia in 2022 was EUR 1 373. The net turnover (including state funding to ensure financial stability) per employee of VAS "Latvijas dzelzceļš" in 2022 was EUR 41 350.

Raising financing and investments for the development of operations

3-3; 201-4

Maintenance, renovation and development of the railway infrastructure is ensured according to the Multi-Annual Agreement No. L-7392/2018 on 9 November 2018 concluded between the Ministry of Transport and VAS "Latvijas dzelzceļš" "On the Planning and Financing of the Maintenance and Development of the Public Railway Infrastructure Under the Management of VAS "Latvijas dzelzceļš"" and the Mid-term operational strategy of VAS "Latvijas dzelzceļš" for 2021 – 2025.

Considering that due to changing market conditions, the public railway infrastructure manager has developed a deficit of financial resources, which is related to the unearned revenues of economic activity and covering the costs of infrastructure provision, its financial stability is ensured from the state budget.

Information on the amount of state funding received in 2022 and the purpose of the funding

Funding purpose	Justification	Amount in EUR
Partial payment for ensuring the financial stability of VAS "Latvijas dzelzceļš" for the year 2020	Cabinet Order No. 295 "On the Allocation of Financial Resources From the State Budget Program "Funds for Contingencies" of 26 April 2022 to Ensure the Partial Financial Stability of the Payment for the Year 2020 of Vas "Latvijas Dzelzceļš"; Ministry of Transport Order No. 01-03/76 "On Partial Payment for Ensuring the Financial Stability of Vas "Latvijas Dzelzceļš" for the Year 2020" of 31 May 2022	3 000 000
Ensuring the financial stability of VAS "Latvijas dzelzceļš" for the year 2020	Cabinet Order No. 875 "On the Allocation of Financial Resources From the State Budget Programme "Funds for Unforeseen Cases" of 6 December 2022; Ministry of Transport Order No. 01-03/189 "On Payment for Ensuring the Financial Stability of Vas "Latvijas Dzelzceļš" for the Year 2020" of 20 Decmber 2022	6 503 295
To ensure the financial stability of LDz for the year 2021, of which, LDz must ensure the payment of tax debt for the deferred mandatory contributions of the state social insurance and cash flow for European Union structural fund projects to be implemented until the end of 2023	Cabinet Order No. 965 "On the Allocation of Financial Resources From the State Budget Programme "Funds for Unforeseen Events" of 21 December 2022; Ministry of Transport Order No. 01-03/196 of 28 December 2022	30 664 125
Grant for compensating the costs of the minimum access service complex of VAS "Latvijas dzelzceļš" and maintaining crew positions in the passenger segment	In accordance with the Multi-Annual Agreement concluded between the Ministry of Transport and LDz "On the Planning and Financing of the Maintenance and Development of the Public Railway Infrastructure Under the Management of Vas "Latvijas dzelzceļš""	30 324 873



Developing new technologies and digitising operations LDz-4

The railway infrastructure is made up of various components, which include the technological processes whose task is to ensure its high-quality and safe operation. In recent years, LDz and the entire Group have gradually reduced the number of employees in the Company in order to cut costs and stabilise the financial position. This was made possible by streamlining operations and improving various technological processes.

One of the most important projects is the establishment of the Level Crossings Management Centre, which ensures the modernisation of the management system for guarded level crossings and enables a more efficient organisation of the control of guarded level crossings. The creation of this centre has significantly optimised the functions, processes and resources of the LDz railway administration.

Guarded level crossings throughout Latvia's territory are remotely monitored from the level crossing control centre. By gradually abandoning the physical control of level crossings, with the on-duty staff permanently present at the level crossings, it is possible to operate up to 24 level crossings at the same time in the crossing control centre. In the crossing centre, one officer can operate up to six level crossings at a time, optimising resources and improving staff working conditions with the help of technology. The officer on duty at the crossing centre monitors the situation at the level crossings with the help of a video surveillance system and, if necessary, takes appropriate measures to prevent emergency situations. If necessary, he informs the traffic manager or the stationmaster about a potentially dangerous situation at the level crossing, can activate the level crossing's alarm system and also monitor the movement of trains online with a special programme.

