



# SUSTAINABILITY REPORT FOR 2021

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THE SUSTAINABILITY REPORT, PREPARED IN ACCORDANCE WITH THE INTERNATIONALLY RECOGNISED GUIDELINES OF THE GLOBAL REPORTING INITIATIVE (HEREINAFTER "GRI"), ENABLES THE COMPANY'S IMPACT TO BE IDENTIFIED AND ANALYSED IN A BROADER CONTEXT AND OVER A LONGER PERIOD OF TIME. THE REPORT PROVIDES INFORMATION AND ANALYSIS ON THE IMPACT OF THE COMPANY'S ACTIVITIES ON THE NATIONAL ECONOMY, SOCIETY AND THE ENVIRONMENT. IT PROVIDES INSIGHT INTO THE ECONOMIC AND FINANCIAL INDICATORS VAS "LATVIJAS DZELZCEĻŠ", THE IMPLEMENTATION OF KEY PROJECTS, DAY-TO-DAY OPERATIONS, AND PUBLIC AND INTERNATIONAL ACTIVITIES.

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# ADDRESSES BY THE MANAGEMENT

# 01



## **JĀNIS LANGE**

VAS "Latvijas dzelzceļš"  
Chairman of the Council

In 2021, the focus of VAS "Latvijas dzelzceļš" was on several important areas of activity - along with the promotion of operational efficiency started in previous periods, the company implemented various development projects.

It should be emphasized that in 2021, VAS "Latvijas dzelzceļš" also actively worked on streamlining the company's internal processes, improving the system of internal regulatory documents, as well as taking significant steps towards the introduction of better corporate governance practices in the company. Although the current geopolitical conditions have a significant impact on the global economy and also on the Latvian economy, I am convinced that what has been done in 2021 will allow VAS "Latvijas dzelzceļš" to work sustainably in the coming periods.



## **MĀRIS KLEINBERGS**

VAS "Latvijas dzelzceļš"  
Chairman of the Board

The year 2021 will go down in the history of VAS "Latvijas dzelzceļš" as a period spent in stable intensive work and focused on the implementation of positive changes.

Work on the development of railway passenger infrastructure modernization projects, promotion of freight traffic, diversification of target markets and customer groups, development of new business opportunities, arrangement of the company's internal processes - these were just some of the most important activities of VAS "Latvijas dzelzceļš" in 2021.

Along with a set of various activities aimed at promoting efficiency and commercial potential, VAS "Latvijas dzelzceļš" in 2021 paid special attention to ensuring the sustainable operation of the company, developed a number of regulatory documents related to the development of good corporate governance practice, ethics, environmental accessibility and other issues, and regulatory documents related to topical issues and started their implementation among the employees of the Latvijas Dzelzceļš Group.

Summarizing the results of 2021, it is possible to say that this year VAS "Latvijas dzelzceļš" has done a lot to make the company ready for various development scenarios in the future, at the same time convincingly moving towards the goal of making VAS "Latvijas dzelzceļš" an efficiently working and well-managed company who in Latvia maintains and develops suitable, safe, efficient and modern railway infrastructure for passenger and freight transport.





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# Information about the report

SUSTAINABILITY REPORT OF VAS "LATVIJAS  
DZELZCEĻŠ" FOR 2021 HAS BEEN  
PREPARED IN ACCORDANCE WITH  
THE CORE REQUIREMENTS OF THE GRI  
STANDARD.

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### Reporting period

1 January 2021 to 31 December 2021.

### Reporting cycle

The report is prepared once a year since 2016. The previous report (for 2020) was published on 25 July 2021. The sustainability reports of VAS "Latvijas dzelzceļš" for 2016 and 2017 were prepared in accordance with the GRI (Global Reporting Initiative) G4 guidelines. Since 2019 (the report for 2018), sustainability reports are prepared based on the requirements of the GRI standard and using the Core option (the general standard). The report contains information about the parent company VAS "Latvijas dzelzceļš" and general information about the activities of the Group's subsidiaries, but its content does not fully reflect the sustainability activities of the Group as a whole. In the future, there is a possibility of preparing the GRI sustainability report for the entire Latvijas Dzelzceļš Group.

### Publication date

The report was published in Latvian on September 2022 in Latvia. The report is publicly available in Latvian and English on the website <http://parskati.ldz.lv/>. The report in English has been submitted for publication in the international GRI database <http://database.globalreporting.org/>.

### Reporting principles

In preparing the first sustainability report for 2016, the views of stakeholders affected by VAS "Latvijas dzelzceļš" were identified in detail, including representation of the interests of state institutions, the non-governmental sector, customers, business partners, employees, and representatives of other areas, as well as clarification of their views on the areas where VAS "Latvijas dzelzceļš" has the greatest impact or where there are the highest risks of impact related to material aspects of sustainability. Based on the information obtained, a matrix of key aspects was developed and used in the preparation of all previous reports. With the transition to the GRI Core option standard, the key aspects reflected in the matrix were aligned with the numbering of the aspect indicators of the GRI standard. Taking into account the research and the developed matrix, this Sustainability Report fully reflects the required general information (Standard General Standard Disclosures – 38

indicators) about the activity of VAS "Latvijas dzelzceļš" and provides information on 46 key indicators. The report also includes information on activities that the Company believes are related to the sustainable operation of the company and the identification and mitigation of certain risks, but which were not highlighted as material aspects in the impact assessment or are not part of the GRI standard. In the Sustainability Report, the indicators of the GRI Standard are marked next to the relevant sections, or the material aspects defined by the company are marked with the LDZ-x indicator.

### Data collections methods

The information provided by the entities and structural units of VAS "Latvijas dzelzceļš", as well as the data on the company's activity and the main aspects of reporting were used to prepare the report. Only verified and substantiated data were used in the report. If specific data on a critical area of business impact have not been collected and analysed, this is indicated in the report. The report covers both financial and non-financial activities of VAS "Latvijas dzelzceļš" in 2020. It also contains general information on the activities of the subsidiaries of the Latvijas dzelzceļš Group. The content of the report does not fully reflect the activities of the entire Group in the area of sustainability.

### Auditor's assurance

The review of the Sustainability Report of VAS "Latvijas dzelzceļš" in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" issued by the International Federation of Accountants, was carried out by the accounting firm SIA "PricewaterhouseCoopers". SIA "PricewaterhouseCoopers" was selected because it was also the auditor of VAS "Latvijas dzelzceļš". The resolution to elect SIA "PricewaterhouseCoopers" as the auditor of the Sustainability Report for 2021-2023 was passed at the shareholder meeting of VAS "Latvijas dzelzceļš" convened on 29.07.2021.

### Contact information

The contact person in case of questions or comments on the sustainability report of VAS "Latvijas dzelzceļš" for 2021  
[Agnese.Licite@ldz.lv](mailto:Agnese.Licite@ldz.lv)



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## VAS "Latvijas dzelzceļš"

VAS "Latvijas dzelzceļš" ("LDz"), a state joint stock company, is a public-user railroad infrastructure operator and the dominant company of the Latvijas Dzelzceļš Group. The Company manages the railway infrastructure and provides a minimum range of public railroad access services and access to public railway infrastructure connecting the railway infrastructure with service stations, freight car handling, car maintenance and testing, electricity distribution and trading, leasing, information technology, electronic communication and principal's services.

VAS "Latvijas dzelzceļš" is a state-owned company whose capital is wholly owned by the State and held by the Ministry of Transport.

The Company's registered office is at Gogoļa street 3, Riga. Its structural units and subsidiaries operate across Latvia – in places, where important railway junctions are located that ensure handling of freight transit flow and scheduling of the passenger transport.

The Latvijas dzelzceļš Group consists of the dominant company and six dependent companies, of which the dominant company has direct decisive influence in five of them – SIA "LDZ CARGO", SIA "LDZ Loģistika", SIA "LDZ infrastruktūra", and SIA "LDZ ritošā sastāva serviss". The dominant company has indirect decisive influence in AS "LatRailNet", which carries out the function of a public railway infrastructure operator and provides a wide range of railway services.

In 2021, the liquidation process of the dependent company SIA "LDZ infrastruktūra" was initiated in accordance with the plan approved by the Board and Council of VAS "Latvijas dzelzceļš", for which shareholder approval was obtained. On 12 January 2022, the Cabinet of Ministers (the Cabinet) issued a resolution "On Termination of the Decisive Influence and Shareholding of the State Joint Stock Company "Latvijas dzelzceļš" in SIA "LDZ infrastruktūra" and on termination of shareholding and direct decisive influence of VAS "Latvijas dzelzceļš" in the limited liability company "Rīgas Vagonbūves Uzņēmums "Baltija"" and the termination of shareholding and direct decisive influence of limited liability company "LDZ ritošā sastāva serviss" in the limited liability company "Rīgas Vagonbūves Uzņēmums "Baltija"", whereby SIA "LDZ infrastruktūra" would be dissolved, whereas "Rīgas Vagonbūves Uzņēmums "Baltija"" would be merged into SIA "LDZ ritošā sastāva serviss".

The Group also includes the independent joint-stock company "LatRailNet", which, in accordance with European Union regulations, performs the essential functions of the rail infrastructure operator and is responsible for setting the infrastructure usage charge and allocating capacity for rail transport.

The largest part of the revenues consists of the fee paid by the carriers for the use of the public railway infrastructure depending on the number of train kilometres actually travelled, the amount of which depends on the performance of essential tasks of the public railway infrastructure manager AS "LatRailNet", as well as the fee for the services provided by LDz at the service points.



# The most important events and processes in 2021

In parallel with the Company's core business of ensuring the maintenance of railway infrastructure and the organization of freight transport, in 2021 LDz continued the processes initiated in the second half of 2019 and in 2020 to streamline corporate processes and reduce costs. As a result of the targeted measures to optimise personnel and costs, the review of functions and changes in the organizational structure, the average number of employees in the parent company in 2021 was 4,526, a decrease of 796 employees compared to the average number of employees in 2020. Like any company, the economic processes of VAS "Latvijas dzelzceļš" in 2021 were affected by the COVID-19, including the state-declared emergency and the state-imposed vaccination of employees against COVID-19.

The geopolitical processes also affected the activities of VAS "Latvijas dzelzceļš" and its subsidiaries in 2021. In 2021, several Belarusian companies and cargo groups were placed on the international sanctions lists of the EU and US OFAC, which resulted in a 12% decrease in the volume of cargo transported from Belarus by SIA "LDZ CARGO".

In 2021, strategic documents that are important for the future operation and development of the Company were drawn up. The Strategic and Action Plan of VAS "Latvijas dzelzceļš" for 2021-2025 was adopted under the decision of the Board of VAS "Latvijas dzelzceļš" on 05.07.2021 and approved under the decision of the Council of VAS "Latvijas dzelzceļš" of 14.07.2021. The overall strategic goal of VAS "Latvijas dzelzceļš" was confirmed in Cabinet Resolution No. 421 of 16.06.2021 with the following wording: ensure efficient, safe and sustainable management of railway infrastructure and competitive offer in the areas of logistics, repair and maintenance of railway vehicles, security services for strategically important objects and promotion of environmentally friendly development of railway transport.

The Concept for Infrastructure Development of VAS "Latvijas dzelzceļš" for 2021 - 2035 was developed in 2021; it was approved by a resolution of the Board of Directors on 25.01.2021 and adopted by the Council for information on 18.03.2021, which contains a description of the current infrastructure and related aspects of the Company's operation and outlines the strategic development vision and its main directions reflected in the developed medium-term operational strategy of VAS "Latvijas dzelzceļš", infrastructure development and modernisation projects and other documents.

In 2021, the Green Switch project was launched to provide truck owners and shippers with the opportunity to make freight transportation more efficient and profitable. The project was launched in line with the environmental goals set by the EU and aims to relieve Latvian roads of heavy goods transport, thus improving the quality of roads. This service allows the customer to bring the cargo by semi-trailer, but without tractor and driver, to the rail, where it is delivered to the desired port terminal in Liepaja or Ventspils and loaded onto the ferry "Stena Line" to Germany or Scandinavia.





During the year under review, implementation of the "Modernisation of passenger rail transport infrastructure" project co-financed by the Cohesion Fund began. Work continued on the implementation of the Cohesion Fund co-financed project "Modernisation of the Sarkandaugava - Mangaļi - Ziemeļblāzma section of the Riga railway junction". At the same time, preparations are underway for two other projects to be implemented with co-financing from the Cohesion Fund: "Installation of fences and crosswalks at railway infrastructure objects" and "Modernisation of railway infrastructure to increase the speed of trains".

With the support of the Connecting Europe Facility (CEF), the implementation of the project "Development of an interoperable railway system in the Baltic States" will be continued together with the Estonian railway company AS "Eesti Raudtee".

As part of the plan of the economic recovery and sustainability mechanism, the preparation of the project "Electrification of the railway network" is being worked on.

To promote the train as a safe and sustainable mode of transport and increase its use, the European Union declared the year 2021 the European Year of Rail. The decision was related to the EU's efforts to promote environmentally friendly modes of transport and achieve climate neutrality by 2050 in line with the European Green Deal. As part of the European Year of Rail, various events were held across the EU to raise public awareness of the environmental impact of different modes of transport and to promote rail. As one of the central events, the European Commission organized the Connecting Europe Express train, which travelled across Europe, including the 1.520 mm gauge Baltic train, which operated from 21-22 September 2021 on the Tallinn - Tartu - Valga - Riga - Jelgava - Meitene - Vilnius.

Although the strategic development documents are crucial for the future growth and competitiveness of the company, it is also important to improve various internal processes that also affect the delivery of economic activity. To this end, a number of policy documents were improved or reformulated. In 2021, the Safety Policy, the Environmental and Energy Management Policy, and the Corporate Governance Code of the Latvijas Dzelzceļš Group were adopted, and a new Code of Ethics was developed.

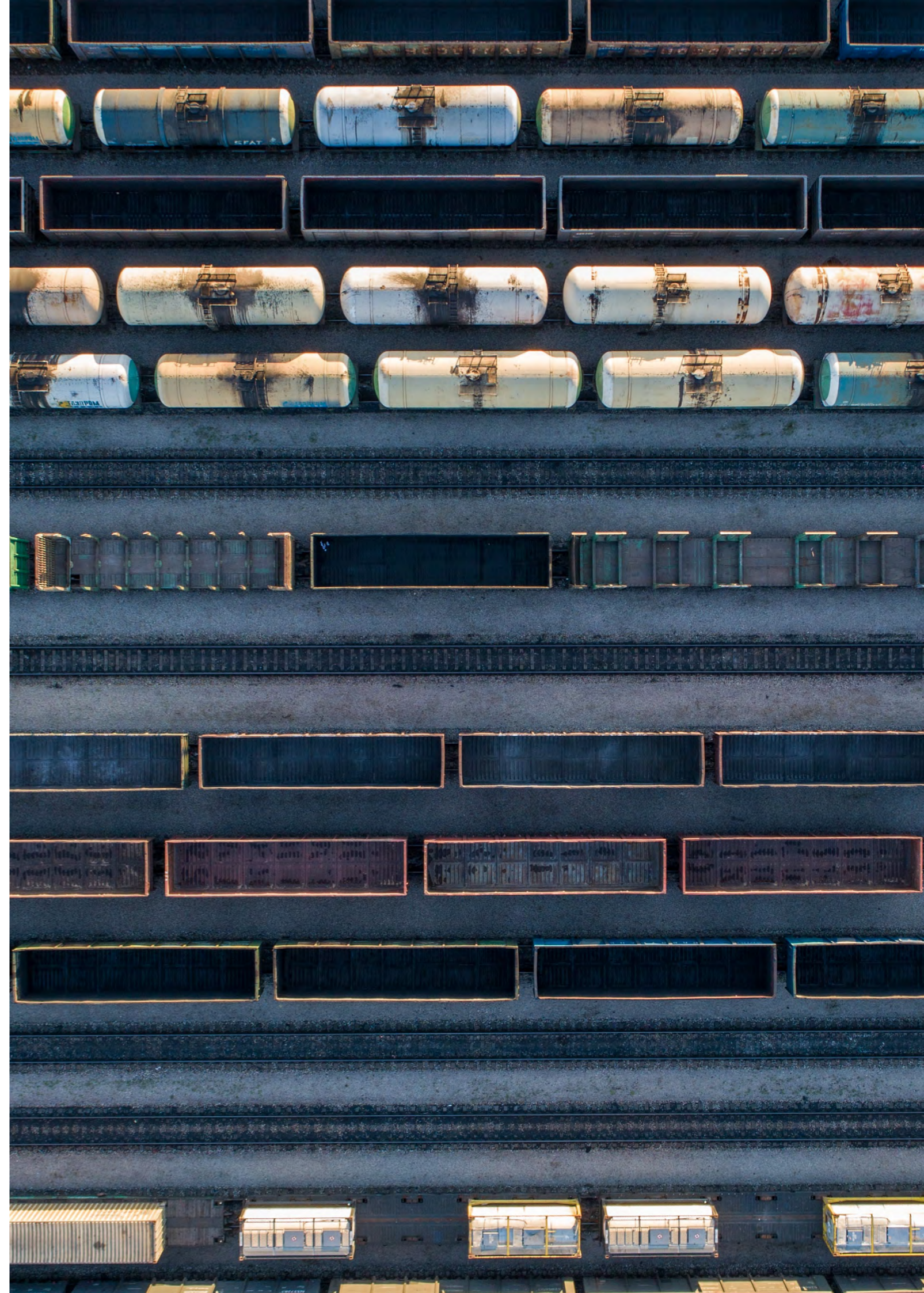
In 2021, the reconstruction of the tracks at Riga Central Station began as part of the Rail Baltica project. The ambitious project will continue until 2026, and LDz and the implementers of this project are responsible for ensuring the continuity of station operations throughout the period of station reconstruction. In 2021, the separate arrival and departure tracks were closed for reconstruction of the existing platforms and construction of new tracks. During the reconstruction, the current arrival and departure routes of trains on various routes will be periodically changed and timetables will be modified in cooperation with the AS "Pasažieru vilciens". After the reconstruction of the station in 2026, the total number of tracks available for train traffic will be 14, including 4 tracks of "Rail Baltica" with a gauge of 1.435 mm and the remaining - LDz tracks with a gauge of 1.520 mm.



# Rail traffic in 2021

Invariably, the company SIA "LDZ CARGO", which also operates on the international freight market, has provided the majority of freight transport services on the Latvian railway infrastructure. Furthermore, four companies outside the Latvijas dzelzceļš Group transport freight as well - AS "BALTIJAS TRANŽĪTA SERVISS", AS "Baltijas Ekspresis", AS "EURORAILCARGO" and AS "LTG CARGO" AB. Passenger transport within the country is provided by AS "Pasažieru vilciens".

International passenger services did not resume in 2021 after being suspended in the spring of 2020 when the measures restricting COVID-19 took effect. Until the spring of 2020, international passenger transport on the territory of Latvia was carried out by SIA "LDZ CARGO", including the transport of the Ukrainian railway formation train (Kiev-Minsk-Vilnius-Riga) and the Belarusian railway formation train (Minsk-Riga), while the Lithuanian railway company UAB LG KELEIVIAMIS took over the transport of the Lithuanian railway formation train (Vilnius-Daugavpils-Vilnius). The 33-kilometre long narrow-gauge railway line has been preserved and continues to operate in Latvia, where passenger service between Gulbene and Aluksne is provided by the SIA "Gulbenes - Alūksnes bānītis".





Since the creation of the railway infrastructure in Latvia, a 1.520 mm gauge rail network has been used to transport passengers and freight, which is wider than the gauge in Western Europe (1.435 mm) but is on a par with the railways in the Baltic countries and neighbouring countries to the east. In cooperation with the three largest Latvian ports (Riga, Ventspils and Liepāja), Latvijas dzelzceļš thus has the opportunity to offer transit corridor connections between the leading countries in Asia and the main transit hubs in Western Europe and the Scandinavian countries.

According to the medium-term operational strategy for 2021-2025, in addition to safe, efficient and sustainable management and development of railway infrastructure, the goal of VAS "Latvijas dzelzceļš" is to provide competitive railway and logistics services in the interest of the Latvian economy and society. The vision of VAS "Latvijas dzelzceļš" is to be an efficient, competitive company that provides high value-added services to its customers and responds flexibly to changes in the transport sector.

Competitive activity is equally important for the company both in the Baltic States and, to an even greater extent, in the former CIS and in Asia, which can be achieved through active participation in the provision of international transit corridors. Participation in international transit corridors also means that global developments have an impact on the economic activities of LDz.

In the first half of 2021, when the prices of fossil commodities on the world markets fell, the demand for the transportation of these commodities also fell, and other events in the world also affected the volume of goods transported on the Latvian railway infrastructure and, consequently, the economic performance of the company. Thus, in 2021, 22 million tons of goods were transported on the Latvian railway infrastructure, which is 8.9% less than in 2020, when 24.1 million tons of goods were transported.



Oil and oil products

**6.3** million tons



Grains, grain products

**4.5** million tons



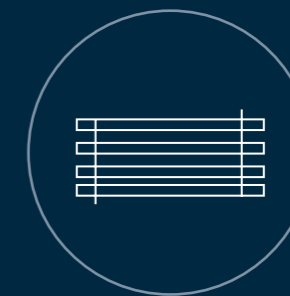
Mineral fertilizers

**2.5** million tons



Coal

**2** million tons



Wood and wood products

**1.8** million tons



Minerals

**0.9** million tons



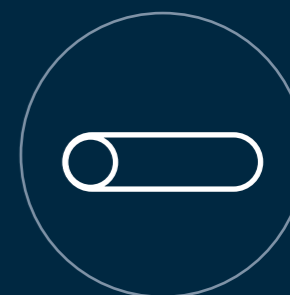
Chemical cargoes

**0.8** million tons



Ores

**0.6** million tons



Ferrous metals

**0.5** million tons



Other cargoes

**2.1** million tons

Volumes of transported cargo in 2021



A strategic business direction of LDz for increasing freight volumes is to attract more new customers into the Latvian transit sector, thus promoting the usage of public railway infrastructure. It can be achieved by developing inter- and multimodal logistics offerings, forming strategic partnerships, developing existing and new markets, developing the marketing of the logistics offerings on the market, and by increasing sales.

**Share of cargo volumes from different countries in 2020 - 2021**

	2020	2021
Belarus	26.7 %	28.0 %
Estonia	0.2%	0.4 %
Kazakhstan	0.4%	5.0 %
Lithuania	9.0 %	10.1%
Russia	61.6 %	54.1%
Ukraine	1.5%	1.8 %
Uzbekistan	0.2 %	0.5 %
Others	0.4 %	0.1%

Despite the pandemic, the global economy began to recover in the second half of 2021, and during the year export shipments via LDz infrastructure reached a total of 2.1 million tons, 5.7% more than a year earlier.

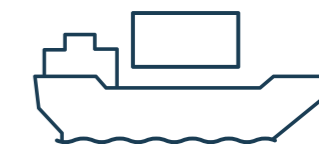
Despite the gradual increase in the volume of domestic cargo and export shipments, according to the data from SIA "LDZ CARGO", the largest share of shipments was accounted for by import and land transit cargo from Russia, Belarus, Lithuania, Ukraine, Kazakhstan and other countries. The largest share of cargo is still imported from Russia, but in 2021 it further decreases to 54.1% (in 2020 the share was 61.6%, in 2019 it was 70.4%). Russia's share of cargo as a shipping country has tended to decline in recent years as Russia has been increasingly active in expanding its ports and diverting cargo there, but in early 2022 this situation was also significantly affected by the international sanctions policy.

As the intensity of freight traffic has decreased, the volume of freight transported in the country's largest ports has decreased accordingly. Although Riga was still the leader in freight transport with 6.5 million tons in 2021, the decrease in volume compared to 2020 was 28%. The second largest cargo volume was carried in the port of Ventspils - 3.6 million tons (-10%), but 3.2 million tons (-3%) were carried in the port of Liepaja. In total, 13.3 million tons were transported to all three ports in 2021 (16.3 million tons in 2020).

Like in 2020, oil and oil products accounted for the largest freight volume in 2021, followed by cereals and processed cereal products, while mineral fertilizers were third (coal was third in 2020). The increase in 2021 was observed in certain cargo types: Minerals - 57.9% more than in the previous year, Mineral fertilizers - 8.6% more than in 2020, and Grain and grain products - 2.4% more than in 2020.

As in other passenger transport sectors, the impact of COVID-19 pandemic-related restrictions on passenger rail transport continued in 2021. In 2021, a total of 11.2 million passengers traveled by rail in Latvia, down from 12.9 million passengers in 2020.

**Share of total rail freight transport to ports in 2021**



**49%**

to the port of Riga



**27%**

to the port of Ventspils



**24%**

to the port of Liepaja



# Infrastructure management and development

The main function of VAS "Latvijas dzelzceļš" is the management of public railway infrastructure in accordance with the legal requirements and quality criteria of the Republic of Latvia and the European Union.

Maintenance, renewal and development of railway infrastructure is carried out in accordance with the Multi-Year Contract No. L-7392/2018 "On Planning and Financing of Maintenance and Development of Publicly Used Railway Infrastructure Managed by VAS "Latvijas dzelzceļš"" and the Medium-Term Operational Strategy of VAS "Latvijas dzelzceļš" 2021-2025 concluded between the Ministry of Transport and VAS "Latvijas dzelzceļš".

In 2021, VAS "Latvijas dzelzceļš" manages 1859.1 km (2020 - 1779 km) of operating tracks, including 1.825.7 km of 1.520 mm wide tracks and 33.4 km - 750 mm wide tracks on which the historic Gulbene-Alūksne train runs.

In Latvia, the railway infrastructure includes 140 stations (freight transport (receiving and delivering goods, loading and unloading) can be carried out at 73 stations and 2 freight stations) and 128 stops (66 stops are open for passengers' embarkation and disembarkation). Compared to 2020, the number of stations and stops has not changed. The maximum speed of trains is set at 120 km/h for passenger trains and up to 90 km/h for freight trains. The maximum axle load for rail vehicles is 25 tons, which means that the railway infrastructure in Latvia is capable of carrying heavier goods (the average weight of a freight train is about 3.000 tons) on the entire rail network.

The infrastructure managed by VAS "Latvijas dzelzceļš" includes the following electrified sections:

- Riga Passenger Station - Jelgava;
- Tornakalns - Tukums II;
- Riga Passenger Station - Zemitāni - Skulte;
- Riga Passenger Station - Aizkraukle;
- Zemitāni - Skotava.

One of the Company's priorities is the safety of pedestrians near railway crossings and crossing them, which is why it invests in safety. In 2021, LDz continued to promote safe movement near railways and a safe crossing of railway tracks through various infrastructure improvements. In the reporting year, work began on equipping two crosswalks with light and sound signal systems - at the Babite stop on the Zaslauks - Priedaine railroad line and in Jurmala, Turaidas Street. Currently, five crosswalks in Latvia are equipped with sound and light signal systems.





In addition to increasing the speed of trains, it is important to modernize level crossings by equipping them with automatic barriers and video surveillance systems. In 2021, 18 level crossings were equipped with video surveillance systems, but only two-level crossings were equipped with automatic barriers. During this period, two new level crossings were installed – on the Riga – Olaine section and near the "Zasulauks" station.

At the end of 2021, the LDz Railway Crossing Centre started its operations, from which the guarded railway crossings are monitored remotely throughout the territory of Latvia. Physical control of grade crossings, with on-duty personnel constantly present at grade crossings, is being phased out. In 2021, a video surveillance system was installed for 19 level crossings, with a total of up to 24 level crossings being served simultaneously. At the border crossing point, one officer can oversee up to six border crossings simultaneously, optimizing resources and improving staff working conditions through the use of technology. The officer on duty at the grade crossing centre monitors the situation at the grade crossings with the help of a video surveillance system and, if necessary, takes appropriate measures to prevent emergency situations. If necessary, the duty officer informs the train dispatcher or station attendant about a potentially dangerous situation at the level crossing, can trigger the level crossing alarm, as well as follow the train movement online with the help of a special programme.

In 2021, VAS "Latvijas dzelzceļš" maintained a total of 574 level crossings and 402 pedestrian crossings.

## In 2021, objects under the management of LDz:



**1859** km  
rail track length  
(operating length)



**140**  
stations



**128**  
stops



**402**  
pedestrian crossings



**574**  
railway crossings

# Human resources

Despite the fact that more and more processes can be automated with the benefits of modern technology, human resources still play a key role in the railway sector, as many important activities related to the maintenance, development and safety of railway infrastructure are only possible with the hands and mind of a human being. As a company with a history of more than 100 years, VAS "Latvijas dzelzceļš" values the experience and knowledge of its long-serving employees and at the same time is aware that a company that wants to develop into a modern, flexible and internationally competitive market player also needs future-oriented new skilled workers.

The average age of employees in the reporting period was 47.5 years. Through increased cooperation with higher education and vocational training institutions, the number of young specialists at VAS "Latvijas dzelzceļš" continues to grow. To motivate employees to pursue a career in the company, there are opportunities to participate in various motivation and skills development programmes. To promote generational change, a special programme has been in place for several years to motivate employees of retirement age to pass on the knowledge and experience they have accumulated over decades to young professionals before they go into well-earned retirement.

Railway infrastructure is made up of various components, which include technological processes designed to ensure its quality and safe operation. People are responsible for these processes – employees of VAS "Latvijas dzelzceļš" throughout the territory of Latvia, in places where railway infrastructure for public use is located. Most of the employees are located in the major cities of Latvia, which are also railway hubs for freight and passenger transport. Although most employees work in Riga and the region around Riga, the Latgale region, which connects Latvian railway infrastructure with Asian transit corridors, also plays an important role.

By streamlining operations and improving technological processes, the number of employees in the company has been gradually reduced in recent years. In order to reduce costs and stabilize the financial situation, the Board of VAS "Latvijas dzelzceļš" decided to optimize the number of employees already in early 2020. In 2021, the process of reducing the number of employees continued, and during the year, as part of the optimization of VAS "Latvijas dzelzceļš", employment relationships with 688 employees were terminated. As of 31 December 2021, VAS "Latvijas dzelzceļš" employed 4,125 people (as of December 31, 2020 – 4,813 people). At the same time, the number of employees in the subsidiaries of the "Latvijas dzelzceļš" Group decreased – in 2021, the average number of employees of the Group was 7,151, and compared to 2020, it decreased by 1,388 employees.

VAS "Latvijas dzelzceļš" observes the principles of non-discrimination in employment of residents of different age, gender and nationality. Despite the opinion that the railway industry is extremely male, in 2021 the company employed 1,441 women, which is 34.9% of all employees. This percentage has hardly changed for years and makes Latvijas dzelzceļš one of the few companies in the industry in the European Union with such a high percentage of women.



# Performance in 2021

Like in 2019 and 2020, the volumes of freight transported continued to decrease in 2021. There are several reasons for this trend, both the pandemic COVID-19, which had a significant impact on all sectors of the economy, and the unstable geopolitical situation.

An important indicator of LDz performance is the number of train kilometers traveled, which is the basis for calculating the infrastructure levy and determining infrastructure depreciation.

In 2021, the total number of train kilometers traveled decreased by 2.6% compared to 2020, including 7.1% in freight traffic, while the number of train kilometers traveled in passenger traffic increased by 1.1%. In 2021, 4.638 thousand train-km of freight transport and 6.037 thousand train-km of passenger transport (including 48.4 thousand train-km in SIA Gulbenes-Alūksnes bānītis) were operated on the public-use infrastructure operated by VAS "Latvijas dzelzceļš". The company's other revenues consist of freight car handling, leasing, electricity distribution, lease and sale of real estate, as well as IT and services provided by a principal.

In the reporting period, no profit or loss was made as VAS "Latvijas dzelzceļš" received state funds to ensure the financial balance of the state-owned operator of the public-use railway infrastructure, which is stipulated in the legal regulations.

The share of revenue from the Minimum access service package and access infrastructure with connection to service points and the government subsidy for the minimum access service package and access infrastructure that connects the infrastructure to the service points in total net revenue derived in 2021 (including the government financing balance) was 53.8 per cent. The share of revenue from infrastructure charges in total revenue in 2021 (excluding government funding to ensure financial balance) was 66.8 per cent.

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The net revenue of VAS "Latvijas dzelzceļš" in 2021 was EUR 157.7 million. It was composed of:

- Revenues from the Minimum access service package and access to the infrastructure connecting the infrastructure to the service points in the amount of EUR 54.5 million (34.6% of revenues);
- Public funding for the Minimum access package and access to infrastructure connecting infrastructure to service points of EUR 30.3 million (19.2% of revenues);
- Revenue from additional services provided by the infrastructure operator in the amount of EUR 19 million (12.1% of revenue);
- Government financing to ensure financial balance in the amount of EUR 30.6 million (19.4% of revenues);
- Other services in the amount of EUR 23.1 million (14.7% of revenues).

Revenues from operating activities in 2021 increased by EUR 1.174 thousand (0.8%) compared to the previous year.



**157.7**  
million EUR  
turnover



**43.6**  
million EUR  
paid taxes



**307.56**  
million EUR  
the company's value



State funding received in 2020 in the amount of EUR 1.466.260 earmarked for the implementation of investment projects of VAS "Latvijas dzelzceļš" was not fully utilised in 2020, but was fully utilised in 2021.

In 2021, both VAS "Latvijas dzelzceļš" and the entire Latvijas Dzelzceļš Group continued to implement targeted measures to reduce costs and streamline operations by reviewing the Company's technological and administrative processes, which resulted in a reduction of the Company's actual operating costs in 2021 by EUR 8.497 million (6.3%) compared to the 2021 budget.

#### Use of state funds allocated for increasing the share capital of VAS "Latvijas dzelzceļš" for investment projects in 2021.

No.	Investment projects	2021 share capital financing	2021 use of share capital financing
1.	Capital expenditure projects in 2020, for which share capital financing was earmarked	1 466 260	1 466 260
1.1.	Replacement of long rails with new ones	1 393 857	1 393 857
1.2.	Renewal of energy (Restoration of contact networks, renewal of traction substation equipment, restoration of electricity supply, and restoration of lighting)	72 403	72 403

In 2021, VAS "Latvijas dzelzceļš" paid EUR 43.6 million in taxes to the State budget.

VAS "Latvijas dzelzceļš" was among the Top101 most valuable companies in Latvia, jointly compiled by Nasdaq Rīga and Prudentia, and ranked 20th in 2021. The value of the Company in this ranking is EUR 307.56 million, while VAS "Latvijas dzelzceļš" ranked fifth in the group of state-owned companies and remained a constant leader in the group of transport, transit and logistics companies.

