



# CONSOLIDATED ANNUAL REPORT FOR 2024

# TABLE OF CONTENTS

Information on the Group Parent Company	<a href="#">3</a>
Management Report	<a href="#">5</a>
Group Sustainability Report	<a href="#">19</a>
Independent Auditor's Assurance Report on the Sustainability Report	<a href="#">214</a>
Consolidated Financial Statements	<a href="#">219</a>
Consolidated Income Statement	<a href="#">219</a>
Consolidated Statement of Financial Position	<a href="#">220</a>
Consolidated Statement of Changes in Equity	<a href="#">223</a>
Consolidated Statement of Cash Flows	<a href="#">224</a>
Notes to the Consolidated Financial Statements	<a href="#">226</a>
Independent Auditor's Report on the Consolidated Financial Statements	<a href="#">273</a>



**GROUP PARENT  
COMPANY**

**MANAGEMENT  
REPORT**

**INCOME  
STATEMENT**

**FINANCIAL  
POSITION**

**CHANGES IN  
SHAREHOLDER'S  
EQUITY**

**STATEMENT  
OF CASH FLOWS**

**NOTES TO  
THE FINANCIAL  
STATEMENTS**

**INDEPENDENT  
AUDITOR'S  
REPORT**

<b>Name of the Group Parent Company</b>	<b>LATVIJAS DZELZCEĻŠ</b>
Legal status of the Group Parent Company	State Joint Stock
Address	Emīlijas Benjamiņas iela 3, Rīga, LV-1547
Unified registration number	40003032065
Date of registration Enterprise Register	01.10.1991.
Date of registration with the Commercial Register	10.09.2004.
Place of registration	Rīga
Date of issue of the certificate of registration	10.09.2004.
Shareholder	Republic of Latvia (100%)
Shareholder representing the state	Ministry of Transport of the Republic of Latvia, Emīlijas Benjamiņas iela 3, Rīga, LV-1743
Supervisory body	Council of the Company
Council	Andris LIEPIŅŠ, Chairman of the Council from 7 June 2024, Deputy Chairman of the Council until 6 June 2024 Reinis CEPLIS, Member of the Council Andis VEINBERGS, Member of the Council from 12 February 2025
Managing body	Board of the Company
Board 2024	Artis GRINBERGS, Chairman of the Board from 10 June 2024 Rinalds PĻAVNIEKS, Member of the Board from 10 June 2024, Chairman of the Board until 10 June 2024 Mārtiņš ĶEŅĪS, Member of the Board from 1 July 2024 Vita BALODE-ANDRŪSA, Member of the Board until 10 June 2024
Name and address of the auditor and the sworn auditor in charge	KPMG Baltics SIA registration No. 40003235171 Latvian Association of Certified Auditors (LACA) Commercial Company Licence No. 55 Roberta Hirša iela 1, Rīga, LV-1045 Latvia Sworn Auditor in Charge Armine Movsisjana Certificate No. 178
Reporting year	1 January 2024 – 31 December 2024



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COMPANY**

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REPORT**

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STATEMENT**

**FINANCIAL  
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STATEMENTS**

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AUDITOR'S  
REPORT**

<b>SIA LDZ CARGO</b>	
Unified registration number	40003788421
Address	Dzirnavu iela 147, k-1, Riga, LV-1050
Shareholding, %	100% shareholder – SJSC Latvijas dzelzceļš
Reporting year	1 January 2024 - 31 December 2024
<b>SIA LDZ ritošā sastāva serviss</b>	
Unified registration number	40003788351
Address	Vilhelma Purviša iela 21, Riga, LV-1050
Shareholding, %	100% shareholder – SJSC Latvijas dzelzceļš
Reporting year	1 January 2024 - 31 December 2024
<b>SIA LDZ Loģistika</b>	
Unified registration number	40003988480
Address	Dzirnavu iela 147, k-2, Riga, LV-1050
Shareholding, %	100% shareholder – SJSC Latvijas dzelzceļš
Reporting year	1 January 2024 - 31 December 2024
<b>SIA LDZ apsardze</b>	
Unified registration number	40003620112
Address	Zasas iela 5-3, Riga, LV-1057
Shareholding, %	100% shareholder – SJSC Latvijas dzelzceļš
Reporting year	1 January 2024 - 31 December 2024
<b>AS LatRailNet</b>	
Unified registration number	40103361063
Address	Pērses iela 8, Riga, LV-1011
Shareholding, %	100% shareholder – SJSC Latvijas dzelzceļš
Reporting year	1 January 2024 - 31 December 2024



## MANAGEMENT REPORT ON THE ECONOMIC ACTIVITY OF LATVIJAS DZELZCEĻŠ GROUP IN 2024

### Overview of Latvijas Dzelzceļš Group

Latvijas dzelzceļš Group ("the Group") manages the public-use railway infrastructure and provides rail transportation services and related services.

The Group includes: the Group Parent Company – State Joint Stock Company SJSK Latvijas dzelzceļš ("LDz" or "the Company"), SIA LDZ CARGO, SIA LDZ ritošā sastāva serviss, SIA LDZ apsardze, SIA LDZ Loģistika, and AS LatRailNet.

The share capital of LDz as at 31 December 2024 amounts to EUR 374 420 thousand and is comprised of 374 419 791 shares. All shares are held by the Republic of Latvia and are fully paid up. The holder of the state shares is the Ministry of Transport. In 2024, the share capital was increased in accordance with the Cabinet of Ministers Order No 1120 of 17 December 2024 *On Increasing the Share Capital of the State Joint Stock Company Latvijas dzelzceļš* by investing state budget funds in the amount of EUR 46 798 thousand to ensure the financial stability of the state public use railway infrastructure operator (SJSK Latvijas dzelzceļš) for 2022 (the uncovered part) and 2023.

To ensure the development and competitiveness of the Group's business lines, a unified Group strategy and objectives have been developed, ensuring optimal allocation of production and investment resources between business lines and Group companies, coordination of decision-making and effective control of their implementation. LDz represents the Group's interests at the international level.

Latvijas dzelzceļš provides services referred to in the Section 12<sup>1</sup>, Paragraph 1 of the Railway Law, i.e. the public-use railway minimum access service package and access to the public-use railway infrastructure connecting it with the service points, as well as freight wagon sorting and assembly, wagon technical maintenance and inspection services, electricity distribution and trade services, rental services, information technology services, electronic communication services, as well as other services. LDz, as a customs cooperation partner contributing to the prevention of customs risks, has been granted the status of authorised economic operator, authorised consignee, and authorised consignor, and has been granted a general guarantee permit – an exemption from filing general guarantee.

As the operator of the railway infrastructure in public use, LDz owns, as at 31 December 2024, a rail network with an extended length of 3 176.76 km, including technologically connected station tracks and sidings, as well as other infrastructure facilities.

**SIA LDZ CARGO** carries out freight transport in Latvia and Estonia. SIA LDZ CARGO provides international and domestic freight transportation services, including hazardous and oversized freights, and provides other services related to rail freight transportation. The company transports almost all types of goods listed in the Harmonised Commodity Nomenclature (HCN) in containers and wagons. The company also provides traction services and wagon rental services. SIA LDZ CARGO has a registered branch in Estonia since 2023.

**SIA LDZ ritošā sastāva serviss** performs maintenance and repairs of railway rolling stock, locomotive equipment and modernisation, provides rental services for mainline freight and shunting diesel locomotives, locomotive reserve base maintenance services and is engaged in fuel trading. The company also provides non-destructive testing laboratory services and sells spare parts for the rolling stock.

**SIA LDZ Loģistika** is engaged in the marketing and sale of intermodal logistics offers, attracting new customers to the Latvian transit industry and thus promoting the use of the public-use railway infrastructure.

**SIA LDZ apsardze** provides physical security services for various objects and railway cargoes, designs and assembles various security, fire safety, and video surveillance systems, which are subject to technical maintenance and maintenance during operation, as well as monitor the received alarm signals.



**AS LatRailNet** provides the following essential functions of LDz: decision-making on capacity allocation, allocation of train paths, including both access determination and assessment and allocation of individual train paths; decision-making on infrastructure charges, including determination of charges and collection; as well as other functions that are delegated by legislation to the infrastructure operator performing essential functions.

Since 2016, LDz has been preparing a Sustainability Report to improve good corporate governance practices and develop awareness of social responsibility within the Group, as well as to strengthen sustainable yet innovative thinking in the tradition-rich railway sector, and for the first time a Group Sustainability Report has been prepared for 2024. The Group Sustainability Report of Latvijas dzelzceļš for 2024 and the Corporate Governance Statement are included in the next section of this report, Group Sustainability Report of Latvijas Dzelzceļš for 2024.

The Group's companies also participate annually in the Sustainability Index assessment organised by the Institute of Corporate Sustainability and Responsibility to assess their performance in terms of sustainability. In 2024, the Group companies SJSC Latvijas dzelzceļš, SIA LDZ ritošā sastāva serviss, SIA LDZ apsardze, participating jointly, managed to achieve a platinum rating in the Sustainability Index assessment organised by the Institute of Corporate Sustainability and Responsibility. SIA LDZ CARGO, which took part in the index assessment separately, has also been awarded a platinum rating.

In the light of freight transport trends, the review of the Group companies' processes initiated in previous years continued in 2024, which also led to a reduction in the number of employees.

In 2024, the Group had an average workforce of 5 742 employees, which was 477 employees less compared to 2023.



employees

**5 742**

Average number of  
employees in the Group  
in **2024**

**6 219**

Average number of  
employees in the Group  
in **2023**



## Operating performance

The Group's business activities since March 2022 have been significantly affected by external factors related to changes in the geopolitical situation and international economic sanctions imposed against Russia and Belarus as a result of the hostilities in Ukraine.

The Group's consolidated revenue in 2024 totalled 233 738 thousand euros (EUR). Compared to 2023, consolidated revenue has decreased by EUR 29 791 thousand EUR or 11.3%.

In 2024, LDz public use infrastructure was used to transport 19 445 thousand passengers by 7 608 thousand train-km (including 48.4 thousand train-km by SIA Gulbenes-Alūksnes bānītis and 56.2 thousand train-km by UAB LTG Link) and 11 467 thousand tonnes of freight by 2 509 thousand train-km.

In 2024, the number of train-km (including technological train-km, but excluding train-km performed by LDz for its own needs) has increased by 3.6% compared to 2023, including 16.3% in passenger transport, while in freight transport the number of train-km has decreased by 22.2%.

In 2024, the number of passengers carried by JSC Pasažieru vilciens on the broad-gauge railway lines reached 19 445 thousand, an increase of 13.5% compared to the previous year.

The volume of freight transported in 2024 is 11 467 thousand tonnes, which is 4 169 thousand tonnes or 26.7% less than in 2023, when 15 636 thousand tonnes were transported.

Imports constituted the majority of freight transportation, representing 62.0% of the total freight volume. Its volume in 2024 was 7 111 thousand tons, which is a 26.2% decrease compared to the previous year.

In 2024, the most significant share of transport is accounted for by grain, grain processed products, seeds, and fruit (43.1%) and oil and oil products (19.2%). The share of fertiliser transport in the total transport volume is 5.3%, that of wood and wood products is 3.5% and that of coal is 1.3%, the share of other cargoes is 27.6%.



volume of freight transport

**11 467  
thousand tons**

2024



cereals, processed cereal products, seeds and fruit

**43,1%**

2024



oil and oil products

**19,2%**

2024



fertilizers

**5,3%**

2024



wood

**3,5%**

2024



coal

**1,3%**

2024



other freight

**27,6%**

2024



Rail freight transportation in the Republic of Latvia takes place mainly from the eastern borders of the country to the three largest ports of Latvia – Riga, Ventspils, and Liepaja through the large railway junctions of the eastern part of Latvia in Daugavpils and Rzekne, forming the East-West transit corridor, which is connected to the railway line between the North-South borders of the country, and is also connected to each other by regional lines.

The Group's loss after tax amounts to EUR 38 977 thousand, an increase of EUR 35 746 thousand compared to 2023. The operating performance was materially impacted by the impairment of net assets of EUR 31 213 thousand. Impairment was recognised for the LDz infrastructure used exclusively for freight transportation, especially on those sections of railway track where there was a significant drop in traffic.

The consolidated equity of the Group as of 31 December 2024 was EUR 353 252 thousand, which is EUR 38 977 thousand less than on 31 December 2023.

The Group companies follow prudent liquidity risk management policy, ensuring that adequate credit resources are available to settle liabilities when they fall due. As at 31 December 2024, the Group's current assets exceed its current liabilities by EUR 24 731 thousand, as a result of which the total liquidity - current assets against current liabilities was 1.3. Current liabilities include deferred income of EUR 13 754 thousand related to the European Union (EU) project and state budget fund investments in railway public infrastructure, so there is a low-risk possibility that financial resources will be required to cover these liabilities. The total liquidity ratio, excluding future revenues related to investments of EU projects and state budget funds in the public railway infrastructure, is 1.5. As at 31 December 2024, and early 2025, no borrowings were in default.

Despite declining rail freight volumes, the Group continued to ensure the quality of infrastructure and provided services, as well as the required level of safety. In 2024, the total amount of capital investments executed by the Group reached EUR 63 902 thousand, (excluding intra-Group capital expenditure). Financial resources have been invested in the restoration, modernization, and purchase of property, plant and equipment, and intangible assets, as well as in the construction of new facilities. Of these, the most significant:

- The amount of capital expenditure of LDz in 2024 was EUR 58 873 thousand. A total of EUR 41 660 thousand were invested in the infrastructure development, including EUR 1 863 thousand invested in the implementation of innovative technologies and EUR 39 797 thousand - in other development. Investments in renovation totalled EUR 17,213 thousand, of which EUR 15 011 thousand were invested in capital repairs, EUR 1 492 thousand were invested in the renewal of existing IT systems, EUR 710 thousand were spent to purchase machinery for repair and maintenance of railway tracks, as well as in equipment for the further development of information systems and means of communication and intangible assets.
- The total capital expenditure of SIA LDZ CARGO in 2024 was EUR 4 684 thousand, which were invested in the renovation, modernisation, and acquisition of property, plant and equipment and intangible assets. In 2024, SIA LDZ CARGO invested EUR 838 thousand in the overhaul of two ČME3 series locomotives and EUR 3 723 thousand in the overhaul of 230 wagons.

Construction in progress includes materials purchased for investment projects amounting to EUR 1 070 thousand.



## Objectives and future development

With the declining freight transportation volumes, the Group continues its efforts to improve its operational efficiency by reviewing business, organisational, and technological processes to increase the Group's operational efficiency and reduce costs, as well as to ensure the Group's competitive and sustainable operations in the future.

As a significant proportion of costs are attributable to employee resources – the cost of wages and salaries – the review of organisational and technological processes in 2025 will continue the reduction in the Group's workforce that began in previous years.

To facilitate the implementation of the Group's business model, the Group companies have developed business plans until 2025 and action plans for the period up to 2025.

The Group's business model is based on the existing assets – high-quality infrastructure, competent team, and long-standing experience, while significantly expanding the Group's existing areas of activity, developing forwarding activity, including sea forwarding, road transport forwarding, warehousing services, additional post-processing services, etc.

The future priorities of the freight transportation and logistics business are freight transportation, specialised freights, close cooperation with port authorities and terminals, and a single logistics offer.

In order to increase the efficiency and productivity of the Group companies, emphasis will continue to be placed on the prudent use of the human and material resource base to reduce costs. Consequently, technological processes and functions will continue to be reviewed, and the Group's management options will be evaluated.

LDz and the entire transport and logistics sector of the country are in direct competition with the nearest neighbouring countries – Lithuania and Estonia – for providing transport services to the Latvian transit corridor. The efficiency of infrastructure services will be one of the decisive factors in the competition for freight transport by rail.

In 2025, the main priorities and objectives of the Group and the Company will focus on a significant increase in the efficiency of the Company's operations and the recovery and strengthening of the financial stability, as well as to the introduction and stabilization of the newly developed organizational and technological processes.

Along with the review of the Group's activities and promotion of efficiency in 2025, significant attention will be paid to the diversification of target markets and freight segments, attracting freight transport in new markets, developing new services, etc.

Alongside these objectives, the Group will also work actively to develop a comfortable and efficient infrastructure for the needs of passengers and will continue to promote safety on and along the tracks.

In light of the intensive change processes that have taken place in 2024, the Group's management team will ensure effective financial and personnel management, as well as implement comprehensive and transparent communication both within the Group and with customers, cooperation partners, stakeholders, and the general public.

- **LDz** will continue to ensure the management of the public railway infrastructure and safe, high quality, and efficient railway services in the interests of the Latvian state and economy, in order to promote the growth in the number of railway passengers, developing the railway as a central element of the public transport system in Latvia.

Under Cabinet Order No. 421 of 6 June 2021, the general strategic objective of SJSC Latvijas dzelzceļš is the following: *“To ensure efficient, safe and sustainable management of railway infrastructure, offering also competitive logistics, railway rolling stock repair and maintenance services, security services of strategically important objects, promoting the development of environmentally friendly rail transport”.*

The objectives and tasks to be achieved in 2025 and the following years will be implemented in accordance with the planning and regulatory documents of LDz.

The Strategy and Action Plan of SJSC Latvijas dzelzceļš was accepted by the Decision of the Board of LDz No VL-34/240 of 5 July 2021 and approved by the Decision of the Council of LDz No PA1.2./8-6 of 14 July 2021.



In 2021, the Infrastructure Development Concept for 2021-2035 was developed and approved under Board Decision No. VL-9/95 dated 1 March 2021 and accepted for information under the Council Decision No. PA 1.2./13-13 of 18 March 2021. It provides an overview of the infrastructure and related aspects of the company's operations and outlines the strategic development vision and main directions of LDz, which are directly reflected in the developed medium-term operational strategy of LDz, the projects aimed at infrastructure development and modernisation and in other documents.

SJSC Latvijas dzelzceļš actively participates in the drafting of the Indicative Railway Infrastructure Development Plan at the Ministry of Transport. The Indicative Plan is also a precondition for the availability of EU funds 2021-2027 for railway infrastructure projects. In 2024, the issue of the approval of the Indicative Railway Infrastructure Management Plan by the Cabinet of Ministers was not resolved, it is planned to approve it during 2025.

SJSC Latvijas dzelzceļš makes significant investments in the modernisation and development of railway infrastructure with the support of EU funds.

As part of the measure 6.2.1.2. *Modernisation and construction of railway infrastructure of the specific support objective 6.2.1 Ensure a competitive and environmentally friendly TEN-T rail network by enhancing its safety, quality, and capacity of the priority axis Sustainable Transport System of the Operational Programme Growth and Employment for the 2014-2020 EU Funds Programming Period, construction works in the project Modernisation of Riga railway junction Sarkandaugava - Mangaļi - Ziemeļblāzma* were completed on 15 December 2023. On 20 June 2024, a confirmation was received from the Central Finance and Contracting Agency that the implementation of the European Union Fund project No 6.2.1.2/16/I/001 Modernisation of Riga railway junction section Sarkandaugava-Mangaļi-Ziemeļblāzma has been completed. The project has increased throughput, built second tracks on the Mangaļi-Ziemeļblāzma section, modernised the signalling system and improved safety by building two-level pedestrian crossings. The objectives of the project have been fully achieved.

The geopolitical situation, coordination of technical solutions with third parties, and other unforeseeable circumstances had a significant impact on meeting the construction deadlines in the projects *Modernisation of railway passenger infrastructure and Modernisation of railway infrastructure to increase train speed*.

Due to these circumstances, the deadlines of the contracts concluded within the projects were extended and the projects are being phased out between the two programming periods of the EU funds, i.e., the 2014-2020 and 2021-2027 programming periods, in accordance with paragraph 4 of the 19 December 2023 Amendments to the Regulations of the Cabinet of Ministers of 21 June 2016 No. 404 *Rules for the implementation of the Operational Programme Growth and Employment, priority axis Sustainable transport system, specific support objective 6.2.1 Ensuring a competitive and environmentally friendly TEN-T railway network by promoting its safety, quality and capacity, measure 6.2.1.2 Modernisation and construction of railway infrastructure*.

On 14 October 2024, the *Contract for Implementation of the European Union Fund Project No 3.1.1.3/1/24/I/001 – Modernisation of Railway Passenger Infrastructure, Stage 2* was signed with the Central Finance and Contracting Agency, setting the project implementation period to 31 December 2026 at the latest. By the end of 2024, 31 railway stations and stops were temporarily put into operation.

On 14 October 2024, the *Contract for Implementation of the European Union Fund Project No 3.1.1.3/1/24/I/002 – Modernisation of railway infrastructure to increase train speed, Stage 2* was signed with the Central Finance and Contracting Agency, setting the project implementation period to 31 December 2026 at the latest. By the end of 2024, 15 out of 45 construction projects had been put into operation.

At the same time, the Ministry of Transport, in cooperation with LDz – the infrastructure operator of the existing 1,520 mm gauge railway network – and the Rail Baltica project implementing bodies RB Rail AS and the limited liability company EIROPAS DZELZCEĻA LĪNIJAS, continues to develop proposals for the development of a unified railway network in Latvia for the 2021--2027 European Union multiannual budget period. These proposals include improvements and modernization of the railway network to ensure competitive passenger rail transport, as well as the necessary investments in railway infrastructure, while ensuring synergy between the 1 520 mm network and Rail Baltica infrastructure, and gradually reallocating Recovery and Cohesion Fund resources for 2021-2027.



LDz has proactively started activities in the preparation and implementation of two more projects for the 2021-2027 programming period – Riga Airport–Central Station–Daugavkrasti (RIX-RCS–Daugavkrasti) and modernisation of railway passenger infrastructure, which will modernise 23 more stations and stops.

For both projects, the preparation of procurement documentation and public consultations have started in 2024, with the contract to be concluded if funding is awarded.

The project Installation of fencing and pedestrian crossings at railway infrastructure objects according to the decision No VL-1.6/347-2023 of the Board of LDz dated 31 October 2023 and the decision No PA 1.2/14-10 of the Council of LDz dated 9 November 2023 has been terminated and the contract with the constructor has been unilaterally terminated by LDz because the contractor with whom the construction contract was concluded is unable to fulfil its obligations and perform the construction works.

Although the project Installation of fencing and pedestrian crossings in railway infrastructure projects has been terminated, fencing is being implemented in several other projects, thus improving road safety:

- As part of the EU-funded project *Modernisation of the Riga railway junction section Sarkandaugava-Mangāji-Ziemeļblāzma*, completed in 2023, 2 km of fencing was built to ensure pedestrian safety by restricting free access to the public railway infrastructure;
- As part of the project *Modernisation of Railway Passenger Infrastructure*, fencing has been built at Zemitāni station and is planned to be built at the Bolderāja stop;
- Under the project *Modernisation of Railway Infrastructure to Increase Train Speed*, 11.4 km of the total 12.5 km of fencing have been built by the end of 2024, and construction work is ongoing.

Active work continued on the implementation of the project Development of an interoperable railway system in the Baltic States in cooperation with the Estonian company AS Eesti Raudtee. The project is being implemented with co-financing from the Connecting Europe Facility and was completed by 31 December 2024. The Final Project Report was prepared and submitted to the Ministry of Transport of the Republic of Latvia for approval. The project aims to ensure a minimum mandatory amount of information and exchange between railway undertakings (railway undertakings, infrastructure operators, wagon owners). The project solutions include: (i) analysis of the feasibility of implementing telematics applications for passengers and freight (legislation; business model; processes; system architecture); (ii) development of a common system concept; (iii) implementation of a prototype real-time rail transport management system; (iv) development of technical specifications and procurement / implementation of systems.

The modernisation project of the electrified Riga national urban/suburban rail network has been launched under the Recovery and Resilience Facility. As part of the project, it is planned to improve the zero-emission railway infrastructure at the Riga junction and on the Riga - Tukums line, as well as to expand the electrified area Zasulauks – Bolderāja by replacing and constructing a contact network, thus ensuring the expected migration to the 25 kV electrification system, which is much more efficient and sustainable compared to the existing 3.3 kV system.

The project application Modernisation of the Railway Network was submitted on 30 November 2023 for the selection of project applications under the Recovery Mechanism Objective 1.1.1.1.i Specific Support Objective Competitive Rail Passenger Transport in the Riga City Public Transport System. On 28 February 2024, the contract with the Central Finance and Contracting Agency on the implementation of the European Union Recovery Fund project No 1.1.1.1.i.2/1/23/1/CFLA/001 Modernisation and Development of the Electrified Railway Network was signed. The deadline for eligibility of investment expenditure is 31 March 2026. The amount of the Recovery Fund available for the investment is EUR 72 700 thousand, provided in the form of a grant. The contract for the construction and supervision of the project was signed in February 2024 and the design works started in 2024.



- **SIA LDZ CARGO** (also LDZ CARGO) is actively working to develop freight transport both in Latvia and in the neighbouring countries of Lithuania and Estonia by participating in tenders, attracting new customers, and offering new routes.

In 2025, LDZ CARGO will continue to work on the priorities set in the previous years – improving operational efficiency, reviewing business, organisational and technological processes in order to increase the efficiency of LDZ CARGO's business operations and reduce costs, as well as to ensure LDZ CARGO's competitive and sustainable operations in the future. The Company will strengthen cooperation with its major strategic customers by improving business functions based on customer satisfaction and the quality of services offered, thus contributing to the Company's performance.

The Estonian branch of LDZ CARGO continues to work on the development of freight transport in Estonia. Market research, identification of potential customers, and development of competitive offers continue.

In order to develop freight transport in Lithuania, a contract has been signed with LTG INFRA for the use of the Lithuanian public railway infrastructure, a licence has been obtained for the use of 2TE116 series locomotives in Lithuania, and other measures are being taken to conclude cooperation agreements and attract customers.

The Company is working on the implementation of new IT solutions to automate existing processes and improve resource management.

- In 2025, **SIA LDZ ritošā sastāva serviss** will continue to perform activities for the development of service provision both in the Baltic States and outside the territory of the Baltic States. In 2025, active cooperation with foreign customers and counterparties in the field of repair of railway rolling stock is planned.

In 2025, the Company will continue to participate in public procurement procedures and procurements for repairs of wagons, locomotives and their aggregates announced by private companies in Lithuania, Estonia, Poland, Azerbaijan, Georgia, and other countries of Europe and Asia. The Company maintains its CEPT ACY (Ukraine) certificate, which provides an opportunity to provide locomotive repair services to the owners of Ukrainian-based locomotives to be promptly ready to provide these services to Ukrainian customers when possible and necessary.

In September 2024, the Company participated in the international railway exhibition *Innotrans2024*, in the 2nd half of 2024 in the Asian region transport exhibitions *Translogistica Kazakhstan* and *TransLogistica Uzbekistan*, within the Latvian stand VIA LATVIA, with the aim to expand the range of suppliers of spare parts and materials, as well as to negotiate with potential and existing customers for the performance and execution of orders for maintenance and repair of railway rolling stock.

The war in Ukraine and the sanctions have made the supply of spare parts significantly more difficult, and alternative solutions for sourcing spare parts from European Union manufacturers are being actively pursued. The company will continue active cooperation with companies in the rail sector in the EU, to implement locomotive modernization projects.

In 2025, the company plans to continue to optimise production processes, make full use of the existing company's capacity and labour resources, continue to develop and digitize internal processes.



In 2025, it is planned to extend the accreditation of the Company in accordance with the requirements of ISO 17025:2017 *General requirements for the competence of testing and calibration laboratories* in the areas of non-destructive testing and calibration.

In 2025, we plan to continue our cooperation with rail operators in locomotive rental and servicing.

In recent years, the Group has undergone a significant transformation from its historical focus on freight transport towards the development of a modern passenger infrastructure. The decline in freight volumes has had an impact both on the Group as a whole and on the operations of the Group's three subsidiaries: LDZ CARGO, LDZ ritošā sastāva serviss and the volume of services provided by SIA LDZ Logistika and their financial results. In order to create a strong, competitive company in the Baltic region with a wide range of services, providing international and domestic freight transport, full-service rolling stock repairs, modernisation, maintenance and equipment, as well as freight forwarding services, it is planned to merge all three companies, according to the information report on the railway sector reform prepared by the Ministry of Transport.

By Decision No VL-1.6./336 of LDz Board made on 29 October 2024, it has been decided to terminate LDz's participation and decisive influence in SIA LDZ ritošā sastāva serviss and SIA LDZ Logistika and, pursuant to Section 335 of the Commercial Law, to merge SIA LDZ ritošā sastāva serviss and SIA LDZ Logistika with SIA LDZ CARGO by way of reorganisation, after obtaining the authorisation of the Cabinet of Ministers as the supreme decision-making body of a public person provided for in Section 4 (2) and Section 9 (2) of the *Law on governance of capital shares of public persons and capital companies*. As at the date of these financial statements, no Cabinet decision has been adopted.



## Research and development activities

In 2024, SIA LDZ CARGO carried out research and development activities for EUR 118 thousand, of which the company's internal expenses were EUR 64 thousand, expenditure on research and development works commissioned by other institutions, companies, organizations – EUR 54 thousand.

In order to expand the services in Estonia, it was necessary to obtain permission to use the 2M62UM series locomotives in Estonia. At the beginning of 2024, LDZ CARGO ordered the testing of the 2M62UM series locomotives to confirm their compliance with the technical requirements of the European Union. The locomotive was tested for dynamic characteristics and environmental noise level. The authorisation was granted and the 2M62UM series locomotives were used in 2024 for rail freight service in Estonia.

Various research and preparatory work continued in 2024 to develop the provision of freight services in Lithuania, thereby expanding its territory of operation. In order to start services on the territory of another country, a permit was obtained for the use of 2TE116 series locomotives in Lithuania. The locomotives are included in the ERA register. The regulatory documents necessary for the organisation of the services were studied and the necessary documentation is being prepared by external service providers.

In order to increase competitiveness, in July the Authorised Consignee permit was obtained, which allows LDZ CARGO to offer customers a full range of services, including the initiation and conclusion of customs procedures. The preparation of documents for AEO status (Authorised Economic Operator) and Authorised Consignor status is ongoing, taking into account the recommendations and suggestions of the Customs Administration of the State Revenue Service. The authorisation will allow LDZ CARGO to start the processing of transit declarations and the submission of summary declarations in compliance with the requirements set by Customs.

As part of our commitment to environmental responsibility and the ongoing assessment of our business impact, we conduct annual groundwater quality monitoring. The latest results indicate that no remediation measures are required in 2025; however, continued monitoring remains necessary.

**AS LatRailNet** continues to actively engage in several official dialogue platforms of the European Commission and with infrastructure operators, while also contributing to scientific conferences to promote knowledge exchange. During the reporting year, the company participated in the SERAF working group focused on amendments to the TEN-T Directive.

In line with the Company's strategy, and in collaboration with research institutions, a transport model has been developed that enables users to propose public interventions in transport infrastructure through online tools, including suggestions on infrastructure charge levels. A digital prototype of this tool was created to be discussed on several public dialogue platforms. The prototype was developed in a test environment during 2024.

Managing human capital was a key priority for the Company in 2024. During the reporting period, the Company's publicity policy was approved and successfully implemented.



## Key Risks

The Group's most significant risks are related to global external factors that are beyond its control, and the objective of managing such risks is to minimise negative impacts in the most cost-effective manner, find alternatives, expand existing activities, and develop new ones.

### Market risk

The risk that changes in market structure and volumes will result in a decline in the volume of services provided by the Group and have a material impact on revenues. The structure and volume of the rail freight market is affected by international sanctions imposed against Russia and Belarus, which prohibit the import and export of a number of traditional rail freight commodity groups. In addition, political risks add to the uncertainty of transit through Russia and Belarus, increasing the likelihood of risk occurrence.

In addition, in 2025, the volume of freight traffic and, consequently, the use of the public railway infrastructure managed by LDz will be adversely affected by the continued uncertainty regarding the coordination or non-coordination of freight traffic by Russian Railways, the Russian ban on the export of Russian grain, as well as the Russian Railways ban on the loading of empty wagons registered in other countries.

Changes in the market structure continue to increase the relative share of passenger transport. In fact, the actual use of publicly-owned railway infrastructure for domestic passenger transport in 2024 has increased by 32.6% compared to 2019. As the use of infrastructure for passenger transport is subsidised by the State in line with direct cost, such changes in the market structure continue to have a negative impact on the performance of Latvijas dzelzceļš.

Market risk increases the probability of liquidity risk due to uncertainty about freight revenues. Due to the financing model for financial stability compensation and the significant volumes of investments, as well as the arrangements for receiving EC funds (deferred payments), LDz may periodically incur cash flow deficits. To address this risk, credit resources have been mobilised, longer payment deadlines have been set and the responsible units have been monitored for compliance with these deadlines, cash flow is being monitored more closely and scenario modelling (rolling forecast) is being carried out. Likewise more detailed and frequent review of the investment plan calendar has been introduced.

### Risk of compliance with international and national sanctions

The Group companies' cooperation with Russia and Belarus has decreased significantly, but still exists due to the technological characteristics of rail transport. Since the Russian invasion of Ukraine on 24 February 2022, international sanctions against Russia and Belarus have been increasingly strengthened: the number of natural and legal persons subject to sanctions has been increased, additional restrictions on the movement of goods and restrictions on the activities of financial institutions have been imposed.

To ensure compliance with sanctions, the Council of LDz has approved a Group-wide policy, which is implemented by the LDz Sanctions Department. Employees undergo regular training, and updates on changes to sanctions are promptly communicated to relevant personnel. Up-to-date information, including explanations and guidelines for daily sanctions checks, is continuously available. Additionally, freight applications are thoroughly checked, and due diligence is conducted prior to transactions involving risk indicators.



## Foreign branches and representative offices

Since 2023, SIA LDZ CARGO has a branch in Estonia. LDz and other Group companies have no branches or representative offices abroad.

## Geopolitical situation and its impact on the Group's ability to continue as a going concern

The Group's operating result for 2024 is a loss of EUR 38 977 thousand, significantly affected by a EUR 31 213 thousand impairment of net assets for property, plant and equipment of LDz. Impairment was recognised for the infrastructure used exclusively for freight transportation, especially on those sections of railway track where there was a significant drop in traffic. Similarly, both SIA LDZ ritošā sastāva serviss and SIA LDZ Loģistika closed the reporting year with losses.

The external factors relating to the geopolitical situation, the war in Ukraine and the international economic sanctions imposed on Russia and Belarus, as well as the consequences of the COVID-19 coronavirus pandemic, indicate that the situation in terms of freight volumes will not improve significantly in the future.

Following Russia's invasion of Ukraine on 24 February 2022, Russia and Belarus have been subject to extensive economic and political sanctions. The sanctions had a significant impact on LDz's operations, requiring a review of internal sanctions management processes as well as additional resources to be allocated to sanctions inspections, both on business partners and on the freight transported.

In addition, in 2025, the volume of freight traffic and, consequently, the use of the public railway infrastructure managed by LDz may be adversely affected by the continued uncertainty regarding the coordination or non-coordination of freight traffic by Russian Railways, the Russian ban on the export of Russian grain, as well as the Russian Railways ban on the loading of empty wagons registered in other countries.

Given the Group's cooperation with Russian and Belarusian partners in previous years, as well as the nature of its operations, the war in Ukraine has undoubtedly had and will continue to have an impact on the Group's operations in 2025 and beyond. The restrictions enacted to date have contributed to the freight turnover decline and it is difficult to predict the possible impact of additional sanctions on the Group's activities in the future. In view of the risks associated with sanctions, the following measures have been taken:

1. LDz has established a separate Sanctions Department and Sanctions Committee responsible for sanctions reviews, strengthening the exchange of information on sanctions reviews within the Group.

2. The Group has developed and implemented the Sanctions Policy of Latvijas Dzelzceļš Group, ensuring a uniform approach to sanctions checks throughout the Group.
3. In assessing the risks related to significantly expanded lists of sectoral sanctions, LDz strengthened freight inspection procedures by increasing the assessment of freight types and their compliance with the established sectoral sanctions.
4. All persons included in the sanctions lists are reflected in the Sanctions Information System (IS) maintained by LDz, which ensures daily automatic verification of all clients and cooperation partners for coincidence with the lists of sanctioned persons. The lists of IS Sanctions are updated daily automatically from the official sites that maintain news about the sanctions of the Republic of Latvia, the European Union, the UN, and OFAC.
5. In 2024, work continued to upgrade IS Sanctions system, as well as on strengthening the LDz's sanctions monitoring function through several technical improvements.

The Group's Management is aware of the uncertainty associated with the further development of the situation and continues to monitor the development of events daily, as well as their possible impact on the LDz's activities.

However, despite the difficult situation, LDz management is confident that the going concern basis is applicable to the preparation of the consolidated financial statements as a result of the implementation of the Group's new business model, the execution of the crisis plan and the review of organisational and technological processes, which has resulted and will continue to result in cost reductions, as well as the receipt of the necessary State funding pursuant to Section 9(4) of the Railway Law.

The main objective of LDz is to ensure the management of the state public-use railway infrastructure and safe, high-quality and efficient railway and logistics services in the interests of the state and the Latvian national economy.

To mitigate the impact of market risk, the Group optimises costs by changing technological and administrative processes and increasing their efficiency. In order to diversify the freight nomenclature and reduce dependence on Russian and Belarusian exporters, the Group is focused on entering new markets and attracting freight, as well as actively working on increasing the services provided to other market segments, including: increasing the volume of domestic freight transport.