The digitalisation of processes and the introduction of new technological capabilities with the aim of constantly increasing the efficiency of corporate operations is taking place in most of LDz's structural units, the most important of which are in 2022:

- Extensive infrastructure and software improvements were made in the information system "Sanctions"
- As part of the digitisation of the train movement registration process, the optimisation of train movement registration by 10% has been ensured
- Document management systems were implemented, a number of processes were revised and simplified
- Modernized freight transport IS (KPS) to ensure electronic data exchange with customs, system improvements were made in improving the integration of KPS-DKDS-EMDAS systems
- Modernisation of the infrastructure manager's information systems was carried out - the development of the Traffic Accomplished Schedule System (KIGAS) and Station Management Automated System (SAVS) continued
- Continuing the development of the freight transportation system, the waybill processing process has been optimized and the digitalisation of this process has been started



09

INDEPENDENT
LIMITED
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REPORT



Independent Limited Assurance Report

To the Management of AS "Latvijas dzelzceļš":

Introduction

We have been engaged by the Management of AS "Latvijas dzelzceļš" (the "Company") to provide limited assurance on the selected information described below and included in the AS "Latvijas dzelzceļš" Sustainability report for the year ended 31 December 2022 on pages 4 to 93 ("the Sustainability report 2022"). The Sustainability report 2022 represents information related to the Company.

Selected information and Reporting criteria

We assessed the qualitative and quantitative information, that is disclosed in the Sustainability report 2022 and referred to and included in the GRI Content Index (hereinafter – the "Selected Information"). The Selected Information has been prepared in accordance with GRI Sustainability Reporting Standards (hereinafter – the "GRI Standards"), published by the Global Reporting Initiative (GRI).

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 31 December 2022. We have not performed any procedures with respect to earlier periods or any other items included in the Sustainability report 2022 and, therefore, do not express any conclusion thereon.

We assessed the Selected Information using relevant criteria, including reporting principles and requirements, in the GRI Standards (hereinafter – the "Reporting Criteria"). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of the management of the Company

The Management of the Company is responsible for:



- designing, implementing and maintaining internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology and guidelines for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparing, measuring and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

Our Responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Company's Management.

We performed the limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the International Auditing and Assurance Standards Board.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. We have fulfilled our other ethical responsibilities in accordance with IESBA Code.



Our firm applies International Standard on Quality Management 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Summary of the Work Performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. It also included an assessment of the significant estimates and judgements made by the Management in the preparation of the Sustainability report 2022 in accordance with the GRI Standards.

Our work consisted of:

- interviewing the management and senior executives to evaluate the application of the GRI Standards and to obtain an understanding of the control environment related to sustainability reporting;
- obtaining an understanding of the relevant processes for collecting, processing and presenting data included in the Sustainability report 2022;
- comparing data from Selected information to internal documentation and corroborate statements of management and senior executives in the interviews;
- comparing the financial data included in the Sustainability report 2022 to the financial statements 2022 of the Company; and
- evaluating the overall format and content of the Sustainability report 2022, taking into account the compliance of the disclosed information with the Reporting Criteria.

Reporting and measurement methodologies

Under the Reporting criteria there is a range of different, but acceptable, measurement and reporting techniques. The techniques can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by the Management as described in the Sustainability report 2022, and for which the Company is solely responsible.



Our conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2022 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

Restriction of Use and Distribution

This report, including our conclusion, has been prepared solely for the Company's Management in accordance with the agreement between us, to assist the Management in reporting on the Company's sustainability performance and activities. We permit this report to be disclosed in the Sustainability report 2022, which will be published on the Company's website¹, to assist the Management in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Management of the Company for our work or this report except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Member of the management board
Certified auditor in charge
Certificate No. 168

Riga, Latvia
6 June 2023

¹ The maintenance and integrity of the Company's website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.

An aerial photograph of a vast rail yard filled with hundreds of oil tank cars. The cars are arranged in long, straight rows that recede into the distance. They feature various color schemes, including green, yellow, white, and dark blue. Some cars have the letters 'SFAT' painted on them. The background shows some industrial buildings and trees under a hazy sky.

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ANNUAL REPORT



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Annual Report of VAS "Latvijas dzelzceļš"

The report on economic activity in 2022 is available on the website of VAS "Latvijas dzelzceļš"