In 2021, dividends in the amount of EUR 144 thousand were received from dependent companies.

Pursuant to Section 28, paragraphs one and two of the Law on Governance of Capital Shares of Public Person and Capital Companies, the expected share of profit to be distributed in the form of dividends and the share of profit to be distributed in the form of dividends are determined on the basis of the medium-term strategy of the Company. The economic situation of the Group allows forecasting that for the medium-term strategy period from 2020 to 2025 the profit of the subsidiaries must be distributed in the form of dividends to VAS "Latvijas dzelzceļš" and used to ensure financial balance, while the profit of VAS "Latvijas dzelzceļš" as the parent company without state funds to ensure financial balance is forecasted only for 2025 (in the amount of EUR 59 thousand), therefore no dividends to the shareholder are budgeted in this period.

# Responsibility for external initiatives

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As part of its commitment to sustainable, transparent and good corporate governance of the company, VAS "Latvijas dzelzceļš" continued to participate in the industry, business and sustainable governance initiatives in 2021. In the assessment of the 2021 Sustainability Index of the Institute for Corporate Sustainability and Responsibility, VAS "Latvijas dzelzceļš" received a rating in the Gold category.

One of the core values of LDz is safety on and along the tracks. Nevertheless, accidents on the railways happen again and again - be it due to carelessness, negligence or non-compliance with safety regulations, and unfortunately it also happens that a person commits suicide. That's why the LDz is taking up this issue to raise public awareness and encourage people to think about their own health and that of their fellow human beings. In order to promote public understanding of this issue, LDz 2021 organized online discussions with professionals from the crisis and counselling centre "Skalbes" and the Association "Ogle", and created and published videos with real testimonies of suicide attempts.

In 2021, the World Nature Fund's Earth Hour campaign, in which "Latvijas dzelzceļš" also participates on a long-term basis, was held for the 14th consecutive year, and on 27 March, from 20:30 to 21:30, the decorative lighting of the railway bridges of Riga, Jelgava and Daugavpils was turned off. Every year, more people and companies around the world participate in this symbolic action, the aim of which is to bring climate change to the forefront and promote energy saving in everyday life.

VAS "Latvijas dzelzceļš" is not an industrial company and therefore does not directly apply the precautionary approach to environmental protection in its daily work, however, the impact on the environment is assessed in each project implemented by LDz.



# Membership in organizations

## Latvian organizations



### Latvian Railway Sector Employers' Organization (LDzDDO)

LDzDDO's goal is to engage in social dialogue with companies in the sector and the Latvian Railway and Transport Workers' Union (LDzSA). As the largest employer in the railway sector, VAS "Latvijas dzelzceļš" participates in the discussion of legislation and binding documents (e.g. the indicative railway infrastructure development plan) as well as in the submission of proposals. A general agreement was concluded between the LDzDDO, of which VAS "Latvijas dzelzceļš" is a member, and the LDzSA.



### Railwaymen Association of Latvia (LDzB)

The Latvian Railway Association is one of the oldest industrial organizations in Latvia - it was founded in 1920 and renewed in 1991. The mission of the Association is to unite railway lovers and patriots with a national vision in the Latvian railway sector, to create a sense of railway society and to raise the prestige of the railway profession. The organization takes care of preserving the value and history of the rail industry and ensures the continuation of historical traditions. The Latvijas dzelzceļš Group, as the largest employer in the industry, participates in the work of the organization and in the events organized by LDzB.



### Employers' Confederation of Latvia (LDDK)

LDDK is the largest employers' association in Latvia, uniting employers from the public and private sectors. The organization is also an important social partner of the Cabinet and a member of the European employers' association BUSINESS EUROPE. As part of the various formats of cooperation with the public administration, LDDK representatives discuss the most important legislative amendments as well as economic development issues. LDz representatives have participated in working groups and consultation processes on various issues related to business activity and the general economic environment.

### Latvian-Belarusian Association for the Promotion of Economic Relations (LBESVB)

During 2021, cooperation within the LBESVB did not take place.



### Institute of Corporate Sustainability and Responsibility

The aim of the association is to promote sustainable national development by educating society, raising awareness of responsible and forward-looking actions and promoting the development of civil society. By attracting independent experts, the Institute organizes an annual assessment of companies and organizations in the "Sustainability Index". LDz has also participated in the assessment since 2011, receiving the highest award - Platinum grade in the last three years. The sustainability index also includes four subsidiaries of VAS "Latvijas dzelzceļš": SIA "LDZ CARGO", SIA "LDZ ritošā sastāva serviss", SIA "LDZ apsardze", and SIA "LDZ Loģistika".



### Baltic Institute of Corporate Governance (BICG)

The aim of the BICG is to promote good corporate governance in Latvia, Lithuania and Estonia by advising its members on good corporate governance and organizing awareness and training courses for corporate executives. The organization involves public administrations, public corporations as well as the private corporate sector. Since 2016, LDz has been a member of BICG Corporate Development and participates in BICG activities, including the opportunity to take part in the company's executive education programme.



## International organizations

As an EU Member State, Latvia is bound by all EU regulations, the rules contained in directives and the legislation adopted. International railway organizations bring together member companies at both the European and global levels to represent industry interests in shaping EU policy, in particular to support and promote a more efficient business and regulatory environment for European railway operators (carriers) and railway infrastructure companies (infrastructure managers). Members of the organizations are regularly informed about the most important developments, dossiers and new regulations enabling legal and technical changes in the sector. Membership in the organizations enables timely planning and integration of these innovations into the operations management processes.

Membership in European and international organizations provides VAS "Latvijas dzelzceļš" with an opportunity to participate in the debate on EU railway policy and represent its position in line with the interests of the company and the Latvian transport sector. It is an opportunity to have a common approach and understanding of the adaptation of directives and standards in the process of harmonization between railways. As LDz also deals with connections between China and Europe, interoperability is an important item on the agenda.

Over the years, successful cooperation with other railways and organizations has developed through membership in organizations, which gives LDz the opportunity to appear at international events and promote the recognition of the company and Latvia. In this way, the main international market players are familiarised with the Latvian railway system, main connections and future plans.

General meetings bring together the companies of the industry from all over the world and give them the opportunity to meet many existing and potential business partners.

The legal framework for international rail transport is regulated by the International Intergovernmental Organization for International Carriage by Rail (OTIF), which maintains the Convention concerning International Carriage by Rail (COTIF) (adopted on 9 May 1980, in force in Latvia since 1 September 2000).



### The International Rail Transport Committee (CIT)

The Committee was founded in 1902 and its members are European and Maghreb railway and shipping companies. CIT ensures the uniform application and practical implementation of the provisions of the Convention concerning International Carriage by Rail (COTIF), the Uniform Rules concerning the Contract of International Carriage of Passengers and Luggage (CIV) – develops legal bases for agreements governing relations between customers and carriers and mutual relations between carriers.



### The International Rail Transport Committee (CER)

CER represents the interests of its members in shaping EU policy to support and promote a more efficient business and regulatory environment in the industry. The organisation has more than 70 members and partners and is responsible for environmental, infrastructure, customs and legal issues, passenger and freight transport, the development of TAFTSI (the application enables standardised real-time exchange of information between railway companies involved in the transport process, such as delays, cancellations and missed connections) and human resources management issues. The main items on the agenda are the introduction of the



technical pillar of the fourth railway package, cooperation between European railways in ticketing and data exchange, the development of innovation and digitalisation, including signalling systems and automatic trains, and the improvement of intramodality.



#### **The International Union of Railways (UIC)**

The UIC was founded in response to geopolitical changes following the First World War. It was founded in 1922, and the Latvian Railways Board became a full-fledged member of this organization in the beginning of its activities. VAS "Latvijas dzelzceļš" restored Latvia's representation in the UIC organization in 1992.

UIC coordinates cooperation between railroads worldwide on current issues and promotes smooth operation of the railway system. The organisation has 194 members from around the world. UIC develops standards and promotes innovation in railway development. The main issues on the UIC agenda are the development of the Trans-European Rail Corridors, the development of the Euro-Asian Transport Corridor, the financing of infrastructure development, the digitalization of railways and convenient connected mobility. Work will continue on developing common standards, research and sustainable development programmes, and safety issues.



#### **The association of railway security managers and railway/transport police forces (COLPOFER)**

COLPOFER combines the forces of railroad companies and railway police to develop a common approach to the safety of the European railway system.

The common mission of the organization is to protect people, property and assets in the railway sector from destructive and criminal activities. The LDz experts of this organization participate in the working groups "Protection against terrorist activities" and "Cybersecurity", which deal with issues of acting in case of a terrorist attack or threat as well as with issues of IT security.



#### **RailNetEurope (RNE)**

Cooperation within RNE enables the joint development of harmonised processes and tools for the management of EU rail corridors (IT systems) for freight operators, infrastructure managers and capacity allocation companies.

RNE was established in 2004 to address the challenges facing the international rail industry: supporting compliance with European regulations, i.e., developing harmonised international business processes, templates, manuals, guidelines and systems.



#### **North Sea - Baltic Rail Freight Corridor (RFC8)**

Established in 2015 under Regulation No. 913/2010 of the European Parliament and of the Council of 22 September 2010 concerning a European rail network for competitive freight.

The Ministry of Transport and representatives of the companies in the group participate in the activities of the NSB RFC8 Board, the Board of the facility and the working groups.

The Company's internal working group has been established to coordinate information and prepare opinions for the representation of VAS "Latvijas dzelzceļš" in RFC8 working groups and institutions.



#### **Platform of Rail Infrastructure Managers in Europe (PRIME)**

PRIME is a cooperation organization established by the European Commission in 2013 with the aim of bringing together the main EU railway infrastructure managers (companies) to discuss, coordinate, develop and take decisions on the development of the Single EU Railway Area and the railway sector, ensuring better decision-making in the interest of the Member States and to facilitate the implementation of directives in the railway sector.



The organization deals with digitalization issues (IT), railway financing, infrastructure charging, KPIs & Benchmarking, legal issues and railway safety issues.

**The Council of the Commonwealth Member State Railway Transport (Совет по железнодорожному транспорту государств - участников Содружества - CSŽT)**

CSŽT is an CIS intergovernmental body that coordinates the activities of railway transport between railway companies from 18 countries.

The LDz participates as an associate member in the work of the Railway Transport Council to ensure the movement of international passenger and freight trains with a gauge of 1.520 mm.

On the basis of documents developed by CSŽT, the company carries out daily operations at railway border crossings to the east, wagons are accepted and handed over, the company's locomotives carry trains crossing the borders of third countries, the necessary repairs to rolling stock are carried out and train schedules are agreed.



**Coordination Trans-Siberian Transport Council (Международный Координационный совет по трансевразийским перевозкам - KSTP)**

KSTP promotes and develops traffic in the Europe-Asia-Europe direction, bringing together shippers, terminal representatives, carriers, and others involved in the transportation process to increase the volume of rail freight traffic in this direction. The CSTP has 120 members from 24 countries.



**Organization for Railway Co-operation (Организация сотрудничества железных дорог - OSJD)**

Established in 1950 to regulate the legal framework and economic aspects of international transport. The governing bodies of the organization are the ministries of transport of the member states and the executive bodies are the national railway companies of the member states. A total of 29 member states are represented in the organization.

The OSJD provides for the development of the international transport law (MTP), updating of the Convention on International Passenger Traffic (SMPS), supplements the Agreement on International Freight Traffic by Rail (SMGS), and other legal instruments related to international rail transport.

The organization also promotes the development of rail transport between Europe and Asia, including combined transport, advocates a coherent transport policy for international rail transport, develops operational strategies for rail transport, and ensures that the rail transport lobby competes with other modes of transport.



# ETHICS AND PROFESSIONAL INTEGRITY

In order to promote the development of a corporate governance culture in Latvian companies, the Corporate Governance Advisory Board established by the Latvian Ministry of Justice developed the Corporate Governance Code (Recommendations on Best Corporate Governance Practices for Companies in Latvia) in 2020. The OECD recommendations on corporate governance set out 17 principles. The principles set out in the Code are intended to complement the procedures set out in legislation by providing sound but flexible guidelines for developing the most appropriate corporate governance model for the company. The activities of LDz also comply with this Code and the principles contained therein, compliance with which is described in more detail in VAS "Latvijas dzelzceļš" Statement on Corporate Governance in the Latvijas Dzelzceļš Group in 2021:

- The Company has a current strategy that sets out the Company's objectives and long-term increase in value;

VAS "Latvijas dzelzceļš" has developed and approved a medium-term operating strategy for 2021-2025, and the targets and indicators set out therein form the basis for the preparation of the 2021 budget. The budget of each dependent company has been prepared on the basis of the financial targets set for the parent company. Non-financial targets and key performance indicators are also assessed as part of the budget control process.

- The Company has developed the Code of Ethics, which serves as a standard of conduct for management and employees;

The corporate values of the Latvijas Dzelzceļš Group, as well as the principles of professional conduct and ethics, ensuring that they are directed against corruption, conflicts of interest, illegal use of insider information and other illegal and unethical acts, are set forth in the Code of Ethics of the Latvijas Dzelzceļš Group. The Code of Ethics summarises the general principles of good business practise and professional ethics and conduct of the employees of the parent company VAS "Latvijas dzelzceļš" and its dependent limited liability companies.

- The Council has an oversight over the Company's internal control system;

The internal control system is a set of risk management, control and governance measures of the Latvijas Dzelzceļš Group, the purpose of which is to ensure the achievement of objectives, efficiency of activities, reliability of reports and compliance with legislation. The internal control system of VAS "Latvijas dzelzceļš" is supervised by the Council of VAS "Latvijas dzelzceļš". VAS "Latvijas dzelzceļš", as the parent company of the Group, coordinates the implementation of internal control in the dependent companies.

- The Company identifies, assesses, and monitors the risks associated with its activities;

The Latvijas Dzelzceļš Group has implemented a risk management system and established risk reporting procedures in accordance with the Latvijas Dzelzceļš Group Risk Management Policy approved by the VAS "Latvijas dzelzceļš" Council. The risk management system of Latvijas Dzelzceļš Group is managed by the Board of VAS "Latvijas dzelzceļš" and supervised by the Council of VAS "Latvijas dzelzceļš". An internal audit unit has been established within the Company;

The internal audit function in the Latvijas Dzelzceļš Group is performed by the Internal Audit function of VAS "Latvijas dzelzceļš", which functionally reports directly to the Council of VAS "Latvijas dzelzceļš" and administratively to the Board of VAS "Latvijas dzelzceļš". Internal audit may conduct audits and inspections in dependent limited liability companies. Internal Audit conducts assessments, prepares internal audit reports and reviews of VAS "Latvijas dzelzceļš" and its dependent limited liability companies in accordance with the approved annual audit plan. The internal audit reports are submitted to the Board, the Council and the representative of the holders of capital shares.

- The Company has an independent external auditor;

VAS "Latvijas dzelzceļš" and the Group companies have an independent external auditor.

- The Company ensures a transparent procedure for the election and removal of the Council members.

The procedure for appointing members of the Council of VAS "Latvijas dzelzceļš" complies with the principles of good corporate governance, ensures open, honest and professional selection of Council members and thus promotes the establishment of a professional and competent body of the capital company.

- The members of the Council together have relevant experience and competence;

The composition of the Board is designed to ensure the competencies required for good corporate governance and the nature of VAS "Latvijas dzelzceļš" business or industry, as well as independence in decision-making. Information on the professional experience and education of the members of the Council is published on the Company's website.

- The Council of the Company has independent council members;

On the Council of VAS "Latvijas dzelzceļš", two of the four members of the Council are independent and meet the independence requirements set forth in external laws.

- The Company has implemented the remuneration policy;

The Latvijas Dzelzceļš Group has the remuneration policy in place, which is published [here](#).

- The organization of the Council's work is defined and understood within the Company;

The principles of work of the Council of VAS "Latvijas dzelzceļš" are laid down in the Rules of Procedure of the Council of VAS "Latvijas dzelzceļš".

- The Council makes informed and well-considered decisions; the Committee prepares proposals for Council decisions;

In their decisions, the Councils of the Latvijas Dzelzceļš Group companies promote the achievement of the objectives contained in the medium-term operational strategy, assess the risks and the short- and long-term impact on the company's value, sustainability, and responsible development.

- The members of the Board and the Council are aware of the manifestations of conflicts of interest and are informed of the necessary measures in the event of a conflict of interest;

The members of the Councils and Boards of the dominant company of the Latvijas dzelzceļš Group and its dependent companies are public officials within the meaning of the



Law on the Prevention of Conflict of Interest in Activities of Public Officials and must comply with the general and special conditions for the pooling of commercial activities of public official, the acceptance of gifts and donations and other restrictions, as well as the duties of a public official.

In carrying out their activity, the members of Boards of the dominant company and dependent companies comply with the restrictions specified in the Commercial Law for concluding transactions with related parties, as well as the prohibition of competition.

- The Company provides the shareholder with information on the course of the Shareholder Meeting in a timely manner, providing all the necessary information for decision-making;

Shareholder Meetings are organised in accordance with the Ministry of Transport internal regulations No. 01-02 / 31 "Procedures for the Management of State Capital Shares" of 27.09.2021.

The Board and the Council of VAS "Latvijas dzelzceļš" submit to the Shareholders' Meeting for consideration the matters on which, according to the law, only the Shareholders' Meeting may decide or for which the Board and the Council require the prior approval of the Shareholders' Meeting.

- The Company promotes an effective involvement of shareholders in decision-making;

The interests of a shareholder shall be represented at the LDz Shareholders' Meeting by the Secretary of State of the Ministry of Transport or another official of the Ministry designated by order of the Secretary of State, who shall have all the rights, duties and responsibilities of the shareholder's representative.

- The Company's dividend policy is aligned to the laws and regulations of the Republic of Latvia and is agreed with the shareholder;

The procedure for determining the share of profit of a public company to be forecast and distributed as a dividend is

set forth in the Law on Governance of Capital Shares of Public Person and Capital Companies and in the Cabinet regulations issued in this regard. The projected share of profit of the dependent company to be distributed as dividends and the share of profit to be distributed as dividends shall be determined in accordance with the Law.

- The Company provides regular and timely information to the shareholder and other stakeholders about the Company's business activities, financial results, corporate governance, and other relevant issues.

On its [website](#) VAS "Latvijas dzelzceļš" publishes the group company information in accordance with the law to ensure that economic activities and financial performance. VAS "Latvijas dzelzceļš" has been preparing and publishing Sustainability Report since 2015. This Sustainability Report has been prepared in accordance with the internationally recognised guidelines of the Global Reporting Initiative (GRI). The report for 2021 is planned to be published in June 2022.

In order to consolidate the corporate governance guidelines of VAS "Latvijas dzelzceļš" and its subsidiaries into a single document and promote the implementation and improvement of good corporate practices, the Code of Corporate Governance of the Latvijas Dzelzceļš Group was adopted in 2021. The purpose of the Code is to lay down uniform principles according to which AS "Latvijas dzelzceļš" implements corporate governance by promoting ethical, responsible and transparent corporate governance practices within the Group. The Code of Corporate Governance of the Latvijas Dzelzceļš Group is available [here](#). The principles of the Latvijas Dzelzceļš Group, as well as the principles of professional conduct and ethics, ensuring that they are directed against corruption, conflicts of interest, illegal use of insider information and other illegal and unethical acts, are set forth in the Code of Ethics of the Latvijas Dzelzceļš Group. The Code of Ethics was updated in 2021 and summarizes the basic principles of good business practices and professional ethics and conduct of employees of the Code of Corporate Governance of the Group. The current edition of the Code of Ethics of Latvijas Dzelzceļš Group is published on the LDz [website](#).

# Key policies for good corporate governance

## Remuneration policy

The remuneration policy of the Latvijas Dzelzceļš Group aims to establish uniform general principles for remuneration and motivation management throughout the Group. At the same time, it sets the guidelines for mutual cooperation between the Group companies and the division of tasks, the structure of the remuneration system and the target level on the labour market. The main task of the remuneration policy is to promote the motivation of employees to achieve strategic goals and to support the participation of each employee in improving the quality of work performance.

The general principles of implementing the policy:

- Equity
- Transparency
- Competitiveness and financial affordability
- Purposefulness.

## Safety policy

In October 2021, the Safety Policy of the Latvijas Dzelzceļš Group was adopted, the objectives of which are:

- Ensuring the implementation of the safety procedures implemented in the Group to protect the railway infrastructure, promote an open business partnership, and implement the operational strategy approved by the Group;
- Improving the Group's employee skills and understanding of safety issues in order to identify potential risks and threats in a timely manner and to develop and optimise risk mitigation solutions;
- Strengthening the Group's ability to respond to potential security incidents - infrastructure, transactions, information security and personnel - in strict compliance with external and internal legal requirements and general legal principles.

## Anti-Fraud Policy

The Group's Anti-Fraud Policy was approved in 2016, but the new version was not adopted until 2019. The objective of this policy is to establish an internal control environment that ensures the prevention of fraud, including corruption, as well as the detection of possible fraud, the establishment of levels of responsibility for the evaluation of control measures and the investigation of possible fraud. The policy sets out the Group's internal whistleblowing system.

The Anti-Fraud Policy regulates the conduct of employees in communications with the Company's cooperation partners, including the evaluation of cooperation partners and business trips, gifts, etc. in the event of possible conflicts of interest. The Policy also specifies how an employee should handle a suspected case of fraud.

The Policy complies with the requirements of the Whistleblowing Law and the Cabinet Regulation "On General Requirements for the Internal Control System for Preventing the Risk of Corruption and Conflicts of Interest in a Public Institution", which are binding on the Group.

In 2021, the draft Anti-Fraud Policy was updated and the preparation of guidelines for the implementation of the Anti-Fraud Policy was started.

## Traffic Safety policy

The Latvijas Dzelzceļš Group's Traffic Safety policy is one of the underlying elements of the company's safety management system. The aim of the Policy is to establish common principles and directions of action for traffic safety management, observing the requirements of regulatory enactments regulating the field of traffic safety, in order to prevent the occurrence of unacceptable risk.

General principles of the Traffic Safety policy:

- The services provided by the Group are safe for employees, passengers, customers, society and the environment;
- Each employee involved in ensuring traffic safety is responsible for traffic safety within the scope of their work duties;
- When ensuring traffic safety, priority is given to preventive measures to avoid unacceptable risks;
- The impact on traffic safety is factored into all decisions.



### Environmental and Energy Management policy of the Latvijas Dzelzceļš Group

The purpose of this Policy is to establish the principles and tasks of environmental and energy management of VAS "Latvijas dzelzceļš", observing the requirements of legislation and the goals and tasks of the State environmental policy for commercial activity, in order to reduce the negative impact of the Group's activity on the environment, promote the efficient use of resources, increase energy efficiency, provide services that are safe for people and the environment, and ensure the sustainable, competitive and energy-efficient development of the company.

The principles of the Policy:

- Uniform environmental and energy resource management is implemented in the Group in accordance with business objectives;
- Each employee is responsible for contributing to the implementation of the policy within the scope of his or her competence and defined responsibilities;
- Priority is given to preventive measures to avoid potential environmental problems and unjustified use of energy resources.

### Risk management

Good corporate governance and development requires that operational risks are identified, recognised in a timely manner, and negative risks are avoided or minimised. Risk management is a continuous and regular process of strategic importance, planned and improved in line with the strategy of the Group's parent company. In 2019, a risk management policy was developed in the Latvijas Dzelzceļš Group. In 2020, regular risk reporting was started in the Group's parent company, VAS "Latvijas dzelzceļš", and the implementation of risk management processes in the dependent companies was completed by the end of 2020.

Starting from 2021, the dependent limited liability companies are required to submit quarterly reports on material risks to the Board and the Council (if there is a Council) and provide information to the Latvijas Dzelzceļš Group Risk Manager for preparation and submission to the Board and the Council of VAS "Latvijas dzelzceļš".

In order to improve risk management, in 2021 the regulations for investment risk management and the guidelines for investment projects implemented by VAS "Latvijas dzelzceļš" were updated.

In order to improve risk assessment methods, a pilot project on quantification of significant strategic risks was conducted in 2021, applying various quantification methods and involving the Board and Council of VAS "Latvijas dzelzceļš" in a discussion on the results of risk quantification and further improvement of risk management.

The conclusions from the self-assessment of the risk management system and the assessment of the maturity level of the risk management system conducted by Internal Audit at the end of 2021, as well as the audit recommendations, form the basis for the measures to improve the implementation of the risk management and monitoring system of the Latvijas Dzelzceļš Group in 2022.

The risk management system of Latvijas Dzelzceļš Group is managed by the Board of VAS "Latvijas dzelzceļš", while oversight is provided by the Council of VAS "Latvijas dzelzceļš".

The Audit Committee of VAS "Latvijas dzelzceļš" oversees the Company's internal control and risk management system, and the Group Risk Manager participates in the meetings of the Committee.

According to the risk management policy of the Latvijas Dzelzceļš Group, risks are divided into the following risk categories:

- **Security risks**, including traffic security, physical infrastructure security, IT security, etc;
- **Operational risks**, including infrastructure maintenance and operation, production process provision and continuity, rolling stock operation, service delivery process, and other risks;
- **Financial risks**, including taxes, ensuring the financial stability of the company, budget planning and control, creditworthiness, completion and control of transactions, and other risks;
- **Legal risks**, including legal, compliance, procurement, corruption and conflict of interest risks, personal data protection, and other risks;

- **Strategic risks**, including environmental risks, strategic planning, implementation of investment projects, reputation, planning, and implementation of new development directions and other risks.

The Latvijas Dzelzceļš Group defines areas where the occurrence of risks is unacceptable, including all risks that endanger the health and lives of employees, the safety of rail transport, the safety of critical infrastructure, cause IT safety incidents or are caused by illegal actions with corporate assets and financial resources dependent on the Group, therefore Latvijas Dzelzceļš Group maintains strict control mechanisms and continuously improves them in order to minimise the possible occurrence of risks. In 2021, the Company's main risks related to the impact of external factors on the achievement of its goals, including the risk that the volume of services provided by the Latvijas Dzelzceļš Group could decrease due to changes in the market structure, which would have a significant impact on revenues. The most important part of rail freight transport is import and land transit from the Russian Federation and the Republic of Belarus, therefore factors related to changes in the geopolitical situation, including sanctions imposed by the European Union and US OFAC, may affect the future development of LDz in the field of freight transport.

Capital project risks, in turn, are related to increases in construction costs and energy prices and meeting deadlines associated with supply disruptions caused by the COVID-19 pandemic and the inability of contractors, as well as other external factors.

Human resource risks, including successor risks, can impede the implementation and consolidation of change. Current successor risks are related to internal factors such as workforce optimization and lack of employee motivation, while external risk factors affecting human resource mobilisation are the impact of the COVID-19 pandemic on labour resources, the labour market, and wage levels.

One of the main risks in 2021 was also the risk of business continuity due to inability to work - the risk that several

employees will not be able to work in a critical workplace (infected with COVID-19 or with contact person status). The assessment of this risk remains high in the third quarter of 2021, considering the increase in infection rates and the imposition of the state of emergency in the country, which prohibits state-owned enterprises from hiring individuals without proof of vaccination or illness. The impact of the risk was classified as critical, as the Unstable operations to ensure the safety of rail traffic (with interruptions at various control points) could pose a threat to national security, safety, health, or life of the entire society, a group of people, or individuals. For risk management, preventive and preparedness plans have been developed in the Company's structural units to ensure the fulfilment of the basic requirements for the technical operation of the railway to ensure the continuity of railroad operations in the event of a mass infection.

In order to mitigate human resources risks in 2022, targeted measures have been initiated, including improving the succession system, updating career planning procedures and organising skills improvement in line with changes in technological processes, increasing the competencies of managers, and integrating new employees.

In 2022, the Latvijas Dzelzceļš Group will continue to improve its risk management system to strengthen risk management in its core business processes and improve its risk culture. It is planned to update the Latvijas Dzelzceļš Group's risk management procedures and supplement risk assessment methods with an assessment of the financial impact of risks and risk quantification. Work has started on the implementation of the Group's solution for information exchange and storage within the framework of risk management, as well as on the preparation of interactive training materials for risk management.

#### **Internal audit**

One of the structural units of VAS "Latvijas dzelzceļš" is the Internal Audit Department, which functionally reports to the Council of VAS "Latvijas dzelzceļš", but administratively reports to the Chairman of the Board of VAS "Latvijas dzelzceļš".



The Board of VAS "Latvijas dzelzceļš" approves the internal audit work plan every year, and the employees of the structure systematically review and evaluate the quality, efficiency and compliance of the internal control system of the functions established by LDz and the corresponding processes with the legal requirements and strategic and operational objectives.

The work plan is adopted by the Council and the Shareholders' Meeting of VAS "Latvijas dzelzceļš".

In 2021, the staff of the Audit Department conducted 11 audits, including 7 audits of the common systems of VAS "Latvijas dzelzceļš" and 5 audits of internal control systems in the structural units of the Company and dependent companies of the Group, two of which will be continued in 2022. In 2021, four ad hoc thematic audits and inspections were also carried out in the Company.

Following the audits, auditors develop specific process improvement recommendations for each audited unit. In 2021, a total of 50 recommendations were made, of which 12 were identified as low priority, 33 as medium priority, and 5 as high priority.

An external assessment of the internal audit function was conducted in 2021, which resulted in staffing changes and identified necessary changes to audit processes. Implementation of the improvements began in 2021 and will continue in 2022.

During the reporting year, the internal control system was assessed in line with the 2021 audit plan. To facilitate the implementation of VAS "Latvijas dzelzceļš" operational strategy, in 2022 Internal Audit will focus on risks that may significantly affect the achievement of strategic goals.

In 2022, Internal Audit plans to improve audit procedures in accordance with the international standards of the Institute of Internal Auditors. The Internal Audit plan is risk-based and focuses on assessing the effectiveness of the control systems to achieve the key objectives.





# GOVERNANCE

# 03

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## Governance structure

LDz is a 100% State-owned company whose sole shareholder is the State, and the holder of the shares is the Ministry of Transport. Since 2016, the Company's activities have been supervised by the LDz Council, which consists of five members.

The appointment procedure for the members of the Council of VAS "Latvijas dzelzceļš" is in line with the principles of good corporate governance, ensures open, fair and professional selection of the members of the Council, thus promoting the development of a professional and competent capital company.

The composition of the Council ensures the competences required for good corporate governance and independence in decision-making, and corresponds to the nature of VAS "Latvijas dzelzceļš"'s business activity or industry.

The Chairman of the Council since 2 February 2018 is Jānis Lange, who is also the Executive Director of the City of Riga.

Composition of the Council until 31 December 2021:

- Jānis Lange - Chairman of the Council
- Andris Liepiņš - Deputy Chairman of the Council, an independent member of the Council
- Aigars Maldups - a member of the Council
- Reinis Ceplis - an independent member of the Council
- Aigars Laizāns - an independent member of the Council (terminated his office on 31 January 2021).
- On 2 February 2022, Juris Kaļeņuks, an independent member of the Council, was elected to the office

The term of office of the members of the Council is five years.

### Remuneration of the members of the Council

Remuneration of the members of the Council is determined in accordance with the Law on Governance of Capital Shares of Public Person and Capital Companies and Cabinet Regulation No. 63 "Regulations on the Number of Members of the Board and Council maximum amount of remuneration" of 4 February 2020.

In 2021, the total remuneration paid to the members of the Council was EUR 137.423 (including mandatory state social insurance contributions).



# Council



## **JĀNIS LANGE**

Chairman of the Council of VAS "Latvijas dzelzceļš"

Term of office:  
02.02.2018. - 01.02.2023.

He holds a Master's degree in Economics and Management from the Department of Economics and Management, University of Latvia. From 2004 to 2007, J. Lange was the Deputy Director of the Municipal Agency "Pilsētsaimniecība" in Jelgava, where he was responsible for the implementation of projects. He holds a Bachelor's degree in Economics from the Department of Economics at the University of Latvia.

Since 2021, he has been the executive director of the City of Riga. From 2008 to 2013 he was a member of the member of the Board of VAS "Latvijas Valsts ceļi" and from 2013 to 2021 he was the Chairman of the Board of the said company. In 2008, he was the Head of the Jelgava Department.

From 2004 to 2007, J. Lange was Deputy Director of the Municipal Agency "Pilsētsaimniecība" in Jelgava, responsible for project implementation matters.



## **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 Rīga Technical University Rīga Business School, where he earned a master's degree in business administration, Columbia University (USA), where he earned a master's degree in international relations, and the University of Latvia, where he earned a master's degree in public administration and a bachelor's degree in economics.

He has been deputy chairman of the Council of AS "Latvenergo", a member of the Audit Committee and Human Resources Committee, chairman of the board of VAS "Starptautiskā lidosta "Rīga" (Rīga International Airport), chairman of the Council of AS "Air Baltic Corporation". From 2001 to 2014, he served as deputy State Secretary of the Ministry of Economics.



### **ANDRIS MALDUPS**

Member of the Council  
of VAS "Latvijas dzelzceļš"

Term of office:  
02.02.2018. - 01.02.2023.

A. Maldups holds a master's degree in Engineering from Latvia University of Agriculture, he earned a master's degree in International Relations from the Institute of International Relations of the University of Latvia, and a Master of Business Administration (MBA) degree from Rīga Business School of Riga Technical University.

Andris Maldups joined the Ministry of Transport in 1997 and has been on the development of Latvia's transit industry, including the promotion of transit and logistics competitiveness, including the development of port, rail, road and pipeline transport. In recent years, the main focus has been on the development of value-added services in the logistics industry, especially on increasing the volume of containerised cargo, Eurasian freight transport, the development of port and warehouse services, and the promotion of industrial projects in Latvian free ports and special economic zones.



### **REINIS CEPLIS**

Independent member of  
the Council of VAS "Latvijas  
dzelzceļš"

Term of office:  
07.06.2019. - 06.06.2024.

R. Ceplis graduated from the Department of Economics of the University of Latvia, acquired bachelor's degree in economics and a certified financial analyst degree from the CFA Institute (USA).

R. Ceplis is the chairman of the Council of the audit company Baker Tilly Baltics and member of the Council of SLLC "Paula Stradiņa Klīniskā universitātes slimnīca", and a member of the Board of the family health centre "Stārķa Ligzda", as well as the chairman of the Board of SIA "Good Health" and the health care product development manager at SIA "Respectful Consulting".

He used to be the CEO of the subsidiary SIA "L&T" of the Finnish company Lassila & Tikanoja PLC, finance director of AS "A.C.B.", corporate finance specialist of investment bank SUPREMA, corporate finance specialist of investment bank Trasta komercbanka, as well as Head of Listing Department of the Riga Stock Exchange.