In order to reduce LDz's costs and ensure compliance with the projected revenues and operating volumes for 2025, as well as to improve process efficiency, the Management has taken decisions on significant changes in LDz's organisational structure: the organisational structure has been optimised by terminating the operation of several units as of 1 April 2025, whose functions will be taken over by other units, resulting in a reduction of administrative costs; at the same time, centralisation of functions is planned, combining material support, mechanisation and management processes in order to avoid duplication and save resources.

By Decision No VL-1.6./336 of LDz Board made on 29 October 2024, it has been decided to terminate LDz's participation and decisive influence in SIA LDZ ritošā sastāva serviss and SIA LDZ Logistika and, pursuant to Section 335 of the Commercial Law, to merge SIA LDZ ritošā sastāva serviss and SIA LDZ Logistika with SIA LDZ CARGO by way of reorganisation, after obtaining the authorisation of the Cabinet of Ministers as the supreme decision-making body of a public person provided for in Section 4 (2) and Section 9 (2) of the *Law on governance of capital shares of public persons and capital companies*. As at the date of these financial statements, no Cabinet decision has been adopted.

In parallel with cost-cutting measures, the Group is working to increase revenues – both from the rental of facilities and from the provision of services outside the Group. SIA LDZ CARGO is actively working to develop freight transport both in Latvia and in the neighbouring countries of Lithuania and Estonia by participating in tenders, attracting new customers, and offering new routes. In 2025, SIA LDZ ritošā sastāva serviss plans to actively cooperate with foreign customers and partners in the field of railway rolling stock repairs. Other Group companies are also actively working on customer acquisition.

In 2024, to ensure financial stability, LDz received from the state budget EUR 14 359 thousand of uncovered payments for 2022 and EUR 32 439 thousand for 2023.

The Company works with the Ministry of Transport to prepare a new contract to ensure the financial stability of LDz, as the multi-annual agreement concluded in 2018 expired on 31 December 2022. The state budget funds to ensure the financial stability of LDz for 2024 in the amount of EUR 26 013 thousand are foreseen in the law *On the State Budget for 2025 and Budget Framework for 2025, 2026, and 2027*.

In 2024, the funding required to ensure financial stability was recognised as revenue in accordance with the recognition principles laid down in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. These principles require the recognition of a government grant at the point in time when there is reasonable assurance that the conditions attached to the receipt of the grant have been fulfilled. In addition, grants

relating to the recovery of costs should be recognised in the period in which the costs are incurred, provided there is reasonable assurance that the grant will be repaid in the future.

As a result of the economic activity, the funds necessary for the financial stability compensation of the national public railway infrastructure operator, as defined by national legislation, amounting to EUR 26 013 thousand are recognised in 2024. The financial stability compensation has been recognised following the guidelines of the IFRS Accounting Standards and in the amount provided for in Section 73 of the law *On the State Budget for 2025 and Budget Framework for 2025, 2026, and 2027*. The request for financial stability compensation disbursement will be made after approval of the annual report of LDz in accordance with the procedure set out in Section 9(4) of the *Railway Law*.

The criteria for LDz to receive a financial stability compensation is the non-fulfilment of the financial stability conditions set out in Section 9, Paragraph 4 of the *Railway Law*. Given that in 2024 LDz did not meet the conditions for financial stability set out in Section 9, Paragraph 4 of the *Railway Law*, the criteria for receiving financial stability compensation set out in Section 9, Paragraph 4 of the *Railway Law* were therefore met. The fact that the financial stability compensation disbursement from previous years has been received confirms the validity of the revenue recognition for 2024.

Although there is confidence in the receipt of financial resources, there is uncertainty regarding the timing of receipt of additional financial resources required by LDz. This uncertainty applies both to the funds to compensate for the costs of maintaining and renewing the railway infrastructure in full for the provision of public transport services throughout 2025 and to the funds for ensuring the financial stability of LDz.

For additional liquidity purposes, two of the Group companies have short-term credit lines available:

- LDz has been granted a short-term cash flow financing credit line of EUR 5 000 thousand from November 2024 at the Latvian branch of Luminor Bank AS in case of delays in the state budget payments to ensure financial stability. Due to a significant increase in the cash balance as at 31 December 2024, this credit line has not been used as at the end of the reporting year.
- LDZ CARGO has been granted a credit line for short-term cash flow financing in the Latvian branch of OP Corporate Bank plc in the amount of EUR 5 000 thousand. In 2024 there was no need to use this credit line.



## Subsequent events

Other than referred to elsewhere in the report, there have been no events since the end of the reporting year, that have had a material impact on the information presented in the consolidated financial statements for 2024.

## Statement on the responsibility of the Board

The Board of the Group Parent Company ("Management") is responsible for preparing the Group's consolidated financial statements.

The consolidated financial statements on pages 219 to 272 have been prepared based on the accounting records and supporting documents and give a true view of the Group's financial position as at 31 December 2024, and of its performance and cash flows for 2024.

The above-mentioned consolidated financial statements have been prepared in accordance with the IFRS Accounting Standards adopted in the European Union (EU) on a going concern basis. In the preparation of the financial statements Management has made prudent and reasonable judgements and estimates.

The Management is responsible for the maintenance of proper accounting records, the safeguarding of the Group's assets and the prevention and detection of fraud and other irregularities in the Group. The Management is responsible for fulfilling the requirements of the legislation of the Republic of Latvia.

Riga, see the timestamp for the date.

*The original document prepared in Latvian has been signed electronically with a secure electronic signature and contains a timestamp.*

**A.Grinbergs**  
Chairman of the Board







**R.Pļavnieks**  
Member of the Board

**M.Keņģis**  
Member of the Board

An aerial photograph of a train traveling through a lush green landscape. The train consists of several freight cars, including a prominent blue and green one. The surrounding area is a mix of dense forests and agricultural fields, with a dirt road visible on the right side. The overall scene is bright and verdant, suggesting a focus on nature and sustainability.

GROUP SUSTAINABILITY  
STATEMENT OF LATVIJAS  
DZELZCEĻŠ FOR 2024

# Table of Contents of the Sustainability Statement

<b>01</b>	<b>ESRS 2: GENERAL DISCLOSURES</b>	
	ESRS Table of Contents	<a href="#">22</a>
	Basis for preparation	<a href="#">27</a>
	Governance	<a href="#">31</a>
	Statement On Corporate Governance in Latvijas dzelzceļš Group in 2024	<a href="#">46-66</a>
	Strategy	<a href="#">72</a>
	Impact, risk and opportunity management	<a href="#">84</a>
<b>02</b>	<b>ENVIRONMENT</b>	
	ESRS E1: Climate change	<a href="#">90</a>
	EU Taxonomy disclosures	<a href="#">107</a>
	ESRS E2: Pollution	<a href="#">118</a>
	ESRS E5: Resource use and circular economy	<a href="#">130</a>
<b>03</b>	<b>SOCIAL</b>	
	ESRS S1: Own workforce	<a href="#">140</a>
	ESRS S2: Workers in the value chain	<a href="#">159</a>
	ESRS S3: Affected communities	<a href="#">163</a>
	ESRS S4: Consumers and end-users	<a href="#">170</a>
<b>04</b>	<b>GOVERNANCE</b>	
	ESRS G1: Business conduct	<a href="#">189</a>
<b>05</b>	<b>KEY DISCLOSURES IN THE SUSTAINABILITY STATEMENT</b>	
	Key disclosures in the Sustainability Statement	<a href="#">198</a>
<b>06</b>	<b>INDEPENDENT AUDITOR'S ASSURANCE REPORT</b>	
	Independent Auditor's Assurance Report	<a href="#">214</a>

An aerial photograph of a road and railway tracks running parallel to a large body of water. The road has several cars and a bus. The railway tracks have overhead power lines. The area is surrounded by green trees and grass. A dark vertical bar is on the left side of the image.

01

ESRS 2:  
GENERAL  
DISCLOSURES

# ESRS Table of Contents

IRO-2. Disclosure requirements in ESRS covered by the undertaking's sustainability statement

<b>Disclosure Requirements</b>		
<b>Basis for preparation</b>		
BP-1	General basis for preparation of sustainability statement	<a href="#">27</a>
BP-2	Disclosures in relation to specific circumstances	<a href="#">30</a>
<b>Governance</b>		
GOV-1	The role of the administrative, supervisory and management bodies	<a href="#">31</a>
GOV-2	Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies	<a href="#">68</a>
GOV-3	Integration of sustainability-related performance in incentive schemes	<a href="#">69</a>
GOV-4	Statement on due diligence	<a href="#">70</a>
GOV-5	Risk management and internal controls over sustainability reporting	<a href="#">71</a>
<b>Strategy</b>		
SBM-1	Strategy, business model and value chain	<a href="#">72</a>
SBM-2	Interests and views of stakeholders	<a href="#">81</a>
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	<a href="#">84</a>
<b>Impact, risk and opportunity management</b>		
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	<a href="#">84</a>
IRO-2	Disclosure Requirements in ESRS covered by the undertaking's sustainability statements	<a href="#">88</a>
<b>Topical standards</b>		
<b>ESRS E1: Climate change</b>		
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	<a href="#">90</a>
IRO-1	Description of the processes to identify and assess material climate-related impacts, risks and opportunities	<a href="#">91</a>
GOV-3	Integration of sustainability-related performance in incentive schemes	<a href="#">96</a>
E1-1	Transition plan for climate change mitigation	<a href="#">94</a>

# ESRS Table of Contents

E1-2	Policies related to climate change mitigation and adaptation	<a href="#">98</a>
E1-3	Actions and resources in relation to climate change policies	<a href="#">99</a>
E1-4	Targets related to climate change mitigation and adaptation	<a href="#">94</a>
E1-5	Energy consumption and mix	<a href="#">101</a>
E1-6	Gross Scopes 1, 2, 3 and Total GHG emissions	<a href="#">103</a>
E1-7	GHG removals and GHG mitigation projects financed through carbon credits	<a href="#">106</a>
E1-8	Internal carbon pricing	<a href="#">106</a>
E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	<a href="#">106</a>
<b>ESRS E2: Pollution</b>		
IRO-1	Description of the processes to identify and assess material pollution-related impacts, risks and opportunities	<a href="#">118</a>
E2-1	Policies related to pollution	<a href="#">123</a>
E2-2	Actions and resources related to pollution	<a href="#">123</a>
E2-3	Targets related to pollution	<a href="#">125</a>
E2-4	Pollution of air, water and soil	<a href="#">126</a>
E2-5	Substances of concern and substances of very high concern	<a href="#">129</a>
E2-6	Anticipated financial effects from pollution-related impacts, risks and opportunities	<a href="#">129</a>
<b>ESRS E5: Resource use and circular economy</b>		
IRO-1	Description of the processes to identify and assess material circular economy-related impacts, risks and opportunities	<a href="#">130</a>
E5-1	Policies related to resource use and circular economy	<a href="#">132</a>
E5-2	Actions and resources related to resource use and circular economy	<a href="#">132</a>
E5-3	Targets related to resource use and circular economy	<a href="#">133</a>
E5-4	Resource inflows	<a href="#">133</a>

# ESRS Table of Contents

E5-5	Resource outflows	<a href="#">134</a>
E5-6	Anticipated financial effects from resource use and circular economy-related impacts, risks and opportunities	<a href="#">138</a>
<b>ESRS S1: Own workforce</b>		
SBM-2	Interests and views of stakeholders	<a href="#">140</a>
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	<a href="#">140</a>
S1-1	Policies related to own workforce	<a href="#">143</a>
S1-2	Processes for engaging with own workers and workers' representatives about impacts	<a href="#">145</a>
S1-3	Processes to remediate negative impacts and channels for own workers to raise concerns	<a href="#">146</a>
S1-4	Taking action on material impacts on own workforce, and approaches to mitigating material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions	<a href="#">146</a>
S1-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	<a href="#">148</a>
S1-6	Characteristics of the undertaking's employees	<a href="#">150</a>
S1-7	Characteristics of non-employee workers in the undertaking's own workforce	<a href="#">154</a>
S1-8	Collective bargaining coverage and social dialogue	<a href="#">154</a>
S1-9	Diversity metrics	<a href="#">153</a>
S1-10	Adequate wages	<a href="#">154</a>
S1-11	Social protection	<a href="#">155</a>
S1-12	Persons with disabilities	<a href="#">156</a>
S1-13	Training and skills development metrics	<a href="#">156</a>
S1-14	Health and safety metrics	<a href="#">157</a>
S1-15	Work-life balance metrics	<a href="#">155</a>
S1-16	Compensation metrics (pay gap and total compensation)	<a href="#">155</a>
S1-17	Incidents, complaints and severe human rights impacts	<a href="#">158</a>

# ESRS Table of Contents

## ESRS S2: Workers in the value chain

SBM-2	Interests and views of stakeholders	<a href="#">159</a>
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	<a href="#">159</a>
S2-1	Policies related to value chain workers	<a href="#">161</a>
S2-2	Processes for engaging with value chain workers about impacts	<a href="#">162</a>
S2-3	Processes to remediate negative impacts and channels for value chain workers to raise concerns	<a href="#">162</a>
S2-4	Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those action	<a href="#">162</a>
S2-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	<a href="#">162</a>

## ESRS S3: Affected communities

SBM-2	Interests and views of stakeholders	<a href="#">163</a>
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	<a href="#">163</a>
S3-1	Policies related to affected communities	<a href="#">165</a>
S3-2	Processes for engaging with affected communities about impacts	<a href="#">166</a>
S3-3	Processes to remediate negative impacts and channels for affected communities to raise concerns	<a href="#">167</a>
S3-4	Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions	<a href="#">167</a>
S3-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	<a href="#">169</a>

## ESRS S4: Consumers and end-users

SBM-2	Interests and views of stakeholders	<a href="#">170</a>
SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	<a href="#">170</a>
S4-1	Policies related to consumers and end-users	<a href="#">174</a>
S4-2	Processes for engaging with consumers and end-users about impacts	<a href="#">178</a>

# ESRS Table of Contents

S4-3	Processes to remediate negative impacts and channels for consumers and end-users to raise concerns	<a href="#">181</a>
S4-4	Taking action on material impacts on consumers and end-users, and approaches to managing material risks and pursuing material opportunities related to consumers and end-users, and effectiveness of those actions	<a href="#">182</a>
S4-5	Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities	<a href="#">184</a>
<b>ESRS G1: Business conduct</b>		
GOV-1	The role of the administrative, supervisory and management bodies	<a href="#">189</a>
IRO-1	Description of the processes to identify and assess material impacts, risks and opportunities	<a href="#">189</a>
G1-1	Business conduct policies and corporate culture	<a href="#">192</a>
G1-2	Management of relationships with suppliers	<a href="#">194</a>
G1-3	Prevention and detection of corruption and bribery	<a href="#">196</a>
G1-4	Confirmed incidents of corruption or bribery	<a href="#">196</a>
G1-5	Political influence and lobbying activities	<a href="#">197</a>



## BASIS FOR PREPARATION

### General basis for preparation of sustainability statement

The Sustainability Statement of Latvijas dzelzceļš Group (hereinafter also referred to as the Group) has been prepared on a consolidated basis, including all companies of Latvijas dzelzceļš Group that are listed on the next page of this Sustainability Statement and that are within the scope of the financial statements.

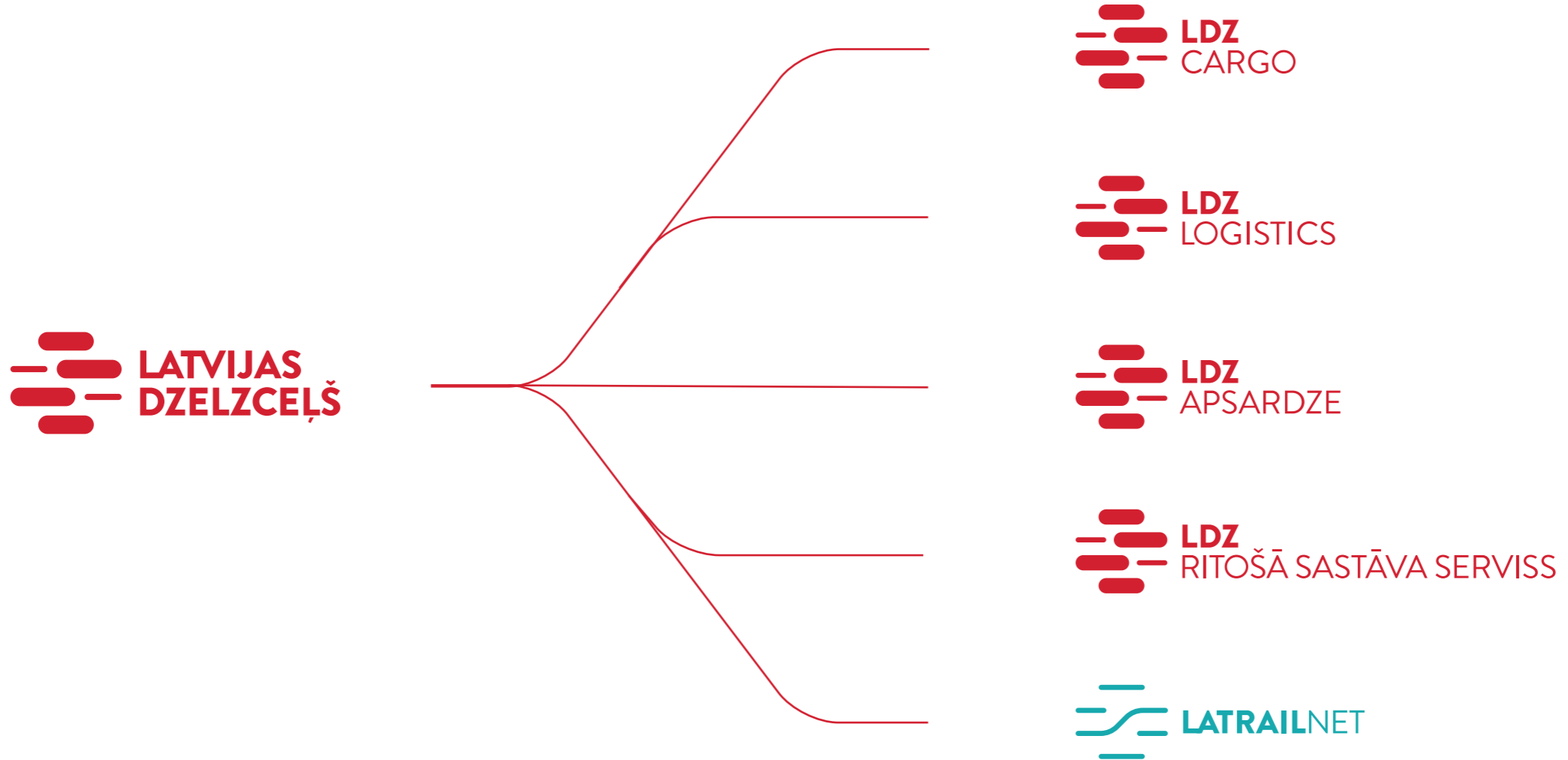
The Sustainability Statement has been prepared in accordance with the requirements of the Sustainability Disclosure Law of the Republic of Latvia, the Corporate Sustainability Reporting Directive (EU) 2022/2464 (CSRD) and the related European Sustainability Reporting Standards (EU) 2023/2772 (ESRS). This Sustainability Statement includes information on the performance of the Group Parent Company VAS Latvijas dzelzceļš and its subsidiaries (SIA LDZ CARGO, SIA LDZ Loģistika, SIA LDZ ritošā sastāva serviss and SIA LDZ apsardze) in 2024. The information of the independent group company AS LatRailNet is included in the Statement in a reduced scope. The Group's Sustainability Statement also covers the company's upstream and downstream value chain, which is discussed in more detail on [page 78](#).

The Group's registered office is at 3 Emīlijas Benjamiņas Street, Riga (until February 2024 - Gogoļa iela 3; street name changed on the basis of a Riga City Council decision), but its structural units and subsidiaries operate throughout Latvia - in places where there are important railway junctions and passenger transport organisation and cargo handling are ensured. VAS Latvijas dzelzceļš (hereinafter also referred to as LDz) and its other subsidiaries do not have branches or representative offices abroad, except for SIA LDZ CARGO, which opened a branch in Estonia in 2023.

The Auditor's Assurance Statement on the Sustainability Statement and the information contained therein is attached on [page 214](#).



## Structure of the Group as at 31 December 2024





VAS Latvijas dzelzceļš manages the railway infrastructure and provides the minimum access service package and access to the public use railway infrastructure connecting the railway infrastructure with service points; freight wagon handling, wagon maintenance and inspection services, electricity distribution and trading services, rental services, information technology services and electronic communications services.



SIA LDZ apsardze provides physical security services for various objects and railway cargoes, designs and assembles various security, fire safety, and video surveillance systems, which are subject to technical maintenance and maintenance during operation, as well as monitor the received alarm signals.



SIA LDZ CARGO provides international and domestic freight transportation services, including hazardous and oversized freights, and provides other services related to rail freight transportation. It carries a wide range of freight in containers and wagons, almost all types of cargo listed in the Harmonised Commodity Code (NHM). The company operates in the legal framework of SMGS (Agreement on International Goods Transport by Rail) and CIM (Uniform Rules Concerning the Contract of International Carriage of Goods by Rail, Appendix B to the Convention Concerning International Carriage by Rail (COTIF)) and uses the East-West and North-South transport corridors for the carriage of goods. In pursuit of business development activities in Estonia, SIA LDZ CARGO opened a branch in Estonia, which was registered in the Register of Companies of the Republic of Estonia on 19 June 2023.



SIA LDZ ritošā sastāva serviss performs maintenance and repairs of the railway rolling stock, equips and modernizes locomotives, provides mainline freight, shunting diesel locomotive and track machinery rental services, locomotive reserve fleet maintenance services, and sells fuel. The company also provides non-destructive testing laboratory services and sells spare parts for the rolling stock.



SIA LDZ Logistika is engaged in the marketing and sale of intermodal logistics offers, attracting new customers to the Latvian transit industry and thus promoting the use of the public-use railway infrastructure.



AS LatRailNet is the performer of essential functions of the railway infrastructure manager, including decisions on railway infrastructure capacity allocation, train path allocation, access charge calculation system, charging, assessment and collection, as well as cooperation with other performers of essential functions on international connections.



## Disclosures in relation to specific circumstances

Unless otherwise stated, the content of the Sustainability Statement follows the definitions of short-, medium- and long-term definitions set out in ESRS 1 Section 6.4.

This is the first sustainability statement prepared by LDz in the gradual application of the Corporate Sustainability Reporting Directive (EU) 2022/2464 and related European Sustainability Reporting Standards, and the environmental section of the statement also includes information on EU Taxonomy (EU) 2020/852 aligned business activities. Unless otherwise stated, the content of the Sustainability Statement follows the definitions of short-, medium- and long-term definitions set out in ESRS 1 Section 6.4:

- Short-term period - the period assumed in the financial statements for the current reporting period (1 January 2024 to 31 December 2024);
- Medium-term - from the end of the specified short-term reporting period to five years;
- long-term period - more than 5 years

In the coming years, the detail, quality and accuracy of the Group's sustainability statements and compliance with the requirements of the ESRS standards will be improved. Given that the previous sustainability statements were based on the Global Reporting Initiative (GRI) standards and are therefore not directly comparable, no such comparisons or adjustments have been made in this Report to the information provided in previous periods.

Some sections of the Sustainability Statement use information provided by value chain actors, e.g. on waste management (as the Group does not have access to primary data on downstream waste management streams of collected waste). A methodology for supplier sustainability risk assessment was also developed in 2024. This methodology uses information provided by suppliers in the value chain to calculate residual risk but the Group does not verify its veracity or relevance.

In relation to the Group's environmental impact, the Sustainability Statement also uses information and data obtained from environmental and energy management or other management systems implemented in the Group's companies. VAS Latvijas dzelzceļš and SIA LDZ ritošā sastāva serviss have implemented a certified environmental and energy management system (continuous analysis of significant energy consumption areas and environmental impacts) under ISO 50001:2018 and ISO 14001:2015 standards requirements. SIA LDZ apsardze is certified according to ISO 14001:2015 and SIA LDZ CARGO is certified according to ISO 50001:2018. The management system of SIA LDZ ritošā sastāva serviss is certified in accordance with the requirements of ISO 9001:2015. All these systems are subject to regular recertification and surveillance audits by an external competent certification organisation.

This Sustainability Statement includes also the Statement on Corporate Governance of Latvijas dzelzceļš Group (see page 46) prepared in accordance with Section 581 of the *Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof* and the *Cabinet of Ministers Regulation No 175 of 15 March 2022 Regulation on corporate governance recommendations applicable in the capital company of a public person and in the public privately-held capital company*, which stipulates that a capital company of a public person should apply the Latvian Code of Corporate Governance Recommendations on good corporate governance for companies in Latvia (the Code).



## GOVERNANCE

### The role of the administrative, supervisory, and management bodies

The management model of the Group and VAS Latvijas dzelzceļš as the Group Parent Company complies with the principles of good corporate governance practice.

The governing bodies are the Shareholders' Meeting, the Council, and the Management Board. The Shareholders' Meeting elects the Council, which in turn elects the Management Board and acts as its supervisory body.

Depending on the scale of their operations and compliance with the status of a large capital company in accordance with the *Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof*, the subsidiaries either have a Council (SIA LDZ CARGO and SIA LDZ ritošā sastāva serviss) and the highest level of management is the Shareholders' Meeting, or only a Management Board and the highest decision-making body is the Shareholders' Meeting (SIA LDZ apsardze and SIA LDZ Loģistika). The independent company AS LatRailNet has a Council.

To ensure effective management, decision-making and the achievement of objectives, the strategic and operational management of the Group companies is separated. Development and strategic planning are carried out by the Management Board, while operational management is carried out by the heads of the business units of each company, in accordance with the specific organisational structure in place.

In order to ensure coordinated operation and management of the Group and all subsidiaries, the **Policy for the Management of Limited Liability Companies of the Group** has been developed and approved by VAS Latvijas dzelzceļš on 18 June 2021. VAS Latvijas dzelzceļš ensures its implementation and supervision throughout the Group, thereby exercising strategic management of the Group as a whole.

VAS Latvijas dzelzceļš has the following management bodies:



Shareholders' Meeting



Council



Management Board



In 2024, changes were made to the organisational structure of VAS Latvijas dzelzceļš. With a new Management Board (see [page 40](#) for details), the responsibilities of the Management Board members have been reallocated and consolidated in the Rules of Procedure of the [Management Board](#). In order to improve the efficiency of economic processes, two departments have been merged - the former Wagon maintenance distance, which provided wagon inspections, and the Administration of Train Movement, which plans and coordinates train movements, including in emergency situations. Following the changes, both functions are performed by the Administration of Train Movement. To ensure oversight of strategic issues, the positions of advisors to the Management Board on IT and infrastructure development have been created.

### Shareholder

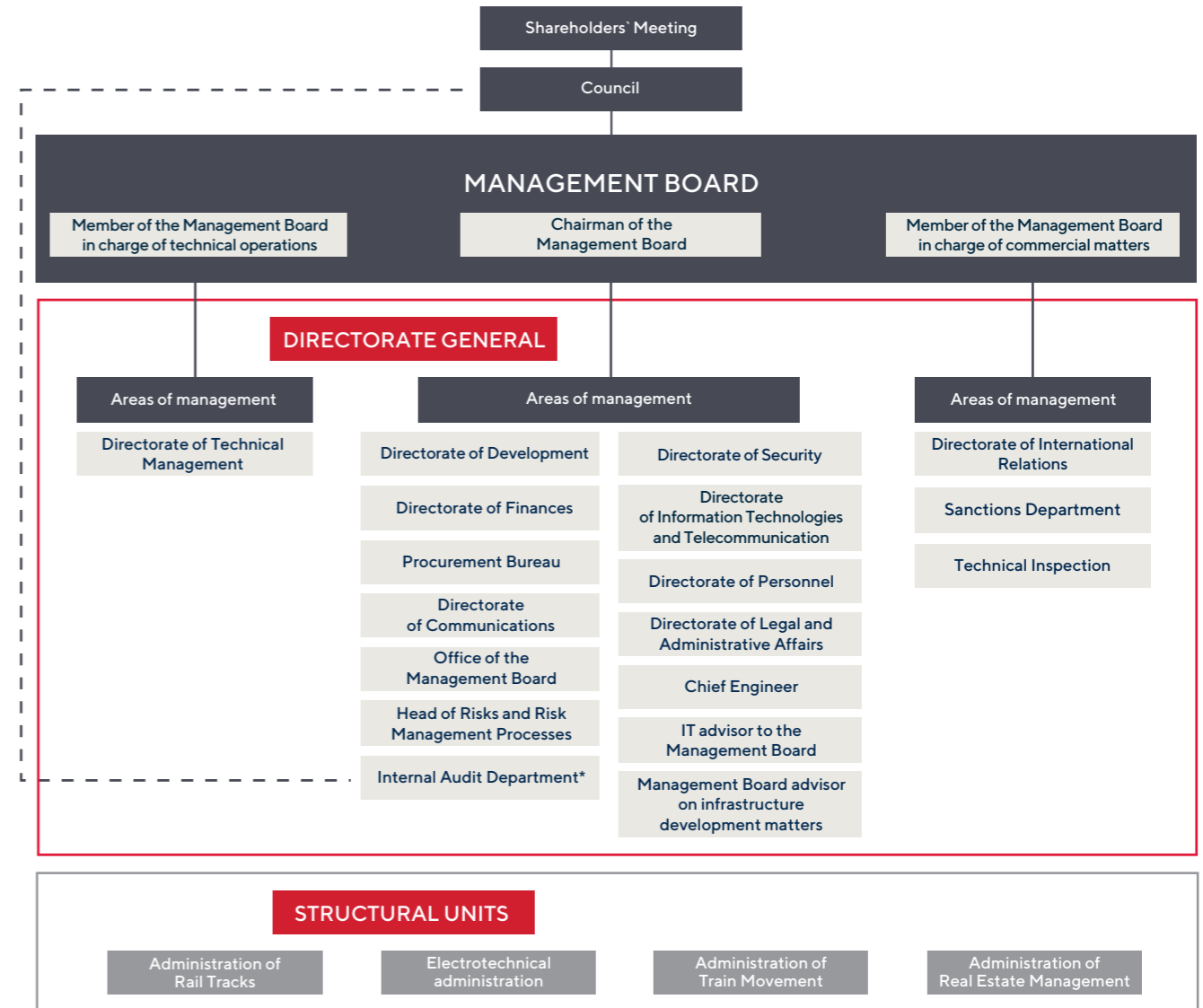
The interests of the shareholder are represented at the LDz Shareholders' Meeting by the State Secretary of the Ministry of Transport or by another Ministry official designated by order of the State Secretary, who has all the rights, duties, and responsibilities of a shareholder's representative provided for in the legislation. Oversight of the activities of VAS Latvijas dzelzceļš is exercised in accordance with the [Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof](#), which clearly defines the mechanisms of cooperation between shareholders for holding meetings and exchanging information.

In 2024, 7 Shareholders' Meetings were held to consider issues related to the 2023 Annual Report of VAS Latvijas dzelzceļš, the Consolidated Annual Report and the Consolidated Results of Operations of the Group. The results of the internal audit for 2023 were also reviewed and the internal audit work plan for 2024 was approved.

In the subsidiaries, the interests of the shareholder are exercised by the Shareholders' Meeting. In 2024, the following were held:

- 5 meetings of the shareholders of SIA LDZ CARGO;
- 5 meetings of the shareholders of SIA LDZ ritošā sastāva serviss;
- 3 meetings of the shareholders of SIA LDZ Loģistika;
- 1 meeting of the shareholders of SIA LDZ apsardze.

The interests of the shareholder of AS LatRailNet are exercised by the Shareholders' Meeting. Five shareholders' meetings were held in 2024.



\*Internal Audit Department - functionally subordinate to the Council of the Company, administratively subordinate to the Management Board of the Company

Organisation chart of VAS Latvijas dzelzceļš as at 31 December 2024



In the case of VAS Latvijas dzelzceļš, the management of impacts, risks, and opportunities is not overseen by the Shareholder, but by the Council. In the case of subsidiaries, the Shareholders' Meeting considers the objectives of the Management Board of the subsidiaries, which, among other things, include objectives related to, for example, risk management, improving energy efficiency, improving customer service, etc., which also relate to impacts, risks, and opportunities in the areas of sustainability.

Councils of Group companies

At the end of 2024, the Group companies have a total of 10 Council members - one woman (10%) and nine men (90%). Other diversity indicators for Council members are not collected to ensure the protection of personal data and privacy. The Councils have a total of three independent members, representing 30% of the total number of Council members.

The Council of VAS Latvijas dzelzceļš approves the Group's key management policies, including the approval of the Group's Sustainability Policy in 2024. The Council also approves and monitors the implementation of the Corporate Governance Improvement Plan, which provides for annual measures to improve the Group's governance, as well as for the review of material policies in accordance with the deadlines set out therein (e.g. every three years).

The Council twice a year reviews the report on the implementation of the medium-term operational strategy of VAS Latvijas dzelzceļš (see page 72 for details on the medium-term operational strategy for 2021-2025), as well as engages in the strategy development process and approves the strategy for the new period. The Council regularly monitors the execution of major investment projects and reviews and gives prior approval to transactions (including procurement contracts) with a value of at least EUR 300 000.

Once a year, the Council approves the performance indicators (KPIs) for the Management Board for the calendar year (e.g. the Management Board's KPIs for 2024), which, among other things, include indicators related to sustainability areas and their management.

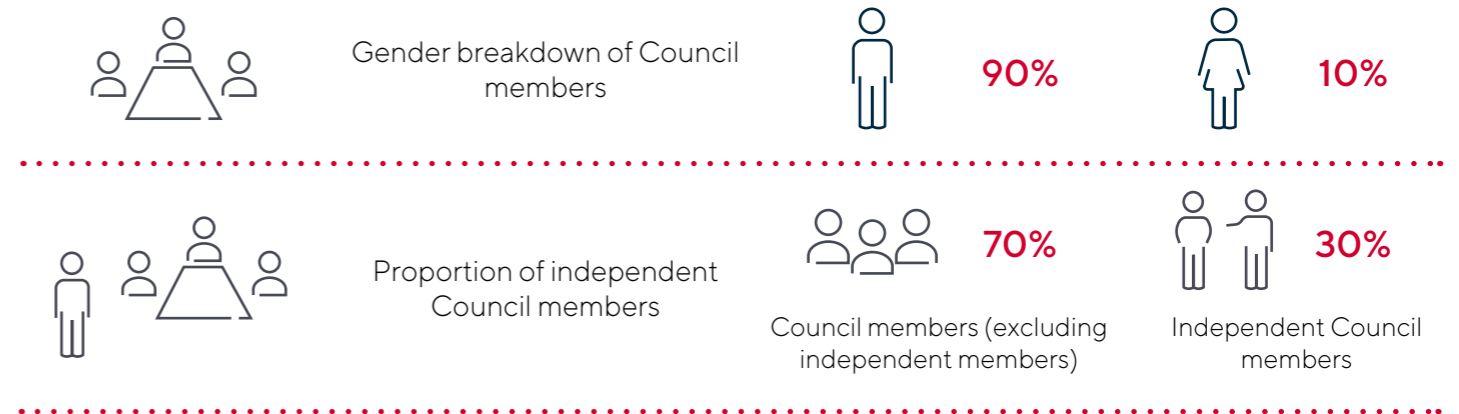
The Audit Committee of the Council monitors internal audits and hears reports from the Internal Audit Department on the risks in certain areas of activity and the need to improve their control measures.

The Audit Committee also monitors the annual financial reporting process and, from 2024, the preparation of the Sustainability Statement. The Council examines the Annual Report before it is submitted to the Shareholders' Meeting for approval.

The Councils of the subsidiaries monitor the work of their boards, setting performance indicators, overseeing the development and execution of business plans and other relevant matters.

In 2024, the following were held:

- 22 meetings of the Council of VAS Latvijas dzelzceļš;
- 26 meetings of the Council of SIA LDZ CARGO;
- 21 meeting of the Council of SIA LDZ ritošā sastāva serviss.





Composition of the Group's Councils as at 31 December 2024  
VAS Latvijas dzelzceļš



**Andris Liepiņš**

Chairman of the Council  
of VAS Latvijas dzelzceļš,  
Independent Member  
of the Council

Mr Liepiņš has graduated from Riga Technical University Riga Business School with a Master's degree in Business Administration, as well as from Columbia University (USA) with a Master's degree in International Relations. He holds a Master's degree in Public Administration and a Bachelor's degree in Economics from the University of Latvia.

Mr Liepiņš was Deputy Chairman of the Council of AS Latvenergo, member of the Audit Committee and the Human Resources Committee, Chairman of the Management Board of Riga International Airport, Chairman of the Council of AS Air Baltic Corporation, Deputy State Secretary of the Ministry of Economics from 2001 to 2014.

Independent Member of the Council of VAS Latvijas dzelzceļš since 2019.

Term of office: from 07.06.2024 to 06.06.2029 (5 years)



**Reinis Ceplis**

Independent Member  
of the Council of VAS Latvijas  
dzelzceļš

Graduated from the Faculty of Economics, University of Latvia, with a Bachelor's degree in Economics, and a Certified Financial Analyst degree from the CFA Institute of the USA.