## **JURIS KAĻEŅUKS**

Independent member of the Council of VAS "Latvijas dzelzceļš"

Term of office:  
02.02.2022. - 01.02.2027.

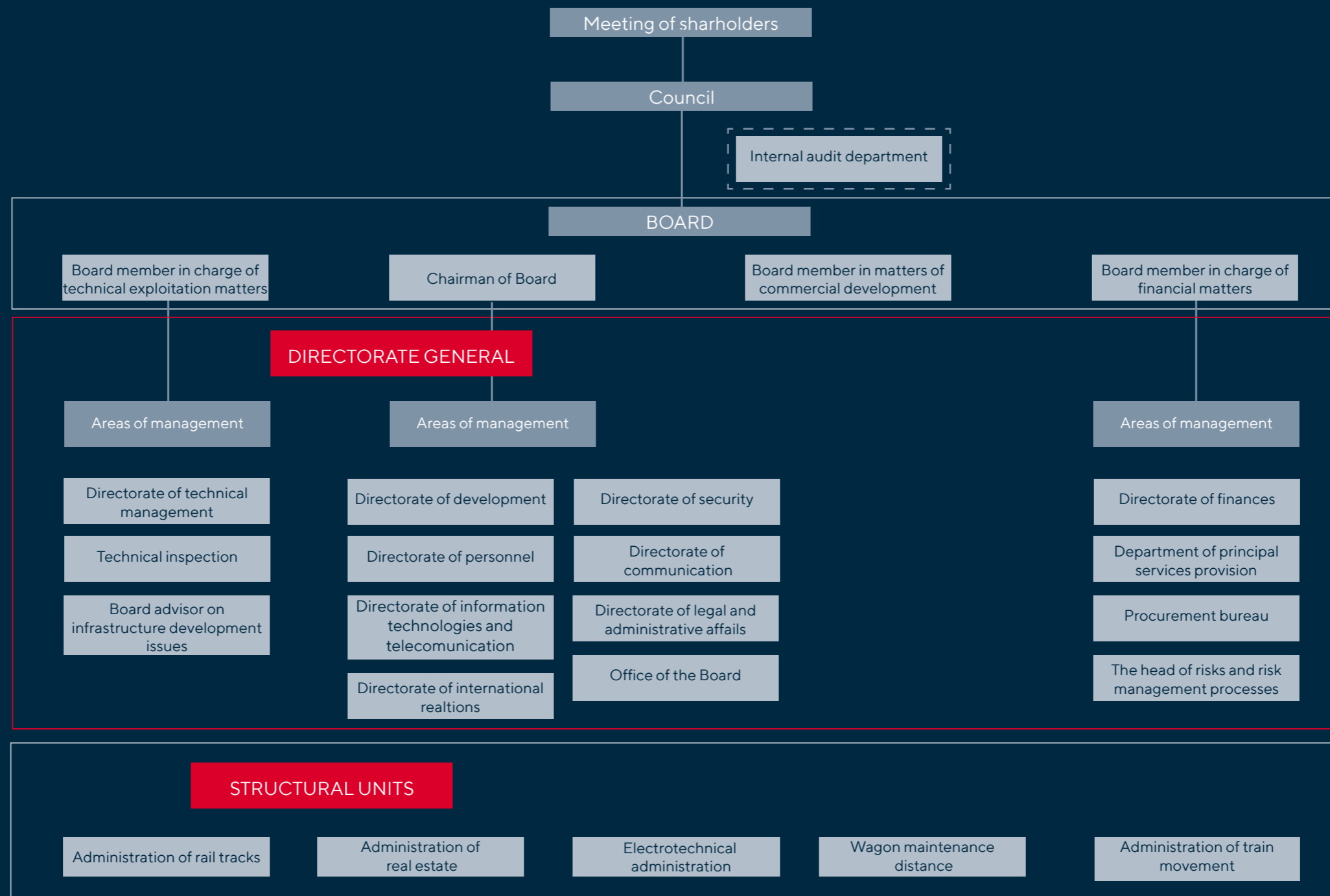
Juris Kaļeņuks holds a professional Master's degree in business administration from the Riga International School of Economics and Business Administration.

From 2019 to 2021 he was Chairman of the Board and CEO of SIA "CONSOLIS Elements", from 2007 to 2019 - Chairman of the Board and CEO of SIA "TMB ELEMENTS".





# Organisational structure of VAS "Latvijas dzelzceļš" at 31 December 2021





# Board



## **MĀRIS KLEINBERGS**

Chairman of the Board  
of VAS "Latvijas dzelzceļš"

Term of office:  
13.03.2020. - 12.03.2025.

**Areas of responsibility:** corporate governance, human resources, communications, property management, international relations, internal audit, internal and external security, public development and strategic planning, environmental protection, project management, information technology and telecommunications.

M. Kleinbergs has been carrying out the duties of the Chairman of the Board of VAS "Latvijas dzelzceļš" since 12.08.2019, initially performing the duties of the Chairman of the Board until the election of the permanent Chairman of the Board until 12 March 2020. On 12 March 2020, M. Kleinbergs became the permanent chairman of the Board of VAS "Latvijas dzelzceļš".

M. Kleinbergs graduated from Riga Technical University with a degree in engineering. He improved his skills as a board member in a training course for company executives organised by the Baltic Corporate Governance Institute.

Prior to his appointment as Chairman of the Board of VAS "Latvijas dzelzceļš", M. Kleinbergs was Chairman of the Board and CEO at SIA "Schenker". Previously, he was Chairman of the Board of VAS "Latvijas Pasts", CEO of the transport and logistics company "Baltic Logistic Solutions", Director of Logistics in the company "Avers centrs", Head of the Latvian branch of the transport and logistics company "Kuehne & Nagel Latvija".



## **VITA BALODE - ANDRŪSA**

Member of the Board  
of VAS "Latvijas dzelzceļš"

Term of office:  
01.06.2020. - 31.05.2025.

**Responsibilities:** financial and economic matters, procurement, and risk management.

From 2009, V. Balode-Andrūsa was employed by Swedavia AB, a Swedish state-owned airport operator, she carried out the duties of economic director responsible for business and real estate development, retail and airport advertising, and parking and mobility for the past six years. Prior to that, she worked for six years at SAS Scandinavian Airlines, where she served as Eastern Air Freight Route Manager after completing the company's management trainee programme.

V. Balode-Andrūsa earned a Master's degree in economics with a focus on economic analysis and control from the Stockholm School of Economics. After that, she studied for her doctorate at SSE and earned a licenced degree in accounting and business administration.



## **RINALDS PĻAVNIEKS**

Member of the Board  
of VAS "Latvijas dzelzceļš"

Term of office:  
01.08.2021. - 31.07.2026.

**Area of responsibility: business development**

R. Pļavnieks has been the Head of Rail, Air, Sea and Bulk Transportation Department in the Baltic region of SIA "GEFCO BALTIC" since 2020. Previously, he was Head of Global Customers at GEFCO SA Group in its headquarters in France. Until 2016 he worked as Business Development Manager of GEFCO UNITED KINGDOM LTD in the UK, but from 2012 to 2015 he also held various positions at SIA "GEFCO BALTIC".

R. Pļavnieks has experience as a lecturer at Riga Technical University, Faculty of Computer Science and Information Technology, and at the Faculty of Engineering Economics and Management. R. Pļavnieks was also a lecturer at the Latvian Maritime Academy – Bachelor's Degree Programme in Port and Maritime Management "Transport and Logistics" and "International Business Strategy".

R. Pļavnieks studied at the Latvian Maritime Academy, where he earned a degree in Economics in Port Management and a Master's degree in Maritime Management Engineering.



## **ĒRIKS ŠMUKSTS**

Member of the Board  
of VAS "Latvijas dzelzceļš"

Term of office:  
02.12.2017. - 14.01.2022.

\*In January 2022, Ēriks Šmuksts, a member of the Board, resigned from his office.

**Area of responsibility: traffic safety, occupational health and safety, technical supervision, maintenance of railway infrastructure and organization of upgrading works, organization of the technical condition of the locomotive and wagon fleet and its deployment, quality management.**

He started working in the railway sector in 1983 as a pointsman, later worked at the Radviliškiu station of the Baltic railway (Lithuania) as a station attendant and maneuver dispatcher, and was deputy station chief. He was also the head of the Gulbene station and the deputy head of the Daugavpils station in operational and commercial matters.

He graduated from the Daugavpils Railway Transport Technical School and later received his education at the Institute of Railway Transport Engineers in Leningrad. Was the head of the Cargo Transportation Department of VAS "Latvijas dzelzceļš", from 2007 to 2008 was the chairman of the board of the LDz subsidiary SIA "LDZ CARGO". He received the highest award of LDz for personal contribution to the railway transport sector in 2017.



**Remuneration of the members of the Board**

The remuneration of the members of the Board is determined in accordance with the Law on Governance of Capital Shares of Public Persons and Capital Companies and Cabinet Regulation No. 63 "Regulations on the Number of Members of the Board of Directors and the Council and the Maximum Amount of the Monthly Remuneration of the Members of the Council" of 4 February 2020.

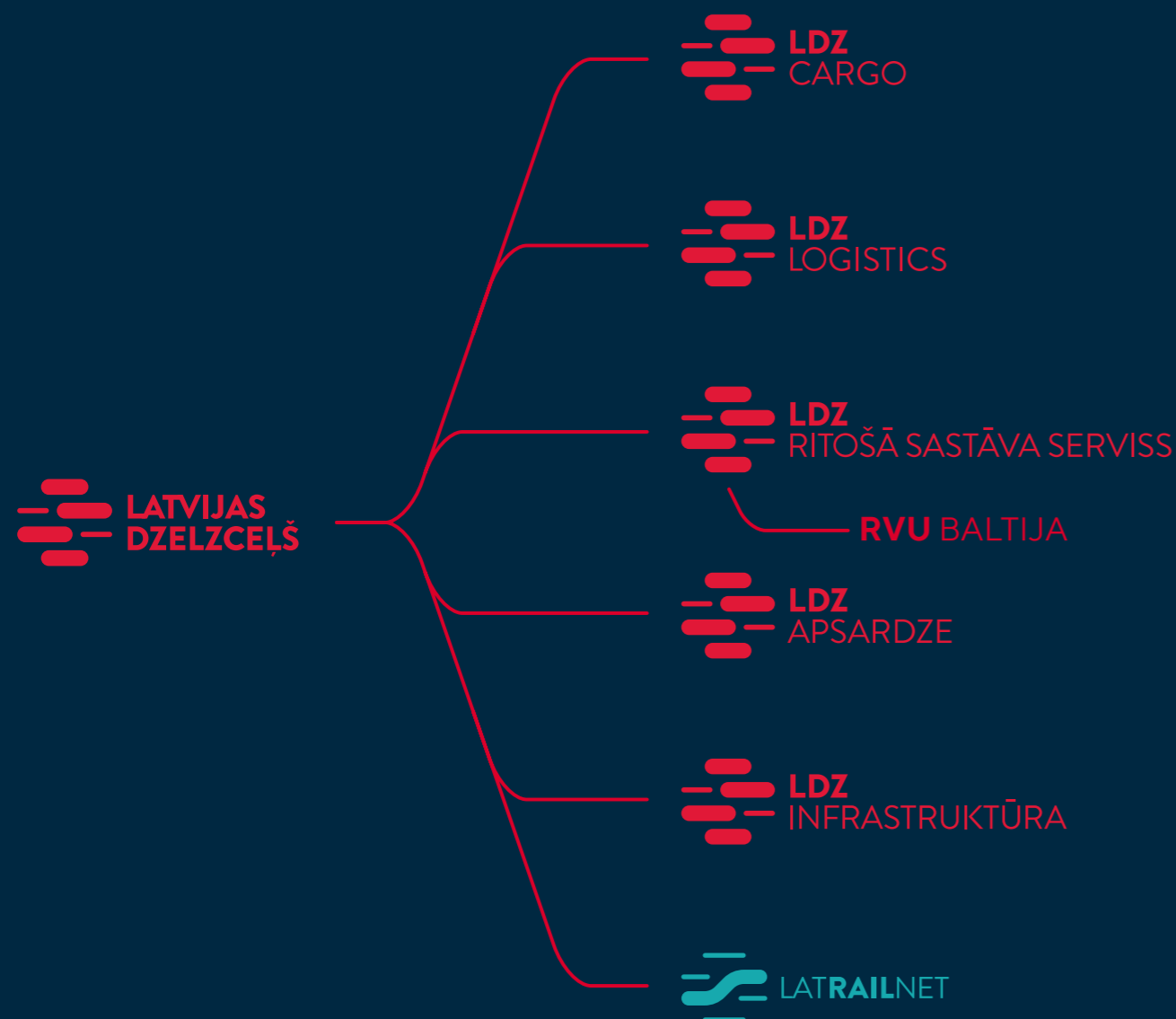
The Directorate General ensures the execution of the resolutions of the Board, the orders and instructions of the Chairman of the Board and the members of the Board of Directors in accordance with the laws, the Cabinet Regulation, the Articles of Association of the Company and the resolutions of the Shareholders' Meeting, as well as other laws and regulations applicable to and binding on the activities of the Company. It organises the performance of the tasks of the parent company of the Group, drafts strategy, policy, procedural documents, business plans, budgets and other documents regulating the activity of VAS "Latvijas dzelzceļš". The Directorate General of the Company consists of nine departments and five structural units, which ensure the fulfilment of the tasks of internal audit, procurement, services of a principal, technical inspection and the office of the Board office.

VAS "Latvijas dzelzceļš" carries out the economic activities to achieve the set business goals through structural units responsible for the daily work on the tracks, stations and stops, as well as real estate management, train traffic management and information systems quality maintenance.





## Structure of the Latvijas Dzelzceļš Group



## Activity of the subsidiaries

The Latvijas Dzelzceļš Group consists of the dominant company and six dependent companies (in five companies the dominant company has a direct decisive influence, and an indirect decisive influence in one dependent company), which develop and provide the functions of a public railway infrastructure operator and a wide range of railway services – freight and international passenger transport by rail, maintenance, repair and modernisation of rolling stock, physical and technical safety services, international multimodal logistics services and execution of essential railway infrastructure functions – and is responsible for setting infrastructure charges and allocating capacity for rail transport. In 2021, VAS "Latvijas dzelzceļš" agreed with the decisions of the respective dependent companies and decided to refer to the Cabinet on the issue of changes in the structure of the LDz Group, and by Resolution No. 13 of 12 January 2022, the Cabinet decided to allow the state joint-stock company "Latvijas dzelzceļš" to terminate its shareholding in the limited liability company "LDZ infrastruktūra" through its liquidation, as well as to terminate the indirect decisive influence over the limited liability company "Rīgas Vagonbūves Uzņēmums "Baltija"" and to allow the limited liability company "LDZ ritošā sastāva serviss, to terminate the shareholding and direct decisive influence in the limited liability company "Rīgas Vagonbūves Uzņēmums" Baltija"" and, as a result of the reorganization, to merge the limited liability company "Rīgas Vagonbūves Uzņēmums "Baltija"" into the limited liability company "LDZ ritošā sastāva serviss".





### SIA "LDZ CARGO"

Chairman of the Council

**Rems Razums**

Term of office:  
04.01.2022. – 03.01.2027.

Member of the Council

**Raimonds Freimanis**

Term of office:  
04.01.2022. – 03.01.2027.

Member of the Council

**Edvīns Korneliuss**

Term of office:  
14.08.2020. – 13.08.2025.

Chairwoman of the Board

**Svetlana Berga**

Term of office:  
09.06.2021. – 08.06.2022.

Member of the Board

**Mārtiņš Pevko**

Term of office:  
09.08.2021. – 08.08.2026.

SIA "LDZ CARGO" is a subsidiary of VAS "Latvijas dzelzceļš", established in 2005 by spinning off the department responsible for freight transport from VAS "Latvijas dzelzceļš". SIA "LDZ CARGO" carries out local and international freight transport by rail, provides traction services and leases freight wagons.

SIA "LDZ CARGO" is the largest transit and transport company in Latvia and a major rail freight carrier in Europe. SIA "LDZ CARGO" transports a wide range of goods in containers and wagons, including oil, coal, metals, timber, food, fertilizers and chemical products.

The main area of activity of SIA "LDZ CARGO" is rail freight transport. In general, the volume of rail freight transport on the territory of Latvia in 2021 decreased compared to 2020. In 2021, 20,225 thousand tons of goods were transported, down by 13.8% compared to 2020.

The Company's main revenue consists of transportation fees collected, and as their volume decreased, the Company's revenue continued to decline in 2021. In 2021, the net revenue of SIA "LDZ CARGO" amounted to EUR 144.363 thousand, down by EUR 17.963 thousand (11.1%) from 2020. The decrease in net revenue compared to the previous year was due to the decrease in the total volume of goods transported.

In 2021, the largest share of transportation was accounted for by the transportation of oil and oil products (30.02%) and grain and grain-processed products (22%). The share of mineral fertilizer transportation in the total transportation volume was 5.7%, coal transportation 10.2%, and wood and wood products 8.8%. The share of other types of goods in the total freight transport in 2021 was 23%.

Sanctions imposed by OFAC in the EU and the U.S. impacted shipments from Belarus, which decreased by 12% compared to 2020.

International rail passenger traffic was not resumed in 2021, having been suspended in the spring of 2020 when the restrictive measures COVID-19 came into effect.

Starting in 2021, customers will be offered a new "Green Switch" service - the ability to move freight onto rail platforms along with a semi-trailer and then deliver it by rail to the desired port terminal, from where the freight will be taken by ferry to Germany or Scandinavia.

At the end of 2021 SIA "LDZ CARGO" received the unified safety certificate of the EU, which entitles it to operate on the territory of Lithuania and Estonia. This renders SIA "LDZ CARGO" the only carrier certified to operate in all three Baltic States and gives it the opportunity to expand its business to other countries.

In 2021, SIA "LDZ CARGO" has carried out several investment projects, including funds invested in the introduction of new technologies to improve the work process. Seven locomotives were equipped with safety devices for operation without a driver to ensure efficient use of rolling stock and improve work technology, in the 4th quarter of 2021 began to equip shunting locomotives with a video surveillance system. The digital schedule information system (ELIS) was introduced to automate the circulation of schedule information. Also in 2021, work began on equipping locomotives with DMR digital radios. At the end of 2021, a contract was signed for the purchase of 60 new semi-wagons as part of the renewal of the freight wagons fleet.

In the evaluation of the Sustainability Index of the Institute for Sustainability and Corporate Responsibility in 2021, SIA "LDZ CARGO" was awarded the Platinum category for the second consecutive year for the past year's achievements in the field of corporate social responsibility.



### SIA "LDZ Loģistika"

Chairwoman of the Board

**JŪLIJA VASIĻKOVA**

Term of office:

14. 08. 2020. – 13. 08. 2025.

SIA "LDZ Loģistika" is a subsidiary of VAS "Latvijas dzelzceļš", founded in 2008. SIA "LDZ Loģistika" was initially a wholly owned subsidiary of SIA "LDZ CARGO" under the name SIA "LDZ Cargo Loģistika". In 2016, 100% of the company's shares were acquired by VAS "Latvijas dzelzceļš" and the name was changed to SIA "LDZ Logistics". The company provides freight forwarding and logistics services.

The main mission of SIA "LDZ Loģistika" is to market and sell intermodal logistics services, attract new customers to the Latvian transit industry and promote the use of public railway infrastructure. To implement this, SIA "LDZ Loģistika" is building cooperation both within the industry and with other sectors of the national economy in the field of rail transport and multimodal logistics services. SIA "LDZ Loģistika" closely cooperates with forwarders, ports, terminals as well as other companies providing transport services both in Latvia and abroad.

As a result of successful performance in 2021, 20 762 TEU were accepted and shipped to/from Latvia. Significant investments were made in bulk and multimodal transportation projects.

SIA "LDZ Loģistika" had an after-tax profit of EUR 81 thousand in 2021 (the performance for 2020 was a loss of EUR 125 thousand).

The main source of income of SIA "LDZ Loģistika" is the provision of forwarding services. In 2021, the net revenue from the company's operating activities amounts to EUR 14.25 million, which is a decrease of EUR 1.36 million (8.7%) compared to 2020. The decrease in net revenue is related to the specifics of transportation, the return of leased wagons to the lessor and the continuation of the customers' business with the forwarder directly (transportation of liquid cargo and wood chips).

In 2021, the company received a rating in the bronze category of the Sustainability Index.



### SIA "LDZ apsardze"

Chairman of the Board

**ARNIS MACULĒVIČS**

Term of office:

24.12.2021. – 23.12.2026.

SIA "LDZ apsardze", a subsidiary of VAS "Latvijas dzelzceļš", was established in 2003 and is one of the leading companies in Latvia in the field of security services. SIA "LDZ apsardze" performs physical security of various objects and loads, designs and installs security, fire protection and video surveillance systems, performs their technical maintenance and servicing, and monitors the alarms received. In 2016, the company obtained a special permit (licence) No. 146/2016- TA for an unlimited security operation, as well as a certificate for industrial security No. 250. Its management system is certified according to the requirements of the standard ISO 9001: 2015.

The year 2021 was a successful year for SIA "LDZ apsardze", as it managed to achieve and exceed the goals set by the company. In 2021, the company achieved operating income in the amount of EUR 7.633.000, while the profit amounted to EUR 120 thousand. Also in 2021, the company actively participated in the procurement of external security and technical security, which led to an improvement in financial results, while the volume of orders placed by the companies of the group was reduced.

In contrast to other companies in the group, the number of employees of SIA "LDZ apsardze" in 2021 increased from 403 to 430 employees, the increase in the number of employees was related to the commitment to provide security services for new physical security facilities.

By increasing the share of technical security, the company successfully implemented several large-scale technical security projects, including the introduction of analytical video surveillance, which is a financially beneficial and effective method of ensuring the safety of customers. This type of project reduces the use of personnel in the security process and eliminates the risk of insufficient human resources. The company has implemented and improved its risk management system, conducted an audit of the company's energy efficiency and implemented the measures recommended in this audit.

In 2021, SIA "LDZ apsardze" received a rating in the Silver category of the Sustainability Index.





# LDZ RITOŠĀ SASTĀVA SERVISS

## SIA "LDZ ritošā sastāva serviss"

Chairman of the Council  
**GUNTIS STAFECKIS**  
Term of office:  
14.08.2020. - 13.08.2025..

Member of the Council  
**ĀRIS DANDENS**  
Term of office:  
04.01.2022. - 03.01.2027.

Member of the Council  
**BAIBA BEATRISĒ SLEŽE**  
Term of office:  
04.01.2022. - 03.01.2027.

Chairwoman of the Board  
**ZINTA ZĀLĪTE-RUKMANE**  
Term of office:  
10.12.2021. - 09.12.2026.

SIA "LDZ ritošā sastāva serviss", a subsidiary of VAS "Latvijas dzelzceļš", was registered in the Register of Enterprises in 2005, but started its business activity only in July 2007.

SIA "LDZ ritošā sastāva serviss" performs maintenance and repair works on rail vehicles, equips and modernises locomotives, rents main freight cars, shunting diesel locomotives and track-laying machines, maintains locomotive reserves and trades in fuels. The company also provides non-destructive laboratory services, including calibration of pressure gauges, inspection of service life extension tanks, and sales of spare parts for rail vehicles. Production functions are carried out in four geographically and functionally separate centres - the Daugavpils locomotive repair centre with a workshop in Rēzekne, the Daugavpils wagon repair centre, the track machinery repair centre, and the Rīga locomotive repair centre with a workshop in Liepāja.

In 2021, net revenue from operating activities amounted to EUR 47.33 million, a decrease of EUR 1.77 million (3.6%) compared to 2020. The company's operating income was affected by fluctuations in freight traffic, as the number of vehicle repairs, the number of leased units and the demand for equipment services are related to train kilometres. In 2021, freight traffic continued to decline. The revenues of SIA "LDZ ritošā sastāva serviss" were also affected by the increase in the sales price of diesel fuel by 16.9% compared to 2020.

In 2021, SIA "LDZ ritošā sastāva serviss" received the certificate "CEPT ACY" as part of the development of its activity outside Latvia, which allows the company to perform locomotive repairs for owners of locomotives in Ukraine. With the obtained certificate SIA "LDZ ritošā sastāva serviss" can perform a wide range of repair works on locomotives operating on Ukrainian lines.

In 2022 SIA "LDZ ritošā sastāva serviss" plans to take active steps to develop services outside the Baltic Sea region. The company actively participates in public tenders and contracts tendered by private companies for the repair of locomotives and wagons in Poland, Ukraine, Russia and other European countries, as well as CIS.

In 2021, SIA "LDZ ritošā sastāva serviss" launched a new range of maintenance and repair of track-laying machines and rental of track-laying machines for railway infrastructure operators in Latvia and EU countries. The company has started to consider the expansion of its scope of activities on the Finnish market.

The investment plan for 2022 provides funds for the purchase of new equipment, which will enable the company to offer a new service and independence in the field of digital machinery repair. The investment plan also provides funds to improve the quality of existing services and shorten delivery times.



### SIA "LDZ infrastruktūra"

Chairwoman of the Board

**TERĒZE LABZOVA-  
CEICĀNE**

Term of office:

01.02.2021. – 31.01.2026.

SIA "LDZ infrastruktūra", a subsidiary of VAS "Latvijas dzelzceļš", started its economic activity in July 2007. The company repairs railway machines, instruments and mechanisms, offers rail welding and long-distance rail transport, and provides services for road machinery and equipment.

According to the 12.01.2022 Cabinet Resolution No. 13, the shareholding of VAS "Latvijas dzelzceļš" in the company SIA "LDZ infrastruktūra" to be terminated through liquidation by the end of 2022.

In 2021, net sales from operating activities amounted to EUR 2.39 million, approximately EUR 1.7 million or 41.6% less than in 2020, due to the gradual reallocation of functions between the Group companies.



### AS "LatRailNet"

Chairwoman of the Board

**JUSTĪNA HUDENKO**

Term of office:

22.07.2021. – 23.07.2026.

Member of the Board

**GUNTARS LAPIŅŠ**

Term of office:

08.08.2021. – 09.08.2026.

AS "LatRailNet" performs the essential functions of the public railway infrastructure manager: decisions on the allocation of infrastructure capacity, the allocation of train paths, including the determination and assessment of access and the allocation of individual train paths, and decisions on the levying of infrastructure charges, including the levying of charges and the determination of charging schemes. The Company shall, in the performance of its functions, ensure that all railway undertakings have equal, fair and non-discriminatory access to the infrastructure.

Net turnover of AS "LatRailNet" in 2021 amounted to EUR 1.18 million, and the profit was EUR 57,848.

Starting from 2021, AS "LatRailNet" has been conducting a study of the rail market to determine a competitive infrastructure charge, initially creating two new market segments "Container freight on international 1,520 mm track" and "Coal freight on international 1,520 mm track connected to port stations on the LDz network" and developing other new market segments. After evaluating the best international practices in the countries of the Single European Railway Area, LatRailNet will continue to work in the coming periods to ensure measures to improve network operations by promoting the reduction of delays in the railway network.

In 2021, AS "LatRailNet" developed a modern electronic solution "Capacity Application System" that will further improve the business processes related to the allocation of train paths and the application for railway infrastructure capacity by applicants. As the implementation of the LatRailNet charging, capacity allocation, and network improvement schemes is related to the development of several policy planning documents, the company will continue to actively work on and submit proposals for changes to external legislation to the relevant authorities to ensure effective application of the schemes.



# Sustainability

When it comes to achieving long-term goals and future growth, companies are increasingly paying attention to sustainability as one of the most important principles of good corporate governance.

LDz also integrates the principles of sustainable management into each process and strategic development plan. Four principal areas of social responsibility are defined by the Group: Business environment, Environment, Employees and Community. These areas are consistent with the operational indicators set out in the GRI standards as well as several sustainable development goals defined by the United Nations (UN), i.e., Quality of education, Decent work and economic growth, Industry, innovation and infrastructure, Sustainable cities and communities, and Climate action.

As part of the Group's strategy to achieve its strategic goals, which are based on the principles of sustainability and responsibility in its relations with customers, employees, counterparties, society, and the environment, the Corporate Social Responsibility and Sustainability Policy was developed in 2021, and the principles and directions of corporate social responsibility and sustainability contained therein are based on the United Nations Sustainable Development Programme for 2030, the European Commission's "Reflection paper: Towards a Sustainable Europe by 2030" and other international papers. The implementation of this Policy within the company results in internationally recognised responsible business practices and transparency being implemented, constantly improved, and developed, by preparing and publishing an annual Sustainability Report that meets the reporting standards defined in the GRI guidelines, along with the Core option level of the application level framework, and by participating annually in the Sustainability Index, developed by the Institute of Corporate Sustainability and Responsibility assessing the compliance of companies with good governance principles and their development.

# Business environment

## Participation in international business forums and exhibitions

In the railway sector, regular meetings with business partners and existing and potential customers are important, as is participation in international forums and exhibitions.

Despite the exceptional situation in Latvia and elsewhere in the world, ten bilateral meetings were held in person and remotely in 2021, participation in ten international exhibitions was ensured, and 118 working group meetings and conferences were held.

The European Union has designated 2021 as the European Year of Rail to promote rail as a safe and sustainable mode of transport. As part of the European Year of Rail, events and activities focused on increasing the use of rail as an environmentally friendly mode of transport to further the European Green Deal's long-term goals. A highlight of the European Year of Rail was the Connecting Europe Express, which symbolically travelled across Europe, including the 1.520 mm gauge - Baltic train, which also stopped in Riga and Jelgava in September 2021.

In 2021, the Latvijas Dzelzceļš Group continued to expand external international cooperation with the company's cooperation countries. The greatest focus is on countries with the same gauge.

In 2021, VAS "Latvijas dzelzceļš" joined the customer information portal (CIP) and entered information about ports and port terminals connected to the railway, where this information is entered by all CIP member states - all EU Member States except Cyprus, Malta and Ireland. Currently, the Latvian CIP - customer information database is the most comprehensive in Europe.

During the reporting year, representatives of the Group participated in the largest trade fairs in the industry in Russia - TransTec, TransRussia 2021, Transport Week - as well as in Almaty, where the Group's services in the field of freight transportation and repair of rolling stock were presented to visitors and all interested parties. In addition, a number of bilateral cooperation events were organized with neighbouring countries to discuss current issues of cooperation.

Māris Kleinbergs, Chairman of the Board of VAS "Latvijas dzelzceļš", was re-elected to the UIC European Regional Steering Committee for the term from 2022 to 2023.



# Employees

## Promoting employee growth

To ensure the sustainability and growth of the company, investing in the professional development of its employees is key. To implement this, various courses and trainings are regularly organized for LDz employees, using both the LDZ Training Centre's offer and the services of external partners. For more information on courses and training, refer to the "Training and development" chapter on page 97.

In the course of the staff reduction at VAS "Latvijas dzelzceļš" 2021, close and continuous cooperation with the Latvian Railway and Transport Sector Trade Union and the State Employment Agency ensures that former employees are covered by social insurance and can find new employment opportunities after their employment relationship ends.



# Environment

## Environment and energy efficiency

The energy management system of VAS "Latvijas dzelzceļš" has been certified in accordance with the requirements of the standard ISO 50 001: 2018 since 2017. In February 2021, the audit of the energy management system was carried out, and "Bureau Veritas Certification" issued Certificate No. LV007131 on compliance with the requirements of the standard on 18.02.2021.

In 2021, the implementation and certification of the environmental management system standard (ISO 14 001: 2015) was started.

The main areas of energy consumption remained unchanged in 2021 - the consumption of electricity, heat and diesel fuel. As part of the energy management system, energy management performance indicators have been established for the main areas of energy consumption, which are evaluated annually and adjusted as necessary.

An important factor in improving environmental and energy performance is the daily habits of employees. Therefore, employee understanding of environmental and energy management issues is promoted through various internal communication channels (educational articles, seminars, etc.). In 2021, plans for environmental protection measures within the Group and plans for energy efficiency improvement measures within VAS "Latvijas dzelzceļš" were developed.

At the end of 2021, the new Environmental and Energy Management Policy of the Latvijas Dzelzceļš Group and the corresponding procedures were approved:

- Procedure for identification of environmental aspects in Latvijas dzelzceļš Group;
- Procedure for preparation of annual plans for environmental protection measures and reports on their implementation in the Latvijas Dzelzceļš Group;
- Procedure for preparation of annual plans for energy efficiency improvement measures and reports on their implementation in Latvijas Dzelzceļš Group.

The LDz conducts ongoing environmental monitoring (soil and groundwater, wastewater and stormwater, noise levels, and air emissions of pollutants), inspects sites contaminated with petroleum products, including those that have been polluted in the past, and conducts investigations and remediation activities.

## Action to reduce rail noise

Although railways are one of the most environmentally friendly means of transportation, they still have an impact on nature and people. One such aspect is the noise and vibrations caused by the movement of trains, which can have a negative impact on the health of people living near the railway line. In order to determine the impact of train noise, an action plan for noise reduction until 2023 was developed for VAS "Latvijas dzelzceļš". The action plan covers the areas crossed by the sections of the Riga Passenger Station - Tornakalns - Zaslauks and Riga Passenger Station - Lielvarde railway lines, i.e., the Riga suburbs, and Salaspils, Stopini, Ikšķile, Ogre, Kegums, and Lielvarde counties.

To reduce the impact of noise and vibration, VAS "Latvijas dzelzceļš" annually reconstructs and repairs tracks depending on the intensity and load of track use.

### Cleaning the environment

Caring for the environment for future generations includes not only measures to reduce CO2 emissions or clean up contaminated sites, but also measures to restore the environment. For this reason, the Group's employees engage in environmental clean-up and landscaping every year. With the reduction of waste in the immediate vicinity of the railway infrastructure, more attention has been paid in recent years to greening and improving the environment.

### Elimination of historically polluted sites

Monitoring of soil and groundwater at historically polluted sites is carried out at the "Višķi" railway station, at the site of the Riga locomotive depot, at the site of the Skrunda station and at the site of the Gulbene–Aluksne railway.

In 2021, the work started in 2020 on the detailed study of the Skrunda site, which was historically polluted with petroleum products, was completed. The aim of the study was to determine the nature, extent and range of soil and groundwater pollution.

At the end of 2021, the second phase of remediation works at the site historically polluted with petroleum products at the Viski station was started and completed. During the remediation works, the following works were carried out:

- Removal of overgrowing shrubs from the site;
- Inspection of groundwater monitoring wells and sampling, determination of the content of COD (chemical oxygen demand), petroleum products and BTEX, and measurement of the thickness of the floating petroleum product layer in boreholes;
- Pumping and recycling of fuel oil and stormwater emulsion from the pumping station and connected reservoir - 930.08 tons;
- Removal and utilization of oil sludge from the fuel oil tank and its surroundings - 51.02 tons;
- Dismantling of the fuel oil tanks, pumping station foundations, and wells, removal of construction waste - 105 tons;
- Filling the excavation pit with clean soil and leveling the site.

# Community

### Educating the community about safe crossing of railway

While trains are among the safest modes of transportation, accidents still occur due to recklessness or overconfidence by individuals, not only involving the individuals who caused the accidents but other passengers as well. There are around 15 accidents on or near the railway each year in Latvia, most of which result in fatalities. Young people as well as adults often change their behavior when they hear about other people's experiences and the negative consequences they experienced as a result. This is why LDz produced five new documentaries last year, showcasing accident survivors' true stories and expert interviews. During the spring of 2021, they were posted on social networks and in the media and presented to schoolchildren as part of the digital lesson series entitled "What you need to know about the railway and how you should behave near it".

As part of an effort to raise public awareness about safety near railways and the consequences of non-compliance with safety requirements during the dark period of the year as widely as possible, VAS "Latvijas dzelzceļš" ran a public information campaign "Do not become a railway crossing. Stop at the railway!" The company started the campaign with a public lecture on safety "Do not become a railway crossing. Stop at the railway! What you need to know about the railway and how you should behave near it", which attracted a great deal of public attention. In the lecture, LDz experts not only presented the main safety rules that must be followed near the railway tracks, but also short documentaries and true stories of people and the consequences that can occur when the minimum safety measures are not followed.

At the same time, during the campaign, the LDz placed information material on television, radio, social networks, and in the urban environment - in the elevators of multi-story buildings. All current information is also available on the website of VAS "Latvijas dzelzceļš" [www.dzirdiredzidzivo.lv](http://www.dzirdiredzidzivo.lv).



In late 2021, LDz worked with industry experts to highlight the issue of mental health. According to a study conducted by VAS "Latvijas dzelzceļš", the issue of suicide risk is topical in society, but at the same time people are reluctant to talk about it. A large part of the population also lacks knowledge about suicide risk and its symptoms. In order to promote public understanding of this issue, LDz organized online discussions with professionals from the Crisis and Counseling Center "Skalbes" and the association "Ogle" and created and published videos with real testimonies of suicide attempts.

### Lessons on safety at schools

Based on the statistics provided by VAS "Latvijas dzelzceļš", 99% of railway accidents are caused by an individual's overconfidence or a lack of caution. The use of smart devices, listening to music through headphones or accepting challenges on various social networks, which have become so popular among young people recently, has resulted in a deterioration in their ability to perceive things and assess potential risks when near the railway, which often results in accidents. In an effort to minimise the number of railway accidents involving children and young people, LDz conducted a series of digital lessons on "What you need to know about the railway and how you should behave near it" just before the summer holidays, which took place in Latvian schools and preschools in May and June 2021. In the process, almost 7,000 children and young people from 112 educational institutions across Latvia learned how to behave safely near railways and tracks.

The proper method for crossing tracks, why and how accidents occur on or near tracks, and how to avoid them are just some of the topics that children and young people learned interactively with LDz experts in a 40-minute lesson.

### Promotion of science subjects in schools

Science subjects are particularly relevant for the railway sector. In 2021, VAS "Latvijas dzelzceļš" continued its work at popularising science subjects among young people and future professionals as part of the "Steam UP" project, which was launched in 2019 to inspire and motivate school children to consider science subjects as fascinating, exciting, and promising.

Due to the limitations resulting from the COVID-19 pandemic, including the organization of public, face-to-face events, part of the 2021 project activities took place online, e.g., in October, teaming up with educational experts, VAS "Latvijas dzelzceļš" organized an online discussion "STEM knowledge - how to transfer it to students?". In the discussion, the experts acknowledged the need to work on this issue both inside and outside the school. For transferring knowledge to students, teachers need to use a variety of teaching materials and broaden their knowledge on a regular basis. Besides what students learn in school and at home, it is recommended that they participate in various interest groups and training sessions on scientific topics.

### Donations

In providing support to important projects focusing on the long-term interests of the community, VAS "Latvijas dzelzceļš" follows the Donation Policy that came into force on 1 January 2018. In accordance with it, the company supports projects related to education and science, public health, social welfare, and environmental protection.

Considering its business priorities and financial position, VAS "Latvijas dzelzceļš" and its subsidiaries did not provide any financial support to any projects in 2021, same as in 2020.

### Public image of LDz

VAS "Latvijas dzelzceļš" has a history of over 100 years. In recent years, a lot of attention has been paid to improving the company's image and strengthening its reputation, since LDz, as one of the largest state-owned enterprises, also reflects the common corporate culture of the public administration and large state-owned enterprises.

Significant efforts are made to ensure that the Latvijas dzelzceļš Group is a modern, well-governed and efficient company that adhered to the principles of good corporate governance in its activity.

In cooperation with a sociological research company, VAS "Latvijas dzelzceļš" conducts an annual image survey to determine the public's attitude towards the company, to assess its general reputation and to determine the public's assessment of the company's services and rail and train



transport possibilities.assessment of the company's services and rail and train transport opportunities.

According to the results of the survey conducted in December 2021, the company's reputation rating has not changed significantly since 2017. However, from a longer term perspective, it can be observed that the rating has improved since 2015. In 2021, 31% of respondents gave LDz a positive rating.

According to the results of the survey the percentage of people who believe that VAS "Latvijas dzelzceļš" is a company of strategic significance for the Latvian economy has increased to 70%. 59% of respondents admitted that they had noticed LDz's safety campaign aimed at educating the public about safety near railway. In addition, 51% of respondents believe that LDz is a leading company in the field of transport and logistics in Latvia, and 55% of respondents think that it is one of the most export-capable companies.

The image of VAS "Latvijas dzelzceļš" has also improved in third-party ratings. In the most popular brands survey conducted by Baltic Brands, the company's rating improved by 2 places compared to 2020 and was ranked 14th, while in the group of large state-owned companies it moved up from 4th to 3rd place. In the category "The most humane brand", the Latvijas dzelzceļš brand took second place.

#### **LDz brand recognition**

Compared to previous surveys, the level of recognition of the LDz logo has not changed significantly since 2020. In 2021, and the percentage of the Latvian population recognising the LDz logo was 29%, while 5% of respondents admitted that the LDz logo was associated with another company. The logo of VAS "Latvijas dzelzceļš" is most often recognised by the people who commute by train on a daily basis.





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# ENGAGING STAKEHOLDERS

# 04

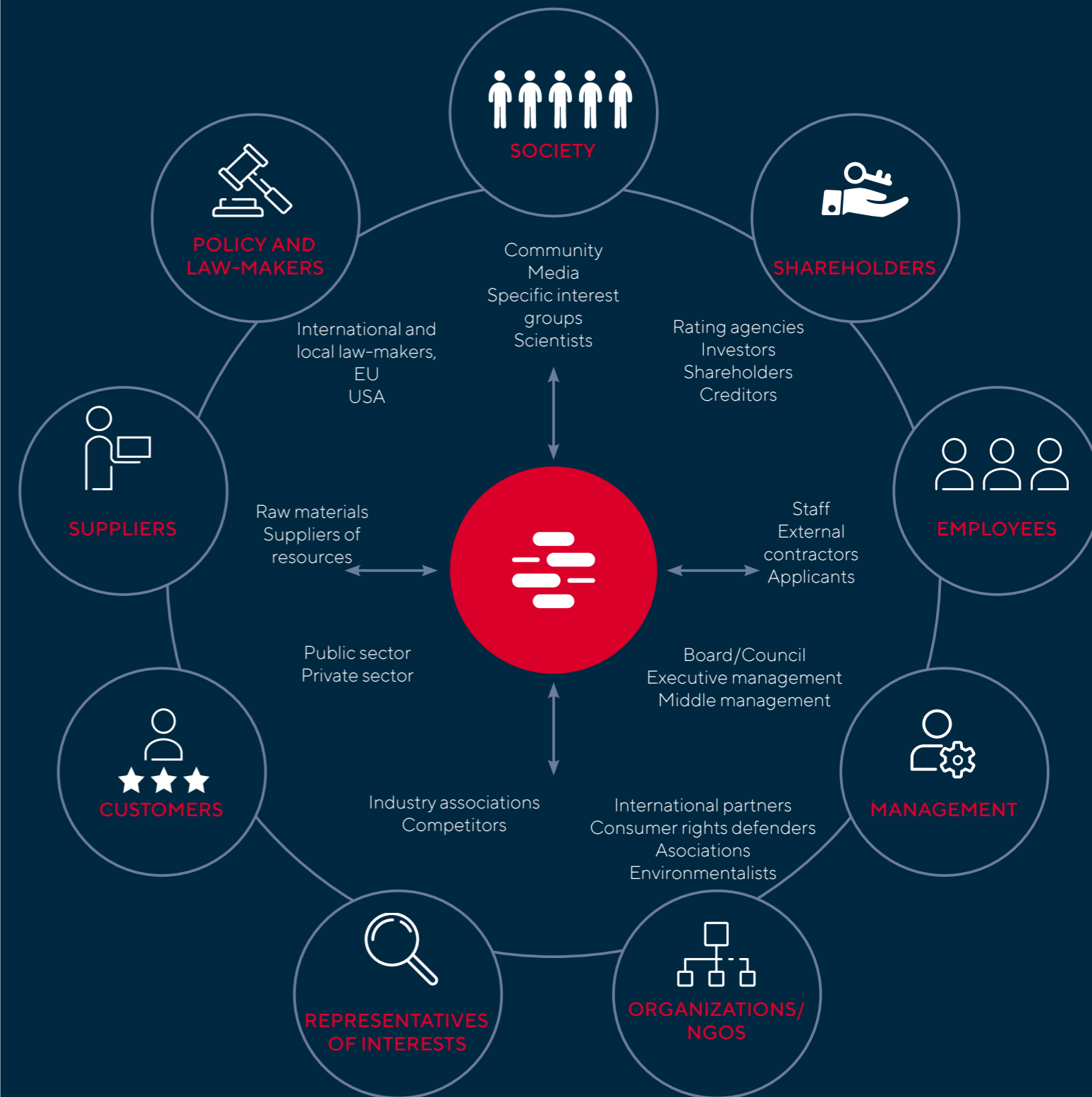
102-9  
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102-44

As a leading provider of transport, logistics, and infrastructure in Latvia and the Baltics, LDz collaborates with other market participants and counterparties.

LDz has not yet analysed its supply chains in detail, but during the development of the first GRI Sustainability Report, it defined a "radar" for its stakeholders - such as customers, partners, and suppliers - with the objective of identifying the most important links in the supply chain for detailed analysis in the future.

Although they are not on the radar, international companies and organisations that have been contractual partners of VAS "Latvijas dzelzceļš" for many years are also very important stakeholders. Latvia's transport and logistics sector, as well as its public railway system, are closely interconnected with international processes and networks. The opinion of international counterparties is analysed in relation to the planned activities on foreign markets.

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## Involvement of LDz in the law-making

In performing its activities, VAS "Latvijas dzelzceļš" adheres to Latvian and international law. In addition, the Company's development tasks and objectives are set out in various policy planning documents. The key documents defining the tasks to be fulfilled by VAS "Latvijas dzelzceļš" are the Transport Development Guidelines for 2021-2027, the Concept for the Future of Public Transport 2021-2030 and the Indicative Railway Infrastructure Development Plan for 2018-2022, the Multi-year agreement between the Ministry of Transport and VAS "Latvijas dzelzceļš" "On planning and financing of maintenance and development of public railway infrastructure managed by VAS "Latvijas dzelzceļš", and the Medium-term operational strategy of VAS "Latvijas dzelzceļš" for 2021-2025.

Company activities for the reporting year were aligned with the medium-term operating strategy for 2017-2022, as well as the medium-term operating strategy for 2021 - 2025, which was approved in 2021 and includes the business segments of both VAS "Latvijas dzelzceļš" as the parent company and its subsidiaries, thereby defining the objectives of the parent company and the Group as a whole for the period covered by the strategy.

Considering the contribution of the Latvijas dzelzceļš Group to national economic growth, the involvement of the company's employees in advisory boards is an important opportunity to present the company's opinion on the planned changes to legislation or activities. The representatives of the Latvijas dzelzceļš Group participate in the work of the Council for Ports, Logistics and Transit, as well as in the work of the National Tripartite Cooperation Council, the Tripartite Cooperation Sub-Council on Transport and Communications and the Logistics Council under the leadership of the Ministry of Transport, as well as in the bilateral committees for cooperation between companies and (non-EU) countries - Belarus, Russia, Kazakhstan, and other countries.

## Shareholders

The State owns 100% of the capital shares of VAS "Latvijas dzelzceļš", and the holder of these capital shares is the Ministry of Transport. The representative of the holder of the capital shares is the State Secretary of the Ministry of Transport. The company has a single shareholder, and according to the Law on Governance of Capital Shares of a Public Person and Capital Companies, the cooperation mechanisms for convening shareholders' meetings and exchanging information are clearly defined.

Four shareholders' meetings were held in 2021, at which the annual report of VAS "Latvijas dzelzceļš" for 2020 and the internal audit work plan for 2021 were approved, the auditor for the consolidated financial statements and sustainability reports for 2021 to 2023 was elected, and decisions on action related to real estate have been passed.

# Management

The Company has the following bodies: the Shareholders' Meeting, the Council, and the Board. The Shareholders' Meeting elects the Council, which is the supervisory body over the Board. The Board is elected by the Council. In 2021, 17 Council meetings were held, during which 159 decisions were made; 58 Board meetings were held, during which 471 decisions were made. The Group's committees are responsible for planning and discussing the Group's operational issues. There are departments and structural units of the Directorate General in the company. The dependent companies are managed by the Boards of the Group's subsidiaries; three companies have Councils. The meetings of the Management Committee established in the Group are held once a week to discuss current issues and exchange information on developments in the various corporate structures and Group companies. Informing employees at all levels and in all structures about decisions made and future development plans is an essential prerequisite for high-quality decision-making and building employee loyalty. For this reason, regular - quarterly - middle management meetings are also organised in the regions. In 2021, meetings were also held remotely in view of the restrictions to limit the spread of COVID-19.

# Employees

To improve the efficiency of the company's operations and stabilise the economic performance indicators, in 2021, the Latvijas dzelzceļš Group has continued to evaluate functions and technological processes, including decisions on optimising the number of employees.

In 2021, the average number of employees of VAS "Latvijas dzelzceļš" and the Group was 4.526 and 7.151, respectively.

VAS "Latvijas dzelzceļš" is one of the largest employers, employing people in all regions of Latvia. Therefore, keeping employees directly and continuously informed about current developments in the company, including decisions affecting them, and the future direction of the organization is therefore greatly important. Electronic communication networks play an important role in ensuring the flow of information within the company, and "Latvijas dzelzceļš" uses two channels: the company intranet and Dzelzcela TV, which was launched in 2019. In addition to these communication channels, since 2019, each employee receives the most important news by email once a week via the Newsletter. The Newsletter is also posted weekly on bulletin boards in locations accessible to a large number of employees throughout Latvia.

The intranet is used within the Company not only for disseminating information regarding current developments but also for informing employees of the most significant changes in internal regulations and job openings, as well as to allow them to track salary calculations and information about annual leaves. Meanwhile, the employee portal, accessible through Internet banking, continues to operate in parallel with the intranet. Since the spring of 2020 and the entire COVID-19 pandemic in 2021, companies were encouraged to allow their employees to work remotely. LDz also complied with this request, offering remote working options to employees whose work assignments permit it. About 1.200 employees have been able to take advantage of this option since spring 2020, and on average, 800 employees use this option each week.



## Organizations / NGOs

Cooperation with non-governmental organizations in the industry and those organizations whose activities are not directly affected by VAS "Latvijas dzelzceļš" is essential for the development of the company. In matters of legal and social protection of employees, the main social partner is the Latvian Railway and Transport Industry Trade Union (LDZSA), with which the Latvijas dzelzceļš Group has concluded the collective agreement, which is binding for all employees of the parties to the collective agreement.

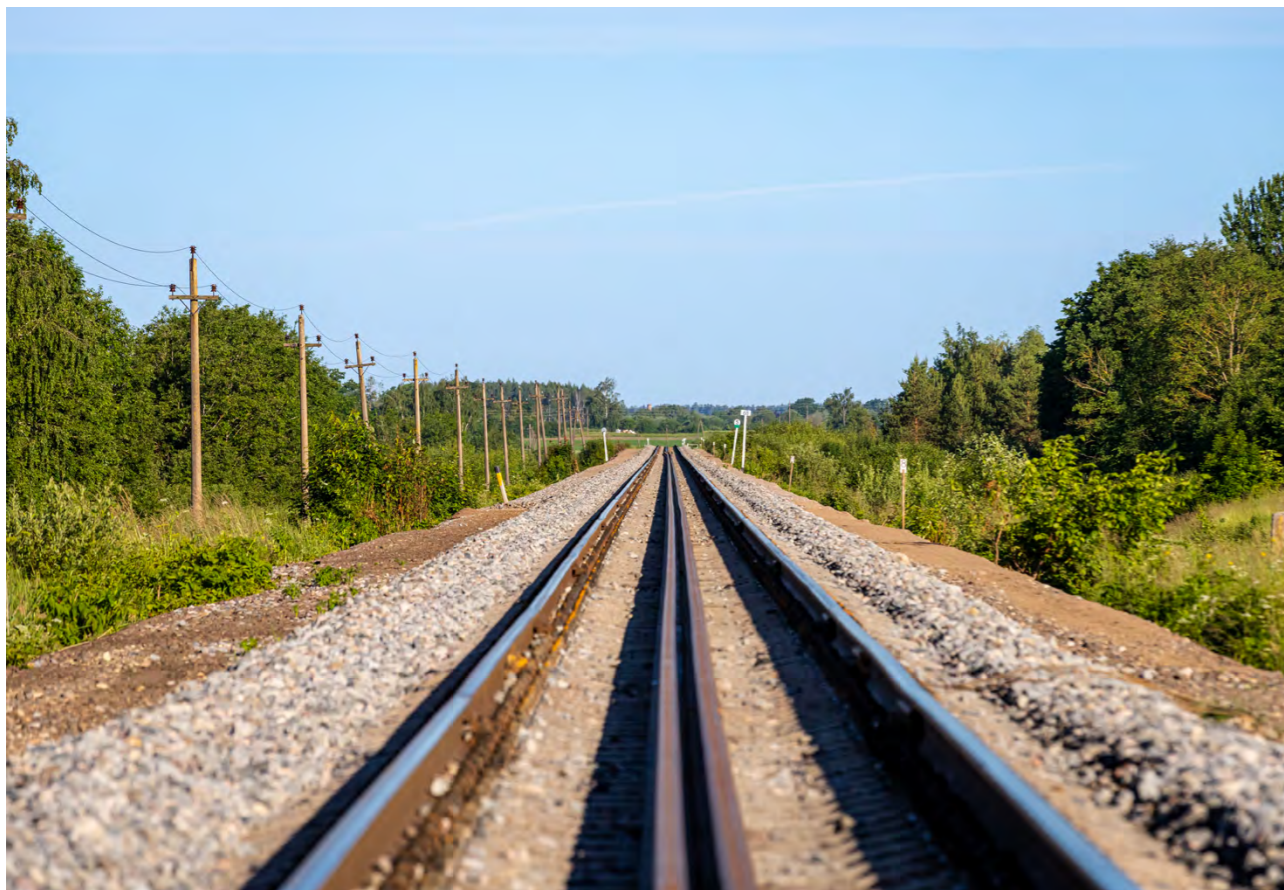
The Group's Collective Agreement has been in force since 2017, and it is regularly supplemented and adapted to the current circumstances. This document provides a wide range of social guarantees for employees, as well as various measures to be taken by the employer to improve the work environment and promote the well-being and motivation of employees. The Master Agreement for the Railway Sector is at the heart of the stable and efficient functioning of rail transport and of the social protection of the entire sector and its workers. The current wording is valid until 2024, and the agreement is binding for the entire Group, the Latvian Railway and Transport Trade Union, and the Latvian Railway Employers' Association. The industry's Master Agreement serves as a mechanism for cooperation and consultation between all parties involved, as well as forms the basis for decisions affecting the economic circumstances of the companies or the socio-economic interests of employees.

## Representatives of interests

VAS "Latvijas dzelzceļš" is an important player in the transit and transport industry. In order to voice its opinion on current issues and defend the interests of the entire industry, the company has representatives on the Latvian Port, Transit and Logistics Council, which plays an important role in promoting the development of the industry as well as coordinating national policies related to the development and operation of ports. In the Latvian Port, Transit and Logistics Council, VAS "Latvijas Dzelzceļš" takes part in discussions on development projects and legislative initiatives. Successful development of the sector also requires participation in international cooperation forums and in the Marketing Commission of the Latvian Port, Transit and Logistics Council, in which it also actively participates LDz, responsible for promoting the sector at international trade fairs and forums under the brand "VIA Latvia".

While VAS "Latvijas dzelzceļš" is the only national public company that operates railway infrastructure on the territory of Latvia, the company has counterparties that are important stakeholders of the representatives of interest. The developers of the "Rail Baltica" project, "RB Rail" and "European Railway Lines", are also considered important counterparties and stakeholders. In 2021, the reconstruction of the Riga Central Station, which started at the end of 2020, was continued, constituting one of the largest projects in Latvia's history, as both the infrastructure and the building will be reconstructed without interrupting operations.

The subsidiary of VAS "Latvijas dzelzceļš" – AS "LatRailNet" – is responsible for setting and determining the charges for the use of railway infrastructure, it sets the charge for the use of infrastructure based on the direct costs of providing train services.



## Customers

Passenger transport services in Latvia are provided by AS "Pasažieru vilciens" and SIA "Gulbenes – Alūksnes banītis". Until mid-March 2020, international transport services on the territory of Latvia were provided by the subsidiaries of VAS "Latvijas dzelzceļš": SIA "LDZ CARGO" and AO "LTG Link" (on the Vilnius - Daugavpils route), but with the spread of COVID-19 pandemic in 2021, they were not renewed.

In the field of freight transport VAS "Latvijas dzelzceļš" has four customers: SIA "LDZ CARGO" and three private companies: AS "BALTIJAS TRANŽĪTA SERVISS", AS "Baltijas Ekspresis" and AS "EURO RAIL CARGO".

The customers of electricity distribution and trade services, and the lessees of real estate are also considered the customers of VAS "Latvijas dzelzceļš". Customers include passengers who care about the quality of the railway infrastructure. For this reason, VAS "Latvijas dzelzceļš" is continuously improving passenger transport infrastructure and thinking about the convenience of passengers, such as modernising platforms, providing round-the-clock train information service and lift services for people with reduced mobility.

LDz provides electricity distribution and trade services to several thousand customers. This service is provided in locations where the distribution network is not available to other operators. At the end of 2021, LDz had registered 4,581 electricity connections for households and 966 connections for legal entities, of which 173 were for the internal structures of the Group and 793 – for external customers.



The recipients of the services provided by VAS "Latvijas dzelzceļš" as a provider of maintenance point operator services (handling of freight wagons, maintenance, and inspection of wagons, provision of equipment and provision of transport information, use of ticket offices, use of premises for passengers at passenger stations and stops, supply of electricity for traction units, repairs of automatic locomotive signalling equipment (ALS) and repairs of train radio equipment) as well as recipients of various other ancillary services are also considered the customers of VAS "Latvijas dzelzceļš".



## Suppliers

In accordance with the Law on Procurement of Public Services, VAS "Latvijas dzelzceļš" selects suppliers by organising procurement procedures in cases prescribed by law. In 2021, a total of 245 procurements were conducted and 702 procurement contracts were awarded.

For more information on the activities of the Procurement Office of VAS "Latvijas dzelzceļš", see page 61.

When cooperating with suppliers, the company is bound by the Code of Counterparty Business Ethics of the Latvijas dzelzceļš Group, which, as well as the possibility for LDz employees to anonymously report possible cases of fraud, corruption or conflict of interest (the Whistleblower's report), were introduced to prevent the company from cooperating with such counterparties and suppliers who evade taxes, do not comply with the principles of occupational or environmental safety and fair business practices. At the same time, it is a mechanism that ensures the control of the behaviour of employees in business relations with the company's counterparties.

Relations with LDz's counterparties are regulated in detail by the LDz Group's Code of Ethics and Anti-Fraud Policy. See page 151 for detail.

# Community

Among the key business priorities of VAS "Latvijas dzelzceļš" as the state-owned operator of the public-use railway infrastructure is the responsibility for the safety, quality, and accessibility of the passenger infrastructure for everyone. Railways in Latvia connect cities and regions, providing mobility opportunities for a wide range of residents – students, employees, and domestic and foreign tourists.

Among the key business priorities of VAS "Latvijas dzelzceļš" as the state-owned operator of the public-use railway infrastructure is the responsibility for the safety, quality, and accessibility of the passenger infrastructure for everyone. Railways in Latvia connect cities and regions, providing mobility opportunities for a wide range of residents – students, employees, and domestic and foreign tourists.

LDz uses a variety of communication channels in its daily communications with customers and the public, having regard to what content is most appropriate for the particular information channel and its audience. To inform the public about the Latvijas dzelzceļš Group's business activities, important developments and projects, traditional media such as press, television, radio, internet media, as well as the social networks where the company maintains its accounts – Twitter, Facebook, Draugiem.lv, Instagram, YouTube, LinkedIn and TikTok are used. Social networks are mostly used to address young audience.

Social networks, email communication, and the railway inquiry service are used to provide two-way communication with the public. In 2021, the Customer Service Centre of VAS "Latvijas dzelzceļš", in cooperation with the call centre service provider, received 36.008 calls related to domestic and international passenger transport, electricity trade, functioning of railway crossings and infrastructure operated by VAS "Latvijas dzelzceļš" in general. In the reporting year, the number of calls was affected by the pandemic COVID-19, i.e., there were significantly fewer calls compared to 2020. All in all, 5.536 e-mails were received at the e-mail address [uzzin@ldz.lv](mailto:uzzin@ldz.lv) and answered, most of which were registered as consultations, but also 302 as objections and 11 as proposals.

Considering its financial circumstances and business priorities, VAS "Latvijas dzelzceļš" did not provide support to the public for the implementation of the projects of social significance in the fields of education and science, health promotion, social assistance, and environmental protection in 2021. Information about the projects supported in previous years can be found on the LDz website.



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# OPERATIONAL INDICATORS

# 05

102-46  
102-47  
102-48

# Identification of key aspects

Commencing work on the first GRI report in 2016, VAS "Latvijas dzelzceļš" conducted a stakeholder impact assessment by organising more than ten individual and group interviews. The representatives of the stakeholders to be interviewed were selected by first identifying the supply value chain of VAS "Latvijas dzelzceļš", i.e., identifying suppliers as well as customers and other partners having the greatest bilateral impact on VAS "Latvijas dzelzceļš". A stakeholder identification matrix was used to identify both internal and external stakeholders and to identify the most important stakeholders for value creation from a supply chain perspective. The views of these stakeholders also served as the basis to aggregate information about developments to be included in the report in the coming years.

Conducting a survey of new stakeholders was planned for 2021, given that considerable time had lapsed since the first Sustainability report was prepared. However, it was decided to postpone the survey until 2022, as the list of new stakeholders was not exhaustive for various objective reasons. Among other things, there was a transition to a new business model in the reporting year, as part of which both the Competition Council and other supervisory bodies presented their ideas on how to implement the new business model, while the new strategic goal of LDz was adopted later than planned - only in mid-2021, which influenced the survey process. At the same time, it should be emphasised that the stakeholders identified in 2016 are still relevant. A stakeholder survey will be conducted in 2022.

This section contains information on the process of identifying the relevant aspects and the performance achieved. At the time when preparing of the 2018 GRI Report was started, the GRI G4 Guidelines were replaced by the GRI Standard, and these indicators of key aspects were also included in the 2019, 2020 and 2021 reports. In transitioning from the GRI G4 Guidelines to the GRI Standard, it was established that the GRI Standard no longer included aspects specific to the road transport sector (Highways and Railways). Therefore, in future reporting, the company continued to report on the aspects

important to it using LDZ-x indicators, but excluded the land use rights aspect, which had been a relatively insignificant aspect in the view of the stakeholders and the company itself.

According to the stakeholders' radar (see page 123), the management representatives of the following organizations were involved in the process of identifying the key aspects:

External influence parties	Internal influence parties
<b>Customers</b> AS "Pasažieru vilciens", SIA "BALTIJAS TRANZĪTA SERVISS", SIA "LDZ CARGO"	Shareholder – the Ministry of Transport
<b>Suppliers</b> (operational resource providers) AS "Swedbank"	The Council of VAS "Latvijas dzelzceļš"
<b>Counterparties</b> Counterparties: Organisation of People with Disabilities and Their Friends "Apeirons"	Development Department
<b>Educational institutions</b> Riga Technical University	Latvian Railwaymen and Transport Industry Trade Union
<b>Environmental organizations:</b> Latvian Green Dot	Board of VAS "Latvijas dzelzceļš"
<b>Associations</b> Latvian Association of Large Cities, Latvian Employers' Confederation	

### Steps to identify key aspects

1. Identification of stakeholders – identifying organizations and companies that play the greatest role in the process of creating added value for VAS "Latvijas dzelzceļš"
2. Identification of potentially key aspects – identifying the aspects mentioned in the GRI G4 guidelines and selecting the potentially significant aspects for the activities of VAS "Latvijas dzelzceļš".

Interviews were conducted with all internal and external stakeholders to identify the most relevant economic, social, and environmental aspects related to LDz's activities in preparing the first report based on the GRI guidelines. The interviews not only identified stakeholders' viewpoints about sustainability issues that apply to companies across all



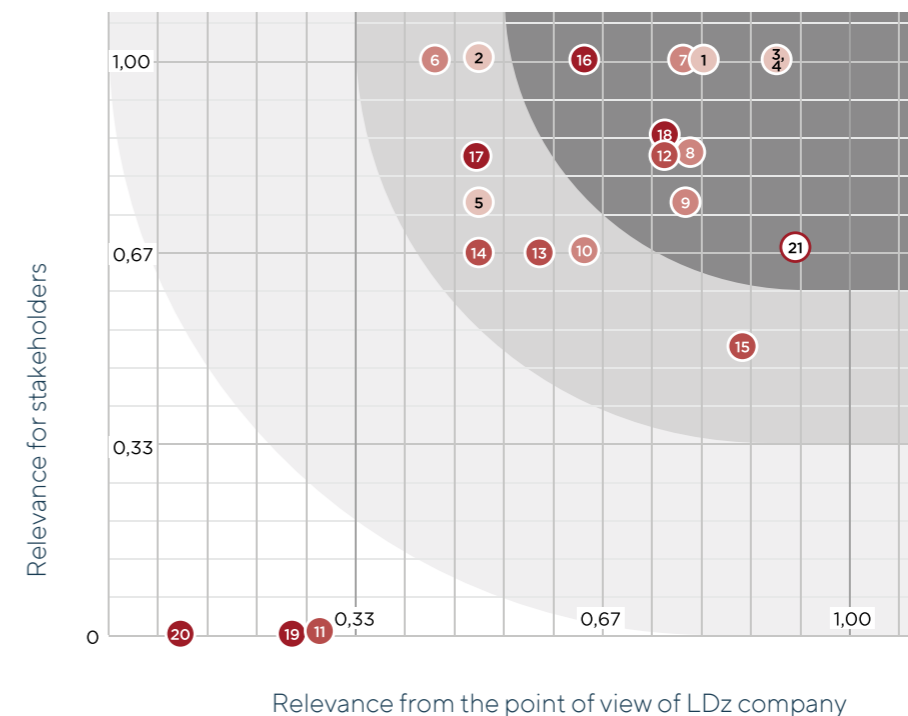
sectors but also identified 25 specific additional aspects of land transportation that may have relevance for companies (Highways and Railways).

3. Identification of the truly material aspects – evaluating aspects that are potentially material, identified during the interviews the aspects that are most relevant for VAS "Latvijas dzelzceļš" as well as for the identified stakeholders.
4. Identification of material aspects – defining the content of the report and setting the scope for the material aspects.

During the stakeholder interviews, the importance of each general aspect of the GRI G4 guidelines was determined, and by assessing LDz's activities and identifying stakeholders' views, four industry-specific aspects (topics) were selected and included in the stakeholder interviews and in the materiality matrix of the sustainability report of VAS "Latvijas dzelzceļš".

A materiality matrix was developed in line with the internal and external stakeholders' assessment of the materiality of the aspects in the materiality dimensions. It can be seen that both internal and external stakeholders consider the economic impact of VAS "Latvijas dzelzceļš" and also some environmental impact indicators as the most material aspects, while several indicators related to society and work environment were indicated as less important impact factors. At the same time, it should be noted it follows from the summary of the results of the interviews that there are no significant differences in the assessments of internal and external stakeholders, with the exception of some questions related to very specific areas or internal business environment, which did not seem material to the external stakeholders.

Sustainability category	Topics
Environmental dimension	Sounds and vibrations
Social dimension	Land use rights Accessibility of the environment for people with disabilities
Other	Corporate governance (gender equality in management positions)



**Economic responsibility**

1. Contribution of the company to the national economy
2. Value created and distributed by the company
3. Financial assistance received
4. Indirect economic impact
5. Procurement practices

**Employees and work environment**

16. Long – term strategy for attracting employees
17. Occupational safety
18. Employee growth
19. Discrimination against employees
20. Corporate governance (in the context of gender equality)

**Product liability**

21. Customer security

**Caring for the environment**

6. Consumption of resources
7. Energy consumption and energy efficiency
8. Emissions, sewage, waste, soil pollution
9. Sounds and vibrations
10. Environmental impact of the service

**Society**

11. Land use rights
12. Accessibility of the environment for people with special needs
13. Anti-corruption measures
14. Political responsibility
15. Restrictive practices

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# ECONOMIC IMPACT

# 06



# The role of LDz in the promotion of industry export services

The dominant company of the Group, VAS "Latvijas dzelzceļš", has a number of foreign counterparties, contractual obligations owed to international customers, and foreign railway companies. The companies belonging to the Group, which provide freight transport services, organization and tender preparation, are also active on the international market.