Mr Ceplis is the Chairman of the Council of Baker Tilly Baltics and a member of the Management Board of Stārķa Ligzda Family Health Centre, as well as the Chairman of the Management Board of Good Health SIA and the Head of Healthcare Product Development at Respectful Consulting SIA.

Former Head of the Latvian subsidiary of the Finnish public company Lassila & Tikanoja PLC SIA L&T, Financial Director of A.C.B SIA, Corporate Finance Specialist at the investment bank SUPREMA, Corporate Finance Specialist at the investment bank Trasta komercbanka, as well as Head of the Listing Department at the Riga Stock Exchange.

Independent Member of the Council of VAS Latvijas dzelzceļš since 2019.

Term of office: from 07.06.2024 to 06.06.2029 (5 years)



SIA LDZ CARGO



**Andris Ozoliņš**

SIA LDZ CARGO  
Member of the Council

Andris Ozoliņš holds a Master's degree in Business Management from the Riga Business Institute. He has enriched his expertise through studies at the University of Wales in the United Kingdom, the International Institute for Management Development in Switzerland, and the European School of Management and Technology in Germany.

Mr Ozoliņš has a long professional experience in the financial sector, having worked for 13 years at the Management Board of DnB Banka, where he served as Chairman of the Management Board since 2004. From 2010 to 2011, he was also a member of the Management Committee of DNB NORD Bank ASA, responsible for sales and corporate business in the Baltics, Poland, and Denmark. Since 2013, he has served on the Management Boards of various companies in both the private and public sectors.

Term of office: from 07.12.2024 for a term not exceeding one year, until the moment when he or another candidate is elected to the office by the Shareholders' Meeting in accordance with the nomination procedure set out in the *Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof*.



**Mikus Ozols**

SIA LDZ CARGO  
Member of the Council

Mr Ozols holds a Master's degree in Finance from the BA School of Business and Finance, a Master's degree in Economics from the University of Latvia, and an MBA Major: Global Finance and Banking from SBS Swiss Business School.

Mr Ozols has many years of experience serving on the Management Boards of the Latvian Information and Communication Association, the Latvian Telecommunication Association and the Latvian Internet Association. From 2006 to 2022, he was the CEO and Chairman of the Management Board of Telia Latvija SIA. In January 2024, he was elected to the Council of AS Pasažieru vilciens.

Term of office: from 11.10.2024 for a term not exceeding one year, until the moment when he or another candidate is elected to the office by the Shareholders' Meeting in accordance with the nomination procedure set out in the *Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof*.



SIA LDZ ritošā sastāva serviss



**Guntis Stafekis**

Chairman of the Council of  
SIA LDZ ritošā sastāva serviss.

Guntis Stafekis holds a Master's degree in Electrical Engineering from Riga Technical University. In his previous work experience, he has held managerial positions in several large companies - SIA Jauda D, AS Latvenergo, AS Latvijas elektriskie tīkli, SIA Siemens.

Term of office: from 14.08.2020 to 13.08.2025 (5 years)



**Baiba Beatrise Sleže**

Member of the Council of  
SIA LDZ ritošā sastāva serviss.

Baiba Beatrise Sleže graduated from Stockholm School of Economics in Riga with a Bachelor's degree and from the University of Latvia with a Master's degree. Ms Sleže has obtained the international ACCA qualification and the Management Board member certificate of the Baltic Institute of Corporate Governance.

Ms Sleže has more than 20 years of experience in financial and corporate management in leading companies in various industries, including the media group TV3 Group in Latvia, AS LIDO Group, RIMI Baltic Group, SIA LDZ CARGO. During her professional career Ms Sleže has worked as an auditor at Ernst & Young and has managed financial transaction advisory projects at PricewaterhouseCoopers.

Term of office: from 04.01.2022 to 03.01.2027 (5 years)



SIA LDZ ritošā sastāva serviss



**Āris Dandens**

Independent Member  
of the Council of SIA LDZ ritošā  
sastāva serviss.

Āris Dandens holds a Bachelor's degree in Engineering from the Latvian University of Agriculture and a Master's degree in Environmental Science from Riga Technical University. Mr Dandens has many years of experience in managerial positions in electricity and heat production, management and sales companies, including AS Augstsprieguma tīkls, AS Sadales tīkls, etc.

Term of office: from 04.01.2022 to 03.01.2027 (5 years)

AS LatRailNet



**Edmunds Beļskis**

Chairman of the Council  
of AS LatRailNet

Mr Beļskis holds a Master's degree in Social Sciences and Public Management from the University of Latvia, a Master's degree in Mechanical Engineering Technology and an engineering qualification in Technological Processes and Production Automation from Riga Technical University.

Mr Beļskis has worked in companies and state institutions related to electronic communications, railway infrastructure, conformity assessment and standardisation, gained work experience in boards and Councils of state capital companies, was Deputy State Secretary for Information and Communication Technologies at the Ministry of Environmental Protection and Regional Development and member of the Council of VAS Latvijas Gaisa satiksme, Member of the Council of AS VRC Zaslauks, Member of the Management Board of LGS Mācību centrs, Director of the Department of Entrepreneurship and Industrial Competitiveness of the Ministry of Economy and Member of the Management Board of Standardisation, Accreditation and Metrology Centre.

Term of office: from 16.02.2021 to 15.02.2026 (5 years)



AS LatRailNet



**Mārtiņš Bičevskis**

Deputy Chairman  
of the Council of AS LatRailNet

Mr Bičevskis has worked as State Secretary in the Ministries of Finance and Justice, participated in and chaired Councils of state capital companies in the energy and real estate sectors, and was President of the Association of Latvian Commercial Banks. He has a career in public administration and extensive experience in representing private business interests. Mr Bičevskis is a start-up ecosystem enthusiast and a Latvian sports ecosystem activist. He is a Member of the Executive Committee of the Latvian Olympic Committee, President of the Handball Federation, Member of the Management Board of the Latvian Venture Capital Association.

Co-investor of the *Commercialization Reactor* Foundation, mentor in *Cocoon* (Tartu's first de-acceleration programme for startup founders), co-founder of *Edtech Evolution* and *She Loves Tech* Eastern European selection.

Term of office: from 16.02.2021 to 15.02.2026 (5 years)



**Andrejs Pančenko**

Member of the Council  
of AS LatRailNet

Professional Master's degree in Law from the University of Latvia, as well as Professional Bachelor's degree in Arts from the Liepāja Pedagogical Academy.

Mr Pančenko's professional activity for the last 20 years has been closely related to the financial services sector, the last 15 of which he has been a member of the Management Board of the international car leasing company ALD Automotive and a member of the Baltic management team of ALD Automotive. From 2013 to 2015, he managed ALD Automotive's business in Lithuania.

Prior to that, Mr Pančenko worked for Swedbank Group companies. He gained experience in public capital companies as a member of the Council of SIA Rigas Satiksmes.

He is currently CEO and management consultant of AJKC SIA.

Term of office: from 16.02.2021 to 15.02.2026 (5 years)



### Management Boards of Group companies

At the end of 2024, the Group companies have a total of 11 Management Board members - two women (18%) and nine men (82%). Other diversity indicators for Management Board members are not collected to ensure the protection of personal data and privacy.

The Management Boards of the companies consider all relevant matters relating to the management of the company, including the approval of internal regulatory documents and monitoring their implementation. The Management Board of VAS Latvijas dzelzceļš approves internal regulatory documents applicable to the management of the entire Group (e.g. the procedure for preparing the Group Sustainability Statement of Latvijas dzelzceļš). In 2024, 62 meetings of the Management Board of VAS Latvijas dzelzceļš were held.

Management Board members participate together or according to their area of activity and competence in the work of committees that decide on the management of specific areas, such as the Investment Committee, the Sustainability Committee, and others.



82%



18%

Gender breakdown of Management Board members

### Changes in the composition of the Management Boards of Group companies in 2024:

VAS Latvijas dzelzceļš:

- On 10 June 2024, Artis Grinbergs was appointed Chairman of the Management Board of VAS Latvijas dzelzceļš, Rinalds Pļavnieks was appointed Member of the Management Board and Vita Balode-Andrūsa, former Member of the Management Board, was recalled from the Management Board of VAS Latvijas dzelzceļš;
- On 1 July 2024, Mārtiņš Keņģis, a member of the Management Board of VAS Latvijas dzelzceļš, took up his duties and assumed responsibility for the technical operation of SIA LDZ.

SIA LDZ CARGO:

- On 7 February 2024, Alģirds Miķelsons was appointed Chairman of the Management Board of SIA LDZ CARGO, and Olga Bondare was appointed Member of the Management Board;
- On 10 May 2024, Mārtiņš Pevko, a member of the Management Board of SIA LDZ CARGO, ceased to serve on the Management Board of SIA LDZ CARGO;
- On 8 October 2024, Olga Bondare, a member of the Management Board of SIA LDZ CARGO, ceased to serve on the Management Board of SIA LDZ CARGO and on 15 October Raimonds Freimanis was confirmed as a temporary member of the Management Board.

SIA LDZ ritošā sastāva serviss:

- On 9 February 2024, a decision was adopted to appoint Raitis Apinis, the current Director of Legal and Administrative Affairs of SIA LDZ ritošā sastāva serviss, to the position of a temporary Member of the Management Board, following the resignation of Ivars Vertuls, the current Member of the Management Board of SIA LDZ ritošā sastāva serviss.

SIA LDZ Loģistika:

- On 5 December 2024, the Chairwoman of the Management Board of SIA LDZ Loģistika, Jūlija Vasiļkova, resigned from the Management Board and Māris Bertmanis was confirmed as a temporary member of the Management Board.



**Members of the Group's Management Boards as at 31 December 2024**  
VAS Latvijas dzelzceļš



**Artis Grinbergs**

Chairman of the Management Board  
of VAS Latvijas dzelzceļš

Artis Grinbergs previously served as Chairman of the Management Board of AS Pasažieru vilciens and Deputy Chairman of the Management Board of AS Sakret Holdings. Previously, he worked at the Management Board of the Freeport of Riga and in other senior positions in the private and public sectors. A. Grinbergs holds a Master's degree in Management from the Faculty of Business Administration and Economics of the University of Latvia and is pursuing his doctoral studies in the Business Administration programme at the BA School of Business and Finance.

Term of office: from 10.06.2024 until the election of a new member of the Management Board, but not exceeding one year.

On 28 February 2025, at the end of the nomination process with an open competition for the vacant position of Chairman of the Management Board of VAS Latvijas dzelzceļš, the Council of LDz elected Mr Grinbergs to this position.

Term of from 28.02.2025 to 27.02.2030 (5 years)



**Rinalds Pļavnieks**

Member of the Management Board  
of VAS Latvijas dzelzceļš

Rinalds Pļavnieks has worked for GEFCO SA Group (France) for many years, managing various business units in the Baltic States (GEFCO Baltic SIA), Business Development Manager in the United Kingdom (GEFCO United Kingdom LTD), and Global Account Manager at the Group Headquarters in France (GEFCO SA). Mr Pļavnieks is also a lecturer at Riga Technical University and the Latvian Maritime Academy. Since 2021, he has been a member of the Management Board of VAS Latvijas dzelzceļš, from 09.02.2023 to 10.06.2024 he was the Chairman of the Management Board of the company.

Term of office: from 20.07.2023 to 19.07.2028 (5 years)



VAS Latvijas dzelzceļš



**Mārtiņš Ķeņģis**

Member of the Management Board  
of VAS Latvijas dzelzceļš

Mārtiņš Ķeņģis' previous work experience has been related to strategic development, management and large-scale project management of various manufacturing and construction companies, including SIA Citrus Solutions, SIA Cross Timber Systems and SIA Skonto Group.

Mr Ķeņģis holds a Professional Master's Degree in Project Management from the Faculty of Economics and Management, University of Latvia. Previously, he also completed higher professional education at the Faculty of Physics and Mathematics, University of Latvia.

Term of office: from 01.07.2024 to 30.06.2029 (5 years)





SIA LDZ CARGO



**Aļģirds Miķelsons**

SIA LDZ CARGO  
Chairman of the Management Board

Aļģirds Miķelsons has many years of international experience in the management of transportation companies, having served as CEO of MAU Technic LLC in Ukraine since 2019 and previously as Vice President for Technical Affairs (CTO) of Ukraine International Airlines, the national airline of Ukraine.

Mr Miķelsons holds a Bachelor's degree in Law from the University of Latvia, a Master's degree in Business Administration from Oxford University in England, and a Bachelor's degree in Mechanical Engineering from the Aeronautics Institute of Riga Technical University.

Chairman of the Management Board of SIA LDZ CARGO from 18.03.2024.

Term of office: from 18.03.2024 to 17.03.2029 (5 years)



**Raimonds Freimanis**

SIA LDZ CARGO  
Member of the Management Board

Raimonds Freimanis graduated from the University of Latvia with a Master's degree in Law. Mr Freimanis' professional activity for more than 20 years has been connected with managerial positions in SIA Skonto Plan, SIA Skonto Group and SIA Skonto Prefab, SIA Sakret, and other companies. Since 2022, he has been an independent member of the Management Board of SIA LDZ CARGO.

Term of office: from 15.10.2024 for a term not exceeding one year, until a Member of the Management Board is nominated and elected in accordance with the nomination procedure set out in the *Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof*.



SIA LDZ ritošā sastāva serviss



**Anda Sīviņa**

Chairwoman of the Management  
Board of SIA LDZ ritošā sastāva  
serviss

Anda Sīviņa holds a Master's degree in Economics and Aviation Management from the Institute of Transport and Communications, and a Bachelor's degree in Pedagogy and Psychology from the University of Latvia.

Ms Sīviņa has many years of experience in managerial positions in public sector companies, since 24 May 2021 she has been the Development and Sales Director of SIA LDZ ritošā sastāva serviss and since 31 March 2022 she has been a member of the Management Board of SIA LDZ ritošā sastāva serviss.

Term of office 31.05.2023 - 30.05.2028 (5 years)



**Raitis Apinis**

Member of the Management  
Board of SIA LDZ ritošā sastāva  
serviss

Raitis Apinis holds a Master's degree in Public Management from the University of Latvia and a Bachelor's degree in Economics with specialisation in Accounting and Finance from the Latvian University of Life Sciences and Technologies.

Mr Apinis has extensive and long-standing experience in senior HR, accounting, finance and administrative roles in both the public and private sectors. Since 2021, he has been working for SIA LDZ ritošā sastāva serviss, initially as Strategic HR Partner, and later as Director of Legal and Administrative Affairs.

Term of office 10.02.2024 - 09.02.2026 (2 years)



AS LatRailNet



**Justīna Hudenko**

Chairwoman of the Management  
Board of AS LatRailNet

Justīna Hudenko holds a PhD in Economics from the Faculty of Engineering Economics and Management, Riga Technical University.

Previously, she worked for subsidiaries of Latvijas dzelzceļš Group, holding the positions of Chief Financial Officer of AS LatRailNet and Chief Economist of SIA LDz infrastruktūra. Ms Hudenko is a member of the international working group CHRISTINE of railway infrastructure fee setters, member of PRIME (the Platform of Rail Infrastructure Managers in Europe), member of the North Sea- Baltic Rail Freight Corridor Management Board.

Term of office: from 22.07.2021 to 23.07.2026 (5 years)



**Guntars Lapiņš**

Member of the Management Board  
of AS LatRailNet

Guntars Lapiņš holds a Master's degree in Customs and Tax Administration from the Institute of International Economic Relations and Customs of Riga Technical University.

Previously, he was a member of the Management Board and Director of Legal and Administrative Affairs of SIA LDZ infrastruktūra, a subsidiary of VAS Latvijas dzelzceļš.

Prior to joining the Group, he held senior positions in various departments of the State Revenue Service.

Term of office: from 08.08.2021 to 09.08.2026 (5 years)



SIA LDZ apsardze



**Arnis Maculēvičs**

Chairman of the Management Board  
of SIA LDZ apsardze

On 24 December 2004, Arnis Maculēvičs was elected Chairman of the Management Board of Dzelzceļa apsardze, from 4 March 2011 he continued to work in the Management Board of SIA LDZ apsardze and on 1 March 2012 he was elected Chairman of the Management Board.

Term of office: 22.12.2021–21.12.2026 (5 years)

SIA LDZ Loģistika



**Māris Bertmanis**

Chairman of the Management Board  
of SIA LDZ Loģistika

Māris Bertmanis has many years of experience as Deputy Head of the Legal Department of the Latvijas dzelzceļš Group company SIA LDZ CARGO, has been a member of the Management Board of SIA Zvērinātu advokātu birojs BULLET and has been an attorney at law since 2012. Mr Bertmanis holds a Bachelor's degree in Law with a qualification as a lawyer and a Master's degree in Law from the Latvian Police Academy.

Term of office: from 06.12.2024 for a term not exceeding one year, in accordance with Section 8 (1) (3) and Section 31 (8) (2) of the Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof or until the dissolution of SIA LDZ Loģistika as a result of reorganisation, if earlier.



## VAS LATVIJAS DZELZCEĻŠ STATEMENT ON CORPORATE GOVERNANCE IN LATVIJAS DZELZCEĻŠ GROUP IN 2024

The Statement on Corporate Governance of VAS Latvijas dzelzceļš (hereinafter LDz or “the Company”) in Latvijas dzelzceļš Group (hereinafter “the Group”) has been prepared in accordance with the provisions of Section 58.<sup>1</sup> of the *Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof* and in compliance with the Cabinet of Ministers Regulation No 175 *Regulation on corporate governance recommendations applicable in the capital company of a public person and in the public privately-held capital company* of 15 March 2022, which stipulates that a capital company of a public person should apply Latvian Code of Corporate Governance *Recommendations on good corporate governance for companies in Latvia* (“the Code”). The Code applies on the basis of the “comply or explain” principle, i.e., there is an obligation to take into account all the principles contained in the Code and to provide information on compliance with them or to provide an appropriate explanation for any deviation from a principle. The rules of application of the Code state that a company fulfils the requirements of the Code even if it does not comply with certain principles, provided that the deviation from a particular principle is effectively communicated and explained.

The Sustainability Statement contains information and facts that provide an overview of the application of the Code and its principles in Latvijas dzelzceļš Group in 2024. The application of the criteria contained in the Code has been marked in the Sustainability Statement as follows:

- criterion met
- criterion met partially

### Summary

Management of LDz and its subsidiaries follow the [Recommendations on good corporate governance for companies in Latvia](#) of the Latvian Code of Corporate Governance, which sets criteria for each of the 17 principles to help assess whether the principle has been complied with. In 2024, out of 67 criteria, the Group fully complied with 64 criteria, and three criteria were partially met.

LDz ensures the improvement of existing corporate governance practices. Under the provisions of the corporate governance code<sup>1</sup> of Latvijas dzelzceļš Group, after approval of the corporate governance report for the reporting period, the Council of LDz approves the Group's corporate governance action plan for the current year developed by the Management Board and evaluates its implementation.

<sup>1</sup> The Code of Corporate Governance of Latvijas dzelzceļš Group approved by VAS Latvijas dzelzceļš Council Decision No PA1.2./13-7 of 20 October 2021.



Corporate strategy

**Principle 1.** The company has developed an up-to-date strategy that defines the company's goals and progress towards its long-term value growth.

Criteria	Facts
1.1. The company has developed an up-to-date strategy that defines the company's goals and progress towards its long-term value growth	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> VAS Latvijas dzelzceļš has developed a Medium-term Operational Strategy for 2021-2025, which sets out the objectives of Latvijas dzelzceļš and the Group and a focus on its long-term value growth.</li> </ul>
1.2. The Council is engaged in the strategy development process and approves the strategy at a Council meeting	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The Medium-term Operational Strategy of VAS Latvijas dzelzceļš for 2021-2025 was approved by Council Decision No. PA 1.2/8-6 of 14.07.2021.</li> </ul>
1.3. The Council oversees the implementation of the strategy	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The Council oversees the implementation of the strategy<sup>2</sup>. Once every six months, a report on the progress of the action plan for the implementation<sup>3</sup> of the strategy is submitted to the holder of state shares. Prior to submission, the report is reviewed and approved at the Council meeting.</li> </ul> <p>The Councils of subsidiaries (in companies where a Council has been established) perform quarterly status reviews of the action plans for the implementation of strategic planning documents.</p> <p>Subsidiaries submit to LDz quarterly reports reviewed by the Management Board and Council (in companies where a Council has been established) on the execution of action plans for the implementation of strategic planning documents<sup>4</sup>.</p>
1.4. The company's Management Board implements the strategy and reports regularly to the Council on the progress made in the implementation of the strategy	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The Management Board of LDz regularly reports to the Council on the strategy implementation progress.</li> </ul> <p>The Management Boards of subsidiaries are required, once a quarter, to submit to the Council (if established in the company) or VAS Latvijas dzelzceļš as the sole shareholder, a report on the execution of action plans for the implementation of strategic planning documents.</p>

<sup>2</sup> The Rules of Procedure of the Council of the State Joint Stock Company Latvijas dzelzceļš have been approved by the Decision of the Council of VAS Latvijas dzelzceļš No.PA1.2./13-10 of 20 October 2021

<sup>3</sup> Internal Regulations of the Ministry of Transport No. 01-02/31 of 27 September 2021 - Procedure for the Management of State-Owned Capital Shares

<sup>4</sup> The Policy for Management of Limited Liability Companies of the Latvijas dzelzceļš Group, approved by the decision of the Council of VAS Latvijas dzelzceļš No.PA1.2./7-14 on 18 June 2021.



Internal culture and ethical behaviour

Principle 2. The company develops a code of internal culture and ethical conduct that serves as a standard of behaviour for management and employees

Criteria	Facts
2.1. The Council defines the company's core values	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The corporate values of the Group, as well as the principles of professional conduct and ethics, which ensure that they are directed against corruption, conflict of interest, illegal use of inside information and any other illegal and unethical actions, are set out in the Code of Ethics of Latvijas dzelzceļš Group<sup>5</sup>.</li> </ul> <p>The core values of Latvijas dzelzceļš Group included in the Code of Ethics: development, cooperation, reliability, have been defined by the Council with the involvement of representatives of all Group companies.</p>
2.2. The Management Board prepares, and the Council approves a code of internal culture and ethical conduct	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The new version of the Code of Ethics prepared by the Management Board was approved by the Council on 27.09.2024, thus the Code of Ethics of Latvijas dzelzceļš Group approved by the Council on 20.10.2021 became invalid.</li> </ul>
2.3. The Management Board ensures compliance with the internal culture and ethical code of conduct in the daily activities of the company and reacts if a violation of the code of ethical behaviour is found	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The Management Boards of Group companies ensure that the principles of the Code of Ethics are upheld in the company. Anyone has the right to report possible breaches of the Code of Ethics by sending an e-mail to <a href="mailto:info@kn.ldz.lv">info@kn.ldz.lv</a>. The Group has an Ethics Committee which operates in accordance with the Regulations of the Ethics Committee approved by the Management Board of LDZ<sup>6</sup>. In order to promote ethical behaviour in day-to-day operations, a new training programme is planned for 2025, either remotely or in person, depending on the workplace equipment.</li> </ul>

<sup>5</sup> The Code of Ethics of Latvijas Dzelzceļš Group, approved by the decision of the Council of VAS Latvijas dzelzceļš No PA PA1.2/17-2 dated 27 September 2024.

<sup>6</sup> Regulations of the Ethics Committee of Latvijas dzelzceļš Group were approved by the Decision of the Management Board of VAS Latvijas dzelzceļš No VL-1.6/272-2024 of 20 August 2024.



Internal control system, risk management and internal audit

**Principle 3.** The company has established an internal control system, the effectiveness of which is monitored by the Council.

Criteria	Facts
<p>3.1. The company has established a documented internal control system, the establishment of which is the responsibility of the Management Board</p>	<p>● <b>Criterion met.</b> The Group's internal control system consists of a set of policies and related regulations<sup>7</sup> approved by the Council or the Management Board of the parent company. The policies establish unified management guidelines for a specific area of activity, the general principles of decision-making and the division of responsibilities between the parent company and its subsidiaries. For the implementation of the policies, policy documents are developed, in addition, the fundamentals of the policies are included in bylaws, work organisation documents, and job descriptions for employees. In accordance with the Group's policies, an internal control and risk management system is established and continuously improved in the subsidiaries, which is managed by the Management Board of the subsidiary. Latvijas dzelzceļš, as the parent company, coordinates the implementation of internal control in its subsidiaries. The Council oversees the functioning, adequacy and effectiveness of the internal control and risk management systems of Latvijas dzelzceļš<sup>8</sup>.</p>
<p>3.2. At least once a year, Internal audit carries out an assessment of the effectiveness of the internal control system against predefined criteria and reports the results of the assessment to the Council</p>	<p>● <b>Criterion met.</b> The main function of internal audit is to provide an independent and objective assessment of the adequacy and effectiveness of the internal control system<sup>9</sup>. The Head of Internal Audit regularly reports to the Audit Committee on the progress of the implementation of the Internal Audit Plan and once a year provides a report to the Management Board, Council and the Shareholders' Meeting on the activities of the Internal Audit Department in the previous year and the implementation of the internal audit plan, including also a general opinion on the effectiveness of the Group's internal control and risk management system<sup>10</sup>.</p>
<p>3.3. The Council evaluates the submitted assessment of the effectiveness of the internal control system at least once a year</p>	<p>● <b>Criterion met.</b> The Management Board monitors the functioning of the internal control and risk management systems in accordance with the rules of procedure<sup>11</sup> and reviews the internal audit assessment of the effectiveness of the internal control system on an annual basis. The Council approves the Annual Corporate Governance Action Plan<sup>12</sup> and monitors its implementation on a quarterly basis.</p>

<sup>7</sup>The Policy for Management of Limited Liability Companies of the Latvijas dzelzceļš Group, approved by the decision of the Council of VAS Latvijas dzelzceļš No PA1.2./7-14 on 18 June 2021.

<sup>8</sup>The Rules of Procedure of the Council of the State Joint Stock Company Latvijas dzelzceļš have been approved by the Decision of the Council of VAS Latvijas dzelzceļš No.PA1.2./13-10 of 20 October 2021

<sup>9</sup>Regulations of the Internal Audit Department (new wording) approved by the Decision of the Management Board of VAS Latvijas dzelzceļš No VL-1.6/204-2024 dated 11 June 2024.

<sup>10</sup>Internal Audit Policy of Latvijas dzelzceļš Group, approved by decision of the Council of VAS Latvijas dzelzceļš No PA1.2/19-9 of 20 October 2022

<sup>11</sup>The Rules of Procedure of the Council of the State Joint Stock Company Latvijas dzelzceļš have been approved by the Decision of the Council of VAS Latvijas dzelzceļš No PA1.2./13-10 of 20 October 2021

<sup>12</sup>On the Corporate Governance Action Plan of Latvijas dzelzceļš Group for 2024 approved by Council Decision No PA1.2./7-10 of 27 March 2024



**Principle 4.** The company identifies, assesses, and monitors the risks related to its activities.

Criteria	Facts
4.1. The Management Board develops, and the Council approves the company's risk management policy	● <b>Criterion met.</b> The Council of LDz has approved the Group's Risk Management Policy <sup>13</sup> approved by the Management Board of the Group's parent company.
4.2. Based on the assessment of the identified risks, the Management Board takes risk management measures	● <b>Criterion met.</b> The Management Boards and risk owners of the Group companies implement measures to mitigate, eliminate or control risks, depending on their assessment of the risks identified. The Group Risk Management Committee <sup>14</sup> , composed of the LDz Management Board, the Head of Internal Audit Department and the Head of Risks and Risk Management Processes, reviews the material risk reports on a quarterly basis, discusses the identified risk management measures and the management of material risks.
4.3. At least once a year, the Council reviews the Management Board's reports on the risk management activities and the implementation of the risk management policy	● <b>Criterion met.</b> Once a year, the Council of LDz reviews the annual report provided by the Management Board on the progress of the risk management process and the implementation of the risk management plan in the Company and the Group as a whole. Once a quarter, the Council of LDz examines the Management Board's report on the material risks of the companies of the Group, their control mechanisms, and the implementation of the risk management plan.

<sup>13</sup>The Risk Management Policy of Latvijas dzelzceļš Group was approved by the decision of the Council of VAS Latvijas dzelzceļš No PA 1.2./22-6 dated 15 October 2020

<sup>14</sup>Regulations of the Group Risk Management Committee of Latvijas dzelzceļš approved by the Resolution of the Management Board No VL-24/179 of 23 May 2022



**Principle 5.** There is an internal audit function in the company that independently and objectively evaluates the company's performance.

Criteria	Facts
5.1. The company has an internal auditor who is functionally independent from the Management Board and reports to the Council	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The internal audit function in the Group is performed by the LDz Internal Audit Department, which is functionally independent from the Management Board and reports directly to the Council of LDz<sup>15</sup>.</li> </ul> <p>The Head of Internal Audit Department regularly reports to the Audit Committee and the Council on the progress of the implementation of the Internal Audit Plan and once a year provide a report to the Management Board, Council and the Shareholders' Meeting of LDz on the activities of the Internal Audit Department in the previous year and the implementation of the internal audit plan.</p>
5.2. The internal auditor is approved for the position by the Council	<ul style="list-style-type: none"> <li>● <b>Criterion partially met.</b> The appointment of the candidate for the head of the Internal Audit Department to the position is approved by decision of the Council.</li> </ul> <p>Compliance is partial, because the rules of procedure of the Council stipulate that the Management Board needs the prior consent of the Council to establish or terminate the employment legal relations with the Head of the Internal Audit Department, which is not applicable to other internal auditors.</p>
5.3. The internal auditor develops a risk-based internal audit plan, which is approved by the Council	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The head of the Internal Audit Department develops, based on the risk assessment performed, a medium-term internal audit strategic plan and an annual internal audit plan<sup>16</sup>.</li> </ul> <p>The medium-term internal audit strategic plan and the annual audit plan are approved by the Management Board, having received prior consent from the Shareholders' Meeting of LDz<sup>17</sup> and Council. It is within the competence of the Council, if necessary, to order other unscheduled audits or inspections<sup>18</sup>.</p>
5.4. The internal auditor informs the Management Board and the Council on the implementation of the internal audit plan, the results of the audit and the recommended actions to remedy deficiencies, if any have been identified	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> Once a year the Internal Audit Department submits to the Management Board and the Council for review and to the holder of state shares a report on the results of the implementation of the audit plan of the previous calendar year, as well as on the statuses of implementation of the internal audit recommendations<sup>19</sup>.</li> </ul> <p>Once a year, the Management Board submits a report on the implementation of the internal audit plan in the previous year to the Shareholders' Meeting for consideration<sup>20</sup>.</p>

<sup>15</sup> Regulations of the Internal Audit Department (new wording) approved by the Decision of the Management Board of VAS Latvijas dzelzceļš No VL-1.6/204-2024 dated 11 June 2024.

<sup>16</sup> Internal audit policy of Latvijas dzelzceļš Group, approved by decision of the Council of VAS Latvijas dzelzceļš No.PA1.2/19-9 of 20 October 2022

<sup>17</sup> The Articles of Association of VAS Latvijas dzelzceļš, approved by decision No. A1.1./1-1 of the extraordinary Shareholders' Meeting of VAS Latvijas dzelzceļš of 13 January 2023.

<sup>18</sup> The Rules of Procedure of the Council of the State Joint Stock Company Latvijas dzelzceļš have been approved by the Decision of the Council of VAS Latvijas dzelzceļš No.PA1.2./13-10 of 20 October 2021

<sup>19</sup> Regulations of the Internal Audit Department approved by the Decision of the Management Board of VAS Latvijas dzelzceļš No VL-1.6/204-2024 dated 11 June 2024.

<sup>20</sup> Internal Regulations of the Ministry of Transport of 27 September 2021 No 01-02/31 Procedure for the Management of State Capital Shares



External auditor

Principle 6. The company has an independent external auditor.

Criteria	Facts
<p>6.1. The Management Board and the Audit Committee, if established, determine the criteria for the selection of the external auditor</p>	<p>● <b>Criterion met.</b> There are no documented requirements for the Council and the Audit Committee of LDz, as well as the Councils of the Group's subsidiaries, to determine the selection criteria for the external auditor.</p> <p>The Shareholders' Meeting of VAS Latvijas dzelzceļš decides on the election of an auditor and determination of remuneration<sup>21</sup>.</p> <p>After decision on the results of the procurement in relation to dependent limited liability companies, the decision on the election of an auditor is taken by the Shareholder's Meeting<sup>22</sup>. In the case of AS LatRailNet, the auditor is elected on the basis of Section 268 (1d) (3) and (9) of the Commercial Law, Section 9 (3) and (8) of the Articles of Association of AS LatRailNet, the Shareholders' Meeting decides on the election of the auditor and the determination of the remuneration of the auditor.</p>
<p>6.2. The company has an independent external auditor with appropriate qualifications</p>	<p>● <b>Criterion met.</b> KPMG Baltics SIA, license No 55, was elected as the auditor of LDz's 2024-2026 financial statements, 2024-2026 consolidated financial statements and 2024-2026 Sustainability Report by the resolution of the Shareholders' Meeting of 16.05.2024.</p>
<p>6.3. The term of office of one external auditor shall not exceed 5 years</p>	<p>● <b>Criterion met.</b> In 2024, a 3-year contract was awarded to KPMG Baltics SIA. The Annual Reports of the Latvijas dzelzceļš Group companies for 2023 and the Consolidated Annual Report of VAS Latvijas dzelzceļš for 2023 was audited by the company of certified auditors PricewaterhouseCoopers SIA, License No 5.</p>

<sup>21</sup> Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof

<sup>22</sup> The Policy for Management of Limited Liability Companies of the Latvijas dzelzceļš Group, approved by the decision of the Council of VAS Latvijas dzelzceļš No.PA1.2./7-14 on 18 June 2021.



Election of the members of the Council

**Principle 7.** The company ensures transparent procedures for the election and removal of Council members.

Criteria	Facts
7.1. The company has established a procedure for the selection and removal of Council members	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The procedures for the selection and removal of Council members of LDz as a state owned company and its subsidiaries are determined by external legal acts<sup>23</sup> and acts issued on their basis<sup>24</sup>, and they are followed.</li> </ul>
7.2. The company provides timely and sufficient information to its shareholders about the members of the Council who are standing for election or re-election.	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The nomination for election or re-election of the Council members is carried out by the shareholder in accordance with external laws and regulations, and therefore there is no need to provide such information.</li> </ul>
7.3. The size of the Council is appropriate to the specific nature of the company	<ul style="list-style-type: none"> <li>● <b>Criterion partially met.</b> The Articles of Association of LDz stipulate that the Council is composed of three members. In 2024, the Council of LDz consisted of two members. A third member was confirmed at the beginning of 2025. The number of members of the Council of the dependent company is determined by the Articles of Association, taking into account the number of members of the Management Board and the Council set by the Cabinet of Ministers<sup>25</sup> according to the indicators characterising the size of the company, but not more than 3 (three) members of the Council of the dependent company<sup>26</sup>.</li> </ul> <p>In 2024, the Council of SIA LDZ CARGO was composed of two people, while the Councils of SIA LDZ ritošā sastāva serviss and AS LatRailNet were of an appropriate size.</p> <p>Up-to-date information on the Council members is available on the website of Latvijas dzelzceļš.</p>
7.4. A member of the Council is elected for a term of office of not more than 5 years	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> A member of the Council of Latvijas dzelzceļš is elected for a term of five years. The term of office of a member of the Council set out in the Articles of Association of subsidiaries is five years.</li> </ul>

<sup>23</sup> Law on governance of capital shares of public persons and capital companies

<sup>24</sup> Cabinet Regulation No. 20, 07.01.2020. Procedures for nominating members of the Management Board and Council in capital companies in which capital shares are owned by the State or a derived public person

<sup>25</sup> Regulations on the Number of Members of the Management Boards and Councils of Publicly Owned Capital Companies and Publicly Owned Private Capital Companies, as well as the Maximum Monthly Remuneration of the Members of the Management Boards and Councils Cabinet of Ministers Regulation No 63 of 4 February 2020.

<sup>26</sup> The Policy for Management of Limited Liability Companies of the Latvijas dzelzceļš Group, approved by the decision of the Council of VAS Latvijas dzelzceļš No.PA1.2./7-14 on 18 June 2021.



**Principle 8.** The members of the Council together have appropriate experience and competence.

Criteria	Facts
8.1. The Council collectively has the skills, experience and knowledge, including in the relevant sector, to be able to fully perform its duties	● <b>Criterion met.</b> The Council is nominated in accordance with the procedures laid down in external legislation. Members of the Council are assessed against professional criteria. Information on the education and experience of the members of the Council of Latvijas dzelzceļš and subsidiaries is available on the website of Latvijas dzelzceļš.
8.2. The composition of the Council is based on the principles of diversity	● <b>Criterion met.</b> The Council of Latvijas dzelzceļš and the Councils of subsidiaries are nominated in accordance with the procedure established by external legislation.
8.3. Both genders are represented on the Council	● <b>Criterion met.</b> In 2024, one of the four Councils of the Group companies, SIA LDZ ritošā sastāva serviss, represented both genders.
8.4. The Council develops an induction training programme and provides induction training for the new members	● <b>Criterion met.</b> In 2024, two new members of the Council of SIA LDZ CARGO were recruited and provided with introductory information on the company's activities. LDz is developing an induction training programme for new Council members, including in Group companies, to ensure compliance with the criterion from 2025.