By developing business outside the country's borders, VAS "Latvijas dzelzceļš", a highly respected company with state capital and a major player in the industry, contributes not only to the competitiveness of the industry internationally but also to the national economy.

Setting goals and specific tasks is essential to promoting and maintaining competitiveness in foreign markets.

In 2020, a new business model was developed by VAS "Latvijas dzelzceļš". Its implementation started in 2021 and envisaged the development of railway services essential for participants in the logistics chain and the economy as a whole, as well as the diversification of counterparties, including road transport and shipping companies, thus increasing the added value of the company's services.

Based on the new business model, the medium-term operating strategy and action plan of VAS "Latvijas dzelzceļš" for the period 2021 - 2025 were developed. As a player in the international transport market, the Latvijas dzelzceļš Group undoubtedly contributes to the national economy, but even more successful economic development is possible if all industry players team up and implement joint cooperation projects.

Participation in international fairs and forums attracts new counterparties not only at the level of the Latvijas dzelzceļš Group, but also for the entire Latvian transport and logistics industry, thus promoting the competitiveness of the industry internationally.

Using the brand "VIA Latvia", players in the transport and logistics industry are presented on the global market, and this unity is essential for international partnerships, considering that a single player cannot operate in isolation from the others - services with high added value can only be created through joint cooperation.

In 2022, the Group's international activities will continue to focus on promoting bilateral cooperation. To promote the popularity of the Latvian transit corridor, participation in international trade fairs and forums in the transport sector is planned.

# Development of services, ensuring efficiency

In 2021, the share of VAS "Latvijas dzelzceļš" revenue in the total net share of turnover from the minimum access service complex and access to infrastructure connecting infrastructure to service facilities and the state subsidy for the minimum access service complex and access to infrastructure connecting infrastructure to service facilities, including passenger platforms, was 53.8%, while the share of revenue from infrastructure charges in turnover in 2021 was 66.8% (excluding government funding to ensure financial balance).

Revenue from ancillary services provided by the infrastructure manager includes revenue from the maintenance of freight cars, revenue from the dispatching of freight trains, revenue from the commercial inspection of freight wagons, and revenue from the billing of freight wagon brokerage services.

Revenue from ancillary services provided by the infrastructure manager includes revenue from the maintenance of freight cars, revenue from the dispatching of freight trains, revenue from the commercial testing of freight waggons and revenue from the settlement of freight wagon car brokerage services.

When organising freight transport with the countries bordering Latvia - Russia, Belarus, Lithuania and Estonia - VAS "Latvijas dzelzceļš" offers its customers processing of documents in the e-environment, which ensures fully digital exchange of information on transport. In turn, the Automated Freight Transport Operational Management System allows carriers to maintain a database of containers and wagons, provide technological documents and format them according to the template, as well as determine the location of locomotives and forecast destination reaching times for freights.

# Economic performance

In 2020 and 2021, the downward trend in freight volumes continued. LDz continued to improve its operational efficiency by reviewing its business, organizational, and technological processes in order to increase profitability, reduce costs, as well as to ensure the company's competitiveness and sustainability in the future. In 2021, the constraints associated with the COVID-19 pandemic and meeting regulatory requirements to contain it remained relevant. In addition, an increasingly unstable geopolitical situation and the expansion of the international sanctions regime affected the possibilities for cooperation with Belarus.

As the largest part of VAS "Latvijas dzelzceļš" revenues consists of charges for the use of infrastructure, the decline in freight volumes also reduces revenues from charges for the use of infrastructure, which consequently has a negative impact on the economic value generated by the company.

In 2021, the absorption of financing from the European Union funds continued and the implementation of the project "Modernization of railway passenger infrastructure", co-financed by the Cohesion Fund, started. Work was continued on the implementation of the project "Modernization of the Sarkandaugava-Mangali-Ziemeļblāzma section of the Riga railway junction" co-financed by the Cohesion Fund. At the same time, preparations were underway for two more projects expected to be co-financed by the Cohesion Fund: "Building of fences and pedestrian crosswalks on railway infrastructure objects" and "Modernization of railway infrastructure to increase train movement speed".

With the support of the Connecting Europe Facility (CEF), the implementation of the project "Building Interoperable Rail System in the Baltic States" will be carried on together with the Estonian railway company AS Eesti Raudtee.

As part of the Recovery and Sustainability Mechanism Plan, work is underway to prepare the project "Electrification of the Railway Network".

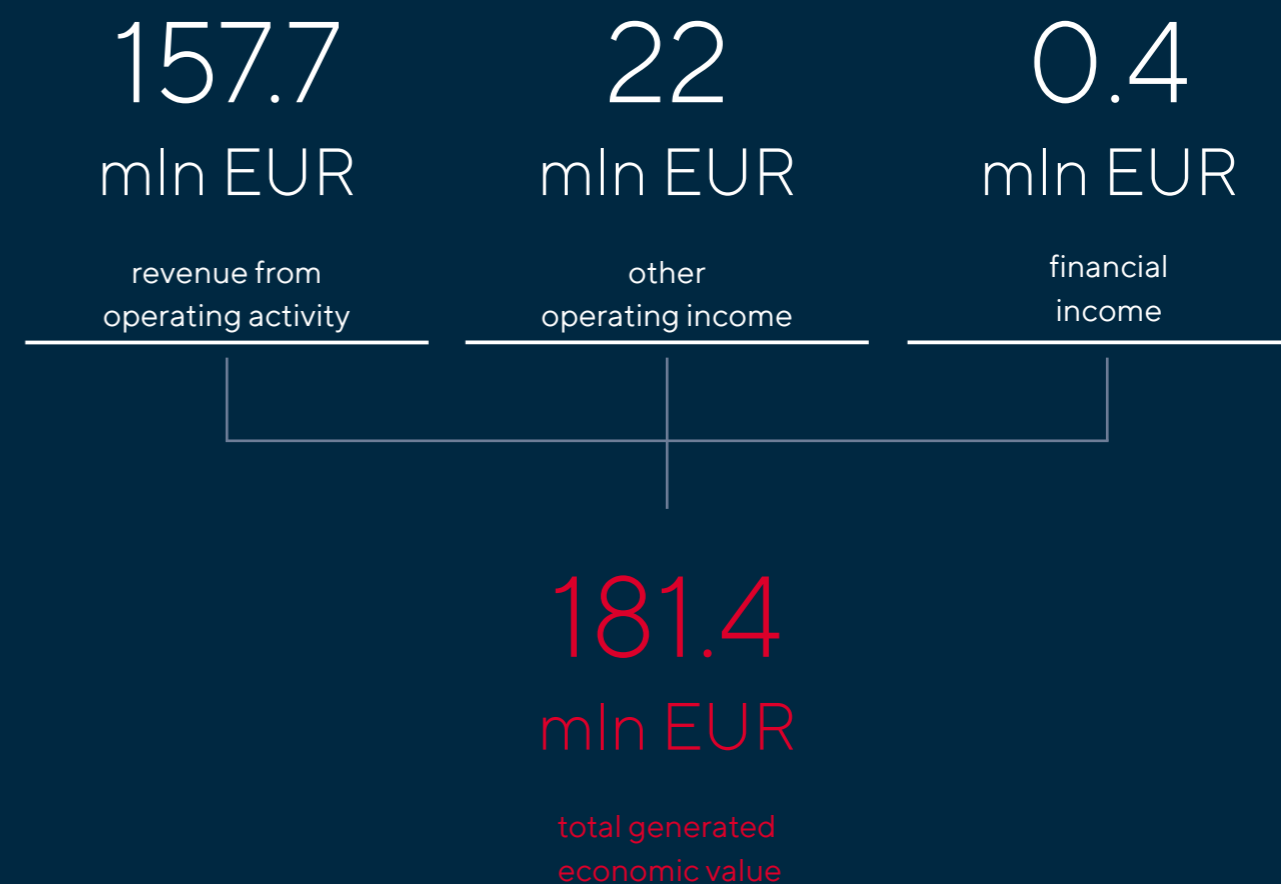


# Generated and distributed economic value

The total economic value generated by VAS "Latvijas dzelzceļš" in 2021 amounted to EUR 180.1 million and consisted of operating income of EUR 157.7 million, other income of EUR 22 million, and financial income of EUR 0.4 million. Compared to 2020, the total economic value created by the company in 2021 decreased by EUR 4.1 million, which can be explained by the decrease in other income.

Costs amounted to EUR 178.4 million in 2021, of which 49% were labour costs, 28% - were depreciation charge and 22% - were costs of goods, materials and services. Compared to 2020, costs decreased by EUR 30.3 million or 14.5%.

In total, VAS "Latvijas dzelzceļš" paid EUR 43.6 million in taxes to the State budget in 2021, including EUR 21.2 million in national social security mandatory contributions, EUR 9.7 million in personal income tax, EUR 12 million in VAT and EUR 594 thousand in property tax.



# Investment in infrastructure and development

203-1  
203-2  
301-1

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The task of VAS "Latvijas dzelzceļš" as a public infrastructure operator is to ensure the construction and maintenance, renewal, and development of railway infrastructure based on a sustainable financing model for the railway system that meets the mobility needs of customers and the requirements of the European Rail Core Network, ensuring efficient management of its resources and implementing a complete railway service cycle throughout the territory of Latvia. Several inspections are carried out every year to register the quality of rail tracks and decide on the necessary improvements.

The assessment of the condition of the rail tracks is expressed by the average grade, which is obtained by dividing the total grade of the inspected station by the number of inspected kilometres. According to the inspections carried out, the quality of rail tracks in Latvia has been rated as "excellent" for a long time. In 2021, the average score was 16.6, which is 1.7 points higher than in 2020. This quality was achieved thanks to investments in infrastructure, which ensure its quality, safety, and competitiveness.

The amount of capital expenditure of VAS "Latvijas dzelzceļš" in 2021 was EUR 12.04 million, of which:

- EUR 7.2 million were invested in capital repairs;
  - EUR 595 thousand were invested for the renewal of IT systems;
  - Purchases of technological equipment for repair and maintenance of rail tracks, as well as equipment for further development of information systems and means of communication and other intangible assets amounted to EUR 453 thousand;
  - EUR 3.79 million were invested in the development of infrastructure.
-



### Materials consumed for infrastructure construction and repair works in 2021 and their amount

Materials	Quantity	Measuring unit
Sand	2 490	tons
Gravel, stone chips	282	tons
Granite chips	55 565	tons
Impregnated oak sleepers	1 758	pcs.
Impregnated coniferous sleepers	4 087	pcs.
Used wooden sleepers	816	pcs.
Switch coniferous beams	267	m <sup>3</sup>
Switch conifer beams	578	m <sup>3</sup>
Bridge beams	4	pcs.
Reinforced concrete sleepers (new)	7 148	pcs.
Reinforced concrete sleepers (used)	13 612	pcs.

Project	Short description	Completed in 2021 EUR
Modernization of the Sarkandaugava - Mangali - Ziemeļblazma section of Riga railway junction	The aim of the project is to improve the section of the Sarkandaugava - Mangali - Ziemeļblazma of the Riga railway junction, which is part of the TEN -T railway network, and to promote its safety, quality, and capacity.	1 411 777

(INEA) Replacement of APOVS and building of OPVS - Building interoperable railway system in the Baltic States	The aim of the project is to ensure that the information systems comply with the requirements of the technical specification for freight/passenger interoperability, which defines the minimum scope of information to be exchanged between railway companies (carriers, infrastructure operators, car owners) in accordance with the requirements of Directive 2008/57/EC).	142 151
Compaction of the rail track sediment level for track reconstruction	Project No.3DP/3.3.1.2.0 / 14/IPIA/SM/001 "Reconstruction of the rail track" and Project No.3DP / 3.3.1.2.0/13/IPIA/SM/005 "Modernization of the signal system of Liepaja station with the track reconstruction, compaction of the rail track sediment level"	638 180
Modernisation of railway passenger infrastructure	Project No.3DP/3.3.1.2.0 / 14/IPIA/SM/001 "Reconstruction of the rail track" and Project No.3DP / 3.3.1.2.0/13/IPIA/SM/005 "Modernization of the signal system of Liepaja station with the track reconstruction, compaction of the rail track sediment level"	13 275
Renewal of signalling, power supply, digital communication fixed assets	Renewal of power and automation devices	1 355 921
Renovation of tracks	Repairs of type A and B tracks, replacement of switch gears, repairs of engineering structures	5 419 770
Modernisation of educational technologies	Freight transport information systems, document management systems, Modernization of other IT systems	1 785 022
Facility management of movable property	Repairs of stations and technological buildings, Modernization of the heating system, protection of important objects owned by LDZ	810 550
Purchase of equipment	Technological equipment for capital repairs and maintenance of rail tracks and equipment for further renewal of information systems and means of communication	464 467.
Total	x	12 041 113

# Projects co-financed by EU funds and programs

In the implementation of the objective of the operating activity - maintenance and development of railway infrastructure - VAS "Latvijas dzelzceļš" continuously plans to improve and modernise the infrastructure, including by attracting financing from the European Union.

The projects are co-financed by the Cohesion Fund under the priority direction "Sustainable transport system" of the Operational Programme "Growth and Employment", Specific support objective 6.2.1 "Ensuring a competitive and environmentally friendly TEN-T Rail Network by promoting its safety, quality and capacity", as part of the measure 6.2.1.2 "Modernization and construction of railway infrastructure" aimed at improving the TEN-T Rail Network by promoting its safety, quality and capacity.

As part of the specific support objective 6.2.1 "Ensuring a competitive and environmentally friendly TEN-T Rail Network by promoting its safety, quality and capacity", the implementation of the projects for developing railway infrastructure is planned: "Modernization of Riga Sarkandaugava - Mangali - Ziemeļblazma railway junction", "Modernization of passenger railway infrastructure", "Modernization of railway infrastructure to increase train movement speed" and "Building of fences and pedestrian crosswalks at railway infrastructure objects".

Within the framework of the Recovery and Resilience Facility, work is underway to prepare the project, which envisages the modernization of the contact network at the Riga junction (Zemitani, Zaslauks) and the Tukums line to Priedaine by 2026, as well as the expansion of the electrified zone Zaslauks-Bolderaja. In total, it is planned to improve the emission-free railway infrastructure on 81 km of rail tracks, including railway electrification (replacement of the contact network line for the transition to the 25 kV electrification system, increasing the total length of electrified lines).

With the support of the Connecting Europe Facility (CEF) and teaming up with the Estonian railway company AS "Eesti Raudtee", the project "Building Interoperable Rail System in the Baltic States" is being implemented, within the framework of which the mandatory level and exchange of information between railway companies (carriers, infrastructure operators, car owners) is to be ensured until the end of 2024.

## **Modernisation of the Sarkandaugava - Mangali - Ziemeļblazma section of the Riga railway junction**

The project envisages the construction of the second rail track in the Mangali - Ziemeļblazma section and the modernization of the centralisation of microprocessors to improve the processing capacity of the Riga railway junction, significantly reduce bottlenecks and increase efficiency. The total cost of the project is estimated at EUR 22.4 million. Co-financing from the EU Cohesion Fund (85%) has been obtained for the implementation of the project. In 2019, a construction contract was entered into with the association of persons "Belam-Leonhard Weiss", while in 2020 a contract for construction supervision was entered into with SIA "Firma L4".

In 2021, design works were completed, and construction works were started in certain railway sections.

Completion of the project is planned for the end of 2023.

### Modernisation of railway passenger infrastructure

One of the areas of responsibility of VAS "Latvijas dzelzceļš" is to maintain and develop railway infrastructure for passengers. To fulfil this task, the implementation of the project "Modernization of railway passenger infrastructure", co-financed by the Cohesion Fund, started in 2021. The project provides for the modernization of infrastructure for passenger transport on the electrified railway lines Riga - Tukums II, Riga - Skulte, Riga - Krustpils and Riga - Jelgava. As part of the project, new stops will be built near Silikatu street and Slokas street (on the Tornakalns - Bolderaja line), Dauderi (on the Zemitani - Skulte line) and near the "Alfa" shopping centre (on the Riga - Cesis line)).

Raised platforms, modern and functional canopies, benches and bicycle lanes, tactile lanes and tactile guidance devices, the notification and video surveillance system, information signs in a uniform format and access to platforms for people with disabilities will be installed at each of the 48 stations and stops. To facilitate access to the public railway infrastructure, the location of certain stops will be changed.

During the development of the project, common guidelines for the visual appearance of the infrastructure were also drawn up, which will be considered when upgrading existing or building new passenger infrastructure. In 2021, construction contracts were concluded with "PS BMGS-FIMA" and "LEONHARD WEISS OÜ", and procurement for construction supervision was conducted. The design work stage of the project has started.

Completion of the project is planned for the end of 2023.

### Modernization of railway infrastructure to increase train movement speed

As part of the project, it is planned to increase train movement speed on the Riga - Aizkraukle and Riga - Jelgava lines by the end of 2023 by modernising 110 kilometres of the railway infrastructure. On the Riga - Aizkraukle and Riga - Jelgava lines, it is planned to equip the railway crossings with new crossing signal systems and automatic barriers, reconstruct the geometry of the rail curves and renew the associated electrical contact networks so that train movement speed reaches up to 140 km/h. The estimated

cost of the project is EUR 70 million, including co-financing from the Cohesion Fund of EUR 59.5 million.

In 2021, the project application was prepared for submission to the Central Finance and Contracts Agency, and the procurement for the construction works was started.

### Building fencing and pedestrian crossings in railway infrastructure objects

The project provides for the construction of safety fencing and crossings at the most dangerous locations by the end of 2023, where rail traffic and pedestrian flows are heaviest and there is a higher risk of accidents. Within the framework of the project, it is planned to perform works in railway sections: Zaulauks - Lacupe, Brasa - Sarkandaugava - Mangali - Ziemeļblazma, Ciekurkalns - Jugla, Tornakalns - Tiraine, Skirotava station. The funding available for the project is EUR 7.3 million, including EUR 6.2 million in Cohesion Fund co-financing.

In 2021, the project application was prepared for submission to the Central Finance and Contracts Agency, as well as procurements for construction and construction supervision were made.

### Connecting Europe Facility (CEF) "Building an interoperable railway system in the Baltic States"

VAS "Latvijas dzelzceļš" and AS "Eesti Raudtee" (ER) have signed the Grant agreement with the Innovation and Networks Executive Agency (INEA) for the implementation of the project "Building Interoperable Rail System in the Baltic States". The project aims to replace the automated transportation operating management system (APOVS) currently in operation at LDz with a new operating transportation management system (OPVS) and to complement the existing transportation management system (IMS) at Estonian Railways, as well as to implement TAF TSI Regulation 1305/2014 (amended by TAF TSI Regulation 2018/278) and TAP TSI Regulation 454/2011. The project provides for the introduction of a new technological model on the railways in Latvia and Estonia in accordance with the s.c. Safety pillar legislation of the EU's 4th Railway Package. The project will include an analysis of the existing processes, modelling of business processes and data, development of



technical and functional specifications and implementation of a new system to simultaneously meet the requirements of the technical specifications for interoperability (TAF/TAP TSI) for freight/passenger transport and ensure compatibility of transport information with the railway systems of the Commonwealth of Independent States (CIS), in accordance with the requirements of the binding laws and regulations of the Railway Transport Council (CSZT) of the Member States.

The total cost of creating an interoperable railway system is estimated at EUR 5.3 million. The project is 40% co-financed by the Connecting Europe Facility (CEF). In 2021, procurements were conducted for project management and the development of business models and technical specifications.

Completion of the project is planned for the end of 2023.

#### Recovery and Resilience Facility

The European Commission approved Latvia's National Recovery and Resilience Facility Plan (RRFP) on 22.06.2021. Its "Reducing emissions in the transport sector" section provides for the implementation of measures to develop the electrification of the railway network.

As part of the RRFP, the modernization of the contact network at the Riga junction (Zemitani, Zaslauks) and on the Tukums line to Priedaine, as well as the development of the electrified zone Zaslauks - Bolderaja are planned. In general, there are plans to improve the emission-free railway infrastructure on 81 km of tracks, including electrification (replacement of the overhead line for the transition to the 25 kV electrification system, increasing the total length of electrified lines) and related measures (construction of electrified double-track sections, station track plans, reconstruction of stations), track layout improvements, reconstruction of passenger platforms and safe two-railway crossings and accesses to platforms, adaptation of signalling systems, etc.)

The project is funded by the RRFP in the amount of EUR 72.7 million and is expected to be implemented by mid-2026.

Preparations for the project began in 2021.

## Property management and raising efficiency

VAS "Latvijas dzelzceļš" uses the real estate it owns and possesses (e.g., public railway infrastructure in the land division zone) first of all to provide its principal services, while other real estate that is not necessary for the company's principal business is offered for lease to the dependent companies of VAS "Latvijas dzelzceļš" and external customers in accordance with external and internal regulations.

In 2021, VAS "Latvijas dzelzceļš" continued to make improvements in this area and assess the future need for real estate necessary for carrying out its principal business. In 2021, there were 2,057 buildings on the balance sheet of VAS "Latvijas dzelzceļš", of which premises in 294 buildings were leased for use by external lessees, including AS "Pasažieru vilciens" and the dependent companies of VAS "Latvijas dzelzceļš", representing 15.2% of the total number of buildings. The area of the leased premises was 19.6% of the total area of LDz buildings.

VAS "Latvijas dzelzceļš" owns a number of properties, including buildings, engineering structures, separate apartment dwellings, access roads, etc., which are no longer necessary for the main activity of the company, but whose maintenance leads to inefficient consumption of resources. In order to reduce costs, regular reviews are conducted to determine which of the real estate properties are needed in the foreseeable future to secure the company's principle business, considering their technical condition, location in the public railway infrastructure zone, the existence of technical and ownership documentation, market demand, and which properties should be considered for sale or deconstruction.

In 2021, 36 meetings of the Lease Commission were held to make decisions on leasing corporate and state property, transfer into use without a charge, entering into land use restriction agreements, application of lease charge exemption or reduction thereof as a result of the spread of COVID-19 taking into account the Cabinet Regulation No. 453 "Regulation on the application of lease exemption or reduction for real estate owned by a public person and an entity controlled by a public person as a result of the spread of COVID-19" and leasing from other entities". On the website of VAS "Latvijas dzelzceļš" and VAS "Valsts nekustamie īpašumi" there are a total of 234 publications about the objects (buildings, premises and/or land) offered for lease, 20 publications about the disposal of real estate and movable property were published in the official newspaper "Latvijas Vestnesis".

122 minutes for the meetings of the Lease Commission were prepared:

- 31 minutes on the property of the capital company;
- 23 minutes on the transfer of state property for use;
- 65 minutes on the application of the lease charge waiver or reduction due to the proliferation of COVID-19;
- minutes for the meeting on the performance of infrastructure and reconstruction and improvement works of VAS "Latvijas dzelzceļš" for SIA "Eiropas Dzelzceļa līnijas"
- 2 minutes for premise lease from another entity

In 2021, a total of 295 contracts for lending property (free of charge), for restricting land use rights, and for leasing property from other entities were concluded, as well as an agreement on changes to contracts for lease of real estate.

In 2021, 19 real estate auctions were organised on the e-auction site. In the reporting year, 6 alienation agreements were concluded for the total amount of EUR 188.403, alienating 21 real estate objects:

- 15 buildings/structures;
- 1 civil engineering structure;
- 4 pieces of technological equipment related to the building;
- 1 land unit.

In 2021, revenue from leasing premises and land from external tenants amounted to EUR 2.18 million, up by 20% from 2020, although it should be noted that lease fee reductions or discounts related to COVID-19 pandemic were applied in 2020.

In contrast, revenues from the lease of premises and land of the Group's dependent companies decreased by 12.2% to EUR 1.01 million. The decrease in revenues was due to the streamlining measures taken at subsidiaries, which reduced their need for leased premises and land for their main business. In 2021, income decreased by 4.1% and amounted to EUR 27.151 in that year (in 2020, income was EUR 28.300).

In 2021, property facility management was also affected by the COVID-19 pandemic, the reduced business activity also worsened the situation of LDz tenants, resulting in 65 decisions on the exemption from or reduction of the lease fee.

VAS "Latvijas dzelzceļš" is responsible for a public railway section area of a total of 15,146 ha and includes both railway sections in operation and lines on which there is currently no train service but which the company must maintain until the Cabinet decides to close the railway sections.

As the owner, the LDz is obliged to keep the buildings and facilities in a proper technical condition to avoid deterioration of the property and posing risk to human health and life. In 2021, two roof renewal projects were carried out, one for the Olaine station building and the other for the Daudzeva station building. In the Daugavpils station building, the underground tunnel was reconstructed, and the paving of the station square was renovated. In addition, investments were made in the reconstruction of railway engineering buildings, reinforcement of roof support structures (conductor rails) for the Latvian Museum of Railway History building, reconstruction of the railway administration building, creation of a ramp to ensure environmental accessibility at the Atgazene stop, and reconstruction of the Skirotava station's "J" park car arranger building (Dispatch building).

In 2021, the downsizing of the vehicle fleet of VAS "Latvijas dzelzceļš" was also continued. In order to evaluate the usefulness of the fleet after the reduction of the functional scope of the company, movable property (ten vehicles) was sold through a digital auction during the reporting period, as a result of which seven purchase contracts for eight vehicles were concluded. The bid price for the eight vehicles at the auction amounted to EUR 18.382, excluding VAT. Two movable property auctions were also held, during which 12 diesel locomotives (M62 series) and six wagons were auctioned. As a result of the auction, five contracts with a total value of EUR 541.627 were concluded.

To reduce the cost of the technological fleet required for use, the company introduced the Global Positioning System (GPS) to monitor the number of kilometres travelled and achieve fuel savings. In 2021, 529,773 fewer kilometres were travelled, and 45.12 fewer tons of fuel were consumed than in 2020. In the reporting year, the LDz technological road transport covered a total of 5.887.387 kilometres and actually consumed 506.5 tons of fuel.

## Indirect economic impact

The volume of passengers and freight carried by the railways has a direct economic impact on the industry and the national economy as a whole, but as other sectors do not operate in isolation from each other, there are also indirect economic impacts on other sectors of the economy. A significant share of the freight volume arrives in Latvian ports, which means that railways also have an indirect economic impact on the port and shipping sectors. The cooperation of VAS "Latvijas dzelzceļš" with the three largest Latvian ports has developed over many years.

The Latvijas dzelzceļš Group employs several thousand people throughout Latvia, which means that by providing regular income to a considerable number of people, the company indirectly affects both the trade and service sectors and other consumption-related sectors.

Annual social insurance contributions to the State budget also have indirect economic effects on medicine, education, defence and other sectors. The social insurance contributions of companies flow into the budget of sectors of national significance. Taxes paid by VAS "Latvijas dzelzceļš" to the State budget in 2021 totalled EUR 43.6 million, including EUR 21.2 million paid in national social insurance mandatory contributions, EUR 9.7 million in personal income tax, EUR 12 million in VAT and EUR 594 thousand in property tax. Total taxes paid in 2021 to the general State budget by the companies registered in Latvia amounted to EUR 8.27 billion. In 2021, VAS "Latvijas dzelzceļš" was the fourth largest payer of national social mandatory contributions to the state social insurance system and the fifth largest payer of personal income taxes in the country. The level of average labour remuneration



in the country is determined every year, and "Latvijas dzelzceļš" indirectly affects it as well. In 2021, the average gross monthly salary of employees of VAS "Latvijas dzelzceļš" was EUR 1,347.5 per month, EUR 70.5 higher than the national average. According to the Central Statistical Bureau of Latvia, the average gross salary in Latvia in 2021 was EUR 1.277.

The railway network plays an important role as regards the mobility of the Latvian population and at the same time has an impact on the tourism industry. Train traffic on the infrastructure maintained by VAS "Latvijas dzelzceļš" throughout the country gives everyone the opportunity to commute between regions and cities, whether for work, education, shopping, travelling or other reasons. In recent years, the railway has become more and more important as a mode of public transport. Before the COVID-19 pandemic and the restrictions imposed to contain the epidemic, almost 20 million passengers a year were carried by rail. The number of passengers in 2020 and 2021 has decreased significantly compared to 2019 and previous years due to the aforementioned restrictions.

In 2021, 11.2 million passengers were carried by rail, down by 12.8% from 2020. International rail passenger services did not resume in 2021 after being suspended in the spring of 2020 when the restrictive measures of COVID-19 came into force.

Traditionally, most passengers commute by electric trains, which suggests that railways are particularly popular as a means of public transport in Riga and near Riga. It is expected that the use of the train within the city limits of Riga will continue to increase in the future, supported by the modernisation of the infrastructure, the raising of the platforms, the construction of new stops at Dauderi and near the shopping centre "Alfa", as well as the renovated passenger railway line to Bolderaja.

Construction and raw material production are indirectly affected by large-scale infrastructure modernization projects in the railway sector. It also benefits the information technology sector since its products and services are increasingly required for railway infrastructure maintenance and modernization.

# Procurement practices

When organising procurement procedures, VAS "Latvijas dzelzceļš" acts as a public service provider in accordance with the Law on the Procurement of Public Service Providers, adheres to the Public Service Provider Guidelines approved by the Procurement Monitoring Bureau, the Procurement Rules developed by the company and the Group, and the Code of Counterparty Business Ethics of the Latvijas dzelzceļš Group. The Procurement Office, the structural unit responsible for procurement procedures in the company, is responsible for aggregating information on procurement plans and orders, organising procurement procedures and providing legal oversight.

The Procurement Office adheres to all applicable laws and cooperates with the Security Department of VAS "Latvijas dzelzceļš" to ensure that all procurements are as transparent, fair and open as possible. Each procurement contract also includes references to the Group's Code of Counterparty Business Ethics, which must be adhered to by both contracting parties. In cases of doubt, recourse can be made to the whistleblower mechanism, which allows Latvijas dzelzceļš Group employees to anonymously report possible cases of fraud, corruption or conflict of interest.

The Procurement Office follows the principles of openness, free competition, equal treatment and fairness in conducting procurement procedures. This means that all bidders are subject to the same requirements and evaluation criteria. An important prerequisite for the functioning of the Procurement Office is the efficient use of resources. A wide range of staff is involved in organising procurement procedures - internal procurement officers, specification developers, members of the Procurement Commission, staff responsible for drafting contracts and people responsible for concluding contracts. Training is provided regularly to the above mentioned individuals in order to prevent potential hazards.



In 2021, the Procurement Office conducted 245 procurements and awarded 702 procurement contracts with a total value of EUR 79.68 million. In 2021, owing to a thorough and responsible procurement policy, cost savings amounted to EUR 17.77 million. The amount of savings was calculated by comparing the budgeted amount of the completed procurements with the contract amount of the actual procurements.

The company's care for the environment is also implemented in the area of procurement by applying the so-called "green procurement" to certain procedures, i.e., purchasing environmentally friendly goods or solutions that are more sustainable and potentially have a lower environmental impact. Of the procurements conducted in 2021, 72 were conducted according to the "green procurement" principle. As part of these procurements, goods such as office paper, printers, computers and servers, household goods, light bulbs and other goods were purchased, and procurements for services and construction works were carried out.

In order to improve the procurement policy, in 2021 the General Procurement Rules of the Latvijas dzelzceļš Group and the Procurement Rules of VAS "Latvijas dzelzceļš" were updated and entered into force on 01.01.2022. For 2022, the Procurement Office is planning to put in place a more rigorous approach to procurement planning and process monitoring, from procurement planning to the award of procured contracts. The risk mitigation measures that have been started will be continued in order to rule out direct communication with bidders and to conduct procurements through the digital procurement system (DPS) as far as possible.





# Anti-corruption measures at VAS "Latvijas dzelzceļš"

One of the most important principles of good corporate governance, which is also adhered to and implemented by VAS "Latvijas dzelzceļš", is open and fair treatment of the company's property, honest employees and conducting transparent business with third parties.

In order to define the requirements for employees' dealings with suppliers and counterparties, to avoid possible cases of corruption related to the organisation of business trips and the acceptance of gifts, the Anti-Fraud Policy was adopted in 2016. The new text of the policy was approved in 2019. In 2021, a draft of the new text of the Anti-Fraud Policy was prepared and the development of guidelines for the implementation of the Anti-Fraud Policy was started in order to ensure effective implementation of the Anti-Fraud Policy in the Group based on the risk assessment and the resulting risk management measures. The company's Security Department is responsible for implementing this Policy, which, like the current policy, is binding on all employees of VAS "Latvijas dzelzceļš" and its subsidiaries in Latvia and abroad.

VAS "Latvijas dzelzceļš" Anti-Fraud Policy is closely related to external laws, such as the Cabinet Regulation No. 630 "Regulation on the Basic Requirements for the Internal Control System for Preventing the Risk of Corruption and Conflict of Interest in an Institution of a Public Person" and the Whistleblowing Law. In the implementation thereof, the Group's Code of Ethics is essential, which contains the principles of professional conduct and ethics and ensures that they are directed against corruption, conflicts of interest, illegal use of insider information, and any other illegal and unethical conduct.

The Whistleblowing Law has been in force in Latvia since 1 May 2019. It aims at promoting reporting of violations and ensuring the establishment and operation of the whistleblowing mechanisms. According to the requirements of the law, every

company and institution employing more than 50 persons must establish an internal whistleblowing system.

Notwithstanding the fact that VAS "Latvijas dzelzceļš" had already established such a mechanism prior to the entry into force of the Law, which provided for the possibility to report possible cases of corruption or fraud anonymously, confidentially or with disclosure of identity, the new Law has added another feature to the legal requirements - it provides for the possibility to report possible cases of fraud (corruption) or money laundering and to file a whistleblower report. In accordance with the requirements of the law, the company has developed a mechanism for receiving, registering and verifying whistleblower reports and for communicating with the whistleblower.

The online whistleblowing system is available on the company's intranet and website for all company employees and external customers. In 2021, 20 reports of suspected fraud were received through one of the information channels, including the LDz intranet or website, of which a thorough investigation of the circumstances of the case was carried out in ten cases. In 2021, the Security Department of VAS "Latvijas dzelzceļš" did not register any whistleblower reports. The results of the due diligence led to the conclusion that the violations were neither fraudulent nor had a negative impact on the Group (financial losses or damage to reputation). In all cases, precautionary measures were taken to prevent possible fraud risks.

Raising awareness on anti-corruption issues is ensured by organising training sessions for employees at risk of corruption, both at the beginning of their employment and at least every three years thereafter, with the aim of raising awareness of the Code of Ethics and the Policy, explaining the possible consequences for employees and the company, informing about reporting obligations, etc. The Communications Department is responsible for providing explanatory and educational information on the Code of Ethics, the Code of Counterparty Business Ethics, and the availability of fraud prevention and whistleblowing materials in the internal communication channels. LDz ensures that persons entering into an employment relationship are informed about the internal whistleblowing system and the Anti-Fraud Policy.