**Principle 9.** The company's Council includes independent members

Criteria	Facts
9.1. The company evaluates and shareholders determine the proportion of independent Management Board members	● <b>Criterion met.</b> The proportion of independent Council members is determined by external legislation <sup>27</sup> .
9.2. At least half of the Council members are independent	● <b>Criterion met.</b> In 2024, at least half of the Group companies' Council members were independent. Information on the status of an independent Council member is indicated on the website of Latvijas dzelzceļš.
9.3. Independent candidates for Council members shall provide proof of their compliance with the independence criteria	● <b>Criterion met.</b> During the nomination process, candidates for independent Council members have submitted proof of their compliance with the independence criteria.
9.4. Before the Council elections, the company assesses the independence of the Council members according to the available information	● <b>Criterion met.</b> The independence of the members of the Council is assessed by the nomination committee according to the available information.

<sup>27</sup> Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof



Principles for determining the remuneration of Council and Management Board members

Principle 10. The company has established a remuneration policy

Criteria	Facts
<p>10.1. The company has established a remuneration policy, developed by the Management Board, reviewed by the Council and approved by the general meeting of shareholders</p>	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The principles for determining remuneration for members of the Management Board and Council are laid down in external legislation<sup>28</sup> and the internal regulations of the Ministry of Transport<sup>29</sup>.</li> </ul> <p>LDz, as the Parent Company of the Group, establishes uniform procedures (guidelines)<sup>30</sup> for determining the remuneration of members of the Council and board of subsidiaries.</p> <p>In accordance with the Articles of Association of LDz, the Management Board shall coordinate with the Shareholders' Meeting the most important conditions for determining the remuneration of the Company's employees developed by the Management Board, on which the remuneration system for employees of LDz<sup>31</sup>.</p> <p>The Personnel Management and Remuneration Policy of Latvijas dzelzceļš Group has been approved by the LDz Council<sup>32</sup>.</p>
<p>10.2. The Council sets financial and non-financial objectives for the Management Board each year, their impact on variable remuneration and shall control their implementation</p>	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> Once a year, the Council of LDz sets the financial and non-financial objectives to be achieved by the Management Board, the individual goals (KPIs) of the members of the Management Board for the next period and supervises their implementation<sup>33</sup>.</li> </ul> <p>The Management Board of a dependent company requires the prior approval of the Council (if established) or, if no Council has been established, the Parent Company as the Sole Shareholder, for the projected annual financial performance and non-financial targets and performance indicators individually set for the members of the Management Board<sup>34</sup>.</p>
<p>10.3. The members of the Council are not paid a variable remuneration or any compensation in the event of removal or resignation</p>	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The members of the Council of LDz and the members of the Council of the Group's subsidiaries do not have a variable part of their remuneration, as well as no compensation is paid in the event of removal from office or resignation.</li> </ul>
<p>10.4. Once a year, the Management Board reports on the remuneration granted to each current and former member of the Management Board and Council</p>	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The website of Latvijas dzelzceļš provides information on the remuneration granted to each current and former member of the Management Board and Council of Latvijas dzelzceļš from 2022 onwards.</li> </ul>

<sup>28</sup> Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof

<sup>29</sup> Internal Regulations of the Ministry of Transport of 27 September 2021 No 01-02/31 Procedure for the Management of State Capital Shares

<sup>30</sup> The guidelines for remuneration and motivation of the members of the Council and the Management Board of Dependent Companies of Latvijas dzelzceļš Group have been approved by the Decision of the Management Board No. VL-1.6/219-2022 of 13 July 2022

<sup>31</sup> Regulations regarding the most important conditions for determining compensation of employees, approved by the Decision of the Management Board No. VL-1.6/400-2024 of 18 December 2024, approved by the Council Decision No. PA1.2/22-4 of 19 December 2024, coordinated with the decision of the Shareholders' Meeting No. A1.1/7-1 of 19 December 2024.

<sup>32</sup> The personnel management and remuneration policy of Latvijas dzelzceļš Group approved by the Council Decision No.PA1.2/21-18 of 12 December 2022

<sup>33</sup> The Rules of Procedure of the Council of the State Joint Stock Company Latvijas dzelzceļš approved by the Decision of the Council of VAS Latvijas dzelzceļš No.PA1.2./13-10 of 20 October 2021

<sup>34</sup> The Policy for Management of Limited Liability Companies of the Latvijas dzelzceļš Group, approved by the decision of the Council of VAS Latvijas dzelzceļš No.PA1.2./7-14 on 18 June 2021.



Organisation of the Council's work and decision-making

**Principle 11.** The company has established a defined and understandable framework of the work of the Council.

Criteria	Facts
11.1. The Council organises its work in accordance with its bylaws and work schedule	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The Council of LDz has an approved rules of procedure<sup>35</sup>. The Council approves the calendar of meetings of the Council for the current calendar year. In 2024, 22 Council meetings took place, where 143 decisions were reviewed and taken.</li> </ul> <p>The Councils of the subsidiaries of the Group draw up and approve the rules of procedure of the Council and submit them to the sole shareholder for information<sup>36</sup>. The work of the Councils of subsidiaries is organised in accordance with the rules of procedure and the annual work schedule.</p>
11.2. The Council holds at least one separate meeting per year to discuss the company's strategy and its implementation	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The Council of LDz oversees the implementation of the strategy<sup>37</sup>. Once every six months, a report on the progress of the action plan for the implementation of the strategy is submitted to the holder of state shares. Prior to submission, the report is reviewed and approved at the Council meeting<sup>38</sup>.</li> </ul> <p>The Councils of subsidiaries review quarterly the implementation of the action plans for the implementation of the strategic planning documents<sup>39</sup>.</p>
11.3. The company's budget includes the funding needed for the activities of the Council	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The financing necessary to ensure the operation of the Council is provided for in the budget of the respective company of the Group.</li> </ul>
11.4. The Council conducts an annual self-evaluation of its work, the results of which shall be examined at a meeting of the Council	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The Council of LDz performs an annual self-assessment. Information on the Council's self-assessment and the main conclusions on the results of the Council's self-assessment are submitted for consideration at the Shareholders' Meeting<sup>40</sup>.</li> </ul> <p>Dependent companies shall, simultaneously with the annual report, submit to the Shareholder a report reviewed by the Council on the assessment of the performance of the Council members (including self-assessment)<sup>41</sup>.</p>
11.5. The Council has evaluated the need for committees (if a committee has been established, see principle # 12 <sup>1</sup> )	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The Council of LDz has assessed the need for committees and established an Audit Committee<sup>42</sup>.</li> </ul> <p>For subsidiaries, Council committees are not required under law, nor are they provided for in the Council's rules of procedure.</p>

<sup>35</sup> The Rules of Procedure of the Council of the State Joint Stock Company Latvijas dzelzceļš have been approved by the Decision of the Council of VAS Latvijas dzelzceļš No PA1.2./13-10 of 20 October 2021

<sup>36</sup> The Policy for Management of Limited Liability Companies of the Latvijas dzelzceļš Group, approved by the decision of the Council of VAS Latvijas dzelzceļš No PA1.2./7-14 on 18 June 2021.

<sup>37</sup> The Rules of Procedure of the Council of the State Joint Stock Company Latvijas dzelzceļš have been approved by the Decision of the Council of VAS Latvijas dzelzceļš No PA1.2./13-10 of 20 October 2021

<sup>38</sup> Internal Regulations of the Ministry of Transport of 27 September 2021 No 01-02/31 Procedure for the Management of State Capital Shares

<sup>39</sup> The Policy for Management of Limited Liability Companies of the Latvijas dzelzceļš Group, approved by the decision of the Council of VAS Latvijas dzelzceļš No PA1.2./7-14 on 18 June 2021.

<sup>40</sup> Internal Regulations of the Ministry of Transport of 27 September 2021 No 01-02/31 Procedure for the Management of State Capital Shares

<sup>41</sup> The Policy for Management of Limited Liability Companies of the Latvijas dzelzceļš Group, approved by the decision of the Council of VAS Latvijas dzelzceļš No PA1.2./7-14 on 18 June 2021.

<sup>42</sup> Council Decision No. PA 1.2./4-2 of 6 March 2020



**Principle 12.** The decisions the Council takes are informed and well-considered.

Criteria	Facts
12.1. The Council has timely and sufficient access to information prepared by the Management Board for decision-making	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> Information for decision-making purposes is submitted to the Council of LDz a week before the day of the meeting or within a shorter time period in accordance with the decision of the Chairperson of the Council<sup>43</sup>.</li> </ul> <p>The rules of procedure of the Councils of subsidiaries set out the deadlines for the submission of information necessary for decision-making purposes.</p>
12.2. The Council determines the procedures for the circulation of information, including the right of the Council to request information from the Management Board necessary for the Council to make decisions	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The rules of procedure of the Council of LDz determine the procedures for the circulation of information and the right of the Council to request information from the Management Board, which is necessary for the Council to take decisions.</li> </ul> <p>The rules of procedure of the Councils of subsidiaries determine the procedures for the circulation of information and the right of the Council to request information from the Management Board, which is necessary for the Council to take decisions.</p>
12.3. Council members analyse information and prepare proposals for decisions by the Council	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The rules of procedure of the Council of LDz stipulate that in making decisions, a member of the Council shall act in the best interests of the company, in good faith, with due diligence and care. The minutes of the Council meeting should indicate, among other things, the course and content of the discussion of agenda items; at the request of a member of the Council, his or her dissenting opinion; the questions raised for consideration, if any.</li> </ul> <p>At meetings of Councils of subsidiaries, the course of the Council meeting specified in the rules of procedure of the Council shall be observed, upon request of a Council member the different opinion of the Council members shall be indicated in the minutes.</p>
12.4. When making decisions, the Council considers risks, short- and long-term impacts on corporate value, sustainability and responsible development	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> In taking decisions, the Council of Latvijas dzelzceļš promotes the achievement of the objectives included in the medium-term operational strategy, evaluates risks, short-term and long-term impact on the value, sustainability and responsible development of the capital company</li> </ul> <p>The annotations/ explanatory notes to the decisions of the Council of LDz and its subsidiaries include information on the impact of the decision.</p>

<sup>43</sup> The Rules of Procedure of the Council of the State Joint Stock Company Latvijas dzelzceļš have been approved by the Decision of the Council of VAS Latvijas dzelzceļš No.PA1.2./13-10 of 20 October 2021



**Principle 12.<sup>1</sup>** The committee prepares proposals for decision by the Council

Criteria	Facts
<p>12.<sup>1</sup>1. The Council determines the tasks of the committee and the procedures for the organisation of its activities</p>	<p>● <b>Criterion met.</b> The Council of LDz has approved the by-laws of the Audit Committee, which determine the tasks of the Committee and the procedures for organising its activities<sup>44</sup>. The regulation of the Audit Committee is available on the website.</p>
<p>12.<sup>1</sup>2. The Council establishes a committee of at least 3 Council members with appropriate experience and expertise in the defined area of the committee (remuneration, nomination, audit or other)</p>	<p>● <b>Criterion partially met.</b> The Council has established an Audit Committee composed of three members of the Council, chaired by Reinis Ceplis. In 2024, the Audit Committee consisted of two members.</p>
<p>12.<sup>1</sup>3. The committee analyses information and prepares proposals for decision-making in the Council, as well as informs the Council about the work of the committee</p>	<p>● <b>Criterion met.</b> The Audit Committee provides support to the Council in supervising the company's annual report preparation process, performing internal control and risk management system performance supervision tasks and operates in accordance with the requirements of the legislation, observing the principles of good corporate governance. The Audit Committee shall, not less than once a year, provide a written report to the Council regarding the performance of its activities and tasks. The Audit Committee is responsible for reporting to the Council any deficiencies identified in preparation and/or review of the financial statements and consolidated financial statements; the effectiveness of internal control and risk management and internal audit; and promptly reporting any non-compliance by the certified auditor with the Law on Audit Services.</p> <p>In 2024, two meetings of the Audit Committee took place and six issues were examined.</p>

<sup>44</sup>The By-laws of the Audit Committee of the Council of the State Joint Stock Company Latvijas dzelzceļš approved by the Council Decision No. PA 1.2./22-10 of 15 October 2020



Prevention of conflict of interest

**Principle 13.** The members of the Management Board and the Council are fully aware of the conflict of interest indicators and are informed of the necessary action in the event of a conflict of interest

Criteria	Facts
<p>13.1. The Council defines the indications of a conflict of interest and establishes procedures for the prevention and management of conflicts of interest</p>	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The Code of Ethics of Latvijas dzelzceļš Group defines the signs of a conflict of interest and the actions to prevent a conflict of interest<sup>45</sup>. The members of the Management Board and Council of the companies of the Group are public officials, therefore conflict of interest situations and issues of combining positions shall be resolved in accordance with the external laws and regulations regarding prevention of conflict of interest situations in activities of public officials<sup>46</sup>. The Rules of Procedure of the Management Board and Council of the companies of the Group set out obligations regarding compliance with the external regulation and action if a conflict of interest or potential conflict of interest has been identified<sup>47</sup>. Consent to combine positions is provided by applying external regulations.</li> </ul> <p>The handling of conflicts of interest and the combination of positions of state officials of LDz, which are matters within the competence of the Management Board and Council, is monitored by a designated representative of the holder of state shares<sup>48</sup>.</p>
<p>13.2. The members of the Council or the Management Board do not take part in decisions on matters where the interests of the company conflict with the interests of the Council, members of the Management Board or persons related to them</p>	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The rules of procedure of the Management Board and Council of the companies of the Group set out obligations regarding compliance with the external regulation and action if a conflict of interest or a potential conflict of interest has been identified.</li> </ul>
<p>13.3. Persons subject to conflict of interest obligations get regular training on how to deal with conflict of interest situations</p>	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> In 2024, 276 Group employees from different divisions of the Group companies were trained in anti-corruption and conflict of interest prevention, whistleblowing and the Code of Ethics.</li> </ul>

<sup>45</sup> Code of Ethics of Latvijas dzelzceļš Group, approved by the decision of the Council of VAS Latvijas dzelzceļš No PA PA1.2/17-2 dated 27 September 2024.

<sup>46</sup> Law On Prevention of Conflict of Interest in Activities of Public Officials

<sup>47</sup> The Policy for Management of Limited Liability Companies of the Latvijas dzelzceļš Group, approved by the decision of the Council of VAS Latvijas dzelzceļš No PA1.2./7-14 on 18 June 2021.

<sup>48</sup> Internal Regulations of the Ministry of Transport of 27 September 2021 No 01-02/31 *Procedure for the Management of State Capital Shares*



General Meeting of Shareholders

**Principle 14.** The company provides shareholders with information about the conduct of the Shareholders' Meeting in a timely manner, providing all the necessary information for making decisions.

Criteria	Facts
<p>14.1. The company informs shareholders in a timely matter of the agenda, proceedings and voting procedure of the general meeting of shareholders, as well as of any changes thereto</p>	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> Shareholders' Meetings are organised in accordance with the internal regulations of the Ministry of Transport <i>Procedure for the Management of State Capital Shares</i> <sup>49</sup>. Latvijas dzelzceļš complies with the requirements of this Regulation.</li> <li>Subsidiaries of Latvijas dzelzceļš submit information on the agenda of the Shareholders' Meeting within the established deadlines.</li> <li>The Rules of Procedure for Shareholders' Meetings of subsidiaries determine how Shareholders' Meetings of the Group's limited liability companies<sup>50</sup> are organised, with the exception of AS LatRailNet, which is subject only to the provisions of the Commercial Law governing the organisation and conduct of Shareholders' Meetings.</li> </ul>
<p>14.2. Concurrently with the announcement of the meeting, the company provides an opportunity for shareholders to get acquainted with the draft decisions on which it is originally planned to vote at the meeting. The Company immediately informs shareholders about additionally submitted draft decisions</p>	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> The notification on convening of the Shareholders' Meeting is sent at least two weeks before the meeting (except for extraordinary meetings). Concurrently with the notification on convocation of the Shareholders' Meeting, the capital company submits all documents justifying the issue to be examined at the Shareholders' Meeting and related thereto, ensuring an opportunity for the shareholder's representatives to become acquainted with the submitted documents.</li> </ul>
<p>14.3. The company provides shareholders with the opportunity to submit questions on the issues included in the agenda and draft decisions before the Shareholders' Meeting</p>	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> After identifying the opinions and evaluating the issue, the State's Shares Administration and Public Contracts Department of the Ministry of Transport co-ordinates the draft decision, proposes clarifications or informs the capital company that there are no grounds to bring the matter forward for consideration at the Shareholders' Meeting. The State's Shares Administration and Public Contracts Department prepares draft resolutions of the Shareholders' Meeting two working days before the Shareholders' Meeting and submits them for approval to the representative of the holder of state shares and the State Secretary. The representative of the holder of state shares may determine another deadline for the preparation and coordination of decisions of the Shareholders' Meeting<sup>51</sup>.</li> </ul>
<p>14.4. The company provides shareholders with the opportunity to submit questions on the issues included in the agenda and draft decisions before the Shareholders' Meeting</p>	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> Latvijas dzelzceļš ensures that the draft resolutions and the documents attached thereto provide detailed, clear and complete information on the issue under consideration. The Rules of Procedure of the Management Board include provisions for the preparation and submission of documents to the Council, the Shareholders' Meeting and the holder of state shares<sup>52</sup>.</li> </ul>

<sup>49</sup> Internal Regulations of the Ministry of Transport of 27 September 2021 No 01-02/31 *Procedure for the Management of State Capital Shares*

<sup>50</sup> The rules of procedure of the Shareholders' Meetings of subsidiaries were approved by the decision of the Management Board No. VL -25/154 of 14 April 2020.

<sup>51</sup> Internal Regulations of the Ministry of Transport of 27 September 2021 No 01-02/31 *Procedure for the Management of State Capital Shares*

<sup>52</sup> The Rules of Procedure of the Management Board of VAS Latvijas dzelzceļš approved by the Decision of the Management Board of VAS Latvijas dzelzceļš No.VL-41/164 of 17 October 2019



**Principle 15.** The company promotes effective engagement of shareholders in decision-making and the largest possible participation of shareholders in Shareholders' Meetings.

Criteria	Facts
<p>15.1. General meetings of shareholders are convened and held at a place and time convenient for the shareholders</p>	<p>● <b>Criterion met.</b> 100% of the capital shares of LDz are owned by the State and held by the Ministry of Transport of the Republic of Latvia. Shareholders' Meetings are convened by law<sup>53</sup> in accordance with the procedures laid down and in compliance with binding internal regulations. Shareholders' Meetings are held at the premises of Latvijas dzelzceļš or the Ministry of Transport, or remotely via electronic means of communication<sup>54</sup>.</p> <p>At the Shareholders' Meetings of the subsidiaries of Latvijas dzelzceļš, the shareholders are represented by the Management Board of LDz, which makes decisions. The Shareholder elects the Chairman of the Management Board of LDz or, in the event of his or her absence or, if he or she is present at the meeting remotely, another member of the Management Board of Latvijas dzelzceļš as the Chair of the meeting. Shareholders' Meetings are usually convened at the registered office of Latvijas dzelzceļš or remotely.</p>
<p>15.2. The company provides shareholders with the possibility to participate remotely in the general meeting of shareholders</p>	<p>● <b>Criterion met.</b> Shareholders' Meetings may be held remotely via electronic means of communication<sup>55</sup>. The Shareholders' Meetings of subsidiaries of Latvijas dzelzceļš may also be conducted remotely<sup>56</sup>.</p>
<p>15.3. The company determines the appropriate duration of the shareholders' meeting and gives shareholders the express their opinion during the meeting and obtain the necessary information for making decisions</p>	<p>● <b>Criterion met.</b> The duration of the meeting is determined depending on the items on the agenda and the expected progress of the discussion. The requirements for the preparation of documents for Shareholders' Meetings are laid down in the internal regulations of the Ministry of Transport and the internal regulations of the Latvijas dzelzceļš Group, respectively<sup>57</sup>.</p> <p>The Shareholders' Meeting of LDz is chaired by a representative of the holder of state shares, so there is no doubt about the Shareholder's ability to express their opinion and obtain the necessary information for decision-making.</p> <p>The Shareholders' Meetings of the subsidiaries of Latvijas dzelzceļš are chaired by the Chairman of the Management Board of LDz, therefore there is no doubt about the possibility of the shareholder to express an opinion and obtain the necessary information for decision-making.</p>
<p>15.4. The company announces a new general meeting of shareholders if the items on the agenda cannot be dealt with in the time allowed</p>	<p>● <b>Criterion met.</b> When there is no possibility to consider all the items included on the Shareholders' Meeting agenda within the scheduled time, these items are included in the agenda of the next meeting. In the event when the documents for the Shareholders' Meeting are not submitted in a timely manner or are not appropriate, the issue is not considered.</p> <p>The subsidiaries of Latvijas dzelzceļš announce a new Shareholders' Meeting if it is not possible to examine all the topics included in the agenda of the meeting within the scheduled time.</p>

<sup>53</sup> Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof

<sup>54</sup> Internal Regulations of the Ministry of Transport of 27 September 2021 No 01-02/31 Procedure for the Management of State Capital Shares

<sup>55</sup> Internal Regulations of the Ministry of Transport of 27 September 2021 No 01-02/31 Procedure for the Management of State Capital Shares

<sup>56</sup> The rules of procedure of the Shareholders' Meetings of subsidiaries were approved by the decision of the Management Board No VL -25/154 of 14 April 2020.

<sup>57</sup> The rules of procedure of the Shareholders' Meetings of subsidiaries were approved by the decision of the Management Board No VL -25/154 of 14 April 2020.



**Principle 15.** The company promotes effective engagement of shareholders in decision-making and the largest possible participation of shareholders in Shareholders' Meetings

Criteria	Facts
<p>15.5. The company invites the members of the Management Board and Council, the candidates for the Council, the auditor and the internal auditor, as well as other persons to participate in the general meeting of shareholders in accordance with the matters to be considered at the meeting</p>	<p>● <b>Criterion met.</b> Members of the Council and the Management Board participate in the Shareholders' Meeting. The auditor participates in the Shareholders' Meeting when considering the issue of approval of the annual report. Other persons are invited in accordance with the instructions of the representative of the holder of state shares and the issues to be discussed at the meeting.</p>
<p>15.6. The Shareholders' Meeting takes decisions in accordance with previously announced draft decisions</p>	<p>● <b>Criterion met.</b> The Shareholders' Meeting usually makes decisions in accordance with previously announced draft decisions. If necessary, the Shareholder may initiate editorial changes or another decision.</p>

**Principle 16.** The company develops and discusses a dividend policy with shareholders

Criteria	Fakti
<p>16.1. The company has developed and published an up-to-date dividend policy</p>	<p>● <b>Criterion met.</b> The amount of dividend of LDz and subsidiaries is determined in accordance with the provisions of binding legislation<sup>58</sup> and the law <i>On the State Budget for 2025 and Budget Framework for 2025, 2026, and 2027</i>.</p>
<p>16.2. Dividend policy is discussed with shareholders during the Shareholders' Meeting</p>	<p>● <b>Criterion met.</b> The amount of the dividend is discussed with the Council and the shareholder. The amount of the dividend of Latvijas dzelzceļš subsidiaries is discussed with the shareholder.</p>

<sup>58</sup> Procedures for Forecasting, Determining and Making Payments for the Use of State Capital



Transparency of the Company's activities

Principle 17. The company regularly and timely informs shareholders and other stakeholders about the company's economic activity, financial results, management and other topical issues

Criteria	Facts
17.1. The company discloses complete, accurate, objective, current, and truthful information in a timely manner	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> Latvijas dzelzceļš discloses complete, accurate, objective, up-to-date and truthful information about the Group's companies on its website in accordance with the requirements of external legislation<sup>59</sup> and company news.</li> </ul> <p>Information is updated in accordance with the LDz Group's information disclosure procedure<sup>60</sup>.</p>
17.2. The company discloses information to all shareholders simultaneously and to the same extent	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> LDz has only one shareholder. Similarly, subsidiaries have only one shareholder.</li> </ul>
17.3. The company discloses on its website information about the enterprise's management, strategy or lines of business and publishes its financial statements and other information in accordance with Annex No 1	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> LDz and subsidiaries shall publish information in accordance with Section 58 of the <i>Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof</i>, as well as publish information in accordance with Annex 1 to the Code.</li> </ul> <p>Since 2016, LDz has been preparing and publishing on its website a sustainability report in accordance with the international guidelines of the Global Reporting Initiative (GRI) standards, and from 2024 it started using the sustainability reporting approach provided for in the Corporate Sustainability Reporting Directive and the resulting Sustainability Disclosure Law.</p>
17.4. The company provides information both in Latvian and in at least one other language that is understandable to the majority of the company's foreign shareholders and other stakeholders	<ul style="list-style-type: none"> <li>● <b>Criterion met.</b> Information on the website of Latvijas dzelzceļš is available in Latvian and English.</li> </ul>

<sup>59</sup> Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof

<sup>60</sup> The procedure for publishing information of Latvijas dzelzceļš Group was approved by decision of the Management Board No VL-1.6/400-2023 of 19 December 2023



**Information to be published on the website**

**Company**

Company information	●	
Information on the company's strategic objectives	●	See section Mission, vision, and strategy
Articles of Association	●	See section Mission, vision, and strategy
Information on the company's corporate governance structure	●	Corporate Governance Code of the Latvijas dzelzceļš Group
Company Code of Internal Culture and Ethical Conduct	●	Code of Ethics of the Latvijas dzelzceļš Group
Key corporate policies	●	See section Governance policies

**Council and Management Board**

Regulations of the Management Board and the Council	●	Regulations of the Management Board, Regulations of the Council
Information on each member of the Council and the Management Board	●	See section Council
Information on the independent members of the Council	●	See section Council
Remuneration Policy and Remuneration report for the Management Board and Council	●	See sections Management Board and Council
Information on the selection process for the Management Board and Council	●	See Statement of Corporate Governance 7.
Information on the Council Committees and the Audit Committee	●	See Statement of Corporate Governance 12. <sup>1</sup>
Financial and non-financial reports and information	●	See section Financial performance
Company financial statements and reports	●	See section Financial performance
Non-financial reports	●	See section Financial performance
Corporate governance reports	●	See section Financial performance

**Information for shareholders and investors**

Information on planned Shareholders' Meetings	●	Not published
The notice of the Shareholders' Meeting discloses the business to be transacted at the meeting. Resolutions are published after the Shareholder's Meeting	●	See section Shareholder
Information on Past Shareholders' Meetings	●	See section Shareholder
Company Dividend Policy and Information on Paid Dividends	●	See section Financial Performance Indicators and Corporate Governance 16.
Information on Related Party Transactions	●	See section Financial Performance Indicators
Company Announcements and Material Information for Investors	●	Not applicable
Investor Relations Officer Contact Information	●	Not applicable



Key company policies

Key policies included in corporate governance principles or criteria

Risk Management Policy	●	Latvijas dzelzceļš Group Risk Management Policy
Remuneration Policy	●	Latvijas dzelzceļš Group Personnel Management and Remuneration Policy
Dividend policy	●	See Statement of Corporate Governance 16.1.

Other key policies mentioned in the Corporate Governance Code

Internal Audit Policy	●	VAS Latvijas dzelzceļš Group Internal Audit Policy
Conflict of Interest Policy	●	Included in the Group Code of Ethics
Information Disclosure, Circulation, and Confidentiality Policy	●	Latvijas dzelzceļš Group Procedure for publishing information
Whistleblowing Policy	●	Latvijas dzelzceļš Group Fraud Prevention Policy
Fair Competition Policy	●	Included in the Code of Ethics of the Latvijas dzelzceļš Group
Diversity policy	●	Included in the Code of Ethics of the Latvijas dzelzceļš Group
Sustainability Policy	●	Latvijas dzelzceļš Group Sustainability Policy
Significant Compliance Policies	●	Security Policy of the Latvijas dzelzceļš Group
Transaction Partner Due Diligence Policy	●	Instruction <i>Transaction Review Procedures at Latvijas dzelzceļš Group</i>
Sanction Risk Management Policy	●	Latvijas dzelzceļš Group Sanction Policy
Personal Data Processing Policy	●	Privacy Policy of Latvijas dzelzceļš Group Companies
	●	Latvijas dzelzceļš Group Personal Data Protection Policy



### **Sustainability management in the Group**

The Rules of Procedure of the Management Board of VAS Latvijas dzelzceļš state that the Chairman of the Management Board is responsible for issues related to environmental protection, investment planning, implementation of Environmental and Energy Resources Management policy and planning of sustainability processes, as well as for other areas related to the management of impacts, risks and opportunities in the company. Under the authority of the Chairman of the Management Board are the directorates and bodies (see figure on [page 32](#)) that help to ensure effective management of these areas. Sub-paragraph 1.2.13 of the Rules of Procedure of the Council of VAS Latvijas dzelzceļš states that one of the tasks of the Council is to approve the key policies defining the principles of the company's operations with regard to risk management, sustainability, and other issues related to impacts, risks and opportunities and to review the reports set out in the key policies to the Council on an annual basis. The Councils of VAS Latvijas dzelzceļš and AS LatRailNet have included a point in their regulations that the Council, when making decisions, shall contribute to the achievement of the objectives included in the medium-term operational strategy, assess the risks, short-term and long-term impact on the value, sustainability and responsible development of the capital company.

The other subsidiaries have not mentioned in their Management Board and Council regulations their responsibilities for sustainability issues and related areas, including impacts, risks, and opportunities.

**On 10 October 2023, the Group-level Sustainability Committee was established by a decision of the Management Board**, chaired by the Chairman of the Management Board of VAS Latvijas dzelzceļš and attended by all members of the Management Board of LDz, representatives from various LDz structures and departments, as well as delegated representatives of the Group's subsidiaries. The aim of the Committee was to ensure a common initial approach to the planning, implementation, and monitoring of the Group's sustainability priorities and related activities, including the disclosure of sustainability-related information.

Two Sustainability Committee meetings were held in 2024 to discuss the Group's Sustainability Policy, CO<sub>2</sub> calculations at Group level, sustainability requirements of the financial sector, LDz's participation in external sustainability initiatives and activities, developments in sustainable infrastructure management and other issues. The 2024 Sustainability Action Plan, which includes 40 activities related to the Group's material sustainability areas, was also reviewed and approved. On 22 October 2024, the Management Board of VAS Latvijas dzelzceļš adopted a resolution On

amendments to the Rules of Procedure of the Management Board and changes in the Group Committees of Latvijas dzelzceļš, providing for the termination of the Group Sustainability Committee. **From now on, sustainability-related issues will be discussed in working groups of the Investment Committee, the Risk Management Committee or in another governance format appropriate to the issue.**

In 2024, the Sustainability and Environmental Management Division of the LDz Directorate of Development was responsible for coordinating the work of the Sustainability Committee and other issues related to sustainability management. It is also responsible for preparing sustainability reports and organising training or supporting employees of LDz and subsidiaries in sustainability-related areas. Employees of both LDz and the subsidiaries can consult the staff of the Sustainability and Environmental Management Department, if necessary, on questions related to sustainable development, sustainability trends, requirements and their practical application. In 2025, it is planned to transfer sustainability management to the LDz Directorate of Finances, ensuring a unified approach to collection of information to be included in the Group's annual reports. On 27 March 2024, the Council of VAS Latvijas dzelzceļš approved the [Group's Sustainability Policy](#), the aim of which is to establish a unified approach to the management of sustainability processes within the Group. The policy is binding for LDz and all subsidiaries and affects every area of their operations, setting out a common model for managing sustainability processes, identifying and managing material sustainability areas, including reporting on sustainability issues. The Sustainability Policy applies to AS LatRailNet to a limited extent.

Some sustainability-related areas have policies and designated staff responsible for their implementation. For example, the Group's Environmental and Energy Resources Management Policy, Occupational Health and Safety System and Policy, Remuneration Policy, Personal Privacy Policy, Fraud Prevention Policy and other internal regulations and related processes have been approved. Priorities and tasks to be carried out in these areas are identified and reported to the Management Board by the responsible staff at regular intervals. For example, the performance of the Environment and Energy Management System and the related programme is reported in an annual management report and reviewed by the Management Board.

**The Council monitors the overall execution of the strategy** by reviewing the Management Board's report on the execution of the strategy twice a year before it is submitted to the shareholder, and by reviewing matters related to the progress of strategic issues at regular Council meetings. In recent years, however, the focus has largely been on the Group's economic performance and its ability to ensure continued operational continuity as well as to implement the necessary investment projects to improve passenger infrastructure.

The Council and the Management Board do not have experts with expertise in environmental or social sustainability issues, but the selection of Council and Management Board members - especially in the Group's holding company - requires expertise in corporate governance, risk management, internal control and financial management, which is



critical given LDz's status as a state-owned company. No specific training is organised for Council or Management Board members on sustainability issues, but these issues are discussed at Council and Management Board meetings as required, individual information sessions on sustainability issues are organised as necessary (e.g. information exchange during the Audit Committee work process in September 2024), and additional information on sustainability issues is provided to the Councils of the Group companies during the Sustainability Committee working sessions.

### Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies

The Group does not have a detailed procedure for informing the Council or the Management Board of all sustainability impacts, risks, and opportunities and their progress, while each specific area of activity has a specific procedure for information provision – especially in the context of negative impacts and/or new risks or risks that have actually occurred. This includes quarterly reporting by the Risk Manager on the Group's material risks to the LDz Management Board (the reporting may also include sustainability risks depending on their assessment), with the Management Board reporting to the Council. Operational issues in each area are discussed at weekly meetings of the heads of the entities with the responsible members of the Management Board.

In areas related to financial and investment decision-making or strategic issues, the Council and the Management Board take decisions in accordance with their respective competences. In 2024, the following sustainability-related issues (including strategic development with sustainability elements) were considered and decided at LDz Council meetings:

- On approval of the Sustainability Policy of the Latvijas dzelzceļš Group;
- Construction of a noise barrier in the acoustic discomfort zone "Kengarags";
- On the 2023 Sustainability and Annual Report and Consolidated Annual Report 2023 of VAS Latvijas dzelzceļš;
- On the implementation of the Action Plan of the Medium-Term Operational Strategy 2021–2025 of VAS Latvijas dzelzceļš in the second half of 2023 and in 2023 as a whole;
- On the implementation of the Action Plan of the Medium-Term Operational Strategy 2021–2025 of VAS Latvijas dzelzceļš in the first half of 2024;
- On the determination of the Scope 1 and Scope 2 baseline for greenhouse gas (GHG) emissions of VAS Latvijas dzelzceļš and the target reduction pathways until 2030.

In 2024, the following sustainability-related issues (including strategic development with sustainability elements) were considered and decided at LDz Management Board meetings:

- Sustainability Policy approved and Sustainability Action Plan for 2024 approved;
- The Action Plan for Reduction of Environmental Noise Created by the Railway Operation with Traffic Volumes Greater than 30 000 Trains of VAS Latvijas dzelzceļš is approved;
- Guidelines for assessing EU Taxonomy alignment approved;
- The report on the management of the environmental and energy management system of VAS Latvijas dzelzceļš and the implementation of the Environmental and Energy Management Programme 2022–2028 of VAS Latvijas dzelzceļš in 2023 was approved;
- The Corporate Governance Action Plan of the Latvijas dzelzceļš Group for 2024 was reviewed;
- An updated standard for universal design of passenger infrastructure of VAS Latvijas dzelzceļš was approved;
- The procedure for reporting, registering, investigating, and recording railway accidents was approved;
- The progress of the action plan for implementing the Medium-Term Operational Strategy 2021–2025 of VAS Latvijas dzelzceļš in the first half of 2024 was reviewed;
- The rules governing membership in associations and foundations were approved;
- Report on the determination of the Scope 1 and Scope 2 baseline for greenhouse gas (GHG) emissions of VAS Latvijas dzelzceļš and the target reduction pathways until 2030 was approved.

In addition, the Management Board and Council meetings also addressed sustainability issues such as employee well-being and social protection, supplier management, passenger infrastructure improvement projects, etc.

**Sustainability issues are considered in the development of the strategy** – certain elements of the strategy are embedded in the medium-term operational strategy for 2021–2025, and the Group plans to take into account the material sustainability areas identified by the Group when developing the strategy for the next period. The Group does not have a specific mechanism or procedure for the Council or the Management Board to act or make decisions in cases where there is a conflict between the different sustainability areas and their performance, but the Council and Management Board members act in such cases in accordance with common sense, their experience and understanding of the Group's priorities and the resources available to take certain steps. For example, a long-term issue to be addressed is the mitigation of LDz's inherited historical pollution in Riga, Škirotava, Vagonu Parks, as well as in several other areas across Latvia (see [page 120](#) for more details). However, due to the high cost of pollution elimination measures and the Group's financial capacity, only urgent works are being carried out and pollution elimination and control works are gradually being implemented where feasible. Similarly, the upgrading of passenger infrastructure generates GHG emissions during the construction process, but the priority is to reduce GHG emissions in the transport sector in the long term, therefore improvements to passenger infrastructure have a lasting and long-term positive impact on reducing emissions related to people's daily mobility – as opposed to emissions from short-term construction.



## Integration of sustainability-related performance in incentive schemes

In 2024, the Council of VAS Latvijas dzelzceļš set the most important performance indicators (KPIs) to be achieved by the Management Board and assigned them to be fulfilled by the deadline for the respective KPI with the following aspects prioritised: sustainable development and maintenance of railway infrastructure, strategic planning and implementation of investments, renewal of personnel and internal processes, including the development of a culture change programme, improvement of the Group structure and mutual cooperation, as well as commercialisation and export of services. The following KPIs related to sustainability have been identified:

- Development of the Group's Sustainability Policy;
- Setting a target for greenhouse gas (GHG) emission reduction in Scopes 1 and 2 by 2030.

The achievement of KPIs has an impact on the overall assessment of the Management Board's performance in the reporting year and on the level of potential bonuses. This amount is not linked to the achievement of specific KPIs, but to overall performance in all areas.

In order to significantly increase efficiency and progress towards strategic objectives, the Performance, Goal Management and Competency Appraisal Rules were approved in early 2023 and provide for one appraisal per calendar year, provisioning the possibility of an extraordinary appraisal and career development discussions.

Staff with sustainability-related responsibilities are assigned annual targets on sustainability-related issues, such as developing sustainability documents, calculating GHG emissions, proposing strategic objectives in sustainability areas, etc. The performance against these targets is further taken into account in the performance evaluation of the employee. The objectives are set by the employees together with their direct managers and in line with the overall objectives of their unit and the company.



### Statement on due diligence

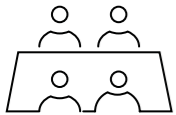
In all cases where the activities carried out by the Group affect or are likely to affect stakeholders, the Group observes the principle of due diligence in the maintenance, development, and commercial operation of railway infrastructure in public use. The most important aspects of due diligence are:



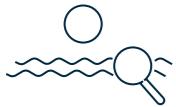
**Consultations with the Latvian Railway and Transport Industry Trade Union** on employment, working conditions, remuneration, and other employee-related issues



**The selection and evaluation of tenderers** under the public procurement framework and, from 2024, the gradual assessment of the sustainability risk level of selected suppliers to ensure transparent supplier selection as well as successful management of cooperation risks



**Consultations, public discussions, working groups, or joint projects with representatives of various social groups** to ensure that their interests are taken into account as far as possible in the provision of railway infrastructure and related services and in the early identification and prevention of negative impacts (e.g. in the field of accessibility)



**Regular environmental monitoring and, where necessary, in-depth environmental investigations at contaminated sites and particularly historically contaminated sites**, to prevent the spread of pollution, to contain and control pollution or, where possible, to eliminate it



**Regular measurement and mapping of railway noise** to identify areas where noise is causing discomfort to residents and to plan noise abatement measures where possible



**Identifying and assessing risks for new investment projects** to identify, in a timely manner, risks that may not only jeopardise or delay project implementation, but also cause inconvenience, confusion, or resistance on the part of the affected population



As well as other due diligence measures to identify and mitigate potential negative impacts at an early stage.

Where the due diligence process generates information about significant views and/or concerns of external stakeholders, the Management Board of the company concerned, or the Group's management are informed of these matters. The Management Board is most often actively involved and proactive in discussions with the trade union, customers, and strategic business partners.

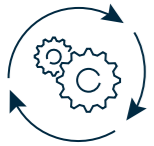
For information on specific aspects of due diligence in the content of the Sustainability Statement, see the sections below:

Key elements of due diligence	Page of the report
Embedding due diligence in governance, strategy and business model	<a href="#">79-80</a> , <a href="#">120-121</a> , <a href="#">130</a> , <a href="#">140</a> , <a href="#">159</a> , <a href="#">163</a> , <a href="#">170-172</a>
Engaging with affected stakeholders in all key steps of the due diligence	<a href="#">81-83</a> , <a href="#">85</a> , <a href="#">98</a> , <a href="#">121</a> , <a href="#">140</a> , <a href="#">145</a> , <a href="#">159</a> , <a href="#">161</a> , <a href="#">166</a> , <a href="#">178-180</a> , <a href="#">194</a>
Identifying and assessing negative impacts	<a href="#">67-68</a> , <a href="#">84-85</a>
Taking actions to address those adverse impacts	<a href="#">94-95</a> , <a href="#">146</a> , <a href="#">162</a> , <a href="#">167</a> , <a href="#">181</a>
Tracking the effectiveness of these efforts and communicating	<a href="#">148</a> , <a href="#">167</a> , <a href="#">181</a>



### Risk management and internal controls over sustainability reporting

The Group applies the following quality and control principles in sustainability reporting, which allow for timely mitigation of potential priority risks identified in accordance with sustainability reporting requirements, good practices and potential deviations that may arise from the participation of a large number of internal stakeholders in the reporting process, the scope of multiple companies covered, as well as the presentation of data that has not been previously addressed and analysed in the reports of separate companies or the Group and Group reports:



**A systemic approach.** In order to ensure a uniform approach and understanding of the duties, and responsibilities of the parties involved in the sustainability reporting and the reporting process, the Management Board of VAS Latvijas dzelzceļš has approved the Procedure for the Preparation of the Sustainability Statement of the Latvijas dzelzceļš Group (approved 06.08.2024), which is binding for the entire Group.



**Data accuracy.** To ensure data accuracy and consistency with the Group's other reporting channels and obligations, the data required for sustainability reporting is sourced, as far as possible, from the resource management system SAP or other internal information systems and registers for which the data is traceable.



**Quality and consistency of information.** To ensure a coordinated sourcing of information from Group companies, each company has a designated person responsible for collecting and submitting sustainability information for sustainability reporting purposes. A list of required information and data is made available to those responsible at the beginning of the year so that it can be obtained and compiled in a timely manner, and training and internal support is provided to ensure a common understanding of the need, nature and information requirements for reporting.



**Sourcing information from third parties.** To ensure that information provided by third parties is relevant and comparable, unified questionnaires are developed to obtain information, e.g. from suppliers, and professional external sources are used where possible (e.g. for emission factors needed for GHG emission calculations).



**Timeliness.** In order to ensure that every material sustainability area and the information related to it can be promptly collected, analysed, and described at the beginning of the year, the preparation of the sustainability report starts in the second half of the year, with data for the first three quarters of the year, and the qualitative part of the sustainability report is prepared in a timely manner.



**The "four-eyes" principle.** To ensure the accuracy of the information and descriptions compiled and to ensure that the data is correctly presented, parts of the report are reconciled with the information providers after the content has been drafted, with clarification where necessary.



**Independent assurance.** The Sustainability Statement is independently assured by an external auditor. Engagement with the auditor is initiated early to ensure a compliant approach to sustainability reporting. The sustainability statement, together with the auditor's opinion, is reviewed by the Management Board, Council of the parent company and approved by the shareholder, including consideration of risks that have been identified by the auditor in its report and that should be addressed in future reports.



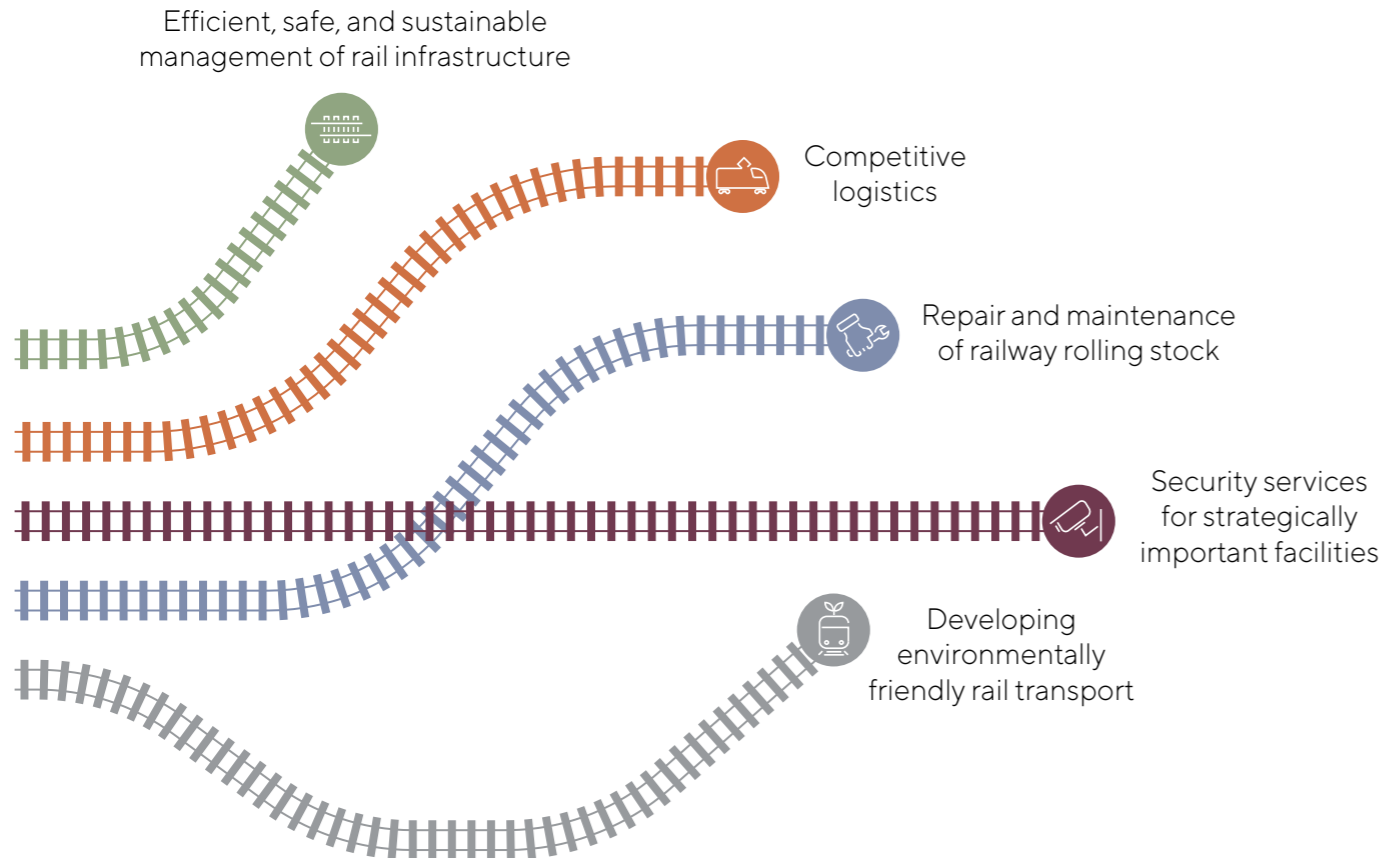
**Management approval.** Before the Sustainability Statement is approved by the Management Board, it is reviewed by the management of the parent company, where necessary clarifying the context and accuracy of the information contained in the report.



## STRATEGY

### Strategy, business model and value chain

The operating model and strategic development of Latvijas dzelzceļš Group is primarily determined by the overall strategic objective of the Group's parent company approved by the Cabinet of Ministers. In accordance with the Cabinet of Ministers' Order No 421 of 16 June 2021, the overall strategic objective of VAS Latvijas dzelzceļš includes the following areas of activity:



The overall strategic objective underpins the medium-term operational strategy 2021-2025 of VAS Latvijas dzelzceļš and cascades into the business models and action plans of its subsidiaries accordingly.

LDz mission, vision, and values as set out in the Medium-Term Operational Strategy 2021-2025:

#### MISSION



We safely, efficiently, and sustainably manage and continuously develop the railway infrastructure, providing competitive rail and logistics services in the interests of the Latvian economy and society.

#### VISION



We will be an efficient, competitive, and value-adding company, responding flexibly to changes in the transport sector.

#### VALUES



The values of the Latvijas dzelzceļš Group are a high reflection of what we are today and what we want to be in the future - both every LDz employee and the entire LDz team together.

##### Growth

Our goal is sustainable and sound business development. We value the courage to take on challenges and the initiative to find solutions. We believe that only through constant change can the most ambitious goals be achieved.

##### Safety

We know that safety is important at every turn. We are able to identify and effectively mitigate risks. We care about our employees, our customers, our communities and the environment.

##### Synergy

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



The most important directions of activity identified in the medium-term operational strategy of VAS Latvijas dzelzceļš:

**Governance**

Ensuring the efficient and economic use of available resources:

- Ensure high operational efficiency.
- Ensure stable financial performance.
- Continue to manage the railway infrastructure in Latvia for public use in line with the Multiannual Agreement and the needs of the economy.
- Continue to ensure effective governance, security, and risk management.

**Mobility**

Increase the importance of rail in Latvia's transport system:

- Develop rail infrastructure to meet passenger transport needs.
- Maintain the competitiveness of rail infrastructure for transit.
- Promote growth in domestic rail freight transport.

**Commercial activity**

Increase revenue and value added from commercial services:

- Improve the profitability of services provided to external customers.
- Ensure a high level of customer service.
- Diversify service segments.
- Increase the range of services provided to external customers.

**Sustainability and Human capital**

Improve the LDz Group's positive impact on the environment and society:

- Reduce the impact of railways on the environment.
- Build a professional and loyal team and ensure the development and progress of our staff.
- Build and develop a reputation and image as a sustainable and socially responsible company.



The following non-financial objectives have been set to implement the strategic directions:

Strategic direction	Performance indicators	Baseline for the strategy (2019)	Value to be achieved by 2025 according to the strategy	2024 indicator	Status
Governance	Operating costs of railway infrastructure per km of track, EUR thous.	75,1	61,9	58,9	●
	Number of serious accidents per million train-km, number*	1,24	1	1,3	●
Mobility	Average speed of a passenger train section, km/h	53,5	64,2	54,0	●
	Share of rail passenger transport in total public transport, %	7,6%	11%	10,2%	●
Commercial activity	Market share of SIA LDZ CARGO in the Baltics, %	25,5%	25,8%	20,7%	●
	Transported rail freight using LDz infrastructure network, million t	41,5	28,7	11,5**	●
Sustainability and Human capital	Sustainability Index, level	Platinum	Diamond	Platinum***	●
	Employee satisfaction rating, %	70%	80%	No employee satisfaction survey was conducted in 2024****	-

\* The number of serious accidents per million train-km is one of the non-financial targets set in the strategy, which was not met in 2024 due to a decrease in train kilometres and an increase in accidents (14 accidents in 2024; 2023 - 7), so the rate of serious accidents per million train kilometres has increased.

\*\* The freight transport target set at the beginning of this strategy period is not being met in the long term and is not expected to be met in the coming years. Rather, the opposite trend is expected, influenced by the war in Ukraine, the sanctions imposed on the aggressor countries and the overall reorientation of the Baltic States in the transport and logistics sector. The assumptions on freight volumes originally set out in the strategy are therefore no longer valid and consequently have a negative impact on the Group's financial targets.

\*\*\* In the 2024, Sustainability Index organised by the Institute for Corporate Sustainability and Responsibility, the Group and SIA LDZ CARGO, which participated separately in the Index, were rated platinum. Overall, the results have improved: in 2023, participating independently, VAS Latvijas dzelzceļš, SIA LDZ ritošā sastāva serviss and SIA LDZ Loģistika received a gold rating, while SIA LDZ apsardze received a silver rating, as in previous years.

\*\*\*\* No employee survey was carried out in 2024, so the current employee satisfaction score is 74% in 2023. A more detailed description of the survey is available in the S1-5 topical section of this report.

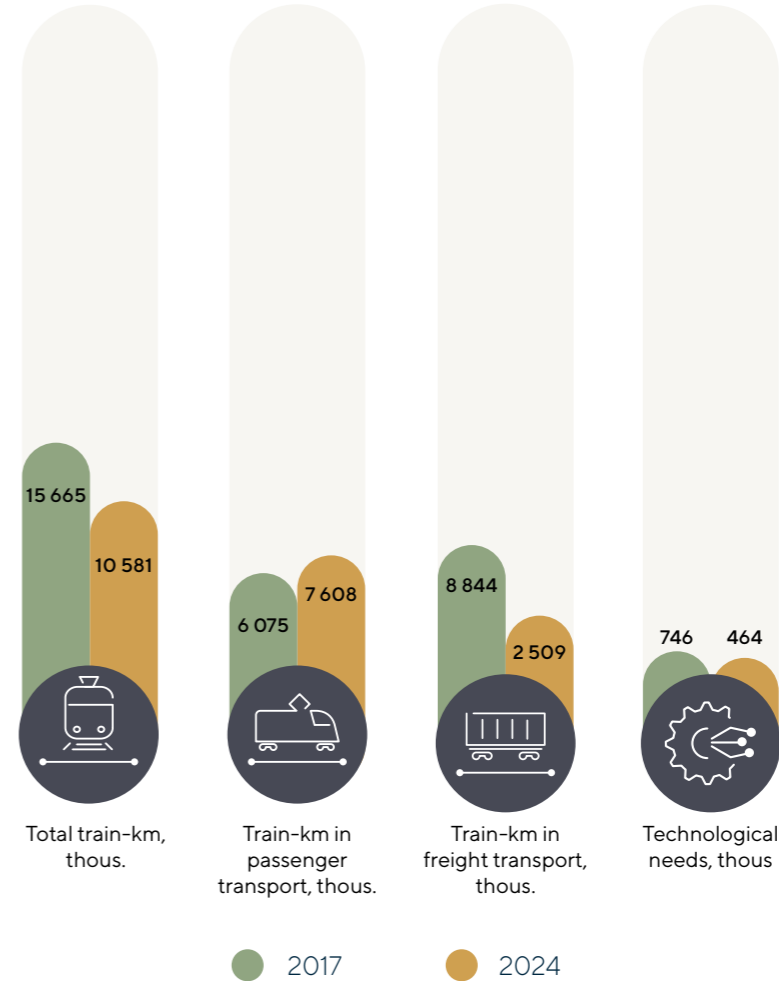


Strategic planning for the coming periods, as well as the implementation of the strategy in force in 2024, are affected by the significant changes that have taken place in the railway sector in recent years, in particular as a result of geopolitical circumstances and the resulting international sanctions. The freight segment, which in previous periods accounted for the majority of the railway infrastructure manager's revenues and ensured its financial stability, continues to decline and has a negative future outlook, thus affecting LDz's performance. Whereas in previous periods around three quarters of the rail network's traffic was freight and only one quarter - passenger transport, by 2024 the trend is reversed, with passenger transport accounting for around 72% of the total train kilometres travelled on publicly used rail infrastructure.

It is expected that the strategy for the next period will focus much more on the development of passenger infrastructure and the positive climate impact of rail traffic.

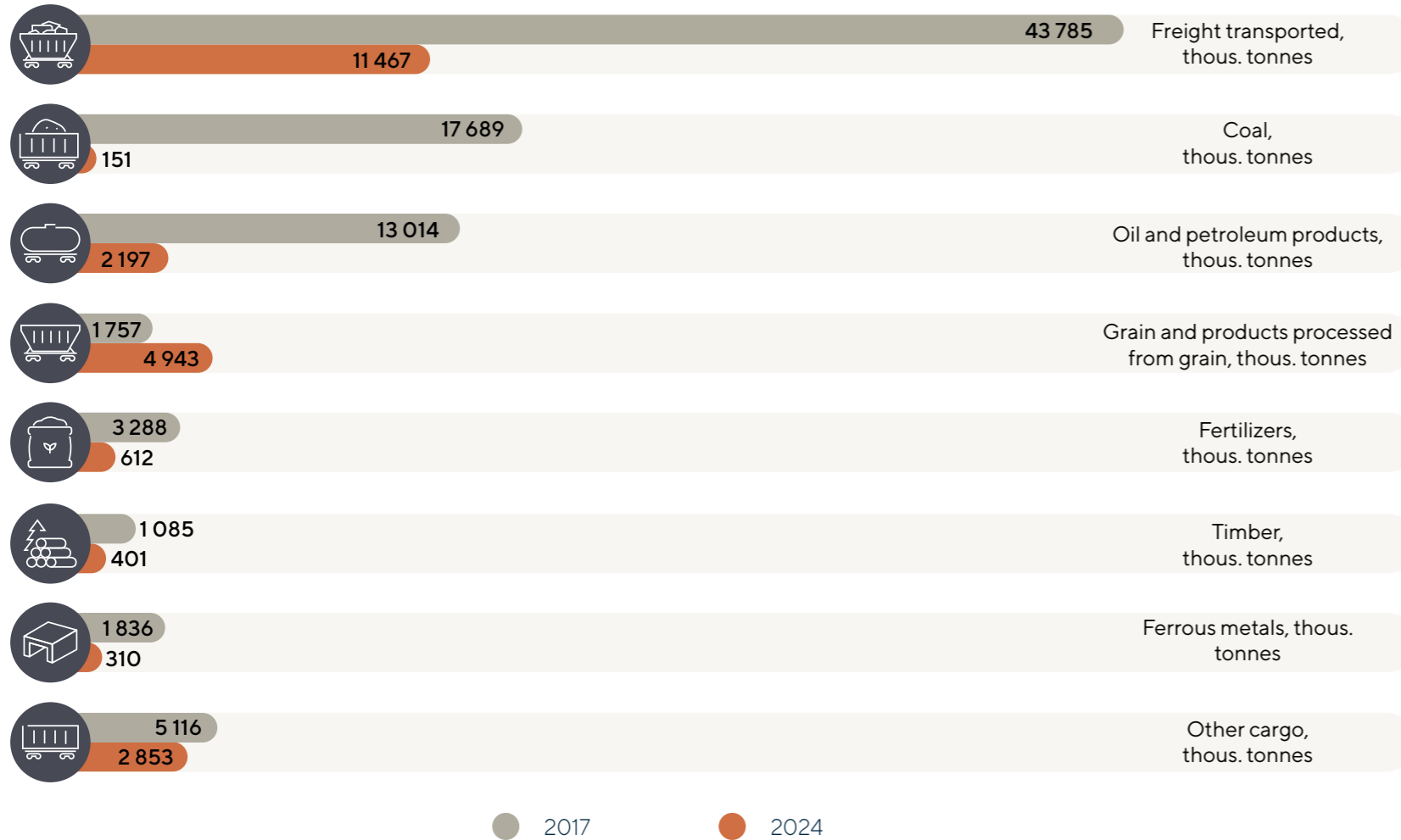
At the same time, it should be noted that under European Union law and the highest national legislation in the sector - Railway Law - primarily the development strategy of LDz is determined by the Indicative Railway Infrastructure Development Plan, which is developed by the Ministry of Transport and provides for the basic principles and the most important needs (state orders) of the railway sector development for the next five years. The previous plan expired in 2024, but a new plan has not been approved by the Cabinet of Ministers yet. This plan, as well as the resulting shareholder letter of expectations, is crucial for starting work on LDz's strategy for the next period.

Key train metrics (compared to 2017)

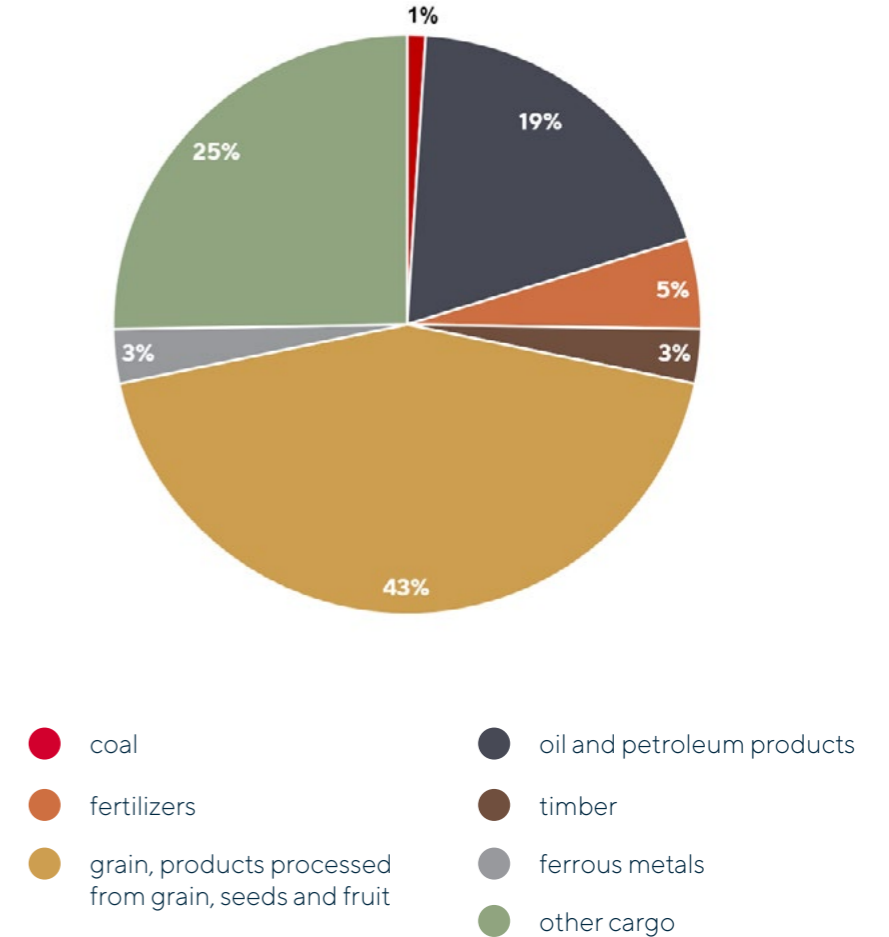




Freight transport by type of freight (compared to 2017)



Share of freight transported in 2024





Transport volumes and their changes in turn have an impact on LDz's financing model, as in previous periods the Group has been able to fully self-sustain its operations from commercial revenues generated by high-volume freight transport and related operations, while in 2024 LDz is for the first time included in the general government sector and the state budget provides funding for the maintenance of railway infrastructure. It should be noted that the maintenance of railway infrastructure cannot be reduced in proportion to changes in commercial transport volumes, as the infrastructure is necessary for passenger transport and to ensure compliance with safety requirements (including the safe operation of switches, level crossings and other crossings, signalling and communication systems, etc.).

LDz has been implementing cost reduction measures since 2020 and continued to do so in 2024, which include a review of working hours and other business processes at freight stations, a rethinking of the human and material resource base and other measures. However, cost reduction opportunities are limited by the minimum track maintenance and safety needs to ensure the fulfilment of the public contract and the transport policy objectives of Latvia and the European Union as a whole on rail as the backbone of public transport, ensuring an integrated and sustainable transport system that promotes affordable and safe mobility of passengers and freight.

### LDz value chain

**From a value chain perspective**, several value chains can be identified in the Group's operations, considering the specific nature and scope of each individual company's activities; however, all Group companies support the operation of one interconnected process – the rail transport ecosystem. The Group's overall value chain thus distinguishes between **upstream activities**, which mainly consist of (1) institutions and processes that determine the requirements for the operation of the railway ecosystem (e.g. in the field of sector policy, in the context of the development of the national defence system, in the context of municipal mobility needs, etc.) and (2) suppliers that provide the necessary resources for the Group's operations. The Group companies' **own activities** consist of both inter-company processes, which include the development of infrastructure, the setting of infrastructure charges, the operation of transport and the provision and equipping of rolling stock for that purpose, and activities in which the Group companies provide external services to other industry participants or external customers. The **downstream value chain** consists mainly of the end beneficiaries and end users of these services (e.g. passengers or cargo owners), as well as certain processes that utilise the resources consumed by the Group.



GENERAL DISCLOSURES

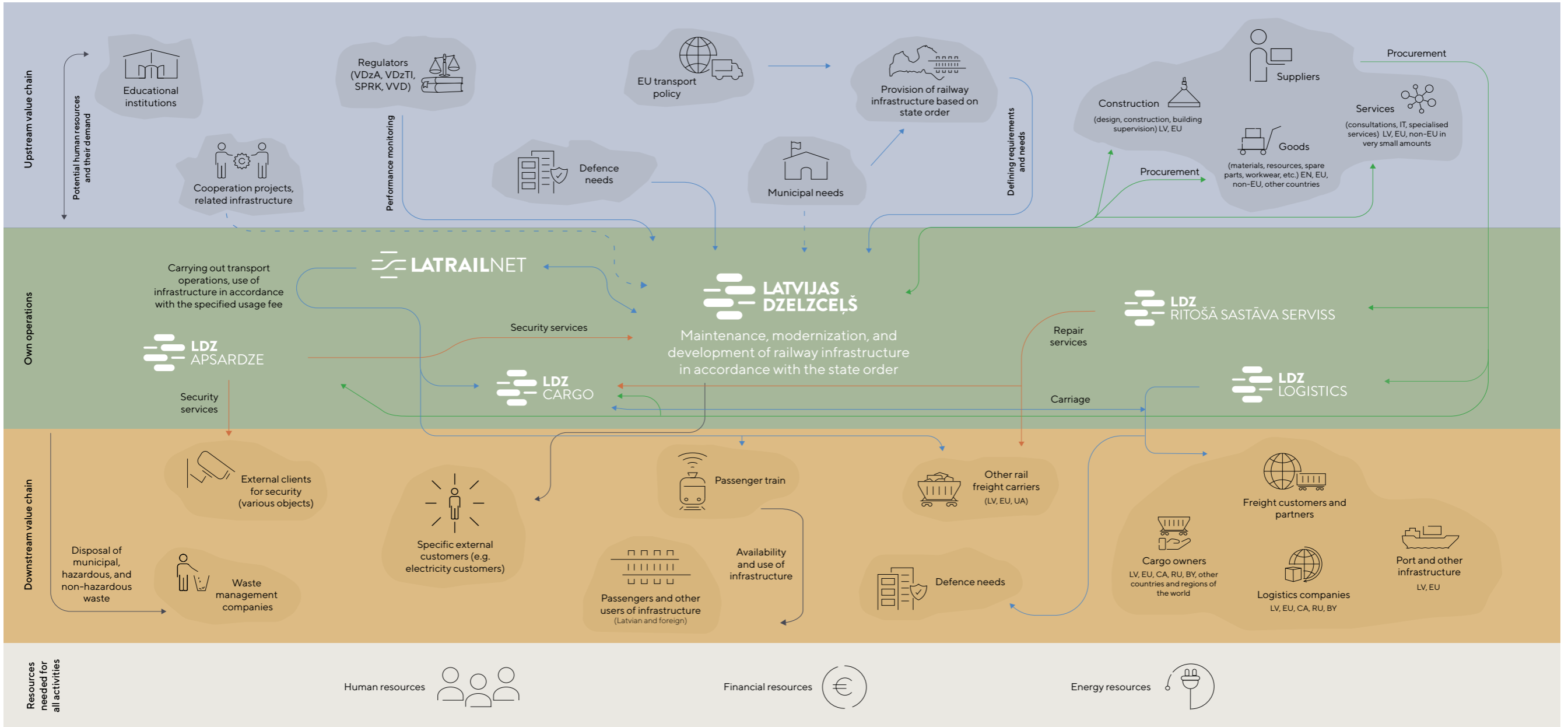
ENVIRONMENT

SOCIAL

GOVERNANCE

KEY DISCLOSURES IN THE SUSTAINABILITY STATEMENT

INDEPENDENT AUDITOR'S ASSURANCE REPORT





The most important areas of LDz's own activity are:

- **Maintenance, modernisation, and development of railway infrastructure for public use**, which is carried out both with own resources, using the machinery at LDz's disposal (various track machines and equipment to keep the infrastructure in good order) and purchased materials (rails, sleepers, crushed stone, various equipment related to the operation of the railway system, etc.), and by purchasing construction works from suppliers. LDz is also aware that it is the construction works and not the operation of the railway infrastructure that constitute the Group's most significant environmental impact, including GHG emissions, and that they also pose significant human rights risks (in the context of traffic and occupational safety). These areas are therefore given special attention;
- **Organisation and performance of freight transport services** provided by the subsidiaries SIA LDZ Loģistika and SIA LDZ CARGO. Freight transport volumes have decreased significantly over the last five years (see [pages 75 to 76](#)), and thus the activities of these companies have also decreased. Geographical considerations should also be taken into account: the majority of freight volumes have so far been transported from or via Russia and Belarus, and the international sanctions regime has led to a very significant drop in these volumes. At the same time, freight from Russia and Belarus still accounts for a significant proportion of the total volume of freight transported on LDz infrastructure. The cargo nomenclature is also important: although the transport of fossil resources has decreased in recent years, coal and petroleum products still account for around 20% of total freight transport. In financial terms, freight accounts for 37% of the Group's revenue. At the same time, the transport of grain has been on the rise in recent years, with volumes increasing over the past five years from 1 818 thousand tonnes in 2019 to 4 943 thousand tonnes in 2024. The Group is aware that the transport of fossil resources forms part of the ecosystem of exploitation of these resources, while Latvia is a very small part of this transport chain and therefore has virtually no potential impact on reducing the availability of these resources to us. At the same time, internal processes identify and manage risks related to environmental and social impacts - including occupational and road safety, energy consumption from transport, etc.;
- In order to ensure that the rolling stock required for freight transport is available and in working order, the Group's subsidiary LDZ ritošā sastāva serviss (RSS) provides both **major and routine repairs and maintenance of rolling stock**. Given that only diesel locomotives are used for freight transport in Latvia and that passenger rolling stock is currently independently maintained by passenger carriers, RSS is not specialised in the maintenance of electric rolling stock, but sees the potential to do so in the future. In terms of potential environmental and social risks, rolling stock maintenance processes are practically comparable to production processes, so that occupational safety and the potential pollution caused by the use of various chemicals, lubricants and hazardous waste are important aspects that the company manages;
- At the same time, RSS also sells fuel to railway undertakings (including passenger carriers) and equips them (fuelling their traction units). Special outfitting points have been set up for this purpose. Diesel sales represent 3% of the Group's total revenue. In this area too, special attention is paid to avoiding pollution at the equipment sites and during the equipment operation;
- **Security of railway infrastructure facilities and, where applicable, transport** is provided by SIA LDZ apsardze. At the same time, the company also provides security services to the external market, including customers and facilities not connected to the railway ecosystem. The security activities are less related to environmental impacts, but social factors are important, in particular the safety of the employees and also of the surrounding community;
- AS LatRailNet, as mentioned above, is an independent joint stock company within the Group, whose main tasks are related to independent, neutral calculation of **infrastructure charges, capacity allocation and development of methodologies** that do not create unjustified competitive advantages or restrictions on the market, but at the same time strengthen the overall competitiveness of the railway sector and efficient use of railway infrastructure.



Looking to the future, **passenger transport is expected to play an increasingly important role** in the railway ecosystem. While the Group companies do not provide passenger transport, VAS Latvijas dzelzceļš retains responsibility for developing an adequate and suitable infrastructure for this type of transport. Thus, a number of investment projects are currently in the pipeline, which are being implemented with co-financing from the European Union where possible:

- **Modernisation of passenger infrastructure** – reconstruction of passenger platforms at stations and stopping points throughout Latvia, building raised platforms and equipping platforms in accordance with the [Passenger Infrastructure Universal Design Standard](#), developed by LDz in cooperation with the Foundation "Association of Disabled People and Their Friends "Apeirons"". The Standard takes into account both environmental accessibility requirements and other passenger needs. This will contribute to making rail passenger infrastructure more convenient and modern, becoming an additional convenience factor in passengers' choice of a particular mode of transport;
- **Increasing the speed of trains** – implemented not only to make stations and stops more convenient, but also to get a passenger to his or her destination as quickly as possible. Historically, railway lines in Latvia have often been built with curves that do not allow higher speeds than today. Therefore, one of the priorities is to make infrastructure improvements to make this possible. Priority for such action is given to the Riga-Lugaži and Jelgava-Liepāja lines;
- **Electrification of the rail network** – only 14% of public rail infrastructure in Latvia is electrified (compared to a European average of over 50%). The lines around Riga are mainly electrified, but future development plans also foresee electrification of other lines to facilitate a gradual transition to electric traction and thus reduce GHG emissions from railways (which, even today, are significantly lower than those from road transport, even when diesel traction is used). This in turn means that operators will adapt to the use of electrified infrastructure, mainly through a larger fleet of passenger trains that can use electrified lines or battery train solutions with charging at specific points. The use of more environmentally friendly fuels in freight transport may be considered, but is not economically feasible in the coming years (carriers are operating with significantly lower revenues than before or even losses).

**Accordingly, the implementation of all these projects is linked to LDz's material sustainability areas – climate change** (solutions to reduce emissions in the transport sector by promoting the use of rail instead of road and

switching to more environmentally friendly traction solutions) and **care for end users, or increasingly – passengers and their comfort**.

The development of the Rail Baltica project is also considered to be an important factor influencing the Group's future development. The development of the European gauge infrastructure is not part of LDz Group's activities, but LDz has a number of important touchpoints of contact with this project. These include the reconstruction of Riga Central Railway Station, which is being carried out as part of the Rail Baltica project, and certain intersections between the two infrastructures.

Ensuring military mobility and adequate rail infrastructure for that purpose is also essential.

**In the area of freight transport, it is expected that inland and regional (Baltic) freight transport will be the primary modes of transport in the future, but at the same time it is important to assess the inter-competitiveness of road and rail freight transport at the policy planning level.** According to the [AS LatRailNet study](#), the side effects of road transport (GHG emissions, noise, traffic safety incidents) have a significantly higher negative environmental impact on society than rail transport, but road transport is cheaper because it does not have to pay for the use of infrastructure in the same way as rail infrastructure. Working with policy makers to promote the competitiveness of rail is therefore also seen as a priority, as is being done elsewhere (e.g. Germany is reorganising its road tax and toll system from 2023 to encourage the use of rail instead of road and to finance the development of rail infrastructure<sup>61</sup>).

These changes in the Group's operations are expected to have a positive impact on the overall environmental and climate change impact of the Latvian transport sector, but at the same time will require a realignment and adaptation of the Group's operating model, a change in mindset (from a focus on freight transport to passenger convenience), and the development of new competencies among employees.