In 2021, the Company's Security Department developed a methodology for assessing positions at risk of corruption and began identifying positions at risk of fraud within the Group and taking measures to reduce the risk of fraud. In 2021, the Security Department, in cooperation with the Corruption Prevention and Combatting Bureau (KNAB), developed a training programme to provide employees with up-to-date information on fraud risks, signs of fraud and the legal framework governing corruption matters. In April 2022, the first such training took place, attended by 157 employees of VAS "Latvijas dzelzceļš". The training took place remotely in two stages - theoretical training in the first stage, verification of knowledge in the form of a test - in the second stage. As a result, 75% of the participants passed the knowledge test. A similar training is planned in the second half of 2022 for other employees of the Group.

In order to ensure compliance with the requirements of the Law on International and National Sanctions of the Republic of Latvia, the "Sanctions" information system has been in operation since 2019, and the reports provided by this system on the possible presence of a verifiable counterparty in the sanctions lists are analysed on a daily basis. The analysis of the data entered into the "Sanctions" information system has shown that improvements to the infrastructure and software of the information system are required. In connection with the possible entry of freight subject to international sanctions into Latvian territory at the end of 2021, the Security Department has expanded inspections of potential sanctions subjects, including incoming rail freight (consignor, consignee and freight content). In addition to the daily monitoring of sanctions legislation, the Security Department has developed a sanctions risk matrix, which has led to continuous work to minimise the identified risks. To prevent the risk of not identifying the subject of sanctions, a number of measures have been taken: a mechanism for cooperation and exchange of information has been established in cooperation with the Train Traffic Department. From 2022, the Security Department will work with Group companies on sanctions to provide up-to-date information to staff who routinely carry out sanction checks as part of their duties.

## Fair competition

As the only railway infrastructure manager in Latvia, LDz currently has no direct competitors, but is obliged under the Railway Law to provide equal, non-discriminatory access to the infrastructure for all providers of railway transport services.



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# ENVIRONMENTAL IMPACT

07

The fight against climate change must be a joint global effort, and LDz is well aware of the need to reduce the impact of its business activity on the environment. With around eight times fewer carbon emissions per ton-kilometre than other modes of transport, railway transport is considered one of the most environmentally friendly modes of transport in the world. Nevertheless, carrying freight and passengers on diesel and electric trains have an impact on the environment. Currently, 14% of Latvia's entire rail network is electrified, with electrified passenger train lines covering Riga and the areas near Riga. In the remaining regions, passenger and freight trains are diesel-fuelled, which results in greenhouse gas emissions. To reduce the impact of its business activities on the environment, VAS "Latvijas dzelzceļš" is constantly looking for more climate-friendly solutions. The company has implemented an environmental management system based on ISO 14001:2015 and a certified energy management system in accordance with the requirements of the ISO 50001:2018.

At the end of 2021, the new Environmental and Energy Management Policy of the Latvijas dzelzceļš Group and the binding procedures were approved. Whereas to identify the most important environmental aspects and define the tasks aimed at improving the environmental condition, the Environmental and Energy Management Programme has been developed and is reviewed on a regular basis. In 2020, based on the requirements of ISO 50001:2018, the Environmental and Energy Management Programme for 2021-2028 was developed and approved.

As part of the implementation of the integrated environmental and energy management system (VEPS) in accordance with the requirements of ISO 14001:2015 and ISO 50001:2018, a draft paper "Environmental and Energy Management Programme for 2022-2028 of VAS "Latvijas dzelzceļš" was developed at the end of 2021, to take account of the integrated requirements of the Standards, changes occurring in the company and the process of implementation and improvement of VEPS.

1. Historically contaminated and potentially contaminated sites;
2. Energy consumption;
3. Noise and vibration;
4. Emergency situations (accidents on the tracks, spills of hazardous freight, fires, natural disasters);
5. Emissions from boiler houses and technological processes.

Environmental aspects were assessed in accordance with the Procedure for the Identification of Environmental Aspects in the Latvijas dzelzceļš Group. The environmental impacts of the environmental aspects and their significance were determined based on several criteria - manifestation, legal requirements, permanence/probability of impact, and significance of impact. Each criterion was assessed according to the established scoring system.

The specialists of VAS "Latvijas dzelzceļš", who are responsible for environmental management, annually evaluate the tasks and goals provided for in the programme and propose changes, if necessary, to promote more responsible action towards the environment.



# Environmental impact of investment and development projects

The Investment Planning and Execution Control Regulation of the Latvijas dzelzceļš Group provide for an assessment of the potential environmental impact of each investment project. According to the Regulation, any development or investment project must be consistent with the main strategic sustainability goals of VAS "Latvijas dzelzceļš", which include the development of environmentally friendly and efficient rail transport.

# Energy management

The energy management system of VAS "Latvijas dzelzceļš" has been certified in accordance with the requirements of ISO 50 001:2018 since 2017. In 2021, the surveillance audit of the energy management system was conducted by "Bureau Veritas Certification", which issued certificate no. LVO07131 on compliance with the requirements of the Standard on 18.02.2021.

Under the energy management system, the main areas of energy consumption, which are regularly evaluated, are electricity consumption (MWh/year) and electricity losses (MWh/year), heat consumption (kWh/m<sup>2</sup>) and diesel consumption (total consumption and consumption for technological, transport needs, specific consumption (l/100km) for road transport).

The main environmental aspects have been identified in the Environmental and Energy Management Programme for 2021-2028 of VAS "Latvijas dzelzceļš". At the end of 2021, the draft paper "Environmental and Energy Management Programme for 2022-2028" of VAS "Latvijas dzelzceļš" was prepared, under which key environmental aspects were reviewed.

Most of the buildings owned and possessed by VAS "Latvijas dzelzceļš" were built between 1950 and 1980, a significant number of buildings was built between 1900 and 1940. These buildings and structures, as well as their engineering communications, are physically and technically obsolete and energy inefficient. Measures to improve the energy efficiency of buildings are set out in the Real Estate Development and Management Programme of VAS "Latvijas dzelzceļš" for the period until 2030. The programme sets out objectives for reducing specific electricity and heat consumption in real estate, increasing the energy efficiency of real estate and reducing electricity and water consumption in the operation and management of real estate. One of the most effective ways to improve energy efficiency is to replace windows, doors and roofs in buildings, as well as insulate walls and install sustainable heating systems.

# Reduction of pollution

Environmental pollution in the railway sector did not receive much attention for decades in the 20th century for various reasons, despite the fact that the railway in Latvia has a history of more than 150 years, and pollution has inevitably developed over the years. As global policies and public attitudes change, environmental protection and pollution reduction have become a high priority in society and politics in the 21st century. In Latvia, with the development of the railway sector, reduction of pollution has also become a topical issue. LDz's pollution reduction activities are implemented in three directions:

- Elimination of historical pollution;
- Environmental quality monitoring at key railway nodes;
- Additional measures to minimise sources of pollution.

The Environmental and Energy Management Policy of the Latvijas dzelzceļš Group is binding on the entire Group, therefore the solutions implemented by the subsidiaries in their daily operations must also be environmentally friendly.

# Noise and vibration

Reducing railway noise is one of the priorities of LDz. To reduce the noise caused by railway operations, the company regularly reconstructs and repairs tracks, considering the intensity and load of rail use, and replaces conventional rail tracks with long rails, which reduces noise intensity significantly.

The Action Plan for Noise Reduction until 2023 of VAS "Latvijas dzelzceļš" currently in effect was developed for the route sections where the traffic intensity exceeds 30.000 trains per year. The noise caused by train movement affects seven municipal areas: the Riga agglomeration, and the counties of Salaspils, Stopini, Ikšķile, Ogre, Kegums, and Lielvarde. In order to determine the best measures for noise and vibration reduction in each of the municipalities where there are railway lines, cooperation of VAS "Latvijas dzelzceļš" with the municipalities on spatial planning issues is essential. Within the limits of available financial resources, VAS "Latvijas dzelzceļš" will continue to take measures aimed at reducing noise and vibration by identifying the noise levels on the various railway lines and the number of people affected, and by planning the implementation of noise reduction measures according to public health benefits – first of all implementing such measures whose public health benefits in terms of noise reduction exceed the investments required to implement the measures, and in order of priority.

# Resources

To ensure that railway infrastructure is safe and of high quality, various materials are used for its repair and maintenance: sand and gravel, quarry stone, wooden and reinforced concrete sleepers. The quantity of these materials varies from year to year and depends on the extent of the planned repairs. The quantities of materials used for 2021 are shown on page 6. Recyclable materials are not used in the repair works of railway infrastructure.

## Water consumption

Water is of the most consumed resources for the business operations and daily needs of VAS "Latvijas dzelzceļš", obtained both from central water supply systems provided by various merchants and from the company's own water extraction wells. To ensure the availability of water, the company has 71 contracts with municipal utility companies and two contracts with the Freeport of Riga Authority in place.

The economical use of water resources is one of the basic requirements for environmentally friendly management, as water is one of the natural resources that cannot recover as quickly as it is consumed. LDz strives to operate as efficiently as possible while also reducing water consumption.

The amount of water abstracted and consumed decreased to 73.215 cubic metres in 2021 (2020 - 84.098 cubic metres), while the amount of wastewater generated was 81.479 cubic metres (2020 - 89.553 cubic metres).

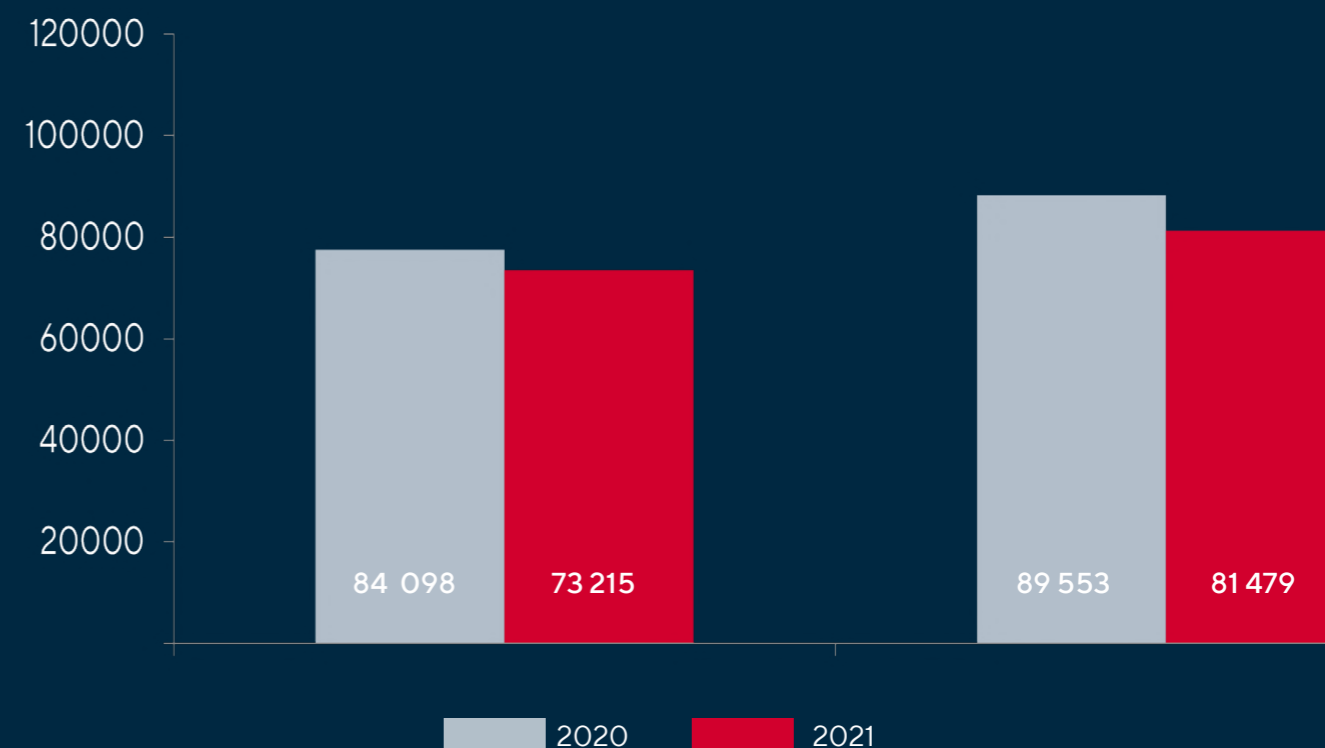
## Water consumption, m<sup>3</sup>



Consumed water quantities



Consumed wastewater quantities





# Electricity consumption

Promoting energy efficiency is not only crucial for mitigating climate change through reduced energy consumption, but also for financial benefits. Achieving this requires both large-scale energy efficiency measures at the company level and the promotion of a change in people's mindsets and habits. According to the Energy Efficiency Law, VAS "Latvijas dzelzceļš" must implement at least three energy efficiency improvement methods that yield the highest energy savings or economic returns. In order to reduce electricity and heat consumption, the company's employees undergo regular training on various ways to save resources. In 2021, two training sessions were held, attended by the employees of the structural units responsible for environmental and energy management. The training held in December was also attended by the employees of the Group's subsidiaries, 32 employees in total. As part of the technical training, the employees underwent training in energy management issues.

During the reporting year, two articles on energy efficiency were published on the company's internal website: "Think about your daily actions - World Environment Day 2021" and "A new environmental and energy management policy of the Latvijas dzelzceļš Group has been adopted".

## Thermal energy

VAS "Latvijas dzelzceļš" has set the reduction of heating energy consumption as one of the goals to be achieved in the field of energy efficiency. Insulation of existing buildings is one of the most important ways to save thermal energy and electricity while improving the quality and sustainability of buildings. Insulation also contributes to indoor comfort and increases the visual attractiveness of buildings.

The Company's real estate development and management programme for the period until 2030 stipulates that specific heat consumption must be less than 150 kWh/m<sup>2</sup> per year from 2021 to 2030. During the 2020/2021 heating season, the average specific thermal energy consumption was 126.41 kWh/m<sup>2</sup>, which means that the objective set in the programme has been achieved.

The temperature of the outside air is one of the key factors affecting thermal energy consumption, as is the switch to more energy-efficient and cost-effective heating methods (wood pellet boilers) from fossil fuels (natural gas).

Compared to the 2019/2020 heating season, the average specific heating energy consumption of VAS "Latvijas dzelzceļš" has slightly increased - by 3.4 kWh/m<sup>2</sup> or 3%. In the 2020/2012 heating season it was 123.01 kWh/m<sup>2</sup>, while in the 2020/2021 heating season it was 126.41 kWh/m<sup>2</sup>. The overall increase is due to changes in outside air temperature, as the 2020/2021 heating season was cold. In the 2020/2021 heating season, the specific increase in thermal energy consumption was registered in Daugavpils, while a decrease was registered in the Riga and Jelgava regions.

Significant measures have been taken to improve energy efficiency by 2021 at two objects in Jelgava, where the methods of thermal energy generation have been changed. Heating pipelines and old powerful boiler systems are no longer used. Two separate boiler houses have been built (changeover from natural gas fuel to wood pellets). The energy savings in the years following the commissioning of

No.	Region	Thermal energy consumption kWh/m <sup>2</sup>				
		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
1.	Riga region	132.00	129.41	123.62	109.88	106.94
2.	Jelgava region	168.00	160.42	155.62	148.19	147.29
3.	Daugavpils region	167.50	156.38	163.46	134.43	162.85
	<b>On average at LDz</b>	<b>148.5</b>	<b>141.5</b>	<b>136.06</b>	<b>123.01</b>	<b>126.41</b>

the boiler houses are budgeted to reach 568.6 MWh/year. In Ventspils, a project for the changeover of the central diesel boiler house was developed for 2021. A total of EUR 23.769 were invested in projects aimed to change the type of heating in 2021.

### Electricity consumption

The company consumes electricity on a daily basis for various production processes and railway infrastructure maintenance, as well as for indoor and outdoor lighting and for the operation of various office equipment. While this resource is vital to ensure operations, one of the tasks set out in the Environmental and Energy Management Programme is to reduce electricity consumption in the operation of the railway infrastructure and the operation and facility management of the properties.

Reducing electricity consumption also involves changing people's attitudes and daily habits. Therefore, LDz employees are also regularly reminded, through internal communication channels, about energy-saving habits in everyday life, such as the use of office equipment and lighting habits. This is done by placing signs on electrical switches, elevators, printers, etc. in the offices and through internal communication channels by publishing a daily recommendation on how to save electricity and other resources, e.g., by creating informative articles on the internal website on the intranet.

In 2021, the Company's total electricity consumption increased by 2.496.7 MWh (7.9%) compared to 2020. The total electricity consumption was 31.588.80 MWh and 34.085.50 MWh in 2020 and 2021, respectively. The increase in consumption has been due to weather conditions - cold and snowy winters, hence significantly higher electricity consumption was required for heating the railway crossings, as well as for thermal energy, where electric heaters were used.

The table below shows data on electricity consumption for railway infrastructure maintenance, which accounts for the largest share of total electricity consumption. Electricity consumption for household needs was 11.698.7 MWh in 2021.

### Electricity consumption for the maintenance of railway infrastructure

Year	Electricity consumption for switch heating (MWh/per annum)	Electricity consumption for external lighting (MWh/per annum)	Electricity consumption for SCB and communication equipment operation (MWh/per annum)	Total electricity consumption (MWh/per annum)
2018	1 607	4 414.1	(MWh/per annum)	25 329.2
2019	1 460 (-9.2%) <sup>2</sup>	4 428.4 (+ 0.3%)	19 166,5 (- 0.7%)	25 054.9 (-1,1%)
2020	296 (- 79.7%)	3 670.8 (- 17.1%)	16 998,4 (- 11.3%)	20 965.2 (-16.3%)
2021	2 247.8 (+759%)	3 128.9 (- 14.8%)	17 010,1 (+ 0.1%)	22 386.8 (+6.78%)

<sup>1</sup> Alarms, centralization, locking.  
<sup>2</sup> Decrease (in %) compared to the previous year.

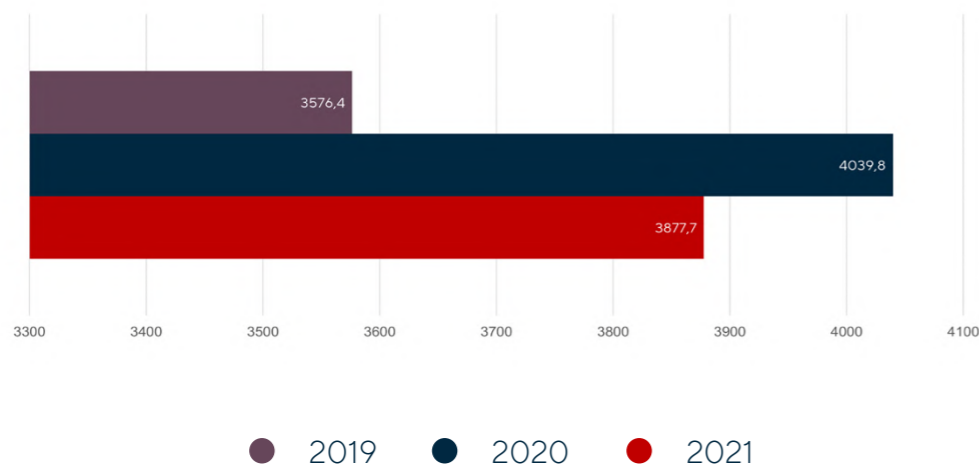
At the same time, electricity consumption for outdoor lighting decreased in 2021, partly due to the switching off of lighting on platforms and in stations where passenger transport services were not provided, but also partly due to the installation of automatic lighting in a number of properties. Energy efficiency was also achieved by continuing to replace incandescent and fluorescent bulbs with LED lighting equipment.

To improve energy efficiency in all regions, 1.550 incandescent and fluorescent (mercury) bulbs were replaced with LED bulbs in 2021. This reduced electricity consumption by an average of 70.308 kW per year.

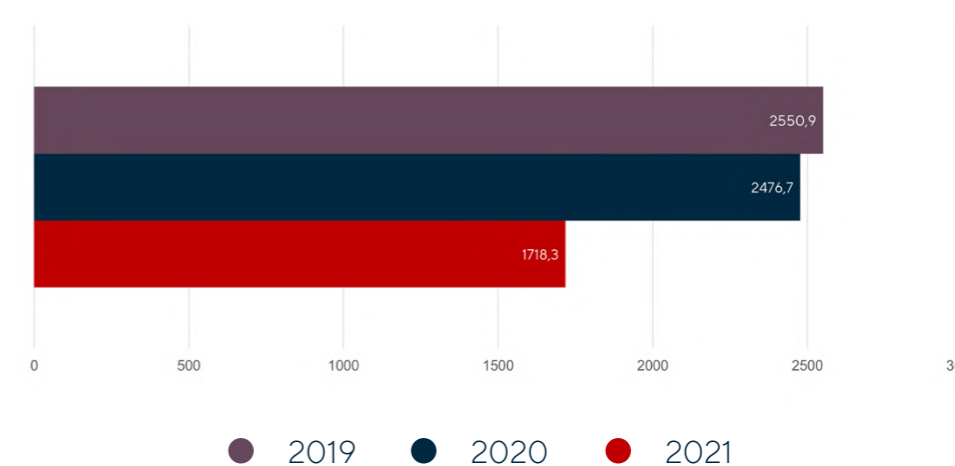
In 2021, electricity losses dropped by 162.1 MWh/year (4%) compared to 2020.

VAS "Latvijas dzelzceļš" provides electricity distribution services as a public service provider under the granted licence No. E13021 for the distribution of electricity as a network operator and trading services as an electricity trader registered in the Traders' Register (ET0027) in the field of electricity trade.

### Electricity losses, MWh / year



### Diesel fuel consumption, thous. litres/year



### Volumes of electricity sold in 2021 to legal entities and natural persons:

Volume of electricity sold (trade) in kWh in 2021

Users - legal entities (including the subsidiaries of LDz)	10 551 400 kWh
Household users	5 315 299 kWh
<b>Total</b>	<b>15 866 600 kWh</b>

### Diesel consumption

Diesel fuel is used for the maintenance of railway infrastructure and for the performance of various tasks related to the provision of business functions, with total consumption registered for technical and transport needs.

In 2021, the consumption of diesel fuel decreased by 31% compared to 2020, and the total consumption of diesel fuel decreased to 1.718.30 litres (consumption in 2020 - 2.476.70 litres).

### Use of diesel fuel for technological and transport needs

Year	Total consumption of diesel fuel (thousand litres / year)	Consumption of diesel fuel for technical needs (thousand litres / year)	Consumption of diesel fuel for transport needs (thousand litres / year)
2019	2 550.90	175.3	2 375.6
2020	2 476.7 (-3%)	739.1	1 737.6
2021	1 718.3 (-31%)	1 076.4	641.9

In 2021, the installation of GPS and processing of digital route pages continued, resulting in centralised control and fuel savings. In order to reduce the administrative burden and make the fleet more environmentally friendly, the count of vehicles owned by VAS "Latvijas dzelzceļš" was reduced and a full-service car rental service was used instead. When newer vehicles are put into service, they are more fuel efficient and have lower emissions.



# Biodiversity

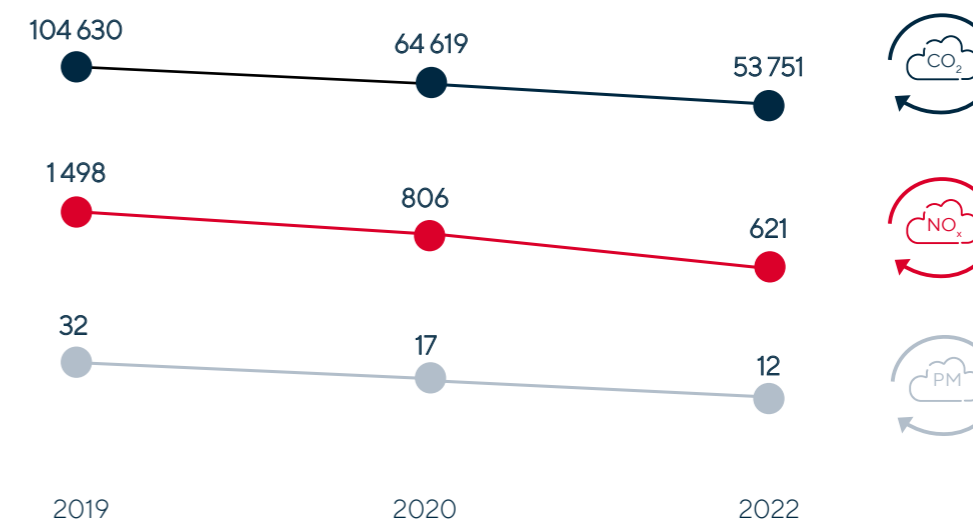
The conservation of natural resources and biodiversity is one of the most important tasks of the present generation, which it owes to future generations. There are many valuable and unique habitats in Latvia, and their preservation depends on how responsibly people and businesses treat nature. VAS "Latvijas dzelzceļš" has significant areas in its ownership. According to the results of the nature census, the company owns valuable natural habitats in Ropazi, Valka, the Ventspils region, and the city of Ventspils.

Caring for nature, VAS "Latvijas dzelzceļš" mows the grass and collects biomass in these habitats. Where the area of the habitat overlaps with other properties, a biological method - grazing - is used to maintain the grassland.

# Emissions

The amount of pollutants emitted into the air is directly related to the volume of freight transported. As the volume of freight has decreased by 13.8% in 2021 compared to 2020 and there has been no international passenger transport with diesel traction vehicles, the amount of emissions caused by the movement of diesel traction vehicles has decreased accordingly. Emissions are calculated with reference to the amount of diesel consumed.

Emissions from LDz freight diesel trains



<sup>3</sup>Emission calculations are performed by the Environmental Management Specialists of the Development Planning and Environmental Management Division (DAAV), considering the use of diesel fuel in locomotives in the respective year, using the methodology and emission factors developed by the UIC Environment Strategy Reporting System 1990-2030.

# Waste management and groundwater monitoring

Every business activity gives rise to waste, the railway sector being no exception. Various types of waste are generated, including hazardous waste and recyclable waste. Waste resulting from the business activity can be categorised as follows:

- Municipal waste arising in offices, railway stations and other facilities. Municipal waste is managed by certain companies that have obtained the appropriate permit and have the right to operate in the territory of a given municipality;
- Waste generated by office activities and requiring disposal or recycling – household appliances, computer equipment, used paper (wastepaper);
- Waste and/or pollution generated by the company's operations (soil pollution, waste generated during repair and construction work).

In recent years, the Latvijas dzelzceļš Group has increasingly practised the digital/paperless document flow system, and employees are also encouraged to think about saving natural resources and using paper efficiently. However, various work-related materials are still printed and make up a relatively large part of the company's household waste. As a company responsible for ensuring environmental sustainability, LDz has entered into a cooperation agreement with SIA "Līgatnes papīrs" for transferring wastepaper to the latter – to give the paper a second life.

In 2021, 75 kg of wastepaper were recycled free of charge. The amount of paper passed on gradually decreases each year as the transition to the digital document flow system intensifies and employees are educated about the use of useful resources.

Hazardous waste is also generated annually and is disposed of by companies engaged in providing hazardous waste collection services. An example of such hazardous waste is office equipment.

The Information Technology and Telecommunications Department is responsible for its maintenance. In 2021, the Department transferred for recycling more than 8 tons of waste equipment, including 91 monitors, 140 system units, 24 laptops, 43 docking stations, 143 hard drives, 23 scanners, 11 fax machines, 245 printers, 2 mainframe computers, and other hazardous waste.

The waste collection companies which LDz has contracted disposed of a total of 10,440 cubic metres of household waste in 2021, while 26.86 tons of car tyres, 0.436 tons of fluorescent lamps, and 15.28 tons of construction waste and unsorted waste were handed over to the companies responsible for the collection of hazardous waste.

Through more efficient business activity, the amount of wastewater generated and appropriately disposed of continued to decrease in 2021.

Year	Quantity (m3)
2016	105 259
2017	103 121
2018	105 294
2019	104 280
2020	89 553
2021	81 479

The company is held responsible for the pollution of soil with oil products, which has occurred on the territory of VAS "Latvijas dzelzceļš", where oil products have been handled, stored and equipped for several decades. Such soil pollution is also called historical pollution. Places, where pollution of the soil with oil products is observed, are:

- Fuels and fuel base;
- Locomotive equipping points;
- Wagon maintenance points;
- Wagon maintenance points;
- At specific locations in stations (parks or individual tracks).

The Latvian Environment, Geology and Meteorology Centre regularly updates the list of contaminated and potentially contaminated sites in the country, whereas VAS "Latvijas dzelzceļš" also maintains and updates the data on sites contaminated with oil products.

Regular monitoring of soil and groundwater is carried out in railway stations and their parks where required by the State Environment Service. Monitoring is carried out in the Sorting, Marine and Oil parks of Ventspils railway station, as well as on the site of the locomotive depot, on the sites of Tornakalns and Mangali railway stations in Riga, at Jelgava railway station, the parks of A, D and S railway stations in Daugavpils, as well as on the premises of the railway administration, Krustpils railway station, on the premises of Rezekne II station, Indra, Gulbene and Plavinas railway stations. All in all, VAS "Latvijas dzelzceļš" manages 102 groundwater monitoring wells. The results of soil and groundwater quality monitoring in 2021 show a slow but steady improvement in soil and groundwater quality.

Monitoring of soil and groundwater at historically polluted sites is carried out at the Viski station, at the area of the Riga locomotive depot in Skirotava, at the area of the Skrunda station, and at the area of the Gulbene-Aluksne railway. The total number of groundwater monitoring wells in the areas of historically contaminated sites is 58.

In 2021, the work begun in 2020 on the detailed investigation of the Skrunda site, which had been contaminated with oil products in the past, was completed. The aim of the investigation was to determine the nature, extent, and range of soil and groundwater contamination. For this purpose, the area of the historically contaminated site was probed, and 10 new groundwater wells were added to the existing groundwater monitoring network, which consists of 5 wells, in order to assess the contamination more comprehensively.

In 2021, a negotiated procedure was launched for the implementation of the second round of remediation works at the historically contaminated Viski railway station site. The remediation works were carried out by SIA "EKO OSTA" from 22 October to 26 November 2021. The remediation works included the dismantling of the foundation (concrete) of the pumping station on an area of about 15 m<sup>2</sup> and at a depth of 3-4 m, and backfilling with concrete ballast (1 m in diameter and ~ 3 m deep). 105 tonnes of construction waste were disposed of, 930.08 tonnes of rainwater contaminated with oil products and 51.02 tonnes of oil sludge were pumped out and disposed of. After dismantling the pumping station, the resulting pits were backfilled with clean soil.

After completion of the second remediation work, the Viski station was removed from the VAS "Latvijas dzelzceļš" list of high-priority oil-polluted sites. This currently leaves five high-priority oil-polluted sites (Skrunda, Vagonu Parks, Skirotava Road 46, Gulbene and the Riga Locomotive Depot in Skirotava) on the list. The approximate total pollution from recyclable oil is 43 thousand m<sup>3</sup>.

There were no significant releases of oil products in 2021.



# Activity in accordance with environmental protection governing laws and regulations

In carrying out its activities, VAS "Latvijas dzelzceļš" complies with all national and international environmental protection regulations, as well as with the internal regulations defining the company's activities, objectives and tasks in the field of environmental protection.

On 24.05.2021, Latgale Regional Environmental Authority of the State Environmental Service served LDz with an order to pay a fine in the amount of EUR 1.000.000 related to neutralised pollution with oil products on the territory of the historically polluted Viski station Viski.

In 2021, the company's environmental management specialists developed a plan for the review of permits for category B polluting activities and the environmental impact assessment of VAS "Latvijas dzelzceļš" and its dependent companies.

A summary and assessment of the results of the permit inspection and environmental impact assessment were prepared for each inspected site. The objective of the inspection was to assess the B permit of the structural units of VAS "Latvijas dzelzceļš" and its dependent companies, the existence and quality of relevant documentation and compliance with legal requirements, as well as to identify possible deficiencies in the management of environmental aspects and B permit and compliance with requirements.

No significant irregularities were found during the inspection - operations at the facilities generally comply with the conditions laid down in the B permits. In order to optimise the B and C permits and simplify their management, in 2021, work started on merging two B permits and one C permit in the area of Ventspils station into a single B permit.

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# SOCIAL IMPACT

08

The social impact of the operation of VAS "Latvijas dzelzceļš" can be assessed by analysing the three most important aspects in the following areas: employment, mobility, availability, and safety of the railway infrastructure.

As VAS "Latvijas dzelzceļš" operates and maintains the public railway infrastructure, it is obliged to ensure the quality and safety of the railway infrastructure by regular improvements to it, modernisations and investments to improve its safety. LDz is also responsible for ensuring that the railway infrastructure - stations, stops, platforms - is accessible to all members of the public. Availability is ensured through both minor improvements (such as the construction of ramps) and major through major projects such as the modernisation of platforms.

The infrastructure managed by VAS "Latvijas dzelzceļš" is also used to transport freight. In this context, the company is responsible for ensuring that the infrastructure is of sufficient quality for particularly heavy and/or long freight trains.

Every year, people are killed in train accidents. Trains and road vehicles can also sometimes be involved in accidents. To this end, as a socially responsible company, LDz has committed to educate the public about safety near railways and to ensure that crossing the railway infrastructure becomes safer over the years. In Latvia, most railway crossings are at the ground level. Therefore, special care is taken to reduce the risks for pedestrians and road transport as well as for train transport, as dangerous freight is also transported on the Latvian railway infrastructure.

In August 2021, a comprehensive civil defence and disaster management training with hazard simulation was conducted at Liepaja railway station (LSEZ SIA "Transit Terminals" access road) and in October - at the Mangali railway station (SIA "Neste Latvija" access road to Riga Oil Terminal) by the Civil Defence and Fire Safety Department of VAS "Latvijas dzelzceļš" and the respective owners of the access roads, involving personnel and equipment, in order to assess the readiness of the institutions involved and to coordinate

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the actions in accordance with the measures specified in the instructions and emergency plans. The course of the training allowed concluding that the station staff, the station emergency teams, and the station management are prepared to deal with the consequences of real accidents.

Once a year, employees in the objects of increased danger (Skirotava, Mangali, Jelgava, Bolderaja, Liepaja, Ventspils, Daugavpils and Rezekne) are trained in disaster preparedness. In 2021, training for station managers and on-duty staff on measures to be taken in case of dangerous freight emergencies was conducted at 14 railway stations and documentation on measures to be taken in case of dangerous freight emergencies and other emergency situations was reviewed.

In 2021, at Skirotava, Mangali, Jelgava, Liepaja, Ventspils and Rezekne stations, 12 employees who started working at the stations in the reporting year received introductory training on the main tasks of the stations' emergency response team, donning a full-face gas mask and protective clothing in an unsuitable environment, taking a knowledge test at the end.

Station staff are regularly trained in the procedures to be followed in the event of a hazardous freight emergency and on receipt of a report of a mine, the risk of a mine or the discovery of an explosive object in the railway infrastructure object in operation, an adjacent object or the rolling stock thereon.

With the development of technological processes and the introduction of modern technologies, the number of employees of VAS "Latvijas dzelzceļš" has decreased in recent years, yet the company remains one of the largest employers in the country (in 2020, VAS "Latvijas dzelzceļš" was the third largest employer in terms of the number of employees), which thus directly affects several thousand employees as well as their families. Due to the maintenance of railway infrastructure in all regions of Latvia, LDz also employs a considerable number of people.





# Work environment

The company's employees are one of the most important assets in ensuring the business and daily operation of VAS "Latvijas dzelzceļš". Therefore, as a responsible employer, the company ensures that its employees are socially insured against various life situations by providing health insurance for them and guaranteeing life and accident insurance at the workplace, so that employees have opportunities for development, which promotes employee loyalty and motivation while driving LDz's growth and sustainability. The company employs people of different ages, genders and nationalities.

The development of the company depends on the accumulated knowledge, the implemented processes and the successful integration of various modern technologies into the business activities, which enable the company to become more modern and flexible and to be increasingly successful and gain international competitiveness. Consequently, attracting younger professionals and addressing generational change are critical issues. LDz has a history spanning more than a century, the industry has undergone numerous technological changes, and new methods have been developed over that period. With the increasing importance of modern technologies in all industries, including information technology, it is now especially important to attract young professionals in this field for whom modern solutions are part of the training programme.

The average age of the employees of VAS "Latvijas dzelzceļš" is 47.5 years, which means that attracting young professionals is an important issue.

The company provides jobs for the population in all regions of Latvia and thus contributes to the prosperity of the regions. Historically, the largest number of employees was in Riga and the Riga region (36.36%), but the company also plays an important role in the Latgale region (29.14%), which ranks second in terms of the number of employees. In Zemgale and Kurzeme the share of employees is 16.46% and 11.52%, respectively, and in Vidzeme it is 6.52 per cent.

Age structure of employees in 2021

1 or 0.02% up to 20 years

188 or 4.56%

20-29 years

778 or 18.86%

30-39 years

1249 or 30.28%

40-49 years

1362 or 33.02%

50-59 years

547 or 13.26%

60+ years

The approach to creating a work environment for VAS "Latvijas dzelzceļš" is based on three main directions:

**1. Building a stable, predictable, and supportive work environment**

To achieve this goal, the company has a long history of close cooperation with the Latvian Railway and Transport Industry Trade Union. The Group's companies have signed a collective agreement with the trade union. Each employee of the Latvijas dzelzceļš Group is free to decide whether or not to become a member of the trade union. Most of the guarantees and benefits set out in the collective agreement apply to all employees, but certain benefits set out in the collective agreement are only provided to the trade union members. The collective agreement provides workers with extensive social guarantees for various life situations and measures taken by the employer to improve the work environment and promote the welfare and motivation of workers. The collective agreement provides for the trade union to be informed immediately of any significant changes such as the restructuring of the company or its structural units, job cuts, etc. Amendments to the collective agreement were approved at the end of 2021, maintaining all existing social guarantees for workers in the sector and extending the term of the agreement for another three years.

**2. Raising the qualification of young professionals**

VAS "Latvijas dzelzceļš" cooperates with a number of vocational and higher education institutions to recruit young talent and develop the professional skills of existing staff. Long-standing partners include Riga Technical University, where young professionals are trained, and vocational training institutions in Riga and Daugavpils.

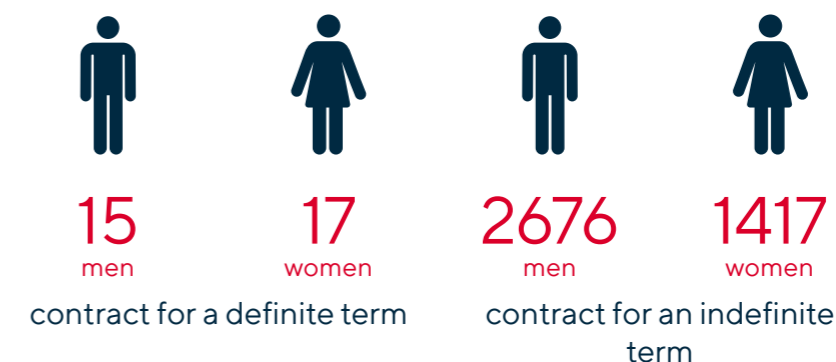
Career development at the Group level is ensured by the Career Management and Staff Selection Centre, whose tasks are the selection and recruitment of new employees, staff assessment, goal management, development, training, career planning and management, and by the professional establishment for further education LDZ Training Centre, whose task is to improve and supplement employees' professional knowledge.

**3. Involving employees in the company's development planning**

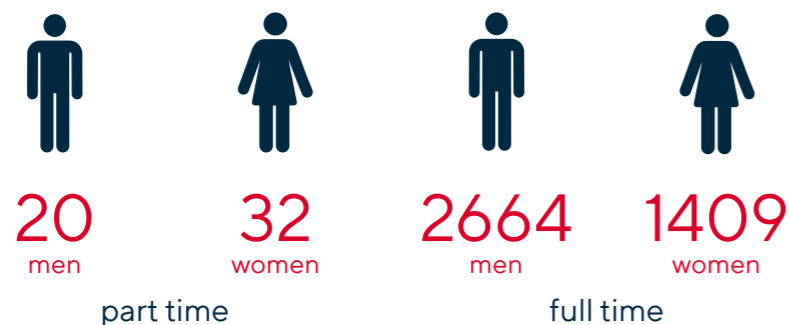
The company's development is not possible without the participation of the employees in the elaboration of the strategic planning documents and the preparation of proposals for the future of the company. To ensure good corporate governance, relations between workers at different levels of work are important, which is why the opinion of individual workers on relations between managers and subordinates is sought regularly.

Conducting regular surveys on topical issues related to the work environment is one of the ways to determine employee satisfaction with working conditions, internal communication and involvement in company processes. After the survey was conducted in 2020, considering the rapid change process in the company and the resulting priorities, it was decided to conduct such a survey only every two years, which is why it was not conducted in 2021. 37.5% of the employees participated in the 2020 survey. According to the results of the survey, 89% of the respondents rated the cooperation and communication with their colleagues positively, 81% acknowledged that the company implements a good exchange of information in communication with the direct supervisor. On average, 70% of employees agreed with the statement that the direct supervisor provides information about the employee's goals and tasks, up-to-date information about the company's developments, the work results and achievements of the respective department, as well as about how the employee's job duties affect the development of the company.

**Total number of employees of VAS "Latvijas dzelzceļš" by type of employment contract (permanent and temporary), by gender**



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



Total number of employees by employment contract (permanent and temporary), by region

breakdown by region		Contract for an indefinite term	Contract for a definite term
		Kurzeme	473
Zemgale	679	0	
Riga and near Riga	1482	18	
Vidzeme	268	1	
Latgale	1191	11	

# Labour turnover

As early as the beginning of 2020, the management of VAS "Latvijas dzelzceļš" had to make the difficult decision to reduce the number of employees in order to stabilise the company's financial ratios in the face of declining freight volumes and revenues. The optimisation and subsequent downsizing of employees continued in 2021. During the year, VAS "Latvijas dzelzceļš" terminated the employment relationship with 805 employees, of which 688 employees were laid off. 1,050 employees were laid off in other subsidiaries of the Group.



117

new hires in 2021

New employees were also hired in 2021 - employment relationships were started with 117 people. In recent years, one of the current issues in the company's human resources management is the recruitment of new employees and motivational mechanisms for employees of pre-retirement age to pass on their knowledge accumulated over the years to young professionals. Therefore, VAS "Latvijas dzelzceļš" has been implementing a programme to promote generational change since 2014, which is provided for by the regulations to ensure the succession of the employees of VAS "Latvijas dzelzceļš". Various incentive mechanisms have been provided for employees of retirement age to facilitate generational change. Upon joining the programme, a senior who transfers his or her knowledge to young employees receives a severance payment after retirement. In 2021, 33 of the company's employees retired.



33

employees retired in 2021

As of 31 December 2021, VAS "Latvijas dzelzceļš" employed 4.125 people (as of 1 January 2021: 4.814 employees). During the reporting year the number of employees of VAS "Latvijas dzelzceļš" decreased by 14.3%.

Under the law providing for containing the infection COVID-19, employees of state-owned enterprises, municipalities and companies were required to have a COVID-19 vaccination certificate or a certificate of treatment for the disease without exception from 15 November 2021. Employees



have been encouraged to get vaccinated against COVID-19 through various internal communication campaigns. By the end of 2021, 47 employees of VAS "Latvijas dzelzceļš" were suspended from performing their duties in accordance with the requirements of external laws.

year	2016	2017	2018	2019	2020	2021
Number of employees on 31 December of the respective year	6620	6264	6321	6265	4813	4125
dynamics	employees	-356	57	-56	-1452	-688
	%	-5%	1%	-1%	-23%	-14%

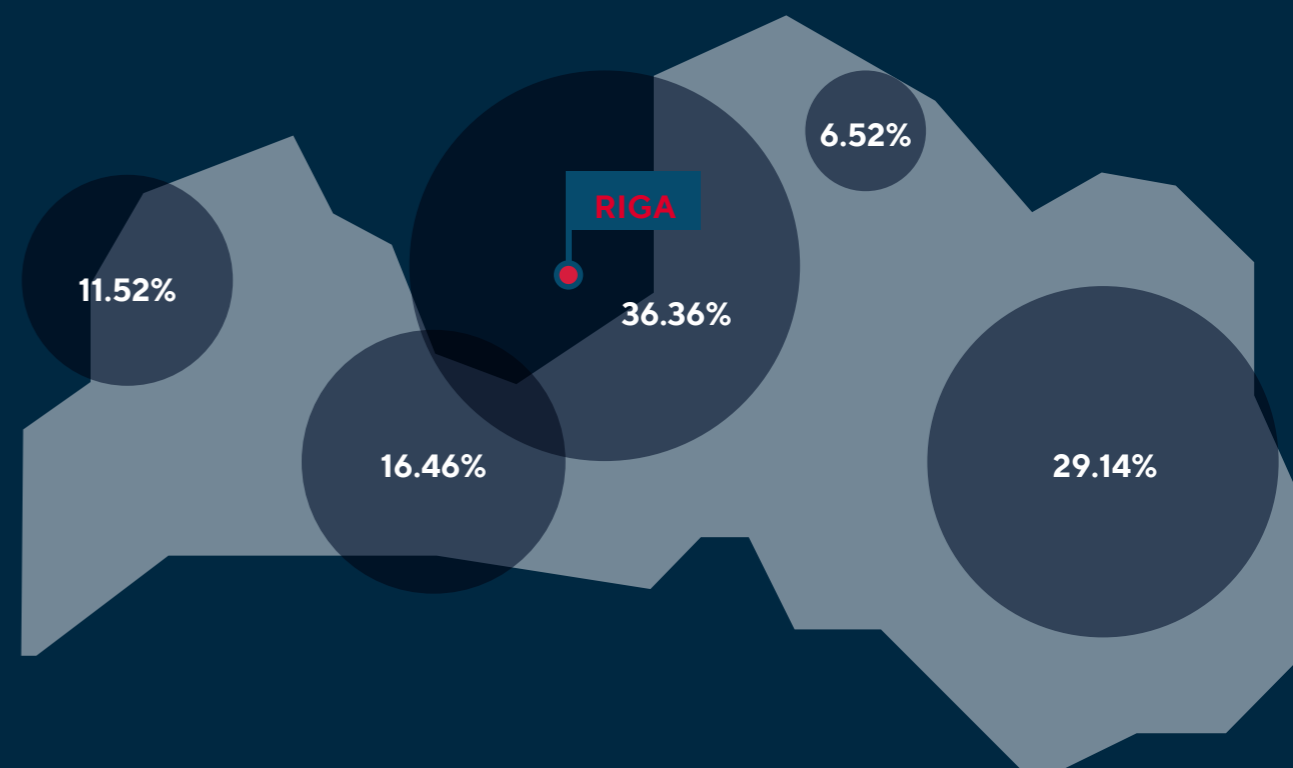
Hired/new employees		number	%
breakdown by age	up to 20	1	0.85%
	20-29	17	14.53%
	30-39	26	22.22%
	40-49	33	28.21%
	50-59	30	25.64%
	60+	10	8.55%

### Social guarantees

Under the law providing for containing the infection COVID-19, employees of state-owned enterprises, municipalities and companies were required to have a COVID-19 vaccination certificate or a certificate of treatment for the disease without exception from 15 November 2021. Employees have been encouraged to get vaccinated against COVID-19 through various internal communication campaigns. By the end of 2021, 47 employees of VAS "Latvijas dzelzceļš" were suspended from performing their duties in accordance with the requirements of external laws.

- Additional payment for work performed by the employee

## Breakdown of the employees of VAS "Latvijas dzelzceļš" by region



47.5 years

The average age of employees



**37**  
(27 women,  
10 men)  
parents on  
parental leave

**37**  
(29 women,  
8 men)  
returns from  
parental leave

in addition to his immediate job duties, for the training of apprentices, for work under special conditions (e.g., increased noise, vibration, work at heights, etc.);

- Additional leave days paid for a certain number of years of service with the railway (thresholds of 5, 10 and 15 years apply);
- An additional leave for work carried out performed under special circumstances. Additional leave is also be granted to workers who participated in the clean-up of the consequences of the Chernobyl accident or who served as soldiers in the war in Afghanistan or in other military conflicts within the framework of compulsory military service;
- Additional paid leave days are granted on the employee's 50th or 60th birthday, on the occasion of the marriage of an employee or his/her children, on graduation from an educational establishment, on the first day of the school year for parents of school children in grades 1 through 4. An additional monthly day off is granted to employees who have two or more children under 12 years of age;
- An allowance for the purchase of school supplies at the beginning of the school year for the children of employees – school children in grades 1 through 4;
- Covering of the relocation costs for the employee and his family members and, if applicable – if the employee is transferred to another city, municipality or region in the interest of the company, compensation in the amount of a certain sum for the purchase of housing;
- Assistance to the employee or his family members in case of accidents or their consequences.

Furthermore, each employee is guaranteed life and work accident insurance, which also covers them in the event of serious illness. The employer also covers the cost of the employee's health insurance, and each employee has the option of taking out health insurance for his or her family members as well.

### Use of parental leave

A social guarantee provided by the State is childcare after birth, and both mothers and fathers are entitled to take parental leave. In 2021, 37 employees of VAS "Latvijas dzelzceļš" used this opportunity (27 women and 10 men). After parental leave ended, 37 employees returned to work in 2021 (29 women and 8 men).

401-3

### Communication with employees

In 2021, the average number of employees employed by the entire Latvijas dzelzceļš Group was 7,151. In a company as large as LDz, a clear, regular and timely exchange of information is particularly important for successful and efficient work processes. The principles of good corporate governance include openness and transparency, which are just as important for informing cooperation partners and the public as they are for informing the company's employees.

As well as fostering employee commitment and loyalty to the company, timely and objective information about management decisions and processes facilitates feedback and dialogue with employees. There are various channels of internal communication used to keep employees informed about current events in the Group and in the rail industry in general.

A comprehensive record of the company's current affairs, including decisions taken, reviews of events and happenings, and internal regulations, can be accessed on the company's intranet. This channel was established in 2014, and since this platform is also used outside of the workplace, its content is replicated on the employee portal, which is accessible through Internet banking.

Since spring 2019, "Dzelzcela TV" has been in operation, the aim of which is to provide up-to-date information on the latest developments in the Group, provide answers to questions of interest to employees and inform employees about various topics. "Dzelzcela TV" is available on the intranet and on screens at the sites with the highest daily traffic volumes.

Considering the fact that not all employees have the opportunity to keep up to date via the intranet, "Dzelzcela TV" and the [darbinieki.ldz.lv](http://darbinieki.ldz.lv) portal due to the nature of their work, a "Newsletter" was established at the end of 2019 to improve the flow of information within the Group. The Newsletter is published every Thursday and informs employees about the latest developments in the Group that affect the Group's operations and each individual employee. The "Newsletter" is distributed to employees' emails and posted on noticeboards in more than 300 workplaces across Latvia.



**50**  
50  
"Newsletters"  
were published  
in 2021

# Occupational safety

In any employment relationship, employers and employees must respect each other's rights and responsibilities. One of the rights of the employee is the right to a safe work environment, while every employer has the duty to provide a safe work environment, to inform employees on occupational safety matters, and to prevent possible occupational safety violations.

In order to ensure a safe work environment, VAS "Latvijas dzelzceļš" adheres to the relevant laws of the Republic of Latvia and has put in place a binding internal set of regulations (the Occupational Safety and Health Policy) that sets out the standards that must be met in order to ensure the safest and harmless work environment to the employee life and health. The Technical Inspection of VAS "Latvijas dzelzceļš" is responsible for the implementation of the Occupational Safety and Health policy and the company's compliance with the laws. These tasks include not only controlling and monitoring compliance with the occupational safety and health requirement but also making recommendations for the continuous improvement of the occupational safety and health aspects in the company.

There is an increased risk of accidents on the railway not only for the individuals who cross the tracks every day, but for the employees who perform their work on the tracks as well. Working in close proximity of rail tracks presents a high level of risk, and each employee must follow all occupational safety requirements, including the wearing of high-visibility protective clothing when rolling stock is in motion in the designated work area. In accordance with the legal framework, staff involved in the operation of the traction unit, maintenance of railway infrastructure, maintenance of rolling stock, and management of train traffic must undergo medical examinations and meet higher health and professional qualification requirements.

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As an employer, LDz has a certain obligation to provide a safe work environment, while each employee is obliged to comply with the requirements of legal regulations and internal health and safety rules. Every new employee is briefed on the established occupational health and safety requirements when they start working for LDz. As there are specific professions in the railway sector, future employees also receive theoretical and practical on-the-job training. Before they are allowed to carry out their work independently, they are tested on their knowledge of occupational safety and the technical rules of railway operations. In order to monitor compliance with occupational safety measures on a daily basis and to check whether the relevant legal framework is also being adhered to, the Occupational Safety Division of the Technical Inspection of VAS "Latvijas dzelzceļš" and occupational safety specialists organise planned as well as ad hoc inspections.

Overall, in 2021, the Technical Inspection specialists with the occupational safety and health officers of the structural units conducted 272 inspections of the work environment in various structural units of the Company.

## Workplace inspections in 2021

Structural unit	Planned	Ad hoc
Railway Department	83	51
Electrotechnical Department	60	5
Property Department	13	16
Train Traffic Department	15	4
Wagon maintenance distance	20	5

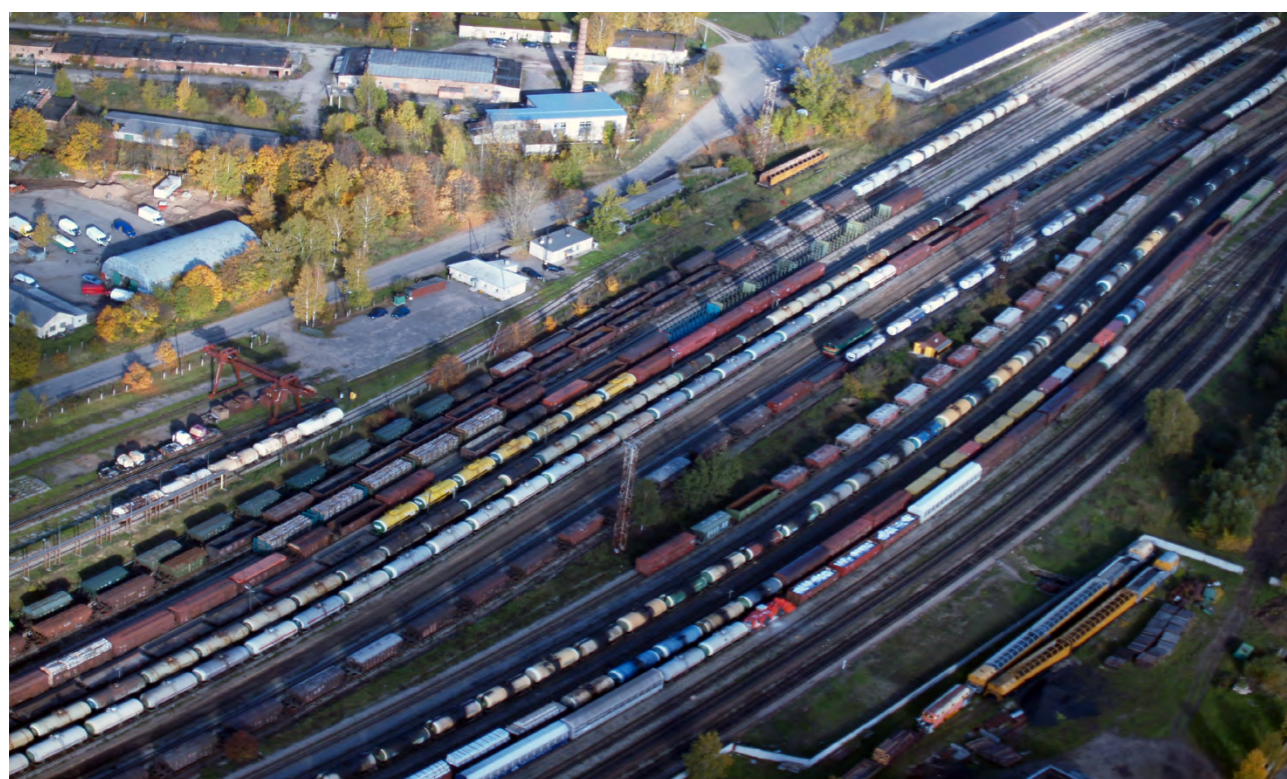


Work in the railway sector is physically demanding and complicated for certain occupational groups, and every year their employees are diagnosed with occupational diseases - illnesses they contract while performing their work.

Occupational diseases are most common among workers who carry out physical work every day, such as lifting and moving heavy objects and remaining in the same position for long periods of time. This type of movement causes musculoskeletal disorders and diseases are associated with pain that affects work performance.

There were 34 confirmed cases of occupational diseases at LDz in 2021, which is more than in 2020 when 20 cases of occupational diseases were diagnosed. The most common occupational diseases were found in three occupations: track workers, station attendants and wagon inspectors - maintenance workers.

In 2021, VAS "Latvijas dzelzceļš" registered six work accidents in which six employees were injured. In all cases, the injuries were minor. The analysis of the circumstances of these accidents leads to the conclusion that the cause in half of the cases was due to negligence in the workplace. Injury risk is one of the risk factors that can jeopardize the health and safety of employees at work. The most common causes of injuries at work are falls, entrapment or slips.



**Statistics on accidents at work in 2017 - 2021:**

		2017	2018	2019	2020	2021
Number of accidents		4	7	11	6	6
Gender of the employee	women	1	1	1	2	1
	men	3	6	10	5	5
Age of employees	20-30	0	0	2	0	0
	31-40	2	3	3	3	1
	41-50	1	3	3	1	4
	51-60	1	1	1	3	0
	above 60	0	0	2	0	1

# Training and education

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There are several hundred occupations in the railway sector, some of which can be mastered in a number of higher educational establishments, but there are also specific occupations that can only be studied in educational institutions specialising in training young railway professionals. For this reason, VAS "Latvijas dzelzceļš" cooperates with the Riga Technical University (RTU), the vocational training centres in Riga and Daugavpils (technical colleges to provide training and attract young professionals and to support the professional development of existing employees. LDZ Training Centre plays an important role in the training of employees. Therefore, this educational centre is also being expanded to offer highly qualified educational programmes for the Group's employees and external customers.

In 2021, in order to improve professional qualifications, 208 employees attended training courses organised by educational institutions.

Nine employees are studying, and nine employees have completed the degree programme "Electrical Railway Systems", ten employees are studying in the degree programme "Railway Transport" at the Transport Institute, the Department of Mechanical Engineering, Transport and Aeronautics of RTU (part-time attendance study programme).

In cooperation with the Transport Institute, the Department of Mechanical Engineering, Transport and Aeronautics of RTU, the vocational education competence centre "Riga State Technical College" and the vocational education competence centre "Daugavpils Technical College", in 2021, internships were organised for 73 students and pupils of these educational institutions, 18 of which were supported by obtaining financing from the European Social Fund.

Three cooperation events with the vocational education competence centre "Riga State Technical College", the Latvian Railwaymen Association and the Latvian Railway Industry Pensioners' Organization were organised, "Information Days" were organised at the LDz Library, and lectures for students were delivered by the Railway Department of the vocational education competence centre "Riga State Technical College". In cooperation with the Railway Department of the vocational education competence centre "Riga State Technical College", 33 students were accepted who chose to master the profession of locomotive maintenance mechanic and the profession of the automation, telemechanic and communication technician in 2021.

In 2021, "Latvijas dzelzceļš" participated in the development of professional standards carried out by the RTU for railway transport engineers and railway technology engineers.

Considering the fact that the average age of VAS "Latvijas dzelzceļš" employees is 47.5 years, special attention is paid to promoting generational change. LDz highly values the experience and knowledge of its long-serving employees. In 2021, 13.26% of all LDz employees were over 60 years old.

**Operation of LDZ Training Centre**

In view of the national COVID-19 restrictions, which continued in 2021, LDZ Training Centre adapted to the situation by engaging in providing online educating activities and remotely in the "Moodle" e-learning environment for the Group's employees and external clients using IT solutions. To ensure a successful distance learning process, teachers' skills in using the tools were improved by MS Teams, each student was individually trained and supported. For online work, 12 non-formal education programmes with tailored content and appropriate teaching methods were developed and updated. Work also continued on improving the e-learning environment - new teaching materials and knowledge tests were developed.

In 2021, interactive training materials and knowledge tests were developed and placed in the e-learning environment of LDZ Training Centre to start training railway professionals through distance learning.

A total of 42 informal education programmes were implemented, 1,195 participants acquired and improved their knowledge in training courses, including:

- 966 employees of VAS "Latvijas dzelzceļš";
- 133 employees of the subsidiaries of VAS "Latvijas dzelzceļš" Group;
- 96 external customers.

In 2021, training related to railway traffic safety, technical supervision of dangerous equipment and creating and maintaining a safe work environment was a priority. At the end of the year, the implementation of the training programme "Basic level knowledge programme for employees responsible for fire safety at the object" (160 hours) was launched. An informal training programme "Peculiarities of railway infrastructure maintenance" was developed for external customers and an informal training programme "Safety requirements for physical control of rolling stock and transported dangerous freight" was successfully implemented at the request of external customers.

The LDZ Training Centre has developed and implemented a concept in cooperation with the Certification centre of the Railwaymen Association, which provides for the training and testing of electrotechnical staff for the assignment of the electrical safety group.

In 2021, LDZ Training Centre provided a total of 12,352 participant hours of training.

**Career evaluation and career development activities**

There are a number of career paths that every employee may pursue through the organization, and with the help of the Personnel Department, employees' professional qualifications and desire to improve their skills and competencies are analysed.

To ensure goal setting and assessment of the achievement thereof for managers and gradually for other employee groups, in 2021, the annual performance and competency assessment interviews for 2020 were conducted for senior and middle management positions, and goals were set for 2021.

Training in 2021

916

total participants

793

men

123

women

Employee category

90

administration

216

production staff

4

service staff

606

workers



In 2021, performance and competency assessment interviews were conducted for 160 employees, i.e., for 27 managers (23 men, 4 women), representing 18% of LDz middle managers, and for 20% or 133 specialists in the second to third professional groups (47 men, 86 women).

1.090 physical work and skilled labour (occupational groups 4-9) were interviewed (968 men, 122 women), representing 34% of all LDz physical work and skilled employees. Annual appraisal interviews with goal setting took place with 105 managers (63 men, 42 women), representing 63% of all LDz managers, and 25 specialists (3 men, 22 women), representing 4% of specialists. Interim adjustments for the achievement of goals were also discussed with 90 managers (53 men, 37 women) and 9 specialists (1 man, 8 women).

In 2022, it is also planned to further develop and deepen the goal management system by setting goals for broader occupational groups and further integrating goal achievement into the motivation system.

To fill the vacancies, 33 staff selection competitions were held with 350 phone interviews and 140 long-distance interviews.

In 2021, the functions of all structural units of the company were reviewed with a view to enable them to react more flexibly to possible changes in the intensity of train traffic. To increase work efficiency, the employees' work requirements and job duties were continuously reviewed.



# Diversity and equal opportunities

In its relations with its employees, the Latvijas dzelzceļš Group always observes the principles of equality – in employment relationships, no one is given preferential treatment on the basis of race, skin colour, gender, age, religious, political or other convictions, or on the basis of national or social origin, wealth or marital status, sexual orientation or other factors.

In 2021, VAS "Latvijas dzelzceļš" employed 1,441 women, or 34.9% of the total number of employees, and 2,684 men, or 65.1% of the total number of employees. The relatively large number of women employed by the company in a sector traditionally heavily dominated by male workers confirms that LDz does not discriminate against employees on the basis of their gender and thus minimised the stereotype of the railway as a male-dominated sector.

In 2021, ten women, or 0.69% of the total number of all women, and 17 men, or 0.63% of the total number of men were employed in senior management. In the middle management level, women accounted for 2.22% of the total number of women in the company, or 32 women and 23 men, or 0.85% of the total number of men in the company.

The company's employees are also not discriminated against on the basis of their nationality. Although LDz does not provide information on the number of employees of specific nationalities, the company employs representatives of many nationalities. In addition to Latvian employees, the company also employs representatives of Russian, Belarusian, Polish, Ukrainian, Lithuanian and other nationalities.

The company has implemented a uniform salary system based on fair and objective criteria. All positions are graded according to a uniform methodology and the level of salary is based on the severity, intensity and complexity of the work to be performed, as well as the level of responsibility resulting from specific competence, training and professional experience in the field, individual skills, qualifications, abilities and performance. The general principle of the remuneration system is equal pay for equal work or work of equal value both within an LDz structural unit and in the LDz as a whole. Remuneration of employees is based on the work performed and not on the employee's gender or location.

## Number of LDz employees by gender





# Responsibility towards the community

103  
413-1  
413-2  
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VAS "Latvijas dzelzceļš", as the sole railway infrastructure operator in Latvia, is responsible both for the accessibility of the infrastructure for passengers and for its safety. The company is also responsible for the safety of people living near the railway and its impact on the environment, which is also closely related to the quality of life of the population. Safety in the railway sector means both responsibility for the safety of railway crossings and responsibility towards society by educating it on how to cross railway crossings properly and about caution in the immediate vicinity of the railway.

To ensure the accessibility of infrastructure for people with disabilities, the LDZ's long-time counterparty and advisor is the Organisation of Disabled People and Their Friends "Apeirons". The organisation's recommendations are considered and implemented as far as practicable, through modernising platforms and through implementing more cost-effective solutions that enable wheelchair users to use the railway infrastructure

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### Involvement of local communities

Support for local communities is regulated by the Gift (Donation) Policy of the Latvijas dzelzceļš Group, which has been in force since December 2017. It defines the most important activities for society and the country's development, i.e., support for education and science, health promotion, social welfare, and environmental protection projects. Organisations with outstanding tax debts and individuals are not supported. In view of the Group's financial situation, neither the dominant company nor its subsidiaries supported projects financially in 2021. The list of projects supported in previous years is published on the company's website, where information on donations received from the Latvian Railway Museum can also be found.

### Impact on the local community

The business activity of VAS "Latvijas dzelzceļš" and the represented sector directly affect a large number of the population throughout Latvia – more than 7.000 employees of the Group who are paid for their work, which in turn affects several thousand other employees – the families of the employees. The LDz also affects all residents who use rail transport, as well as those whose residences are located near the rail infrastructure. In order to motivate people to commute by train more often, new ways to improve mobility are being sought.

In cooperation with the transport company AS "Pasažieru vilciens", express trains have been introduced on some routes in recent years, not so busy stops have been closed to shorten the time passengers spend there, and the speed of train services will be increased in the foreseeable future. VAS "Latvijas dzelzceļš" will continue to improve the railway infrastructure so that, if necessary, new express train lines can be established and the speed on certain sections can be increased.

Railway business is closely related to environmental factors and their effects on human health and well-being. Among the current problems is the noise generated by rail transport, especially freight transport, which negatively affects residents'

health. In order to reduce the impact of noise and vibrations, the "Action Plan for Noise Reduction until 2023" of VAS "Latvijas dzelzceļš" sets tasks and objectives for noise reduction for railway lines with a traffic intensity of more than 30.000 trains per year, which include the areas crossed by the railway line sections Riga Passenger station – Tornakalns – Zaslauks and Riga Passenger station – Lielvarde: the Riga suburbs, Salaspils, Stopini, Ikšķile, Ogre, Kegums and Lielvarde counties.

### Preservation of the industrial heritage of the sector

VAS "Latvijas dzelzceļš" is the operator of the public railway infrastructure, whose duty is not only to ensure the quality, safety and development of the railway, but also to preserve the testimonies of the history of the railway in Latvia since its beginnings in the second half of the 19th century.

The most important 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 takes care of preserving various testimonies of railway history – from rolling stock from different eras to books, postcards, and badges. The museum is proud of having the largest collection of rolling stock in the Baltic States, but other collections are also worth mentioning and are regularly added to, both through its own finds and purchases and through gifts from railway enthusiasts. The museum's activities are based on the Museum Regulations and the Medium-term development strategy until 2030.

Visitor restrictions related to the COVID-19 pandemic continued in 2021 and the museum had imposed limited access to on-site services. In 2021, a total of 8.377 people visited the museum, but 1.290 people attended distance learning courses offered by the museum. The museum's income from admission tickets amounted to EUR 17.836.50.

The museum's operations are maintained through research, maintenance and expansion of the collection. In 2021, a total of 186 new objects were added to the collection and at the end of the year, the total number of objects in the collection was 20.197. The museum regularly receives additions to the collection in the form of donations. In 2021, a total of 72 donations were received from three individuals.