<sup>61</sup><https://www.railtech.com/policy/2023/03/30/germany-breaks-with-road-finances-road-money-will-go-to-rail/>



## Interests and views of stakeholders

In the course of its activities, LDz Group cooperates with various external stakeholders who use the infrastructure or services of the Group's companies, influence the Group's operating conditions, provide resources (including both goods and services and financial resources) and other parties that are essential to the Group's operations. The Group's entities identify and take into account the views of these stakeholders both on a day-to-day basis and in specific cases where the interests of an external party may be affected.

For the Group's purposes, stakeholders are those who have the ability to exercise significant influence over the Group's activities or who can influence the Group both positively and negatively through their activities and services. The Group's stakeholders are divided into two groups, as defined in paragraph 22 of ESRS 1\*:





1. Affected stakeholders whose interests are or could be affected, positively or negatively, by the company's direct or indirect action
2. The main users of the general purpose annual report: credit institutions, insurance companies, business partners, trade unions, non-governmental organisations, public authorities, etc.

A form of stakeholder involvement and integration of views into the Group's activities:

\*Some stakeholders may belong to both of the above groups.





Interests and views of stakeholders

Stakeholder (category)	Type of engagement	Areas of action where views are taken into account
 <b>Suppliers and cooperation partners</b>	<ul style="list-style-type: none"> <li>• Surveys</li> <li>• Meetings</li> <li>• Direct communication (to the extent permissible under the procurement framework)</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring a clear and transparent procurement process, fair competition, and compliance with the law</li> <li>• Setting and enforcing requirements for suppliers (e.g. working conditions and safety, road safety, setting up quality control mechanisms, etc.)</li> <li>• Involvement in the planning and implementation of major transport projects</li> </ul>
 <b>Clients</b>	<ul style="list-style-type: none"> <li>• Service quality surveys</li> <li>• Individual meetings</li> <li>• Meetings with sectoral representative organisations</li> <li>• Identifying customer needs</li> </ul>	<ul style="list-style-type: none"> <li>• Improving the efficiency and quality of infrastructure and services – infrastructure availability, train speed, safety, passenger information, freight service delivery, etc.</li> <li>• Working together to plan and improve the efficiency of infrastructure development</li> <li>• Improving access to information on the use of rail infrastructure, possible disruptions, etc.</li> </ul>
 <b>Financial institutions</b>	<ul style="list-style-type: none"> <li>• Individual meetings</li> <li>• Cooperation projects (e.g. joint involvement in the Business Sustainability Council)</li> <li>• Surveys</li> </ul>	<ul style="list-style-type: none"> <li>• Group governance and financial management</li> <li>• Planning and implementation of investment projects (e.g. Taxonomy aspects)</li> <li>• Promoting sustainability issues together</li> </ul>
 <b>National institutions</b>	<ul style="list-style-type: none"> <li>• Involvement in drafting or examining legislation</li> <li>• Participation in working groups</li> <li>• Expressing an opinion</li> <li>• Meetings on specific issues</li> </ul>	<ul style="list-style-type: none"> <li>• Operational compliance with Latvian and EU legislation</li> <li>• Strategic planning, the development of the rail sector and its role in passenger and freight mobility</li> <li>• Critical infrastructure security</li> <li>• Data security</li> <li>• Contributing to the economy</li> </ul>



Interests and views of stakeholders

Stakeholder (category)	Type of engagement	Areas of action where views are taken into account
 Municipalities	<ul style="list-style-type: none"> <li>• Surveys</li> <li>• Meetings</li> <li>• Involvement in joint working groups or projects</li> </ul>	<ul style="list-style-type: none"> <li>• Cooperation in promoting people's mobility - parking, bike racks, etc. in municipalities with railway stations</li> </ul>
 International institutions	<ul style="list-style-type: none"> <li>• Involvement in working groups</li> <li>• Participation in international meetings</li> <li>• Surveys</li> <li>• Involvement in drafting opinions or legislation</li> </ul>	<ul style="list-style-type: none"> <li>• Representing the interests of the Latvian rail sector in EU policy-making</li> <li>• Obtaining and compiling information on key developments, documentation and draft legislation - to anticipate legal and technical changes in good time</li> </ul>
 Non-governmental organisations	<ul style="list-style-type: none"> <li>• Surveys</li> <li>• Meetings</li> <li>• Involvement in joint projects</li> <li>• Advice on issues where the organisation has specific competence</li> <li>• Testing solutions</li> <li>• Engaging in working groups</li> </ul>	<ul style="list-style-type: none"> <li>• Accessibility of passenger infrastructure for people with different needs (including with impaired mobility, vision, hearing, etc.)</li> <li>• Developing safety solutions and safety campaigns to reduce the number of victims and fatalities in rail accidents</li> </ul>
 Educational institutions	<ul style="list-style-type: none"> <li>• Developing joint programmes</li> <li>• Involvement in curricula (as lecturers)</li> <li>• Joint projects</li> <li>• Scholarships</li> </ul>	<ul style="list-style-type: none"> <li>• Talent development, employee competency planning</li> <li>• Organising information and education events on rail-related issues (including road safety)</li> </ul>

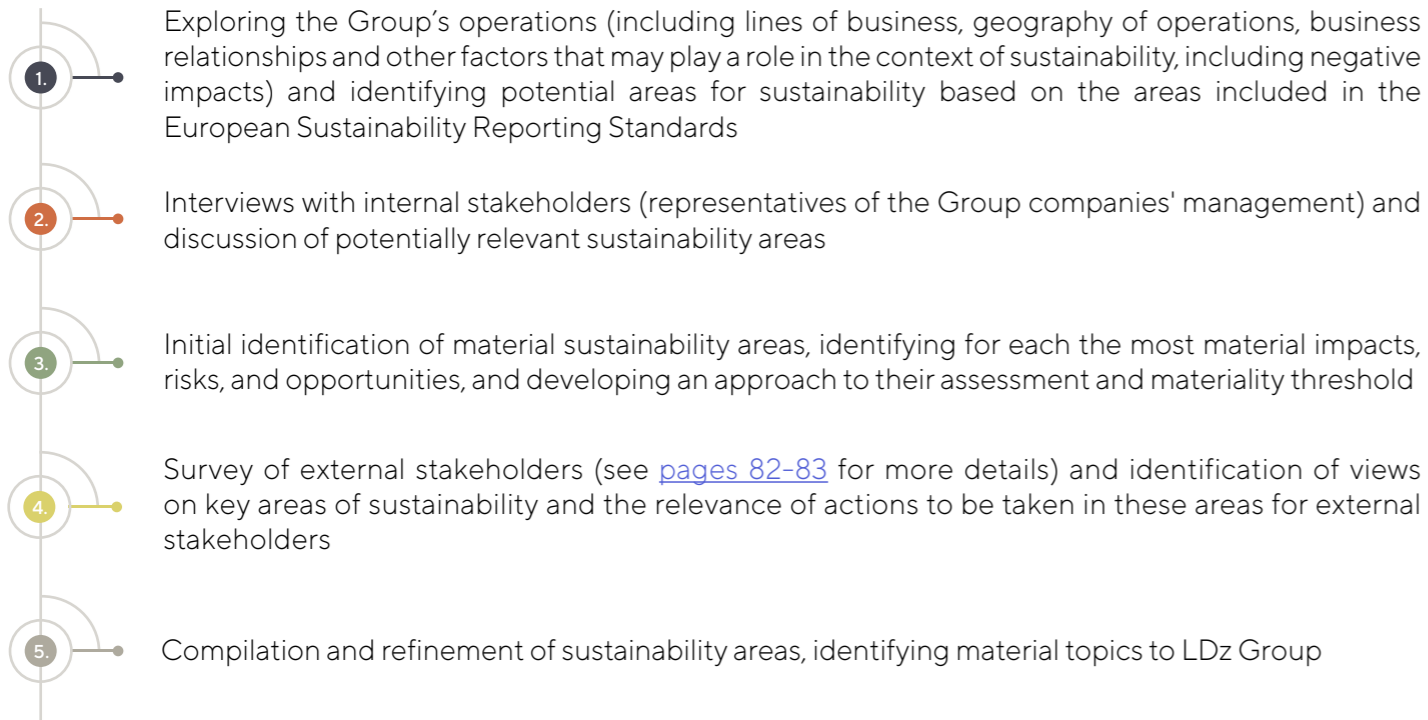
The Group Sustainability Report for 2024 was launched by seeking the views of external and internal stakeholders on the areas of sustainability important to the Group and the most material impacts, risks, and opportunities identified therein.



## MATERIAL IMPACTS, RISKS AND OPPORTUNITIES AND THEIR INTERACTION WITH STRATEGY AND BUSINESS MODEL

The assessment of the Group's material sustainability areas is based on a double materiality assessment covering two main aspects: impact materiality and financial materiality. An area of sustainability is material from an impact perspective if the Group's activities in that area have an actual or potential, positive or negative impact on society or the environment in the short, medium or long term. Financial materiality, on the other hand, refers to areas of sustainability that may have a significant positive (opportunities) or negative (risks) financial impact on the Group's operations.

The following steps were taken to identify the Group's key sustainability areas and assess them against the principle of double materiality:



Impacts, risks, and opportunities were assessed at the Group level and along its value chain (upstream and downstream), and their likely timing and magnitude of occurrence were identified.

**The impact, risk, and opportunity (IRO) assessment process** was carried out by adapting the existing risk management evaluation process and evaluation scale of the Latvijas dzelzceļš Group for IRO assessment. Therefore, sustainability-related risks are neither less nor more prioritized than other existing types of risks but are assessed on the same basis as any other strategic, operational, or other types of risks, applying the level of detail required by the European Sustainability Reporting Standards. The integration of IROs into the development of future proposals for sustainability management within the Group and the development of proposals for specific targets in material sustainability areas are the responsibility of the respective committees or working groups.

The significance of impacts, risks, and opportunities was assessed against the following parameters, on a scale from 1 (immaterial) to 5 (critical):

- Scale - How grave the negative impact is or how beneficial the positive impact is for people or the environment?
- Scope - How widespread the negative or positive impacts are? In the case of environmental impacts, the scope may be understood as the extent of environmental damage or a geographical perimeter. In the case of impacts on people, the scope may be understood as the number of people adversely affected
- Irremediable character - Whether and to what extent the negative impacts could be remediated, i.e., restoring the environment or affected people to their prior state? (Applicable only to negative impacts)
- Likelihood of occurrence (only applicable to potential positive or negative effects and to all risks and opportunities)
- Potential financial impact - How much is the availability of funding, the volume of services, etc. affected?



Each IRO factor was assessed according to the above parameters, with the following approach to determining the value of the factor and the corresponding materiality thresholds (i.e. thresholds at or above which a particular IRO factor is considered material):

- The value of a positive existing impact is the average of the scale and scope. Materiality threshold – 3
- The value of a positive potential impact is the average of the scale and magnitude multiplied by the likelihood ratio. Materiality threshold – 9
- The value of a negative existing impact is the highest of the scale, scope or irreversibility indicators. Materiality threshold – 3
- The value of a potential adverse effect is the highest of the scale, magnitude or irreversibility indicators multiplied by the likelihood ratio. In addition, the scale/scope/irreversibility indicators are weighted at 60% and the probability at 40% in the calculation, given that in the case of a negative impact, the consequences of its occurrence are more important to assess than the actual probability of occurrence, as required by ESRS standards. Materiality threshold – 2.2
- For risk and opportunity, the product of probability and impact. Materiality threshold – 9

Based on the materiality of the IRO factors, the areas and sub-areas of the ESRS standards that correspond to these factors and are therefore considered material have been identified.

**The Group's stakeholder survey**, based on the initial IRO assessment already carried out, included eight sustainability areas and 92 activities that they could cover. Respondents were asked to rate all activities according to their perception of sustainable railway development and given the opportunity to add to the list of activities they considered desirable.

A total of 41 respondents, representing state, municipal, and international institutions, as well as business partners, customers, and suppliers of the LDz Group, took part in the survey, which was available in Latvian and English. Overall, all 92 areas included in the survey were considered sufficiently important by the stakeholders, however, some respondents rated as less important, for example, the assessment of climate risks in the Group's operations, the reduction of fossil resource transport, the promotion of diversity in the workplace, etc.

In addition to their assessment of the sustainability activities proposed in the survey, respondents also offered their recommendations on where LDz Group should focus (e.g. more active involvement and cooperation with other stakeholders in promoting passenger transport, including the development of mobility solutions).

According to the topical (environmental, social and governance) standards defined in the ESRS categories, the Group has identified the following as material to the Group's operations, following a double materiality assessment:



..... Topical Sustainability Standards material for Latvijas dzelzceļš Group



**GENERAL DISCLOSURES**

**ENVIRONMENT**

**SOCIAL**

**GOVERNANCE**

**KEY DISCLOSURES IN THE SUSTAINABILITY STATEMENT**

**INDEPENDENT AUDITOR'S ASSURANCE REPORT**

In addition to the areas identified in the ESRS, the Group has prioritised these areas, defining the most strategically important areas and areas where impacts and risks need to be managed, but without significant emphasis on capturing opportunities.

The Group has identified two of the above areas as strategically important:

- **Climate change** - the use of rail infrastructure is one way to reduce emissions from both passenger and freight transport overall and contribute to meeting national emission reduction targets. At the same time, rail infrastructure and related services are exposed to climate risks, requiring early consideration of resilience solutions;
- **Consumers and end-users** - The end-user of rail services is the passenger or cargo owner who needs to get or deliver goods to their final destination on time and as efficiently as possible. Thus, although these people or companies are not necessarily the Group's direct customers, their needs are very important to the Group. This is particularly true for passengers and the infrastructure that historically has not been sufficiently developed for them.

Two additional areas without which it is not possible to set and achieve objectives in strategically important areas are:

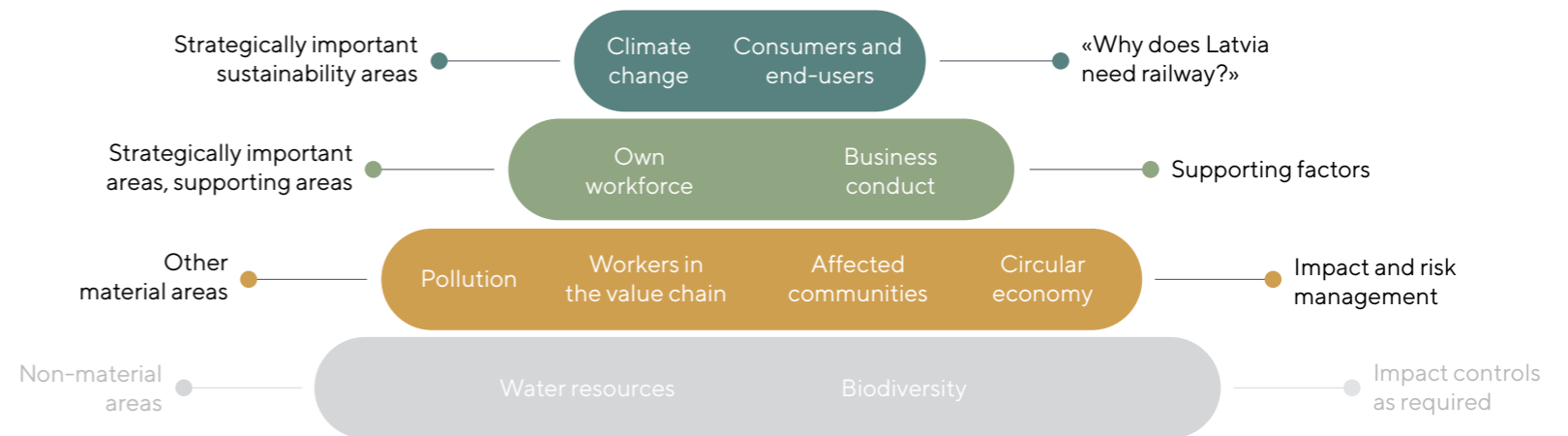
- **Own workforce** - socially protected, competent and provided with an appropriate working environment, on whom the Group's development and ability to adapt to new challenges depend;
- **Business conduct** - an internal culture that is transparent, fair, and appropriate to the current situation and future development challenges, and relationships with business partners who are interested in achieving common goals.

For the other four areas - Workers in the Value Chain, Affected Communities, Pollution and Circular Economy - the Group recognises its responsibility and the need to manage its impacts and risks effectively, but does not identify these areas as strategic priorities for development.

For the eight topical standards above, an assessment has been carried out, identifying a total of 40 impacts (17 negative and 23 positive, further grouped into actual and potential impacts), 38 risks and 26 development opportunities.

ESRS E3: Water and marine resources and ESRS E4 Biodiversity and ecosystems were also assessed, as in other areas, by reviewing the Group's operations, assets and business lines, analysing their potential linkages with water consumption and biodiversity, and identifying potential IRO factors in both their own operations. However, the areas and sub-areas included in these topical standards did not meet the materiality threshold and were assessed as not significant according to the Group's methodology, and therefore the impacts, risks, and opportunities identified in these areas are not reflected in the figures below. No stakeholder consultation was carried out in relation to these areas. With regard to biodiversity, it should be noted that LDz's activities do not involve impacts on ecosystems or the use of ecosystem services, so such factors are not relevant to the Group's activities.

The assessment takes into account the results of a survey of external stakeholders on areas of sustainability material to the Group, with the weighting of impacts, risks, or opportunities adjusted as a result of the survey for certain material areas.





GENERAL DISCLOSURES

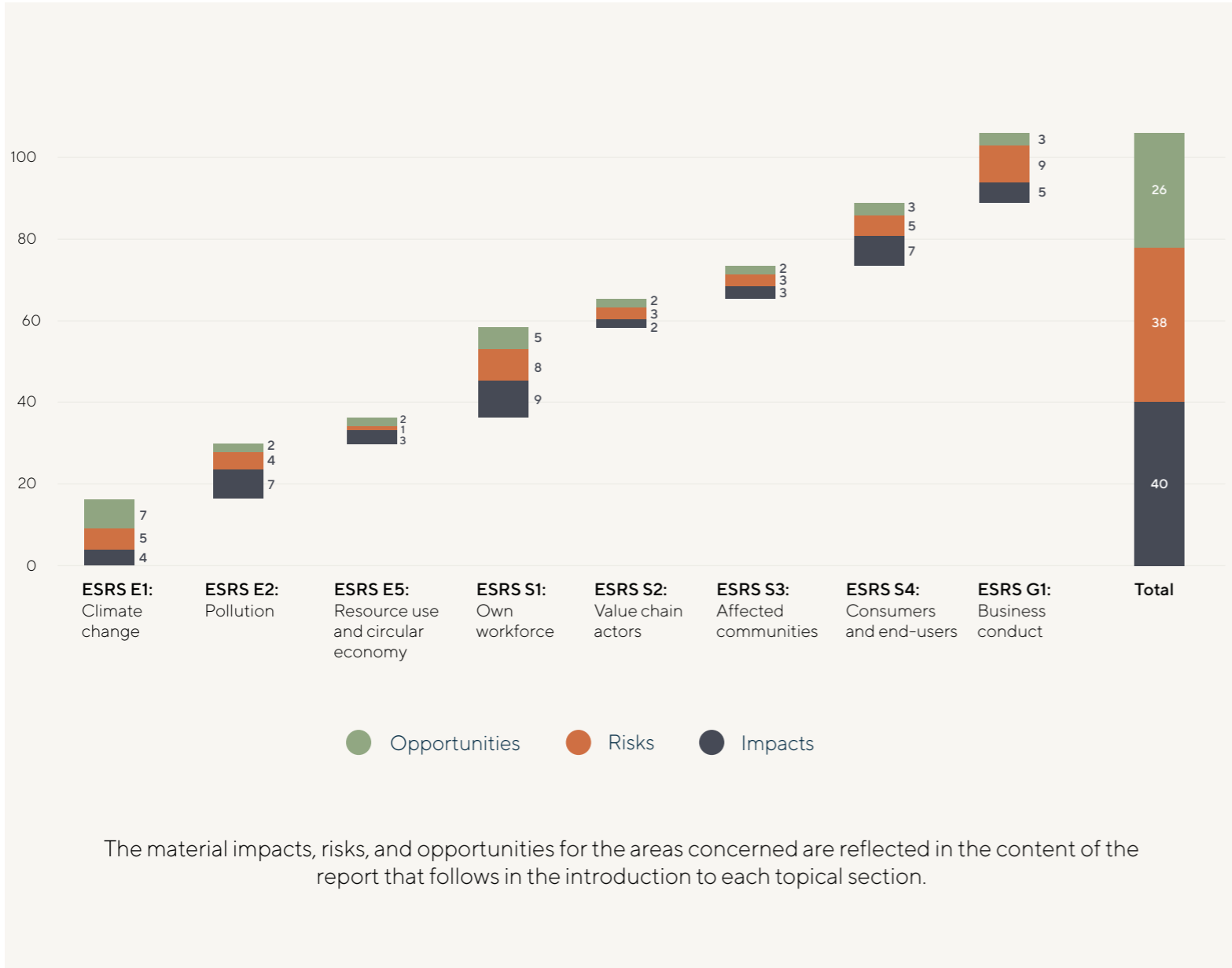
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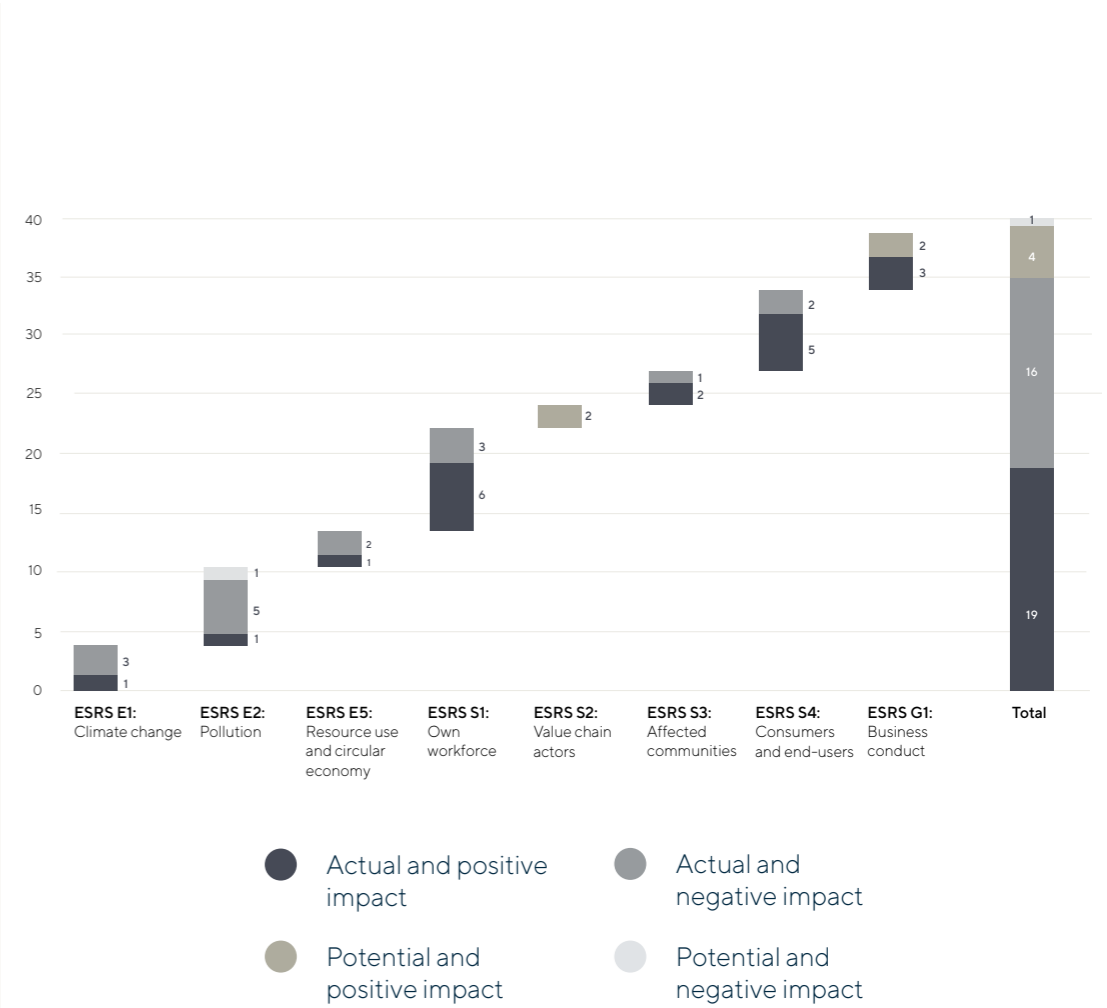
GOVERNANCE

KEY DISCLOSURES IN THE SUSTAINABILITY STATEMENT

INDEPENDENT AUDITOR'S ASSURANCE REPORT



The material impacts, risks, and opportunities for the areas concerned are reflected in the content of the report that follows in the introduction to each topical section.





Sustainability matters covered in topical ESRS

Topical ESRS	Topic	Sub-topic	Page No.
E1	Climate change	Climate change adaptation	<a href="#">91.-94., 106.</a>
		Climate change mitigation	<a href="#">94.-95., 103.-105.</a>
		Energy	<a href="#">101.-102.</a>
E2	Pollution	Pollution of air	<a href="#">126.-128.</a>
		Pollution of water and soil	<a href="#">126.-128.</a>
		Substances of concern	<a href="#">129.</a>
E5	Resource use and circular economy	Resource inflows, including resource use	<a href="#">133.-134.</a>
		Waste	<a href="#">134.-137.</a>
S1	Own workforce	Working conditions	<a href="#">150.-155., 157.</a>
		Equal treatment and opportunities for all	<a href="#">153.-156., 157.</a>
		Other work-related rights	<a href="#">158.</a>
S2	Workers in the value chain	Working condition	<a href="#">162.</a>
		Equal treatment and opportunities for all	<a href="#">161.</a>
S3	Affected communities	Communities' economic, social and cultural rights	<a href="#">163.-169.</a>
S4	Consumers and end-users	Information-related impacts on consumers and/or end-users	<a href="#">174.-175., 181.</a>
		Personal safety of consumers and/or end-users	<a href="#">176., 184.-186.</a>
		Social inclusion of consumers and/or end-users	<a href="#">177., 182.-184.</a>
G1	Business conduct	Corporate culture	<a href="#">192.</a>
		Protection of whistle-blowers	<a href="#">192.</a>
		Political engagement and lobbying activities	<a href="#">197.</a>
		Management of relationships with suppliers including payment practices	<a href="#">194.-195.</a>
		Corruption and bribery	<a href="#">196.</a>

02

ENVIRONMENT





## CLIMATE CHANGE

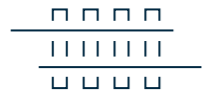
### Climate-related impacts, risks, and opportunities

The activities of Latvijas dzelzceļš Group are mainly related to transport and its ancillary activities, including the provision of adequate infrastructure. Activities in this sector are associated with significant consumption of energy resources and consequent greenhouse gas (GHG) emissions. At the same time, recent experience has shown that rail infrastructure, transport and related activities are exposed to increasing climate risks. These include both physical risks (acute and chronic risks from weather changes and extreme events) and transitional risks, mainly related to emission reduction targets for the transport sector and its infrastructure. The Group's climate change risks are thus related to the impact of external climate risks, as well as the Group's ability to ensure stable, predictable energy flows and increasing energy efficiency in the Group's business areas and facilities. Following a double materiality assessment, the following impacts, risks, and opportunities have been identified as material for the purposes of the topical standard «ESRS E1: Climate Change»:

Sub-topic	Impact	Risks	Opportunities
Climate change adaptation		Damage to railway infrastructure caused by extreme weather conditions (physical risks)	Assessment and integration of climate adaptation aspects into infrastructure and development projects Potential broader use of railway infrastructure, thereby enabling society to adapt in accordance with climate change processes
	The Group's direct and indirect GHG emissions	Changes in external legislation and/or policy planning documents that impose new requirements on railways in the context of climate change (transition risk)	Increased focus on modernisation and development projects promoting energy efficiency, electrification, etc.
Climate change mitigation	Insufficient electrification of railway infrastructure	Limited financial and technical capacity to implement emission reduction solutions	Use of alternative, less CO <sub>2</sub> intensive products (e.g. in construction, passenger infrastructure)
	Enabling the public to use a more climate-friendly mode of transport with lower GHG emissions than most other modes		
Energy	Significant energy consumption for day-to-day operations, including fossil fuel consumption	Dependence on fossil resources and their potentially limited availability in the future Insufficient energy efficiency of existing facilities	Diversifying energy sources, switching to renewable resources (self-generation or purchase of green energy) Gradual, targeted implementation of energy efficiency measures and heat sources Investigating energy consumption patterns and identifying potential improvements within existing resources



With a detailed focus on identifying physical and transitional risks in the Group's operations, five workshops were held in spring 2024 to assess climate risks in the following areas of LDz's operations:



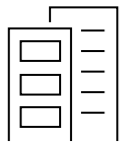
rail infrastructure

- Tracks
- Electrical infrastructure
- Railway crossings
- Passenger infrastructure



rail transport

- Sale of fuel
- Rolling stock
- Traffic control
- Customer engagement and solutions
- Information technology solutions



real estate

- Maintenance and renovation of buildings
- Property rental
- Heat supply
- Maintenance of the railway right-of-way

The causes of climate risks and their potential impacts on LDz's operations were identified, in line with the approach to climate risk assessment aligned with the overall risk management procedures of the Latvijas dzelzceļš Group. Climate risks have been identified based on the climate change projections for Latvia developed by the Latvian Environment, Geology and Meteorology Centre (LEGMC) and updated for 2023, which in turn are based on the studies and modelled climate scenarios conducted by the Intergovernmental Panel on Climate Change (IPCC). The analysis of LEGMC is based on three climate change scenarios - SSP1-2.6, SSP2-4.5 and SSP3-7.0 - whose projections have been taken into account in the climate risk analysis carried out by LDz. The LDz risk analysis considers both the general climate change forecasts for Latvia and the projected threats at specific locations (for example, the likelihood of flood risk at major railway junctions in Latvia), as well as the actual assets available to LDz, their condition, energy consumption levels, usage specifics, and other factors. Where available, the identification and assessment of risks

takes into account information on damage and losses experienced in previous periods - for example, storm damage for which successive insurance claims have been made.

Most of the assets exposed to climate risks are designed for long-term use (at least several decades) - this applies both to railway infrastructure and its elements and to real estate. Shorter term impacts are for transport and repair activities which may be affected by the occurrence of acute risks.

While climate risk aspects are considered in investment planning, they are not currently integrated into CapEx planning as an independent and meaningful investment planning and selection category. Thus, capital investments directly related to climate risk mitigation and adaptation cannot be separately identified.

For the identified transition risks (energy efficiency requirements and requirements to reduce emissions from transport and industrial processes), their identification takes into account the expected changes in policy/regulatory and partner requirements related to the Paris Agreement commitment to limit emissions to a level that ensures that the global average temperature does not increase by more than 1.5°C.

Climate risks in the value chain are not currently assessed separately and are expected to be assessed in future periods. Risks related to the maintenance and operation of railway infrastructure have an indirect impact on the downstream value chain, as they affect the availability of infrastructure and also the performance of carriers outside the Group and the mobility of their customers.

All these climate risks are assessed according to the scale below, where the risk score is determined by multiplying the probability of the risk occurring by the higher of the three other parameters - exposure to risk, vulnerability, or financial loss. Climate risks were assessed, such as heavy or prolonged rainfall, flooding, extreme snowfall, prolonged or extreme heat, spread of invasive plant species, spontaneous combustion, bush and forest fires, storms, frost and other climate risks. The potential manifestation and impact of each risk has been assessed in all of the above-mentioned areas of activity of LDz.



Methodology for assessing climate risks

Likelihood	Exposure	Vulnerability	Loss
<p><b>5</b> It is almost certain that the risk will materialise. Signs of climate change / specific weather events are observed every year. Due to climate change, such events are expected to increase</p>	In the event of an occurrence, the weather conditions in question may affect several areas of the company's operations at the same time and/or cause complex damage to several areas of the company's operations	The company's operations may even be suspended completely	> 150 000 EUR
<p><b>4</b> It is more than likely that the risk will materialise. Signs of climate change / specific weather events occur at least once every two years. Due to climate change, such events are expected to increase.</p>	In the event of an occurrence, the weather conditions in question may affect several areas of the company's operations at the same time and/or cause complex damage to an area of the company's operations	The ability of the company as a whole to operate may be significantly impaired. Trains on major routes delayed for less than 6 hours	50 000 - 150 000 EUR
<p><b>3</b> There is a possibility that a risk could materialise. Signs of climate change / specific weather events can be observed or predicted on average every 3-5 years</p>	The specific weather conditions may affect one or more areas of the company's operations, cause damage to individual installations and / or buildings	The company's operations may be significantly disrupted locally. Trains on the affected section disrupted for less than 6 hours	10 000 - 49 999 EUR
<p><b>2</b> Low likelihood of risk. Signs of climate change / specific weather events can be observed or predicted on average every 5-10 years</p>	The risk may affect a single asset (e.g. equipment, building)	Temporary disruption and localised disruption of operations may occur	5 000 - 9 999 EUR
<p><b>1</b> Unlikely. Signs of climate change / specific weather events occur less frequently than 10 years or are projected to occur in more than 10 years</p>	In the event of a risk occurring, the company as a whole, its operating locations or specific assets may not be exposed to it	The occurrence of the risk cannot affect the company's operations	up to 5 000 EUR

To assess climate risks, the likelihood of occurrence included a condition on the timing of climate change events/weather events, where a score of "1" means that they occur less frequently than every 10 years or that they will occur in more than 10 years, and a score of "5" means that the specific climate change event/weather event is an annual event and will occur more frequently due to climate change.

Section E1-9 ([page 106](#)) describes how the financial impact of material physical and transition risks is taken into account.

According to the assessment, climate risks rated as "critical" (20-25) or "high" (13-19) are considered to be significant. The initial risk assessment identified 14 risks as high and critical, of which 12 are physical risks and two are transitional risks:



GENERAL DISCLOSURES

ENVIRONMENT

SOCIAL

GOVERNANCE

KEY DISCLOSURES IN THE SUSTAINABILITY STATEMENT

INDEPENDENT AUDITOR'S ASSURANCE REPORT

Risk category	Risk sub-category	Risk (acute or chronic climate event or transition risk)	Sub-risk (which operation / system / equipment is affected)
Security risks	Physical risks	Frost, cold wave -25 and colder	Rail fracture
Operational risks	Physical risks	Icing	Icing of overhead contact lines, disruption of electric trains
Operational risks	Physical risks	Icing	Employee may be injured by slipping, all activities requiring human work outdoors are affected
Operational risks	Physical risks	Extreme snowfall, blizzard	Employee could suffer life-threatening injury in collision with train; all activities requiring human work outdoors near the track are affected
Operational risks	Physical risks	Heavy or prolonged rainfall	Damage to the subgrade: washouts, landslides
Operational risks	Physical risks	Storm, whirlwind	Damage to power lines, overhead wires
Operational risks	Physical risks	Storm, whirlwind	Injuries in the work environment
Operational risks	Physical risks	Floods, wind gusts, hail, snow melt, ice melt, ice jams	Damage to engineering structures, track embankment, subgrade
Operational risks	Physical risks	Heat, heatwave +30 and hotter	Heat-induced rail ejection
Operational risks	Physical risks	Heat, heatwave +28 and hotter	Rapid deterioration in workers' health can affect all activities requiring human labour
Operational risks	Physical risks	Spontaneous combustion, wildfires, forest fires	Damage to railway infrastructure, disruption to train movements
Operational risks	Physical risks	Storm, whirlwind	Storm-induced injury to a worker. Impact on shunting work, wagon repair work, technical and commercial inspection of trains
Strategic risks	Transition risks	Requirements to reduce GHG emissions	Failure to ensure GHG emission reductions in line with rail transport requirements
Strategic risks	Transition risks	Requirements to reduce GHG emissions	Failure to ensure GHG emission reductions in line with property management requirements (heating, energy efficiency)



### Opportunities and impacts related to climate change adaptation

At the same time, the need to promote the increased use of rail infrastructure has been identified as a significant climate change opportunity to ensure a reduction in overall transport sector emissions (as rail transport on average produces fewer emissions than road transport). For example, the German Federal Environment Agency estimates that rail transport emissions per passenger are 3-5 times lower than private road transport and 1.6-3 times lower than local bus transport; the situation is similar in other countries, with the share varying slightly depending on the distances travelled and the extent of rail electrification. There are also significant opportunities in incorporating climate risks into infrastructure development projects in a timely manner to ensure that newly built or upgraded facilities are resilient to these risks – especially physical risks. There is also an opportunity to focus on improving energy efficiency and electrifying infrastructure, modernising and electrifying rolling stock, using less CO<sub>2</sub> intensive products in construction and infrastructure provision, and gradually shifting to more non-fossil freight transport.

These measures are also linked to the Group's most material **impact factors**. The negative impact of the Group companies on climate change is linked to their high consumption of energy resources, in which fossil fuels – mainly diesel and natural gas – still play a relatively important role. The Group's activities therefore result in significant GHG emissions. Although they are lower than emissions of the road transport, the Latvian railway network is generally under-electrified (about 14% of the total track length is electrified), so diesel locomotives still play a relatively important role.

At the same time, the role of rail in wider societal mobility is seen as having a positive impact, in particular by encouraging passengers to travel by rail rather than choosing higher-emission modes of transport. Further investment in infrastructure, improving its quality (including passenger comfort) and promoting electrification is needed to ensure an increasing public preference for rail. Such measures are linked to climate change mitigation measures, which are discussed further.

### Transition plan and targets

In 2023, in preparation for the implementation of the Corporate Sustainability Reporting Directive and related European Sustainability Reporting Standards (ESRS) requirements, LDz started work on calculating GHG emissions in accordance with the GHG Protocol methodology.

In 2024, the calculation of Scope 1 and Scope 2 GHG emissions for the Group was started, the results of the calculation for LDz and the Group can be found in section E1-6 of the report ([pages 103-104](#)).

The Scope 3 emissions calculation for VAS Latvijas dzelzceļš was started in 2024 but has not yet been finalised at the time of publication of this report. It is expected that the Scope 3 emissions calculation will include seven of the 15 GHG Protocol methodology categories.

At the national level, [Latvia's National Energy and Climate Plan](#) (NECP) sets the GHG emission reduction targets for 2030. The NECP targets a GHG emission reduction of -21.2% in 2030 compared to 2005 in the transport sector, while the use of renewable energy sources (RES) in the energy sector is planned to reach 100% in 2030 for final consumption of electricity and 68.2% for heating and cooling, thus reducing GHG emissions in the energy sector by 34.7% by 2030.

On 10 December 2024, a report on the establishment of a Scope 1 and Scope 2 baseline for greenhouse gas (GHG) emissions and reduction targets for VAS Latvijas dzelzceļš by 2030 was approved. The report models scenarios for possible GHG emission reduction targets for 2030 to be set in line with the national recommendations and targets in the NECP, including but not limited to GHG emission reductions. External stakeholders have not been involved in the target setting. The base year for emission reductions for VAS Latvijas dzelzceļš is 2022, the year in which the company's resource management system SAP was switched to a single energy accounting approach, thus the data are comparable across years. The approach to energy use and needs have not changed significantly over this period.

In analysing possible measures to reduce GHG emissions and setting specific targets for each GHG emission source, both the main development scenarios planned by LDz within the new Medium-Term Operational Strategy 2025-2029 and the environmental impact mitigation factors, as well as the payback and economic viability of the projects were taken into account. The targets are set out in the table below:



	GHG emission source	GHG emissions 2022, (base year), tCO <sub>2</sub> e	GHG emissions 2023, tCO <sub>2</sub> e	GHG emissions 2024, tCO <sub>2</sub> e	Targets 2030 (in line with NECP)	Action lines to reduce GHG emissions
Scope 1	Fuel consumption for heating	1 820,68	1 890,67	1 698,46	-34,7% 1 189,10 tCO <sub>2</sub> e	Use of RES in self-produced district heating
	Fuel consumption for road transport	4 978,16	5 120,21	5 098,34	-21,2% 3 922,79 tCO <sub>2</sub> e	Electrification of the car fleet
	Refrigerant supply (refrigerant leaks)	48,69	32,78	78,31	-34,7% 31,79 tCO <sub>2</sub> e	Use of refrigerants with a lower environmental impact (global warming potential)
Scope 2	Electricity	16 002	16 253	16 776	-34,7% 10 449,31 tCO <sub>2</sub> e	Purchase of green energy Introducing solar energy solutions (solar panels) Installation of LED lighting
	District heating	3 952	4 014	3 954	-34,7% 2 580,66 tCO <sub>2</sub> e	Improving the energy efficiency of property

The company's climate targets are in line with the Paris Agreement's goal of limiting global warming to 1.5°C.

- Explore the possibility of purchasing green electricity with appropriate certificates of origin;
- Evaluate the possibilities to continue the ongoing work on the implementation of solar energy solutions to cover as much self-consumption as possible (in 2023 and 2024, two solar panel sites were built in Daugavpils and Rēzekne with a total energy output of 59 211.1 kWh in 2024);
- Promote a shift in self-generated heat from fossil-fuelled boilers (e.g. natural gas, LPG or diesel) to renewable resource boilers (mainly biomass such as wood pellets or wood chips);
- Evaluate the possibility of electrifying the company's fleet as well as the small mechanisation units used in the maintenance of the railway right-of-way (various tools, most of which are currently diesel-powered);
- Improve the energy efficiency of LDz facilities and use energy-efficient electrical equipment (especially lighting).



Section E1-3 ([page 99](#)) describes in more detail the environmental protection and energy efficiency improvement measures undertaken in 2024 and the funding allocated to them. For other measures, investments and funding will be planned in future reporting periods according to financial possibilities and available public co-financing. It should be noted that some of the activities aimed at reducing emissions (use of renewable energy for heating, solar panels, electrification of the vehicle fleet and energy efficiency improvement of buildings) are eligible to the climate change mitigation objective of the EU Taxonomy Regulation. When planning specific investments, their alignment with the Taxonomy is assessed in accordance with the Rules for Planning and Controlling the Execution of Investments of the Latvijas dzelzceļš Group (see [pages 108-117](#) for details).

The LDz Environment and Energy Management Programme 2022-2028 sets out measures to reduce energy consumption, while work continued on the revision of the programme in 2024, which will set new baselines and specific indicators for electricity, heat and diesel consumption. In the next calculation year, it is planned to improve the level of detail in the emissions calculations and to define targets for reducing the Group's emissions.

It should be emphasised that the Group's emission reduction capacity is limited by two factors related to infrastructure and transport: transport emissions (Scope 1 emissions) cannot be reduced quickly and significantly given the relatively low level of rail electrification. Scope 3 emissions from the construction and renewal of railway infrastructure, on the other hand, are due to the substantial use of steel rails and concrete products, which cannot currently be replaced by other alternatives. Therefore, the main focus for reducing emissions in the short and medium term will be on activities outside these two sections, such as reducing energy consumption and improving energy efficiency.

In turn, in the report of VAS Latvijas dzelzceļš on the management of the environmental and energy management system and the implementation of the Environmental and Energy Management Programme 2022-2028 in 2024, certain performance indicators related to the improvement of energy efficiency were specified. The indicators can be found on the next page.

### **Integration of sustainability-related performance in incentive schemes**

The implementation of the above measures is embedded in the annual objectives of the employees responsible for environmental and/or energy management, thus ensuring a link between the overall objectives of the Group companies and individual incentive schemes. Similarly, environmental and energy management-related targets are set for the Management Boards of the Group companies. For example, the Management Board of VAS Latvijas dzelzceļš has been assigned with the 2024 target by the Council of the Company to set a Scope 1 and 2 GHG emission reduction target by 2030, and the Management Board of SIA LDZ ritošā sastāva serviss - to ensure the implementation of the energy efficiency measures plan.



No	Environmental aspect Key tasks of programme	Target	Indicator	Measurement	2023	2024
1.	Energy consumption: improve the energy efficiency of buildings	Reduce average specific heat consumption below 150 kWh/m <sup>2</sup> per year from 2021 <sup>62</sup>	Average heat consumption kWh per m <sup>2</sup> per year	Determined by energy audit or calculation, kWh/m <sup>2</sup> per year	118.78 kWh/m <sup>2</sup> (Heating season 2022/2023)  117.76 kWh/m <sup>2</sup> (Heating season 2023/2024)  Performance indicator - average heat consumption reduced	At the time of publication of the Sustainability Statement, no data is available on the achievement of this indicator - the heating season ends on 30 April 2025
2.	Fuel consumption for road transport	<ol style="list-style-type: none"> <li>Reduction in total electricity consumption</li> <li>Reduction of electricity losses</li> <li>Control electricity consumption for switch heating</li> <li>Control electricity consumption for external lighting</li> <li>Monitor electricity consumption for SCB and communications equipment</li> </ol>	<ol style="list-style-type: none"> <li>Total electricity consumption (MWh/year)</li> <li>Electricity losses in electricity supply installations (MWh/year)</li> <li>Electricity consumption for switch heating (MWh/year)</li> <li>Electricity consumption for external lighting (MWh/year)</li> <li>Electricity consumption for the operation of SCBs and communication equipment (MWh/year)</li> </ol>	<ol style="list-style-type: none"> <li>Determine total electricity consumption (MWh/year)</li> <li>Calculate losses (MWh/year)</li> <li>Determine electricity consumption for switch heating (MWh/year)</li> <li>Determine electricity consumption for external lighting (MWh/year)</li> <li>Determine the electricity consumption for the operation of SCBs and communication equipment (MWh/year)</li> </ol>	<ol style="list-style-type: none"> <li>30 432.3 MWh/year</li> <li>3 324.2 MWh/year</li> <li>1 698.7 MWh/year</li> <li>2 603.0 MWh/year</li> <li>11 441.8 MWh/year</li> </ol> Performance indicator - for indicators 1, 4 and 5, electricity consumption decreased; electricity losses decreased (indicator 2); electricity consumption for switch heating increased (indicator 3)	<ol style="list-style-type: none"> <li>28 957.8 MWh/year</li> <li>3 423.9 MWh/year</li> <li>1 224.4 MWh/year</li> <li>2 478.2 MWh/year</li> <li>9 059.3 MWh/year</li> </ol> Performance indicator - for indicators 1, 3, 4 and 5, electricity consumption has decreased; electricity loss rate has increased (indicator 2)
3.	Energy consumption: Efficient diesel consumption	<ol style="list-style-type: none"> <li>Reduce total diesel consumption</li> <li>Reduce diesel consumption by type of use (for technological and transport purposes)</li> </ol>	<ol style="list-style-type: none"> <li>Total diesel consumption (thousand litres/year)</li> <li>Consumption of diesel for technological needs and transport needs (thousand litres/year)</li> </ol>	<ol style="list-style-type: none"> <li>Determine the total diesel consumption (thousand litres/year)</li> <li>Determine diesel consumption for technological and transport needs (thousand litres/year)</li> </ol>	<ol style="list-style-type: none"> <li>1 792.9 thousand litres/year</li> <li>1 161.6 thousand litres/year for technological needs 631.3 thousand litres/year for transport needs</li> </ol> Performance indicator - Diesel consumption increased (overall, for technological and transport needs)	<ol style="list-style-type: none"> <li>1 787.8 thousand litres/year</li> <li>For technological needs - 1 109.6 thousand litres/year For transport needs - 678.2 thousand litres/year</li> </ol> Performance indicator - Total diesel consumption and consumption for technological needs have decreased, while consumption for transport needs has increased

<sup>62</sup>In accordance with the Real Estate Development and Management Programme of VAS Latvijas dzelzceļš for the period until 2030.



## Policies related to climate change mitigation and adaptation

Latvijas dzelzceļš Group has an [Environment and Energy Resources Management Policy](#) in place and approved in 2021. Its main objective is to define the Group's environmental and energy management principles and tasks, taking into account the requirements of regulatory enactments and the objectives and tasks of the national environmental policy set for the Group companies' business areas, in order to reduce the negative impact of the Group's activities on the environment, promote efficient use of resources, increase energy efficiency, provide human and environmentally safe services, and ensure sustainable, competitive and energy-efficient development of the Group. Procedures related to the implementation of the policy are also in place:

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

The Group's Environmental and Energy Resources Management Policy serves as the basis for the development of environmental and/or energy management programmes for Group companies. The environmental and/or energy management programme based on it is a medium-term document (action plan) of the Group's companies which defines the environmental and/or energy management objectives and targets of the specific company, the timeframe for their implementation and the persons responsible, also defining objectives and targets related to improving energy efficiency, sustainable use of natural and energy resources, reduction of negative environmental impacts, etc.

**Environmental and/or energy management systems in the Group companies are implemented in accordance with ISO 50 001 (energy management) and ISO 14 001 (environmental management) standards according to the specific nature of their operations.**

The Group companies hold the following ISO certifications in the field of environmental and/or energy management, which cover, inter alia, energy consumption and its reduction:

- VAS Latvijas dzelzceļš – ISO 50 001 and ISO 14 001 and the Environmental and Energy Management Programme for 2022-2028 developed on their basis;

- SIA LDZ CARGO – ISO 50 0001 and the Environmental Protection Programme for 2022-2028 developed on its basis;
- SIA LDZ ritošā sastāva serviss – ISO 50 0001 and ISO 14 001 and the Environmental and Energy Management Programme 2021-2028 developed on their basis;
- SIA LDZ apsardze – ISO 14 001. The environmental management system, together with the quality management system (ISO 9001), is included in the company's overall Integrated Management System policy, which sets environmental management objectives and the tasks to be carried out to achieve them;
- SIA LDZ Loģistika and AS LatRailNet – the certificates mentioned above are not specific to and necessary for the operations of these Group companies.

In 2024, a review of the LDz Environment and Energy Management Programme 2022-2028 was launched. This document has so far addressed energy management issues, including the energy efficiency improvement action plan, but has not made a direct link to climate change. The updated version is expected to be approved by the LDz Management Board in the first half of 2025. Changes will also be encouraged in the programmes of Group companies that are significant energy consumers and thus have a climate impact. The implementation of the LDz programme is monitored and coordinated by the Directorate of Development, while at Management Board level the Chairman of the Management Board is responsible for this area, together with other areas of environmental impact, in accordance with the Rules of Procedure of the Management Board.

Stakeholder engagement mainly in the context of climate change takes into account the demands and expectations of the financial sector, but other external stakeholders have so far not shown a significant interest in LDz's emissions and mitigation measures.

LDz has not involved external stakeholders in the implementation of the policies at this stage, although in some areas the reduction of emissions and also the implementation of resilience solutions will require in the future, for example, the involvement of suppliers. LDz is currently in the process of approving a revised Code of Ethics for Business Partners, which makes it mandatory for a business partner whose business with a Group company amounts to at least EUR 300 000 thousand in a calendar year to complete a business partner sustainability risk assessment questionnaire. The supplier will be required to comply with this requirement at the start of the cooperation, including being prepared to provide information on its GHG emissions as part of the cooperation with the LDz Group companies. LDz will thus firstly encourage cooperation partners to be aware of the importance of these issues and to be prepared to provide the necessary data over time.



### Actions and resources in relation to climate change policies

Within the framework of the Energy Efficiency Improvement Plan of VAS Latvijas dzelzceļš, 33 measures were implemented in the most important areas of energy consumption (electricity, heat, and fuel consumption). The measures included replacement and/or introduction of certain equipment, introduction of new technologies, change of transport, improvement of energy efficiency of buildings, (including replacement of windows and doors, insulation of walls, etc.), replacement of lighting and other measures.

The energy efficiency improvement plan for SIA LDZ ritošā sastāva serviss included the insulation of the roof of the main production plant, as well as the repair of the gates in the repair shop of the Track Machine Repair Centre. The planned energy savings from the implemented measures amount to 38.8 MWh/year.

The Energy Efficiency Improvement Plan 2024 of SIA LDZ CARGO included two measures in the most important areas of energy consumption (electricity, heat, fuel). The 2M62UM series locomotive is to be certified for operation on the Estonian railway infrastructure network - these locomotives have been upgraded to become more energy efficient and economical, consuming less fuel for work and thus generating fewer GHG emissions than older locomotives. The second measure is the fitting of diesel engine hour meters to the CME3 series locomotives, thus ensuring accurate tracking of engine hours by differentiating between idle time and time when the locomotive is on duty and on the move. As a result, the locomotive requires less frequent periodic technical inspections at the repair company (RSS), which reduces fuel consumption (since fuel is also consumed during the trip to and from the repair company, as well as during the repair process). In 2024, both of these proposed energy efficiency improvement measures were implemented and energy savings of 807.9 MWh/year were achieved.

Environmental protection measures are also planned annually in accordance with the Procedure for the preparation of annual environmental protection plans and reports on their Implementation of the Latvijas dzelzceļš Group's Environmental and Energy Resources Management Policy. They are based on measures to mitigate significant environmental aspects and to improve and/or remedy the previous year's findings in relation to environmental protection.

Within the framework of the 2024 Environmental Action Plan, VAS Latvijas dzelzceļš implemented 37 measures, such as environmental quality monitoring (and groundwater, wastewater and rainwater testing, emission measurements, investigation of contaminated sites), hazardous waste management, as well as measures aimed at reducing the company's climate impact, such as allocating funds for GHG emission calculations, auditing the certified environmental and energy management system and other activities.

Environmental protection and energy efficiency improvement measures are financed from the Group companies' own resources and are included under operating expenses and capital expenditure in the financial statements. Expenditures for the next periods is planned at the time of each year's budgeting, depending on available resources.

Where possible, climate change risks are also taken into account in the planning of new infrastructure projects, such as the Zaslauks–Bolderāja railway line electrification project application, which plans to renew and upgrade electrified infrastructure on lines that are already electrified, and electrify the section to Bolderāja, the potential climate risks (storm and flooding impacts) were also analysed as part of the assessment of whether the project meets the EU Taxonomy Technical Screening criteria, contributes to climate change mitigation and does no significant harm to the climate change mitigation objective.

In addition to the above-mentioned regular measures, in September 2024, six working groups were established at VAS Latvijas dzelzceļš to optimise processes and functions in order to ensure the most efficient operation of the company. The aim of the working groups is to develop solutions to reduce costs, which is critical in the current economic conditions of the sector, but at the same time these measures can also have a positive impact on the climate. For example, one of the groups is working on assessing the use of alternative energy sources such as solar panels and parks, as well as finding



solutions to make LDz more prepared to deal with storms and other extreme weather events in the future and beyond.

In addition, LDz is working on policy initiatives to shift transport from road to rail, which would contribute to reducing GHG emissions in the transport sector as a whole. In 2024, rail passenger volumes have continued to increase, while rail freight volumes have continued to decrease.

Although the industry does not currently expect a rapid recovery in transit traffic, there is also potential to facilitate the modal shift from road to rail for domestic freight, including grain, timber, wood chips, etc.

The Group is aware of the impact of the value chain, or more specifically suppliers, on GHG emissions, which is why work on identifying supplier emissions started in 2024. However, the Group's primary focus in the area of mitigation at present is on its own Scope 1 and Scope 2 mitigation activities.



number of passengers

19,4 million  
2024



13,5% or 2,3 million  
passengers more than in 2023



freight (tonnes)

11,47 million  
2024



73,3% or 4,17 million  
tonnes less than in 2023



Energy consumption and mix

Total energy consumption and mix, MWh\*

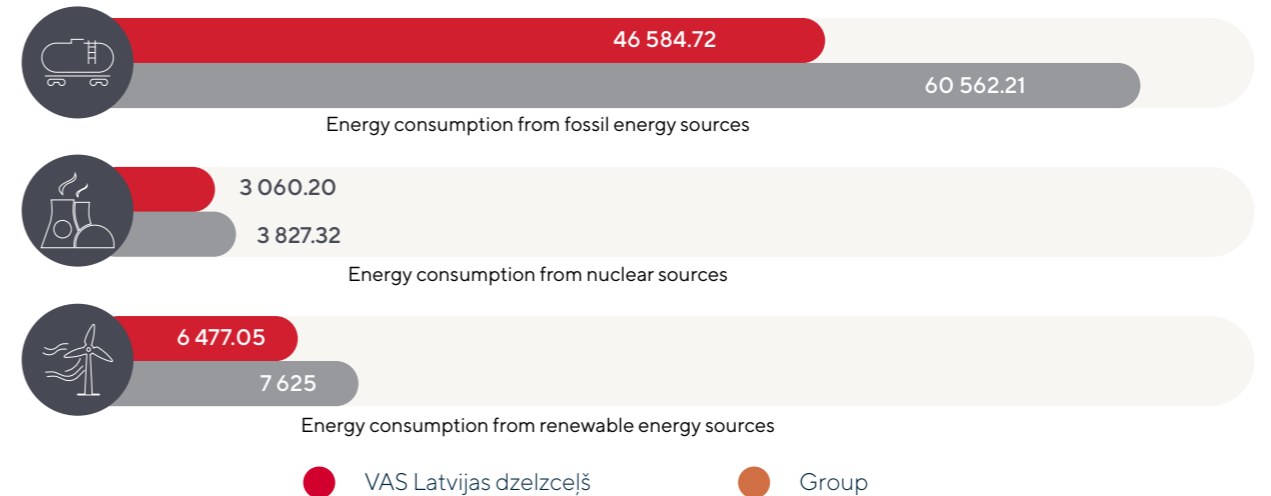
2024***	VAS Latvijas dzelzceļš	Group
<b>Total energy consumption from fossil energy sources**</b>	<b>46 584.72</b>	<b>60 562.21</b>
Share of fossil sources in total energy consumption (%)	83%	84%
<b>Total energy consumption from nuclear sources**</b>	<b>3 060.20</b>	<b>3 827.32</b>
Share of consumption from nuclear sources in total energy consumption (%)	5%	5%
<b>Total energy consumption from renewable sources disaggregated by**:</b>	<b>6 477.05</b>	<b>7 625</b>
fuel consumption from renewable sources	2 557	2723
consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	3 860.50	4 828.24
consumption of self-generated non-fuel renewable energy	59.21	73.27
Share of renewable sources in total energy consumption (%)	12%	11%
<b>Total energy consumption, MWh</b>	<b>56 121.96</b>	<b>72 014.44</b>

\* According to data obtained from information recorded in the Group's resource management system SAP; data is not verified but is obtained within the framework of the energy management system, which is certified according to the ISO 50001 standard and recertified according to this standard every three years, with an independent monitoring audit in between

\*\* Calculated using 2023 data on the origin of uncertified electricity supplied, taking into account that data for 2024 is not yet available at the date of this Report<sup>63</sup>

\*\*\* The total energy consumption table includes data on electricity and heat consumption but excludes data on fuel consumption for transport. Similarly, the Group does not include consumption of cold and steam energy, as this type of energy use is not specific to the Group's activities.

<sup>63</sup> <https://latvenergo.lv/lv/par-mums/tirdznieciba>



Group companies are active in the transport sector, which has a material impact on the climate. High climate impact sectors are those listed in NACE Sections A to H and Section L (as defined in Commission Delegated Regulation (EU) 2022/1288). According to the NACE Rev. classification of economic activities, the activities of the Group companies correspond to the following NACE sections and codes:

- VAS Latvijas dzelzceļš - NACE 52.21 - Service activities incidental to land transport (Section H - Transportation and storage);
- SIA LDZ CARGO - NACE 49.20 - Freight rail transport (Section H - Transportation and storage);
- SIA LDZ ritošā sastāva serviss - NACE 30.2 - Manufacture of railway locomotives and rolling stock and NACE 33.17 - Maintenance and repair of other transport equipment (Section C - Manufacturing);
- SIA LDZ apsardze, which provides security services, SIA LDZ Loģistika, which is responsible for planning and organising logistics services, and AS LatRailNet, which is responsible for developing and applying methodologies related to train traffic and charging for public use railway infrastructure, do not generate/consume significant energy resources and do not have a material impact on the climate.



The following is the Group energy consumption by high climate impact sectors\*:

	NACE 52.21 – Service activities incidental to land transportation VAS Latvijas dzelzceļš	NACE 30.2 – Manufacture of railway locomotives and rolling stock; NACE 33.17 – Repair and maintenance of other transport equipment SIA LDZ ritošā sastāva serviss	NACE 49.20 – Freight rail transport SIA LDZ CARGO
<b>Total fuel consumption from fossil energy sources**</b>	<b>46 584.72</b>	<b>13065.11</b>	<b>635.72</b>
Share of fossil sources in total energy consumption (%)	83%	89%	78%
fuel consumption from coal and coal products	467.18	176.96	-
fuel consumption from crude oil and petroleum products	-	154.48	-
fuel consumption from natural gas	3 227.19	7 351.89	-
fuel consumption from other fossil sources	3 497.11	-	-
consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources	39 393.24	5 381.78	635.72
<b>Energy consumption from nuclear sources**, MWh</b>	<b>3 060.20</b>	<b>674.57</b>	<b>77.15</b>
Share of consumption from nuclear sources in total energy consumption (%)	5%	5%	10%
<b>Total energy consumption from renewable sources, MWh**</b>	<b>6 477.05</b>	<b>1 017.04</b>	<b>97.32</b>
Share of renewable sources in total energy consumption (%)	12%	7%	12%
<b>Total energy consumption, MWh</b>	<b>56 121.96</b>	<b>14 756.73</b>	<b>810.18</b>
<b>Net revenue, EUR thousand</b>	<b>129 087.89</b>	<b>44 324.03</b>	<b>100 364.87</b>
<b>Energy intensity (total energy consumption per net revenue according to the ESRS formula), MWh/EUR thousand</b>	<b>0.43</b>	<b>0.33</b>	<b>0.01</b>
<b>The Group's total net revenue, EUR thousand (as reported in the consolidated financial statements)***</b>		<b>233 737.51</b>	

\* According to data obtained from information recorded in the Group's resource management system SAP; data is not verified but is obtained within the framework of the energy management system, which is certified according to the ISO 50001 standard and recertified according to this standard every three years, with an independent monitoring audit in between

\*\* Calculated using 2023 data on the origin of uncertified electricity supplied, taking into account that data for 2024 is not yet available at the date of this Report<sup>64</sup>

\*\*\* The Group's total net revenue also includes the revenue of SIA LDZ Loģistika, SIA LDZ apsardze and AS LatRailNet, the energy consumption of which is not considered in this table, as the activities of these companies do not have a material impact on the climate.

<sup>64</sup> <https://latvenergo.lv/lv/par-mums/tirdznieciba>



### GHG emissions caused by the Group

As indicated on [pages 94 to 95](#), LDz has set 2022 as the base year for GHG emissions for the purpose of calculating the Group's emissions and setting targets. The base year for the Group's emissions calculation will be 2024. Work has also started on the Scope 3 emissions calculation (starting at the end of 2024), but this has not been finalised and is not yet included in this report.

GHG emissions are calculated according to the GHG Protocol methodology<sup>65</sup>, taking into account all GHGs covered by the GHG Protocol. An external consultant was engaged to develop the methodology and to calculate the emissions for the years 2021 and 2022, and to develop the approach for the use of the methodology for LDz.

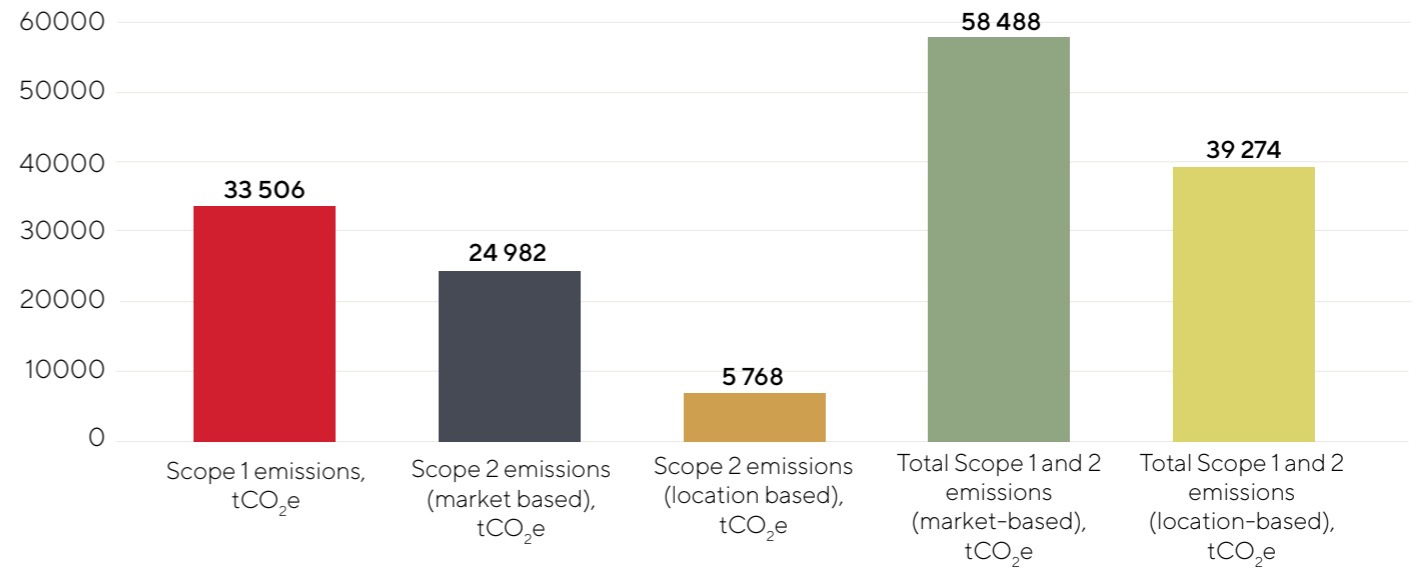
The emissions calculation takes into account emission factors from the following databases or external sources, including Global Warming Potential (GWP) indicators:

- Scope 1 emissions, including emissions from stationary and mobile installations and various processes, are calculated using emission factors from the DEFRA database<sup>66</sup>;
- For calculating scope 2 emissions:
  - For electricity purchased from the grid, the Association of Issuing Bodies (AIB) data for the relevant year was used<sup>67</sup>;
  - For district heating, given the limitations of obtaining data on emission sources from heat suppliers, the conservative value from the Cabinet of Ministers Regulation No 222<sup>68</sup> was used, which reflects the emission factor of heat produced from non-renewable energy sources (264 gCO<sub>2</sub>e/kWh).

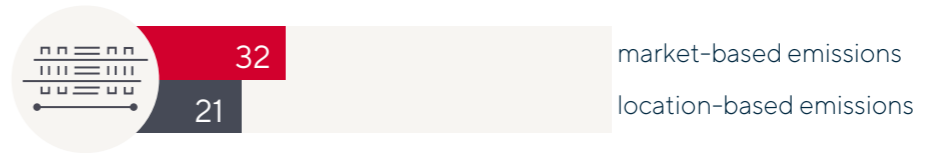
The GHG emissions calculation tool developed by an external consultant was used to calculate 2024 GHG emissions at the LDz and Group level. The results of the LDz GHG emissions calculations for the years 2021 to 2024 are summarised in the table on [page 104](#). Note that in 2022 LDz changed the accounting of energy consumption in SAP, so that the 2021 data are not directly comparable with future years due to the different level of detail. Therefore, 2022 has been set as the base year for further calculations, target setting and progress measurement.

<sup>65</sup> <https://ghgprotocol.org/sites/default/files/standards/ghg-protocol-revised.pdf>  
<sup>66</sup> <https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2024>  
<sup>67</sup> <https://www.aib-net.org/facts/european-residual-mix>  
<sup>68</sup> <https://likumi.lv/ta/id/322436-eku-energoefektivitates-aprekinu-metodes-un-eku-energosertifikacijas-noteikumi>

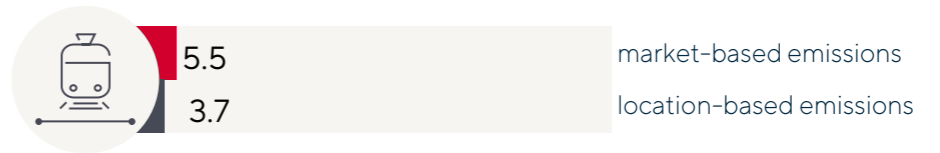
### GHG emissions caused by the Group in 2024



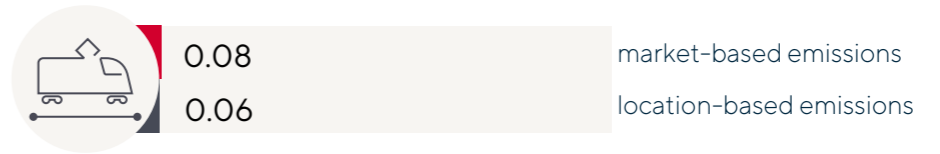
#### GHG emissions per operating length of railway lines, tCO<sub>2</sub>e/km



#### GHG emissions per train-km, tCO<sub>2</sub>e/thousand t-km



#### GHG emissions per passenger-km, tCO<sub>2</sub>e/thousand p-km





Results of the GHG emissions calculation of VAS Latvijas dzelzceļš and the Group

Gross Scopes 1, 2, 3 and total GHG emissions, tCO<sub>2</sub>eq\*\*\*

	VAS Latvijas dzelzceļš					Group		
	2021	2022 (base year)	2023	2024	2024 versus 2022	2023	2024 (base year)	2024 versus 2023**
Gross Scope 1 GHG emissions, tCO <sub>2</sub> eq	7 114	6 848	7 044	6 875	0%	44 958	33 506	-25%
Gross market-based Scope 2 GHG emissions, tCO <sub>2</sub> eq	15 464	19 954	20 267	20 730	4%	23 906	24 982	4%
Gross location-based Scope 2 GHG emissions, tCO <sub>2</sub> eq	7 654	5 491	5 383	5 368	-2%	5 708	5 768	1%
Significant gross Scope 3 GHG emissions*, tCO <sub>2</sub> eq	-	-	-	-	-	-	-	-
Total GHG emissions (market-based), tCO <sub>2</sub> eq	22 579	2 6801	2 7311	27 605	3%	68 864	58 488	-15%
Total GHG emissions (location-based), tCO <sub>2</sub> eq	14 769	12 338	12 427	12 243	-1%	50 666	39 274	-22%
<b>GHG Intensity based on net revenue</b>								
Net revenue used to calculate GHG intensity**, EUR thousand (as reported in the consolidated financial statements)	157,700	153,158	165,410	129,088		263,529	233,737	
Total GHG emissions (market-based) per net revenue, tCO <sub>2</sub> eq/EUR thousand	0,14	0,17	0,17	0,21		0,26	0,25	
Total GHG emissions (location-based) per net revenue, tCO <sub>2</sub> eq/EUR thousand	0,09	0,08	0,08	0,09		0,19	0,17	

In addition to the mandatory indicators, LDz has also calculated the emission intensity in relation to industry-specific indicators - kilometres of track and annual train-kilometres, as well as passenger-kilometres, taking into account the growing passenger traffic.

\* Scope 3 emissions are planned to be determined in the next stage of calculations

\*\* The Group's emissions base year is 2024, but this report also includes 2023 GHG emissions for comparability

\*\*\* Data not externally verified



GHG intensity based on specific metrics

	VAS Latvijas dzelzceļš			Group		
	2021	2022	2023	2024	2023	2024
Operating length of railway lines used to calculate GHG intensity, km	1 859	1 865	1 831	<b>1 831</b>	1 831	<b>1 831</b>
Total GHG emissions (market-based) per operating length of railway lines, tCO <sub>2</sub> eq	12	15	15	<b>14</b>	38	<b>32</b>
Total GHG emissions (location-based) per operating length of railway lines, tCO <sub>2</sub> eq	8	7	7	<b>7</b>	28	<b>21</b>
Thousand train-kilometres used to calculate GHG intensity	11 131	11 206	10 230	<b>10 581</b>	10 230	<b>10 581</b>
Total GHG emissions (market-based) per train-kilometre, tCO <sub>2</sub> eq/thousand t-km	2,0	2,4	2,7	<b>2,6</b>	6,7	<b>5,5</b>
Total GHG emissions (location-based) per train-kilometre, tCO <sub>2</sub> eq/thousand t-km	1,3	1,1	1,2	<b>1,2</b>	5,0	<b>3,7</b>
Thousand passenger-kilometres used to calculate GHG intensity	361 000	541 000	612 000	<b>694 000</b>	612 000	<b>694 000</b>
Total GHG emissions (market-based) per passenger-kilometre, tCO <sub>2</sub> eq/thousand p-km	0,06	0,05	0,04	<b>0,04</b>	0,11	<b>0,08</b>
Total GHG emissions (location-based) per passenger-kilometre, tCO <sub>2</sub> eq/thousand p-km	0,04	0,02	0,02	<b>0,02</b>	0,08	<b>0,06</b>



### Anticipated financial effects from climate change drivers

The Group, in line with the requirements of the European Sustainability Reporting Standard (EU) 2023/2772 (ESRS), uses a phase-in approach to disclosure for E1-9 *Anticipated financial effects from climate change drivers*, disclosing mainly qualitative information in this reporting year.

Given that natural phenomena such as storms and strong wind gusts (often accompanied by hail or heavy rain) have become more frequent in Latvia in recent years, they can have a material impact on train traffic and punctuality, as well as on the condition of infrastructure. Tree branches and objects blown onto the tracks, trees falling on the overhead contact line and flooding of the tracks have a significant impact on the railway infrastructure and its use. Rail operations are also affected by erratic winter weather conditions - rapid temperature changes can disrupt signalling, traffic lights, points and other equipment, causing delays to train services. Snowfall affects drivers' visibility. And in summer, heat waves have an impact on the track structure, which can deform, posing a risk to rail traffic, where safety is always an absolute priority.

The storm and heavy rainfall on 29 July 2024 caused significant damage to the railway infrastructure, particularly to two electrified lines in central Latvia - the Jelgava and Tukums lines - which are widely used for passenger transport. Train services were suspended on both lines during the storm and heavy rains. On the Jelgava line section Olaine- Jelgava, the storm and heavy rains caused extensive damage to the railway infrastructure, the overhead contact line and its supports were damaged, and falling trees throughout the day prevented the restoration of train services. On the Tukums line section Dubulti - Tukums II, dozens of trees fell during the storm, causing significant damage to the overhead contact line.

More than 350 LDz employees from all regions of Latvia were involved in removing trees from tracks and overhead contact lines, restoring damaged overhead contact lines and their elements, pumping water from flooded tracks and other measures to restore train traffic as soon as possible.