In order to adapt the museum's activities to the limitations of crowding, a number of activities for individual visitors were prepared in the summer of 2021, including a photo-orientation challenge, a walk with experts, a site visit, and two industrial walking routes in Riga and Jelgava. In addition, two rounds of lessons for pupils in the 6-12 age group were held in the summer of the reporting year.

In 2021, in cooperation with social anthropologists Liene Millere and Elina Kursite and art historian Ilze Martinsone, the Museum also prepared and published three episodes of podcasts as part of the training course "Station - Time, Space, and Power". The podcasts are available on the Latvian Museum of Railway History's YouTube and Spotify channels. The museum educational session "Railway Station - Time, Space, and Power" received a grant in the amount of EUR 1.352 within the SCCF competition "Designing the content of a Latvian school bag".

The year 2021 was the European Year of Rail, with a focus not only on the railway as a mode of transport in the 21st century, but also on the industrial heritage.

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In the framework of the European Year of Rail, the Railway Museum's collection, reference materials, expert advice were requested to organise events at different levels, prepare publications, exhibitions and lectures. The main events were the Cultural Heritage Days in September 2021 and the Railway Heritage Forum, which took place in the Luznava Mansion and was broadcast live. The recording of the event is available on the website of the Luznava Mansion and the Railway Museum. The museum offered advice and use of the collection and other research materials remotely, including through the digital catalogue of the collection on the museum's website.

In 2021, a total of five exhibitions were held on the Museum's premises, which were visited by a total of 7.211 visitors despite the difficulties caused by the pandemic. In 2021, visitors had the opportunity to visit the following exhibitions:

- **Job of a railway engineer.** Organised by: Latvian Railway History Museum. Number of visitors: 2.737;
- **Photo exhibition of the Latvian Railway Association.** Organised by: Latvian Railway Association. Number of visitors: 1.201;
- **Agate Apkalne's exhibition "Etaga - Enlakpa".** Organised by: A. Apkalne. Number of visitors: 2.020;
- **The 8th European Professional Puppet Art Festival, Exhibition "The Other Side of Art".** Organizer - Foundation "Puppet Art Museum". Number of visitors: 957;
- **Dags Vidulejs' personal exhibition "Bodies cost more than money".** Organised by - Dags Vidulejs. Number of visitors: 296.

Carrying out an educational function, the museum offers a variety of activities for a wide audience. In 2021, a total of 143 field trips and courses were held at the museum in person or by distance learning, and the total number of visitors was 2.436:

- Excursion History of vehicles in Latvia (in Latvian and English);
- Walk through the outdoor exhibition with a talk about vehicles;
- Excursion From semaphore to centralisation of dispatchers;
- Excursion to the former Jelgava locomotive depot;
- Lesson A journey into the past (on-site and remotely);
- Lesson Life of a station;
- Lesson Assemble a locomotive;
- Lesson Make a locomotive;
- Lesson on safety (on-site and remotely);
- Guided orienteering;
- Screen printing workshop.

Museum 2021

2436  
visitors5  
exhibitions  
(7.211  
visitors)143  
tours and  
classes  
(2.436  
visitors)

By building and maintaining the most professional repository of railway historical evidence in the Baltics and ensuring its accessibility to as many people as possible, the transformation of the collection was continued in 2021, carrying on the research and digitisation thereof, and ensuring accessibility. Railway objects on lost railway lines were registered during expeditions. The collection of railway uniforms was restored, and its storage conditions were improved, the storage conditions of the collection of paintings were improved, and the maintenance and care of the vehicle collection was also ensured.

As part of the research activity, in 2021, with financial support from the State Cultural Capital Foundation, the Museum continued its work on the project "How railwaymen lived, worked and loved in Jelgava", a socio-anthropological study of the life of railwaymen and the general development of the railway at different times in history. The study provides an unprecedented insight into the history of the railway and the stories of its people and will serve as a cornerstone for the further development of the exhibition in Jelgava.

Work is also underway to create the largest railway model (1:87) in the Baltics.

In 2021, the development of the [www.dzelzcelaobjekti.lv](http://www.dzelzcelaobjekti.lv) project also continued - the railway objects to be visited by tourists in Latvia and information on the most important objects in the Baltic States was summarised. Digitisation and accessibility to the museum collection through the digital catalogue also continued: <https://www.railwaymuseum.lv/lv/collection-online>

## Other aspects of impact

### Social impact assessment of suppliers

When cooperating with third parties, the Code of Business Ethics of the Latvijas dzelzceļš Group apply and are binding on each counterparty, and the commitment to comply with the principles is confirmed by a signature. These guiding principles include aspects of the work environment, taxes and business permits, fair business practices, and good corporate governance. With the help of information systems, LDz employees can immediately check whether a potential business partner is on the Latvian or international sanctions list or not. Since 2019, the company has been operating the "Sanctions" information system and the reports received from this system on the possible presence of the verifiable counterparty on the sanctions lists are checked daily.

### Political responsibility

VAS "Latvijas dzelzceļš" is a state-owned company and in its activities, it complies with national and EU regulations for the operation of public railway infrastructure, including freight and passenger transport. A separate legal framework applies to freight and passenger transport with the countries of CIS. The Guidelines for Transport Development 2021-2027 came into force in 2021. Whereas the indicative rail infrastructure development plan approved by the Cabinet for five years has also been binding for VAS "Latvijas dzelzceļš" since the fall of 2018.

### The company's management is implemented at three levels:

1. Shareholder (by the Ministry of Transport)
2. Council
3. Board

The Council of VAS "Latvijas dzelzceļš" has been operating as a body supervising the Company's operations since 2016, and since 2019 it has consisted of five people, three of whom are independent members of the Council. Conversely, the shareholder is involved in the operation of the company only in matters specified by law. The Board of VAS "Latvijas dzelzceļš" carries out the operational management of the company. The Company's Donation Policy prohibits the Company from supporting political parties, organizations, and their associations.



# Liability to the customer

VAS "Latvijas dzelzceļš" has four customers in the field of freight transport, while in the field of passenger transportation there are three customers - AS "Pasažieru vilciens", SIA "LDZ CARGO" and Lithuanian railway company "AO LTG Links", which provided transportation services until mid-March 2020 on the route Vilnius-Daugavpils.

In a broader sense, the company's customers are people who use the railway infrastructure on a daily basis, both as passengers and as visitors to railway stations and stops. Regulation (EC) No 1049/2001 of the European Parliament and of the Council 1371/2007 (23 October 2007) on the rights and obligations of railway passengers imposes an obligation on LDz to take care of public order and safety at stations, as well as to provide information services on passenger transport. Under Commission Regulation (EU) No. 1300/2014 of 18 November 2014 on technical specifications for interoperability relating to the accessibility of the Union rail system for disabled persons and persons with reduced mobility, the acceptance and processing of applications for mobile lifts for disabled passengers must be ensured.

To ensure the accessibility of infrastructure for people with disabilities, the LDz's long-time counterparty and advisor is the Organisation of People with Disabilities and Their Friends "Apeirons". The organisation's recommendations are considered and, where possible, implemented, both by modernising the platforms and by introducing more cost-effective solutions to enable wheelchair users to use the rail infrastructure. Accessibility of the Riga Central Station environment will also be ensured for people with hearing disabilities by installing induction loops at ticket counters.

Teaming up with a passenger transport company, VAS "Latvijas dzelzceļš" offers an embarkation and disembarkation service for people with disabilities, which the customer must request at least 48 hours before the train's departure. The accessibility of the environment will improve significantly after the implementation of the project "Modernization of railway infrastructure for passengers".

To a certain extent, the punctuality of train services is also determined by the quality of the tracks and the operation of the entire infrastructure. Passengers are transported domestically by AS Pasažieru vilciens, which is obliged to coordinate train routes and timetables with VAS "Latvijas dzelzceļš". According to the operational punctuality average, the punctuality of passenger trains was consistently high in the 12 months of 2021, and 98.4% to 99% of flights were operated according to the train schedule.

Even though there are fewer fatalities from railway accidents in Latvia than from road accidents, VAS "Latvijas dzelzceļš" as the operator of the public railway infrastructure strives to minimise the number of people injured and killed in train accidents. Aside from improving the safety of infrastructure, one way to reduce risk is to educate and inform the public about responsible behavior near railway infrastructure. This is accomplished in two ways: by promoting annual social campaigns in the media and within social networks to encourage people to behave safely near the railway, and by providing safety education to children in schools and pre-schools.

As learning about other people's experiences and the consequences of their actions can stimulate behaviour change in both young people and adults, in 2021, LDz developed five short new documentaries featuring the true stories of accident survivors and interviews with professionals. In spring 2021, they were published on social networks and in the media and presented to school children as part of the digital lesson series "What you need to know about the railway and how you should behave near it". Meanwhile, in October and November 2021, as the dark period of the year set in, LDz carried out a public information campaign entitled "Do not become a railway crossing. Pause at the railway!" to remind as wide a public as possible about safety near the railway and the consequences of failing to comply with safety requirements.!

As the summer holidays were approaching, the company conducted a series of digital lessons on "What you need to know about the railway and how you should behave near it" that took place in Latvian schools and pre-school institutions in May and June 2021. In the process, almost 7,000 children and young people from 112 educational establishments across Latvia learned how to behave safely near railways and tracks.

Also at the end of 2021, VAS "Latvijas dzelzceļš" teamed up with industry experts to raise public awareness about mental health. According to the LDz study, a large part of the population is not aware of the risk of suicide and its signs. To promote public understanding of this issue, LDz organised online discussions with professionals from the crisis and counselling centre "Skalbes" and the Association "Ogle" and created and published videos with real accounts of suicide attempts.

# Customer health and safety

Safety near the railway remains one of the priorities of "VAS Latvijas dzelzceļš". Although the number of people injured and killed in train accidents has decreased in recent years, every life matters, which is why VAS "Latvijas dzelzceļš" continues to make infrastructure improvements - building fences, improving crossings and railway crossings.

In 2021, in order to increase traffic safety and caution pedestrians of approaching trains, work began on equipping two crosswalks with sound and light alarms - at the "Babite" stop on the Zaslauks - Priedaine railway line and in Jurmala, Turaidas street. In recent years, such pedestrian-safe crossings have been built in Jurmala, Riga, Sigulda and Ogre. In recent years, such pedestrian-safe crossings have been built in Jurmala, Riga, Sigulda and Ogre.

Unfortunately, people often cross the rail tracks in unauthorised places, including opaque sections of track. To reduce the risk of such risky actions, track fencing is the best solution. To promote road safety, more than 20 km of safety fencing will be built in Riga and the surrounding area in the coming years - in places where many people live and move along the tracks every day. To reduce safety risks, it is planned to implement the project "Building of fences and pedestrian crosswalks at railway infrastructure objects" by the end of 2023.

Work is also underway to modernise railway crossings by equipping them with automatic barriers and equipping them with video surveillance systems.

## In 2021, 18 railway crossings were equipped with video surveillance systems:

- Railway crossing No.219, st. Araisi
- Railway crossing No.226, section Janamuiza - Lode
- Railway crossing No.211, st. Sigulda (Blaumaņa street)
- Railway crossing No.210, st. Sigulda (Rigas street)
- Railway crossing No.328, st. Daugavpils (Jelgavas street)
- Railway crossing No.329, st. Daugavpils (Dunduru street)
- Railway crossing No.326, st. Daugavpils-passenger
- Railway crossing No.366, st. Daugavpils-passenger
- Railway crossing No.346, st. Aglona
- Railway crossing No.556, section Krustpils - Stairs (Zilanu street)
- Railway crossing No.635, section Sabile-Kandava
- Railway crossing No.648, st. Tukums-I (Jelgavas street)
- Railway crossing No.822, st. Vecumnieki
- Railway crossing No.924, section Riga Passenger - Zemitani (Matisa street)
- Railway crossing No. 916, st. Sloka (Ventspils highway)
- Railway crossing No. 913, st. Dubulti (Slokas street)
- Railway crossing No.902, section Tornakalns - Olaine
- Railway crossing No.907, section Olaine - Cena

## Two railway crossings were equipped with automatic barriers:

- Railway crossing No.220, st. Cesis (Jana Poruka street)
- Railway crossing No.221, st. Cesis (Valmieras street)

## In 2021, one railway crossing was built, and two railway crossings were renovated:

- A new crossing was built in the section Riga-Olaine
- A crossing renovated at Zaslauks, Kalnciema street
- A crossing has been renovated and an environmental accessibility ramp has been built at the Atgazene stop



In 2021, work began on equipping railway crossings No. 731 at the Kalvene-Ilmaja and No. 809 at the Livberze station with automatic barriers and video surveillance systems, and this work was continued.

At the end of 2021, the railway crossing centre was put into operation, from which the guarded railway crossings with high traffic volume throughout the territory of Latvia are monitored. It is the first crossing centre of its kind in the Baltics, and it can serve up to 24 railway crossings simultaneously.

#### Accidents on the railway

In 2021, 11 cases of personal injury on public railway infrastructure were registered (compared to nine cases in 2020), in which five people were injured and six people died (in 2020: six and three people, respectively). In accordance with Directive (EU) 2016/798 of the European Parliament and of the Council of 11 May 2016 on railway safety and Cabinet Regulation No. 334 "Procedures for the classification, investigation and regulation of railway accidents" of 2 June 2020, accident statistics do not register cases where people intentionally cause a collision with a train (suicide or attempted suicide). In 2021, accidents classified as suicide or attempted suicide were registered five times.

In 2021, there were seven accidents in the station area, four people were killed and three people were seriously injured; there were four accidents on road sections, two people were killed and two were seriously injured. Among the victims were eight men and three women. Signs of alcohol consumption were found in six accident investigations.

The analysis of accidents shows that the population still suffers most from collisions with trains because precautions near the tracks are not observed - people are not careful enough when crossing the tracks and they are not sure if the train is not approaching. Unfortunately, there are also fatalities and injuries due to deliberate recklessness, for example by clinging to moving trains.

#### Number of people injured in 2021, by age

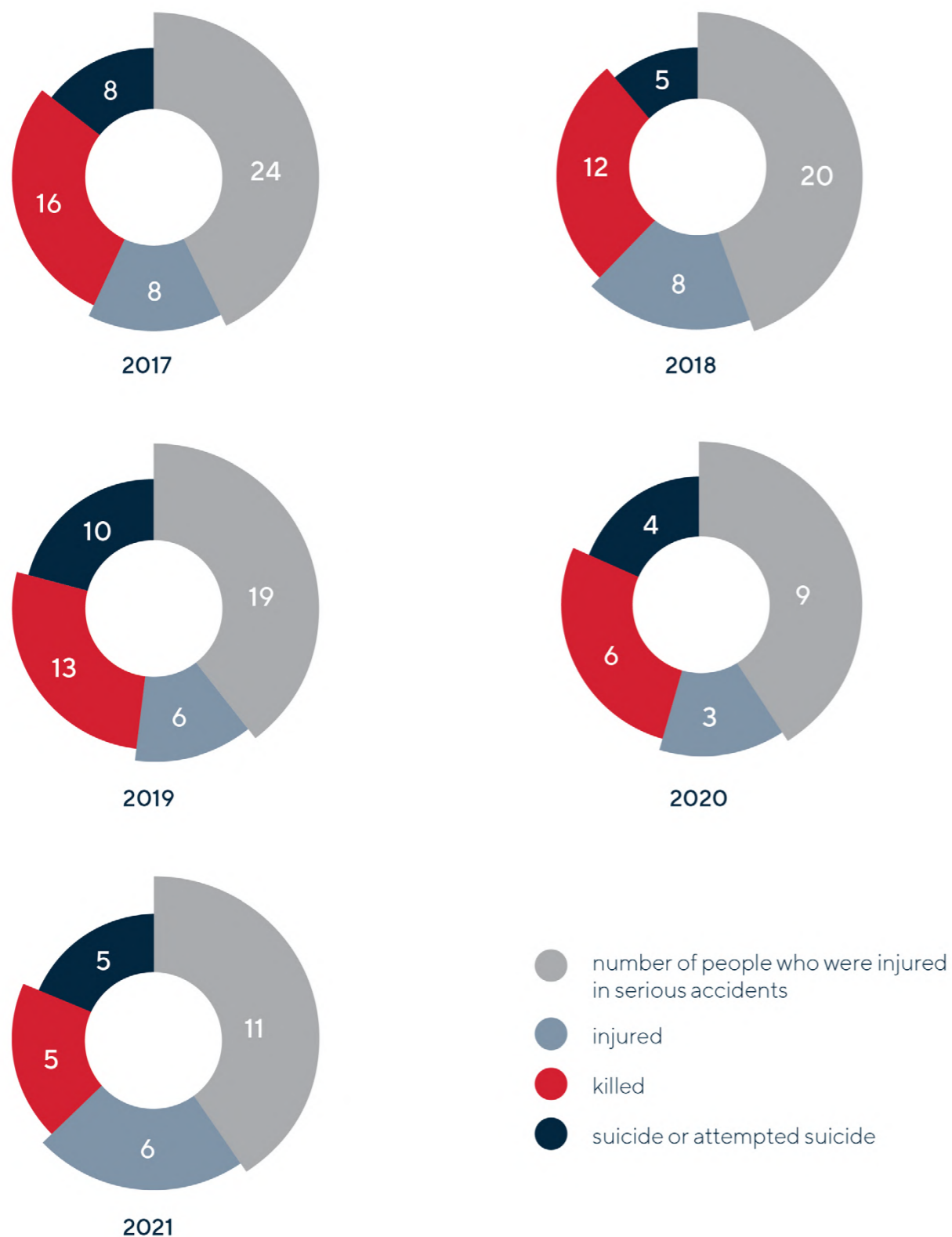
Age	Number of accidents
aged under 15	0
aged 15-17 years	1
aged 18-24 years	0
aged 25-34	1
aged 35-44	3
aged 45-54	2
aged 55-64 years	2
above 65 years	2

#### Causes of accidents:

- A presence in the track area without following precautionary measures resulted in five deaths and four injuries in nine accidents;
- One person was injured in an accident involving clinging to a moving freight train;
- Crossing a railway pedestrian crossing without ensuring personal safety - one person killed in an accident;
- Suicide - five accidents, five people perished.

While accidents involving road vehicles are much rarer, accidents involving road vehicles and trains still occur. In 2021, four cases of collisions between trains and road vehicles at railway crossings were registered. No people were injured in these accidents. All accidents occurred due to drivers disregarding traffic rules.

Dynamics of accident victims



# Critical infrastructure and security

Railway infrastructure in Latvia is critical for national security with a significant share of critical infrastructure. Consequently, VAS "Latvijas dzelzceļš" as the railway infrastructure operator, is responsible for maintaining top-level security in all infrastructure facilities. In taking care of the critical infrastructure objects, the company complies with the requirements of the Law on National Security, Cabinet Regulation No. 508 "Procedures for Identification and Implementation of Critical Infrastructure, including European Critical Infrastructure, Security Measures and Business Continuity" of 06.07.2021. and Cabinet Regulation No. 923 "Regulations on Mandatorily Guarded State Railway Infrastructure Objects for Public Use and Procedures for Their Protection" of 18 December 2007. The State Security Service monitors implemented security measures for compliance with critical infrastructure protection requirements.

The Internal Security Unit of the Security Department of VAS "Latvijas dzelzceļš" is responsible for protecting state secrets in the company under the Cabinet Regulation No. 21 "Regulations on the Protection of State Secrets, Classified Information of the North Atlantic Treaty Organisation, the European Union and Foreign Institutions" of 6 January 2004 and Cabinet Regulation No. 417 "Regulations on Industrial Security Certificates" of 10 July 2018. The State Security Service and the Constitution Protection Bureau monitor the measures taken by the company to protect state secrets in order to ensure compliance with the requirements.

Based on the priority directions of activity defined in the Strategy approved by VAS "Latvijas dzelzceļš" and with the aim of creating uniform and effective conditions for the implementation of security measures in the Group, in 2021, Security Policy was developed and approved.



The Internal Security Department of VAS "Latvijas dzelzceļš" is also responsible for security measures at railway infrastructure facilities, including physical and technical security, fire alarm systems, video surveillance and voice alarm systems, restricted access systems and facilities, and checkpoint operations.

VAS "Latvijas dzelzceļš" annually invests financial resources in the improvement and modernization of various technical solutions to continuously improve the safety of railway infrastructure against damage by third parties.

In the reporting year, EUR 160.651 was invested in the implementation of the "Protection of LDz Objects" programme, which was used for the installation of new video surveillance systems, the installation of security technology systems and the modernisation of the technical base of other objects. In 2021, the video surveillance system was installed in one object (in Daugavpils railway station), while fire detection and alarm systems were installed in 29 objects. Security alarm systems were installed in 24 objects, access systems in five objects.

In order to reduce the regular security costs, it is planned to equip and modernise the existing security video surveillance, security alarm and fire detection systems in a total of 48 objects in 2022. In the course of 2022, it is planned to equip and modernise the existing security video surveillance, security alarm and fire detection systems in a total of 48 properties.

The duties of the LDz also include ensuring the safety of railway infrastructure, preventing its damage, preventing access to unauthorised places and goods, or disturbing public order.

In 2021, 219 people were detained for various railway infrastructure violations. Among them:

- 6 for vandalism (the property of VAS "Latvijas dzelzceļš" was damaged);
- 5 for being present on the tracks, which might disturb train movement;
- 8 for unauthorised photographing railway infrastructure and objects;
- 4 for disobedience and assaulting security personnel;
- 2 for driving on railway wagons;
- 1 for attempted theft;
- 2 for theft;
- 3 for smuggling cigarettes and fuel;
- 10 for unauthorised access to the company's facilities and areas;
- 178 for minor hooliganism.





# Services for passengers with disabilities

Owing to the demographic and lifestyle trends in today's world, both in Europe and in Latvia, namely a growing average age of society, a desire and need for mobility by people with disabilities and the elderly, and other factors, in developing railway infrastructure, a greater and greater emphasis has been placed on accessibility of the environment.

In accordance with EU law, VAS "Latvijas dzelzceļš" is required to ensure that people in wheelchairs can access platforms and trains. In the past, the railway infrastructure was not suitable for people with disabilities.

Through various large and small modernization projects, LDz has been able to make several stations and stops accessible to people with disabilities in recent years.

With the help of EU funds, 16 stations and stops on the Jurmala and Jelgava railway lines were modernized. When modernizing these stops, VAS "Latvijas dzelzceļš" consulted with the Organisation of People with Disabilities and Their Friends "Apeirons", which made its recommendations for more convenient access to infrastructure for people with disabilities. Currently, VAS "Latvijas dzelzceļš" in cooperation with the Organisation of People with Disabilities and Their Friends "Apeirons" has developed guidelines for accessibility of the environment for railway passenger infrastructure equipment. In the future, when planning and implementing new objects of railway infrastructure for passenger transport, as well as when gradually modernizing and reconstructing existing objects, the LDz will be guided by the general principles of accessibility of the environment for people with reduced mobility, including people with various disabilities, set out in the guidelines.

By the end of 2023, VAS "Latvijas dzelzceļš" will modernize 48 more railway stations by building elevated platforms and related infrastructure on the Riga - Krustpils, Riga - Skulte, Riga - Tukums and Riga - Jelgava railway sections, ensuring accessibility for all social groups, including people with mobility impairments.

LDZ-4

At Riga Central Station, digital display boards have been adapted for the visually impaired, while ticket counters for domestic commuters have been equipped with an induction loop to facilitate access for people with hearing aids. Wheelchair users are helped in accessing the platform and the train, including a mobile lift service. Since 2019, there has been a "Meeting Place" at Riga Central Station, where assistance with access to the platform and the train is provided to the persons requesting the service upon prior request. The "Meeting Place" is equipped with two chairs and an audio console connected to the toll-free number 80021181.

As part of the Rail Baltica project, the main railway station in Riga is currently undergoing major reconstruction, and in the future, this facility will provide accessibility in accordance with all modern requirements, as well as mobile lifts for transporting people on board the train. The mobile lift service is currently available at nine stations: Riga, Krustpils, Rezekne, Daugavpils, Jelgava, Saulkrasti, Sigulda, Dubulti and Vaivari. According to EU regulations, this service must be requested from the LDz inquiry service at least 36 hours before the planned journey. This time period is necessary to ensure that the lift is available at the location in question, that appropriately trained staff are present, and that AS "Pasažieru vilciens" can provide an appropriately equipped train for the journey in question. In 2021, 148 requests were received, of which 116 were fulfilled; in 32 cases the person refused the service.

With the help of the subsidiary of VAS "Latvijas dzelzceļš", SIA "LDZ apsardze", it is now possible to bring people with baby carriages to the platform. At the same time, some stations have access to the platforms for people with reduced mobility - they are equipped with ramps. In 2021, a ramp was built to improve the accessibility of the area surrounding the "Atgazene" station. Currently, they are available at the following stations and stops: Krustpils, Daugavpils, Parogre, Arboretum, Muldakmens, Aizkraukle, Koknese, Alotene, Plavinas, Ozolsala, Rezekne II, Olaine, Sugar Factory, Jelgava, Zemitani, Ciekurkalns, Incukalns, Incukalns Imanta, Babite, Lielupe, Bulduri, Dzintari, Majori, Dubulti, Pumpuri, Melluzi, Asari, Vaivari, Sloka, Ziemeļblazma, Saulkrasti, and Atgazene.

# Customer satisfaction

In order to ensure that the development of the railway infrastructure is going in the direction desired by the users, VAS "Latvijas dzelzceļš", as the infrastructure operator, regularly surveys the public's opinion on the quality of the infrastructure. This measurement is carried out within the framework of an opinion survey conducted annually.

Based on the results of a survey conducted in December 2021, the majority of the population is generally satisfied with the appearance and cleanliness of station buildings, stops, and platforms. In recent years, the assessment of Latvian railway infrastructure by the population has not changed significantly. In 2021, 73% of respondents indicated that they were generally satisfied with the appearance, cleanliness, and technical condition of station buildings (in 2020, 78% of respondents). The same number of respondents indicated that they were also satisfied with the appearance, cleanliness, and technical condition of the platforms (78% in 2020). Slightly fewer (64%) responded that the platform lighting, seating, and other facilities were satisfactory (66% in 2020).

The vast majority (58%) of respondents are satisfied with the security at stations and in the surrounding area and do not have to worry about the safety of their person and property (in 2020, 59% were satisfied with this aspect). Respondents are less satisfied with the availability of shopping, dining, and other services at stations. Slightly less than half or 49% of respondents are satisfied with this aspect (in 2020:50 %).

LDZ-5

# Development of services

Although the majority of VAS "Latvijas dzelzceļš" revenue comes from the use of infrastructure, more than 50 other services are offered to external customers, such as capacity trading to carriers, wagon clearance, wagon accounting, customs operations, electricity trading, real estate leasing and other.

A very important service for ensuring the daily operation of the company are the information technology services managed by the Department of Information Technology and Telecommunications of VAS "Latvijas dzelzceļš". In order to ensure a high level of IT services, Service Level Agreements (SLAs) have been concluded and quality indicators for IT&T services have been defined: the incident response time must be 90% within one calendar month and the availability of information systems must be guaranteed.

In 2021, the average incident response time to requests was 92%, and a total of 10,795 incidents were registered during the year. In 2021, the Department of Information Technology and Telecommunications maintained 73 information systems, 44 of which were 100% available. The average availability of information systems in 2021 was 99.94%.

In order to determine the quality of the service provided, after the application is completed, the customer is asked to answer questions about the timeliness of the service, the resolution of the problem posed, and the response of the employee. According to the results of the survey, 97.33% of respondents were satisfied with the quality of the service received (in 2020, 96.98% were satisfied with the quality of the service/problem-solving), 98.73% of respondents stated that the employee had been friendly and accommodating (in 2020 - 98.35%) and 97.65% of respondents stated that the employee in charge was aware of the customer's needs and provided information on how to proceed.

LDZ-6

In 2021, a new web-based solution for providing INFOPAK information services was developed to replace the outdated VCOS solution. A project was launched to establish a video surveillance data processing service for railway crossings. Service improvements were also achieved by developing and implementing the necessary changes to a number of information systems and subsystems.

The Department of Technology and Telecommunications of VAS "Latvijas dzelzceļš" continued the implementation of various efficiency measures in the company and introduced the "Desktime" work order accounting system in the Group's companies, which enables the recording of time spent on various work tasks and the identification of optimisation opportunities. Comprehensive optimisation of printing equipment was also carried out in various structural units of the company, especially in view of the requests for new printing equipment. The inventory of large printing machines was reviewed, recommendations were prepared, and three machines were replaced. Overall, the number of printing equipment was reduced by 215 during the year, and as of 31 December 2021, the company had 1.657 printing equipment. In 2021, the IT Security Policy of the Latvijas dzelzceļš Group, the risk register of VAS "Latvijas dzelzceļš" and other regulatory documents were approved, which determine the processes for reducing strategic risks.

## Data protection

The Latvijas dzelzceļš Group processes personal data in the course of its business activities in accordance with the requirements of national and European legislation and internal documents.

The Latvijas dzelzceļš Group has developed internal regulations that define the purpose and areas of personal data processing, the basic principles, the rights, duties and responsibilities of employees, the organization of data processing, and the rights and duties of data specialists. The existing internal procedures for data protection have been developed or amended in accordance with the requirements of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (General Data Protection Regulation).

The obligations for the processing and protection of employees' data are set out in national law. Its main purpose is to explain to data subjects (customers, candidates, visitors, business partners, etc.) which personal data enters the Group's companies, why they enter the Group, on what legal basis these data are processed, what security conditions are met for data protection, etc. The Privacy Policy is available on the website of each company belonging to the Latvijas dzelzceļš Group.



A new Group Privacy Policy was adopted in 2021 to improve the protection of personal data. At VAS "Latvijas dzelzceļš", a certified data protection officer is responsible for data protection, but in order to speed up the exchange of information on personal data protection, a unified cooperation model has been introduced throughout the Group to ensure the simultaneous receipt of information from data subjects.

As of 31 December 2021, 37 personal data processing operations were registered, including in information systems that process personal data, including employee data. During 2021, answers have been provided to two requests from data subjects regarding the processing of their personal data.

In the reporting year, an audit of the Internal Audit Department of VAS "Latvijas dzelzceļš" was conducted and the report "On the System for Implementation and Monitoring of the Data Protection Policy of the Latvijas dzelzceļš Group" was prepared. No irregularities were found during the audit. Also in 2021, three audits initiated by a data protection officer were conducted in various structures and structural units of the Latvijas dzelzceļš Group. The results were reported, and the necessary corrective actions were taken. No significant violations were identified. The results have been reported and the necessary corrective actions have been taken. No significant violations were identified.

## Availability of information

The principle of corporate governance with regard to transparency of the Company's operations requires that the Company's shareholders and other stakeholders be informed regularly and in a timely manner about the Company's operations, financial performance, corporate governance, and other relevant information. Following this principle, VAS "Latvijas dzelzceļš" publishes all current information on its website [www.ldz.lv](http://www.ldz.lv). Concurrently, a separate website has been established where a sustainability report for the previous year is published once a year: <http://parskati.ldz.lv>.

Under Section 58 of the Law on Governance of Capital Shares of a Public Person and Capital Companies and the Guidelines on Disclosure of Information for State Capital Companies and Holders of Capital Shares developed by the Cross-Sectoral Coordination Centre, VAS "Latvijas dzelzceļš" is required to publish unaudited interim reports (quarterly) and the annual report, information on the members of the company's Council and Board, organizational structure, gifts (donations), purchases made, environmental protection, anti-corruption, human resource management, etc. areas.

Information on safety near railways, as well as accident statistics and information material for schools, can be found on a dedicated website [www.dzirdiredzidzivo.lv](http://www.dzirdiredzidzivo.lv).

Since 2019, the website [www.steamup.lv](http://www.steamup.lv) has been in operation and serves as an assistant for school students, their parents and teachers in learning about STEM topics.

For quick communication with the population as well as for the dissemination of information, company profiles have been created on the social networking platforms Facebook, Twitter, LinkedIn, Instagram and Draugiem.lv.

# INDEPENDENT AUDITORS`REPORT



## Independent Limited Assurance Report

To the Management of VAS "Latvijas dzelzceļš"

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### Introduction

We have been engaged by the Management of VAS "Latvijas dzelzceļš" (hereinafter – the "Company") to provide limited assurance on the Selected information described below and included in the Sustainability report 2021 of Company (hereinafter – the "Sustainability report 2021") on pages 5 to 232. The Sustainability report 2021 represents information related to the Company.

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### Selected information

We assessed the qualitative and quantitative information, that is disclosed in the Sustainability report 2021 and referred to or included in the GRI Content Index (hereinafter – the "Selected Information"). The Selected Information has been prepared in accordance with GRI Sustainability Reporting Standards (Core option), 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 2021. We have not performed any procedures with respect to earlier periods or any other items included in the Sustainability report 2021 and, therefore, do not express any conclusion thereon.

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### Reporting criteria

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.

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### 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.



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### 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.

This report, including our conclusion, has been prepared solely for the Company's Management in accordance with the agreement between us, to assist Management in reporting on the Company's sustainability performance and activities. We permit this report to be disclosed in the Sustainability report 2021, which will be published on the Company's website<sup>1</sup>, to assist 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.

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### Professional standards applied and level of assurance

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.

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### 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 Control 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.

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<sup>1</sup> 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.



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### Summary of the Work Performed

Our procedures included examination, on a test basis, of evidence relevant to the Sustainability report 2021. It also included an assessment of the significant estimates and judgements made by the Management in the preparation of the Sustainability report 2021 in accordance with the GRI guidelines.

Our work consisted of:

- Interviewing the Management and senior executives to evaluate the application of the GRI guidelines 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 2021;
- Comparing data from selected information to internal documentation to corroborate statements of Management and senior executives in our interviews;
- Comparing the financial data included in the Sustainability report 2021 to the financial statements 2021 of the Company; and
- Evaluating the overall format and content of the Sustainability report 2021, taking into account the compliance of the disclosed information with the applicable criteria.

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### Reporting and measurement methodologies

Under the GRI Standards 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 Management as described in the Sustainability report 2021, and for which the Company is solely responsible.

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### 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 2021 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

PricewaterhouseCoopers SIA  
Certified audit company  
Licence No. 5

Ilandra Lejiņa  
Certified auditor in charge  
Certificate No. 168

Riga, Latvia  
28 September 2022



# ANNUAL REPORT

09

## VAS "Latvijas dzelzceļš" annual report

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The annual report for 2021 is available at VAS "Latvijas dzelzceļš" website.