A similar situation was experienced in 2023, when an August storm in the Zemgale region also caused severe damage to the railway infrastructure. Such cases are related both to rail safety and to losses caused by trains not running on time (or at all), but for LDz they are direct losses due to the provision of infrastructure repair works (additional labour costs, including outside normal working hours, materials, transport and other costs related to restoring the infrastructure to working order).

The estimated financial cost of extreme weather events (storms, hail, rainfall, etc.) in 2024 was EUR 402 041.46 (EUR 109 335.73 in 2023). In 2024, financial losses amounting to EUR 298 022.63 were prevented and recognized as expenses, while the remaining work is planned to be carried out in 2025.

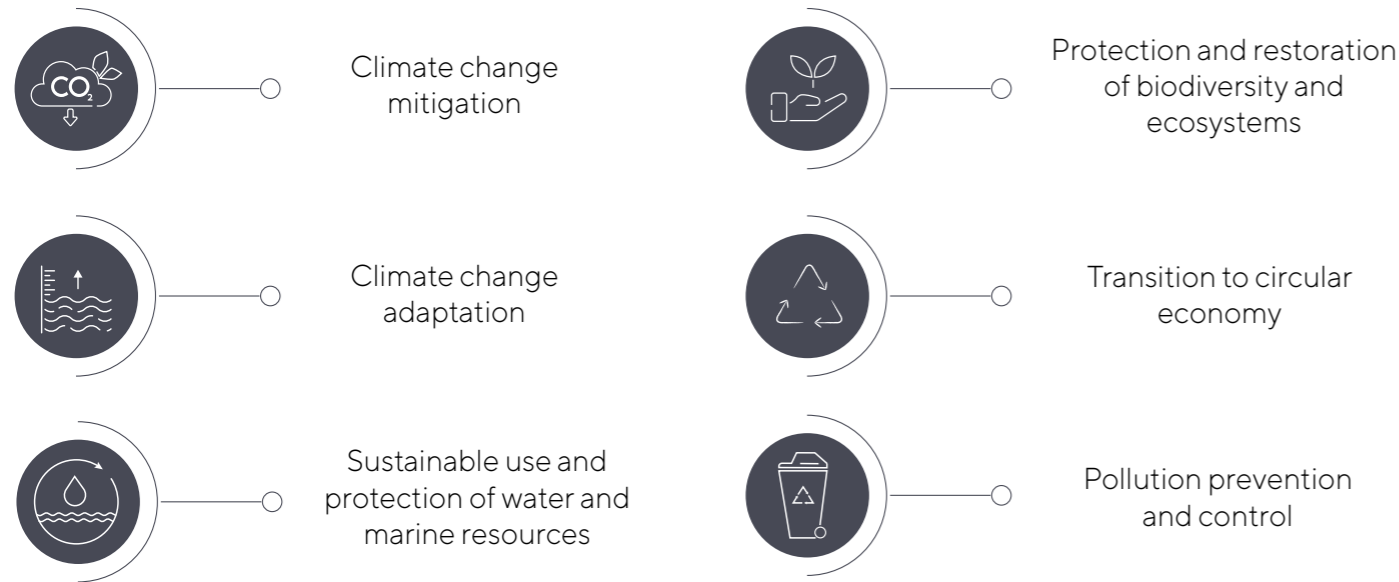
According to the forecasts of the experts of the Latvian Environmental, Geological and Meteorological Centre, such events are expected to become more frequent in the coming years, therefore LDz is taking measures to ensure a more efficient and faster response in emergency situations and to prepare for emergency works in time in case of warnings of higher severity weather conditions. In future, climate risks will be assessed in more detail when planning new infrastructure projects or upgrading existing facilities, so that solutions that are more resilient to extreme weather events can be incorporated in good time.

In accordance with ESRS criteria, information on carbon offsetting mechanisms and internal carbon pricing is not presented in this report as LDz does not use such mechanisms.

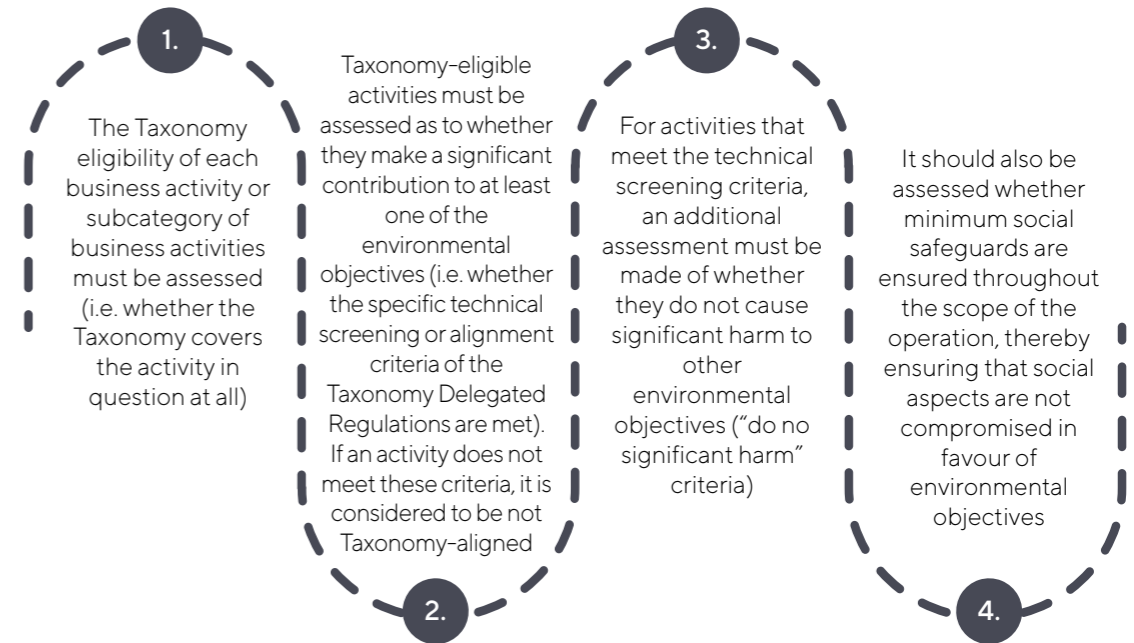


### EU TAXONOMY DISCLOSURES

In order to promote more sustainable business operations across sectors and investment in more environmentally sustainable assets, technologies and solutions, Regulation (EU) 2020/852 or the EU Taxonomy Regulation was approved in the European Union in 2020. It contains six environmental objectives and actions to contribute to achieving them:



On the basis of the Regulation, a number of delegated Regulations have been adopted by the European Commission detailing the actions that contribute to achieving these environmental objectives. In order to claim that an economic activity complies with the Taxonomy Regulation, companies must follow a sequence of steps:



Only if an activity meets all of these criteria can it be deemed to be Taxonomy-aligned.

Companies that are required to publish a sustainability statement under the Corporate Sustainability Reporting Directive and the European Sustainability Reporting Standards are also required to disclose information on their alignment with the Taxonomy. In view of this, the preparation of the Taxonomy Disclosures is also binding for Latvijas dzelzceļš Group.



## Compliance with Taxonomy Alignment

In order to assess the operations against the Taxonomy Regulation, VAS Latvijas dzelzceļš developed in 2023 and updated in 2024 the Guidelines for Taxonomy Assessment at Latvijas dzelzceļš Group (the current version approved by the LDz Management Board on 12 March 2024). The Guidelines summarise information on the approach to assessing Taxonomy-alignment of the Group in relation to the Group companies' operating expenses, turnover indicators and capital expenditure, and identify the areas and criteria of Taxonomy that are potentially most relevant to the LDz Group's operations. In September 2023 and May 2024, several training sessions on the nature, practical application, purpose, and application of the Taxonomy in the LDz Group's operations were organised for the Group's specialists, in particular experts involved in finance and accounting, as well as investment planning. Initially, the Taxonomy assessment process was applied to investment planning (capital expenditure) by adjusting the application forms for development and renewal projects to include the need to assess the project's compliance with the technical screening criteria and other related requirements. The assessment of the Taxonomy at the end of 2023 was taken into account in the preparation of the LDz Medium-Term Investment Plan 2024-2028, recording the eligibility and, consequently, the alignment with the Taxonomy of each planned investment project.

In 2024, the Taxonomy assessment has also been applied to the accounting of operating expenditure and turnover, assessing Taxonomy eligibility and alignment by activity (including alignment with technical screening criteria and other Taxonomy requirements).

In accordance with the assessment carried out at the time of the development of the Guidelines, the criteria primarily relevant to the activities of the LDz Group are disclosed on the following pages.





Type of activity according to the classification of the Taxonomy Regulation	Group company to which the activity relates	Taxonomy-eligible activities	Taxonomy-aligned activities
<b>ENVIRONMENTAL OBJECTIVE: CLIMATE CHANGE MITIGATION</b>			
<p>Infrastructure for rail transport (Commission Delegated Regulation (EU) 2021/2139; criterion CCM 6.14)</p>	<p>VAS Latvijas dzelzceļš</p>	<p>Maintenance, modernisation and development of railway infrastructure for public use in accordance with the European Union guidelines, transport policy planning documents of the Republic of Latvia and the medium-term operational strategy of VAS Latvijas dzelzceļš.</p>	<p>Currently, the maintenance, modernisation and development of all railway infrastructure in public use is considered aligned, as according to the Taxonomy Technical Screening Criteria (a) electrified railway infrastructure, (b) infrastructure that is expected to be electrified in the coming years and (c) other railway infrastructure by 2030 is also considered aligned. Infrastructure designed to facilitate the transfer of passengers and freight between modes (passenger stations and stopping points, freight terminals) is also considered aligned. Although the electrification of Latvia's public railway infrastructure is relatively low (14% of the total network), under these conditions, the rest of the railway infrastructure is also to be considered aligned under the Taxonomy criteria by 2030, as it promotes the use of a more environmentally and climate-friendly mode of transport (rail) as opposed to road transport.</p> <p>The Taxonomy criteria also stipulate that only rail infrastructure that is not designed for the transport of fossil fuels should be considered aligned. The infrastructure managed by LDz also carries fossil freight, but according to the March 2020 report of the Taxonomy authors - technical expert group and its technical annex<sup>69</sup> this criterion essentially means that the infrastructure was not built or acquired with an explicit intention of carrying fossil freight on it. A similar explanation is also provided in Commission Communication C/2023/267 on the interpretation of the Taxonomy Criteria<sup>70</sup>. The Latvian rail network is not built or maintained for this purpose - it also carries other types of freight and passengers (and passenger volumes have become clearly dominant in recent years). Thus, this criterion of the Taxonomy is therefore also considered to be fulfilled, and the management of the infrastructure as a whole meets the requirements of the Taxonomy.</p>
<p>Freight rail transport (Commission Delegated Regulation (EU) 2021/2139; criterion CCM 6.2)</p>	<p>SIA LDZ CARGO</p>	<p>All freight transport within the Group on the Latvian railway network and related activities (loading, unloading, shunting, etc.) to the extent that they are performed or organised by the Group company and result in expenses or income.</p>	<p>As the Taxonomy stipulates that only freight transport conducted on emission-free traction (electric locomotives or other alternatives with no direct CO<sub>2</sub> emissions) can be considered aligned, as well as only if no fossil-based freight is transported, it is considered that the LDz Group has no aligned activities in this section. As the Group only transports freight with diesel locomotives, even when non-fossil freight is transported (e.g. grain, wood chips, containers of various goods), this activity cannot be considered Taxonomy-aligned, as the goods are also transported with diesel locomotives. Under expenditure (operating expenditure or capital expenditure), the purchase and maintenance of non-fossil freight wagons that can potentially be leased to other carriers that can transport them by electric traction or may in the future be transported by electric traction in Latvia, may be considered aligned.</p>

<sup>69</sup> [https://finance.ec.europa.eu/system/files/2020-03/200309-sustainable-finance-teg-final-report-taxonomy-annexes\\_en.pdf](https://finance.ec.europa.eu/system/files/2020-03/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf)

<sup>70</sup> [https://eur-lex.europa.eu/legal-content/LV/TXT/PDF/?uri=OJ:C\\_202300267](https://eur-lex.europa.eu/legal-content/LV/TXT/PDF/?uri=OJ:C_202300267)



Type of activity according to the classification of the Taxonomy Regulation	Group company to which the activity relates	Taxonomy-eligible activities	Taxonomy-aligned activities
<b>ENVIRONMENTAL OBJECTIVE: CLIMATE CHANGE MITIGATION</b>			
<p>Manufacture of rail rolling stock constituents (Commission Delegated Regulation (EU) 2023/2485; criterion CCM 3.19)</p>	<p>SIA LDZ ritošā sastāva serviss</p>	<p>As this section of the Taxonomy covers not only the manufacture of rolling stock, but also various types of repairs, replacement of parts, etc., carried out by SIA LDZ ritošā sastāva serviss, it is considered to be relevant to the Group's activities. All repair and related production process activities carried out by a particular Group company as part of routine repairs, overhauls, maintenance and modernisation of locomotives are therefore considered to be eligible activities.</p>	<p>Only activities related to the repair of non-emission locomotives, passenger cars and/or freight wagons of non-fossil origin shall be considered as Taxonomy-aligned. SIA LDZ ritošā sastāva serviss does not carry out repairs of passenger trains and wagons. As regards freight locomotives, as mentioned above, only diesel locomotives are used in Latvia, the repairs of which are provided by the Group company but do not meet the Taxonomy criteria. In the freight wagons segment, repairs are carried out on both fossil and non-fossil freight wagons. Thus, only the part of the Group's business that is related to the repair of non-fossil freight wagons (e.g. grain wagons) is considered to be Taxonomy-aligned. SIA LDZ ritošā sastāva serviss has developed a methodology for separating these costs and revenues from the overall financial figures and reporting them accordingly in the Taxonomy accounting.</p>
<p>Transmission and distribution of electricity (Commission Delegated Regulation (EU) 2021/2139; criterion CCM 4.9)</p>	<p>VAS Latvijas dzelzceļš</p>	<p>The maintenance of electricity transmission and distribution networks is considered to be Taxonomy-eligible. VAS Latvijas dzelzceļš manages an extensive electricity distribution network throughout Latvia, including supplying electricity not only to the railway infrastructure (including carriers), but also to a large number of Municipal and legal customers - mainly in the immediate vicinity of the railway infrastructure. The costs and revenues related to this activity are therefore Taxonomy-eligible.</p>	<p>An electricity transmission and distribution system in which at least 67% of electricity comes from renewable energy sources is considered to be Taxonomy-aligned. Given that LDz produces virtually no electricity (some exceptions related to solar panels installed on some of the Group's facilities in recent years), the electricity supplied to customers is purchased from other energy producers. LDz does not have a green power purchase agreement and, according to the confirmation received from the electricity trader in 2023, in such a case the total amount of electricity would have been around 78% fossil energy. (Data for 2024 are not yet available during the preparation of this Report).</p>
<p>Acquisition and ownership of buildings (Commission Delegated Regulation (EU) 2021/2139; criterion CCM 7.7)</p>	<p>VAS Latvijas dzelzceļš</p>	<p>LDz owns and manages a large number of real estate assets, including administrative and industrial buildings as well as various engineering structures. Some of the buildings are also rented out to external tenants, so the expenses and income related to the maintenance of the buildings are also Taxonomy-eligible.</p>	<p>As it is considered that Taxonomy-aligned are highly energy-efficient buildings with class A energy performance certificates or those belonging to the 15% of the country's most energy-efficient buildings are considered to be eligible, and the buildings managed by LDz are historic and have not undergone major investments in their energy efficiency, the expenditure and revenue related to the buildings do not meet the Taxonomy criteria.</p>



Type of activity according to the classification of the Taxonomy Regulation	Group company to which the activity relates	Taxonomy-eligible activities	Taxonomy-aligned activities
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**ENVIRONMENTAL OBJECTIVE: TRANSITION TO CIRCULAR ECONOMY**

Preparation for re-use of end-of-life products and product components (Commission Delegated Regulation (EU) 2023/2486; criterion CE 5.3)	SIA LDZ ritošā sastāva serviss	This activity includes all activities where SIA LDZ ritošā sastāva serviss refurbishes existing components (e.g. wheelsets and other components) instead of purchasing new parts for the purpose of repairing locomotives and wagons.	All activities where such parts are refurbished and reused within the Group (e.g. in the rolling stock used by SIA LDZ CARGO) or the refurbished parts are sold on the market to companies outside the Group are considered to align with the Taxonomy criteria, as the longevity of such parts is ensured and the need to produce new parts is reduced.
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**ENVIRONMENTAL OBJECTIVE: POLLUTION PREVENTION AND CONTROL**

Remediation of contaminated sites and areas (Commission Delegated Regulation (EU) 2023/2486; criterion PPC 2.4)	VAS Latvijas dzelzceļš SIA LDZ ritošā sastāva serviss SIA LDZ CARGO	The Group manages sites with historical contamination (from the Soviet period) that are subject to ongoing monitoring and/or, in specific areas, investigation and remediation work. (For more details on historical contamination, see <a href="#">page 120</a> of this Report.) Accordingly, all pollution control and abatement activities and associated costs are Taxonomy-eligible (no revenue is generated from these activities).	All costs related to groundwater monitoring, investigations and/or remediation of contaminated sites are Taxonomy-aligned and in line with this environmental objective.
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CCM - Climate Change Mitigation  
 CE - Transition to Circular Economy  
 PPC - Pollution Prevention and Control



In addition to the above-mentioned Taxonomy sections specific to LDz, in certain cases (mainly in relation to CapEx) LDz may have activities that are eligible and aligned with the following environmental objective sections of the Commission Delegated Regulation (EU) 2021/2139 on climate change mitigation:

- 4.24. Production of heat/cold from bioenergy (LDz produces part of the heat used in the Group's operations in its own boiler houses, using either biomass or fossil resources. Part of the heat produced is also sold to external tenants of LDz premises. Depending on the energy source used, the activity is considered either Taxonomy-aligned or merely Taxonomy-eligible);
- 6.5. Transport by motorbikes, passenger cars and light commercial vehicles (Group companies maintain and periodically renew their fleet of vehicles, ensuring the acquisition and maintenance of the vehicles necessary for the work. As the Group has virtually no zero-emission or ultra-low emission vehicles, most of the related costs are attributable as Taxonomy-eligible but not Taxonomy-aligned);
- 7.3. Installation, maintenance and repair of energy efficiency equipment (LDz periodically carries out building insulation, window, door replacement, etc. works that help to improve the energy efficiency of the buildings. Such CapEx is included in the Taxonomy-eligible and Taxonomy-aligned indicators);
- 7.6. Installation of renewable energy technologies (Group companies have installed solar panels on a number of sites in recent years, including 2024, which meet the Taxonomy criteria);
- 8.1. Data Centres (The Group and its counterparties maintain their own data centres for the purpose of providing the necessary information systems. However, their energy efficiency requirements do not meet the Taxonomy criteria, so the activity is considered to be Taxonomy-eligible but not Taxonomy-aligned).

### Compliance with the 'Do No Significant Harm' criteria

The most relevant "do not significant harm" criteria related to the LDz-specific sections of the Taxonomy are:

- Climate risk assessment and consideration in operational planning and implementation (in 2024, LDz conducted a climate risk assessment for the first time across its areas of operation and has begun gradually applying it in the implementation of infrastructure projects, as well as incorporating it into daily work planning—for example, by regularly monitoring short- and medium-term weather forecasts and accordingly mobilizing the workforce to mitigate potential weather-related impacts. For more details on climate risk assessment, see [pages 91-93](#));
- Protecting water resources;
- Ensuring biodiversity protection;
- Pollution prevention in relation to LDz's activities;
- Respect for circular economy principles - mainly for construction waste in infrastructure projects.

These criteria are met in one of two ways:



Prior to the implementation of all infrastructure development projects, an initial environmental impact assessment or a full environmental impact assessment is carried out, during which the responsible authorities indicate the measures to be taken to ensure the achievement of the above environmental objectives and LDz includes them in the project implementation requirements;



As part of daily maintenance and refurbishment activities, as well as other activities, environmental protection, including all the above aspects, is ensured through compliance with ISO 14001 certified systems, which are regularly monitored, as well as annual surveillance and recertification audits to ensure that the system is effective.



### Compliance with minimum social safeguards

Compliance with minimum social safeguards in all Taxonomy-related activities (as well as in all other Group activities) is ensured by the Group's policies, which cover:

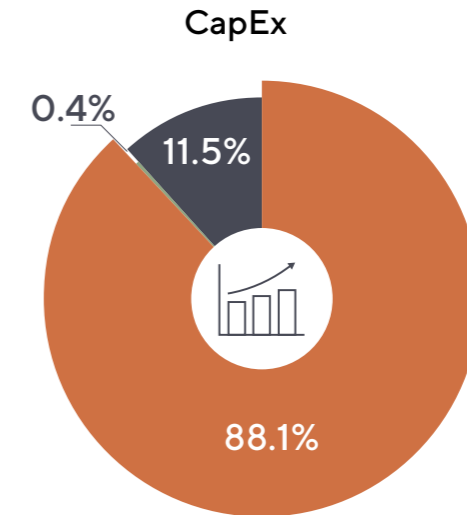
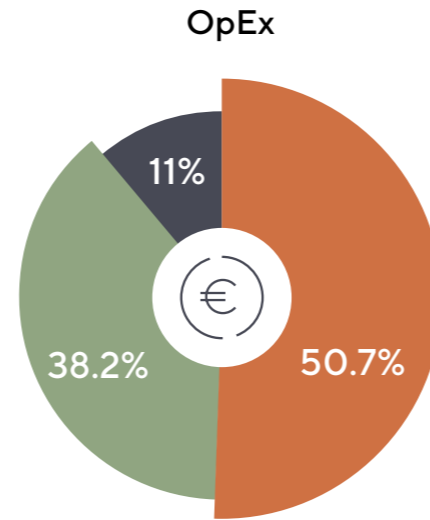
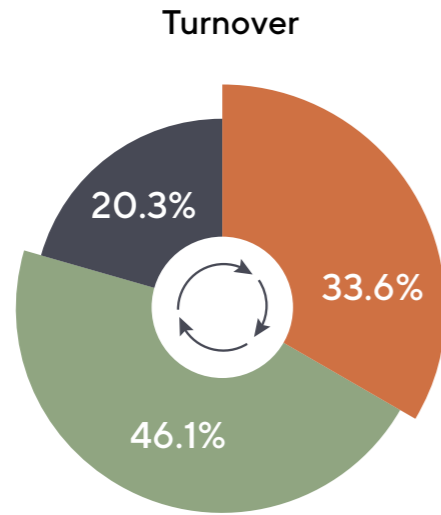
- the Fundamental Principles of Ethics (see [pages 143](#) and [192](#) for details of the Group's Code of Ethics);
- Basic principles of business ethics of the Latvijas dzelzceļš Group's cooperation partners (see [pages 161](#) and [194](#) for details);
- Anti-corruption measures (see [page 192](#) for more details);
- Occupational safety requirements (see [page 143](#) for details);
- The basic principles of traffic safety as well as the requirements not only for the Group's employees but also for business partners working in close proximity to railway infrastructure (see [pages 161](#) and [176](#) for more details).

### Taxonomy disclosures

In line with the assessment described above, the Group's Taxonomy indicators are summarised in three data tables:

1. Breakdown of **OpEx** according to eligible Taxonomy headings and their criteria. The data is derived from the Group companies' records in SAP by allocating expenses (excluding CapEx and depreciation of tangible assets) to the activities described in the Taxonomy and, where necessary, distinguishing within an activity (a) expenses that are Taxonomy-aligned and (b) expenses that are Taxonomy-eligible but not Taxonomy-aligned. On consolidation, intra-group expenses have been eliminated, with only those expenses arising from payments to suppliers and business partners outside the Group being allocated;
1. Breakdown of **turnover** according to eligible Taxonomy headings and their criteria. The data are derived from the Group companies' records in SAP by allocating revenue from external customers to the activities described in the Taxonomy and, where necessary, distinguishing within an activity (a) revenue that is Taxonomy-aligned and (b) revenue that is Taxonomy-eligible but not Taxonomy-aligned. On consolidation, intra-group revenue has been eliminated by allocating only revenue received from customers outside the Group;
1. Breakdown of **CapEx** according to eligible Taxonomy headings and their criteria. Unlike OpEx and turnover, CapEx are assessed at project level by determining their classification and relevance to a specific Taxonomy section and aggregating the projects under the relevant Taxonomy sections in the CapEx table. In 2024, the majority of the Group's capital expenditure was made in the development and renewal of public railway infrastructure (including renewal of tracks, level crossings, passenger stations and stopping point equipment, etc., modernisation of passenger infrastructure to accommodate new electric trains of AS Pasažieru vilciens, increase of train speed, etc.). Some capital expenditure has also been made in the insulation of buildings, the installation of solar panels on certain sites and the conversion of heat from fossil to biomass sources.

The Taxonomy figures presented in the tables do not include a comparison with the previous financial year (2023), as the data have not been analysed in this way before. From 2025 onwards, the data will be compared on an annual basis.



Taxonomy-aligned activities (A.1)

Taxonomy-eligible but not Taxonomy-aligned activities (A.2)

Taxonomy-non-eligible activities (B)

A significant part of the Group's turnover is generated by diesel freight transport, as well as fuel sales to external partners for diesel freight and passenger transport by rail. Thus, a significant part of the Group's turnover is generated by Taxonomy-eligible but not Taxonomy-aligned activities. Also, a significant part of OpEx is related to the provision of freight transport. In contrast, in CapEx, the majority of investment projects are investments in rail transport infrastructure, which is a Taxonomy-aligned activity and contributes to climate change mitigation not only in the rail sector but in transport in general.



Proportion of turnover from products or services associated with Taxonomy-eligible economic activities – disclosure covering the year 2024

Economic activities (1)	Taxonomy code (-) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial Contribution criteria						DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, 2024 (18)	Taxonomy-aligned proportion of turnover, 2023 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		EUR	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	P
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																				
Infrastructure for rail transport	CCM 6.14.	77,908,585	33.3%	100%	0%	0%	0%	0%	0%		Yes	Yes	Yes	Yes	Yes	Yes	33.3%	N/A	E	
Manufacture of rail rolling stock constituents	CCM 3.19.	508,031	0.2%	100%	0%	0%	0%	0%	0%		Yes	Yes	Yes	Yes	Yes	Yes	0.2%	N/A	E	
Production of heat/cool from bioenergy	CCM 4.24.	28,635	0.0%	100%	0%	0%	0%	0%	0%		Yes	Yes	Yes	Yes	Yes	Yes	0.0%	N/A		
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>78,445,251</b>	<b>33.6%</b>	<b>33.6%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>								<b>33.6%</b>	<b>N/A</b>		
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																				
Freight rail transport	CCM 6.2.	88,649,226	37.9%																	
Passenger interurban rail transport (sale of fuel to a passenger carrier outside the Group)	CCM 6.1.	4,606,239	2.0%																	
Manufacture of rail rolling stock constituents	CCM 3.19.	4,283,855	1.8%																	
Transmission and distribution of electricity	CCM 4.9.	7,792,742	3.3%																	
Production of heat/cool	CCM 4.24.	16,897	0.0%																	
Acquisition and ownership of buildings	CCM 7.7.	2,432,720	1.0%																	
<b>Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>107,781,679</b>	<b>46.1%</b>																	
<b>TOTAL (A.1 + A.2)</b>		<b>186,226,930</b>	<b>79.7%</b>														<b>33.6%</b>	<b>33.5%</b>		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
Taxonomy-non-eligible activities		47,510,576	20.3%																	
<b>Turnover of Taxonomy-non-eligible activities (B)</b>		<b>47,510,576</b>	<b>20.3%</b>																	
<b>Total (A+B)</b>		<b>233,737,506</b>	<b>100.0%</b>																	



Proportion of OpEx from products or services associated with Taxonomy-eligible economic activities – disclosure covering the year 2024

Economic activities (1)	Taxonomy code (-) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial Contribution criteria						DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, 2024 (18)	Taxonomy-aligned proportion of turnover, 2023 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		EUR	%	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	P
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																				
Infrastructure for rail transport	CCM 6.14.	102,103,007	50.1%	100%	0%	0%	0%	0%	0%	0%	Yes	Yes	Yes	Yes	Yes	Yes	50.1%	N/A	E	
Freight rail transport	CCM 6.2.	492,846	0.2%	100%	0%	0%	0%	0%	0%	0%	Yes	N/A	Yes	Yes	N/A	Yes	0.2%	N/A		
Manufacture of rail rolling stock constituents	CCM 3.19.	421,295	0.2%	100%	0%	0%	0%	0%	0%	0%	Yes	Yes	Yes	Yes	Yes	Yes	0.2%	N/A	E	
Production of heat/cool from bioenergy	CCM 4.24.	209,335	0.1%	100%	0%	0%	0%	0%	0%	0%	Yes	Yes	N/A	Yes	Yes	Yes	0.1%	N/A		
Remediation of contaminated sites and areas	PPC 2.4.	104,987	0.1%	0%	0%	0%	0%	100%	0%	0%	Yes	Yes	Yes	Yes	Yes	Yes	0.1%	N/A		
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>103,331,470</b>	<b>50.7%</b>	<b>100%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>							<b>50.7%</b>	<b>N/A</b>		
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																				
Freight rail transport	CCM 6.2.	38,877,105	19.1%																	
Passenger interurban rail transport (sale of fuel to a passenger carrier outside the Group)	CCM 6.1.	4,162,275	2.0%																	
Manufacture of rail rolling stock constituents	CCM 3.19.	24,194,211	11.9%																	
Transmission and distribution of electricity	CCM 4.9.	7,513,869	3.7%																	
Production of heat/cool	CCM 4.24.	572,473	0.3%																	
Acquisition and ownership of buildings	CCM 7.7.	2,483,776	1.2%																	
Data processing, hosting and related activities	CCM 8.1.	105,141	0.1%																	
<b>OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>77,908,850</b>	<b>38.2%</b>																	
<b>TOTAL (A.1 + A.2)</b>		<b>181,240,320</b>	<b>89.0%</b>														<b>50.7%</b>	<b>50.3%</b>		
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
Taxonomy-non-eligible activities		22,490,509	11.0%																	
<b>OpEx of Taxonomy-non-eligible activities (B)</b>		<b>22,490,509</b>	<b>11.0%</b>																	
<b>Total (A+B)</b>		<b>203,730,829</b>	<b>100.0%</b>																	
Consolidation adjustments		206,360,461																		



Proportion of CapEx from products or services associated with Taxonomy-eligible economic activities – disclosure covering the year 2024

Economic activities (1)	Taxonomy code (-/+) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial Contribution criteria						DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, 2024 (18)	Taxonomy-aligned proportion of turnover, 2023 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		EUR	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	P
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																				
Infrastructure for rail transport	CCM 6.14.	53,976,756	87.5%	100%	0%	0%	0%	0%	0%		Yes	Yes	Yes	Yes	Yes	Yes	87.5%	N/A		E
Installation, maintenance and repair of renewable energy technologies	CCM7.6.	28,085	0.0%	100%	0%	0%	0%	0%	0%		Yes	Yes	Yes	Yes	Yes	Yes	0.0%	N/A		
Installation, maintenance, repair of energy efficiency equipment	CCM 7.3.	255,867	0.4%	100%	0%	0%	0%	0%	0%		Yes	Yes	Yes	Yes	Yes	Yes	0.4%	N/A		E
Production of heat/cool from bioenergy	CCM 4.24.	67,705	0.1%	100%	0%	0%	0%	0%	0%		Yes	Yes	Yes	Yes	Yes	Yes	0.1%	N/A		
<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>54,328,413</b>	<b>88.1%</b>	<b>100%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>								<b>88.1%</b>	<b>N/A</b>		
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																				
Manufacture of rail rolling stock constituents	CCM 3.19.	200,022	0.3%																	
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	51,021	0.1%																	
<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>251,043</b>	<b>0.4%</b>																	
<b>TOTAL (A.1 + A.2)</b>		<b>54,579,456</b>	<b>88.5%</b>														<b>88.1%</b>			<b>87.9%</b>
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
Taxonomy-non-eligible activities		7,119,557	11.5%																	
<b>CapEx of Taxonomy-non-eligible activities (B)</b>		<b>7,119,557</b>	<b>11.5%</b>																	
<b>Total (A+B)</b>		<b>61,699,012</b>	<b>100.0%</b>																	
Manual financial adjustments for consolidation		63,901,770																		

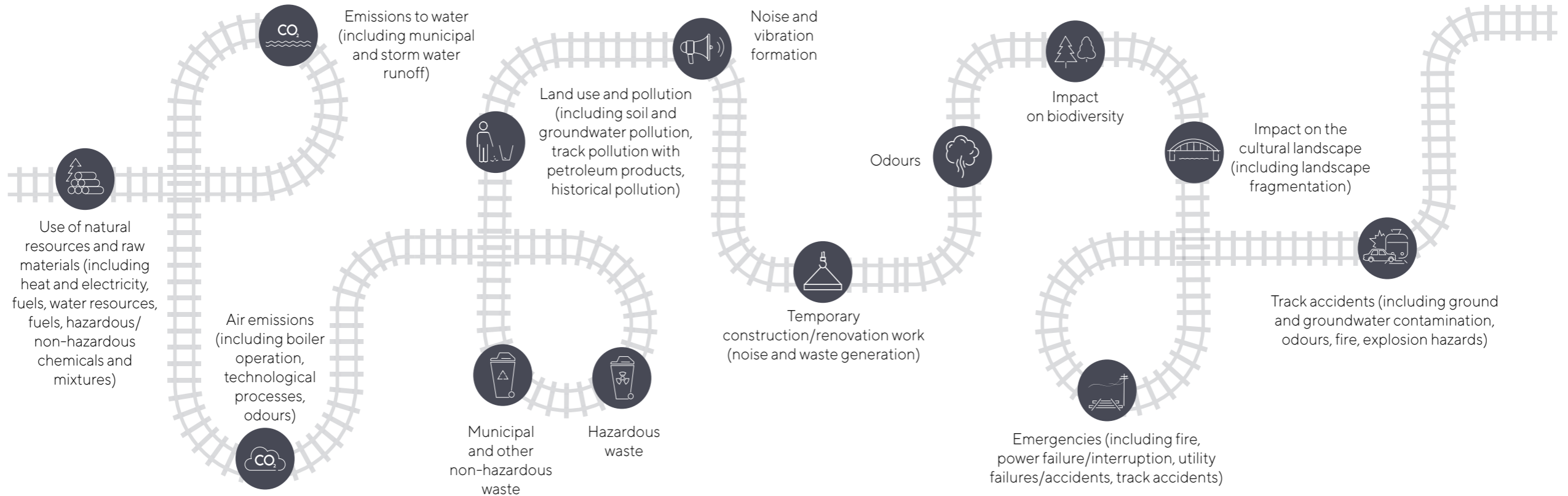


## POLLUTION

### Pollution-related impacts, risks, and opportunities

The Group has developed and approved procedures for identifying environmental aspects, assessing their relevance and documenting the process. This procedure is binding on all Group companies. In order to identify environmental aspects, the Group company first identifies its activities, products, and services, taking into account past, current, and planned activities, and identifying not only the company's core activity(ies) but also ancillary activities or activities related to the rest of the company's business.

Environmental aspects are identified for the Group company's activities, products or types of services and they include:





The environmental impacts and their significance are determined using a number of criteria - manifestation, legislative requirements, permanence/likelihood of impacts, significance of impacts - by assessing each criterion and recording the score in a table. The table below gives an example of an environmental assessment:

No	Environmental impact	Environmental aspect	Manifestation			Legislative requirements	Permanence/likelihood of impact	Importance of impact	Importance of the environmental aspect	Mitigation options/existing preventive measures	Notes
			Normal operation	Deviation	Emergency						
1	2	3	4	5	6	7	8	9	10	11	12
Property management (all buildings, including stations, stops, administration buildings, technological buildings, etc.)											
1	Resource use (example)	Electricity consumption (example)	x			1	4	2	8	...	...
2	Environmental pollution (example)	Oil pollution on tracks (example)		x		2	2	4	16	...	...
3	Environmental pollution (example)	Contamination of soil and groundwater (spillage of dangerous cargo) (example)			x	3	2	4	24	...	...



Historical pollution is one of the most important environmental aspects. It should be noted that the Latvian railway network was built in the mid-19th century and, objectively, most of the infrastructure was built and operated at a time when environmental protection and pollution issues were not a priority. Thus, LDz has inherited sites that were contaminated with petroleum products, especially during the Soviet period, and which are regularly monitored and, where necessary and possible, investigated and remediated.

In order to monitor the above-mentioned sites, LDz has established and maintains the Register of VAS Latvijas dzelzceļš Sites Contaminated with Petroleum Products (hereinafter - the Register). The Register contains 17 sites contaminated with petroleum products, most of which have accumulated historical contamination from the period before the restoration of independence of the Republic of Latvia. This is a major challenge, as historically contaminated sites have high levels of contamination, which spread into the ground, underground and surface waters, require specific and expensive technologies to remove, and the polluter no longer exists and there is no direct successor, so the *polluter-pays* principle cannot be applied.

Contaminated sites managed by LDz are classified as high, medium and low priority depending on the specific nature, extent and distribution of the contamination and the potential impact on the wider environment and public health.

- The highest priority is given to 8 contaminated sites - Višķi, Skrunda, Šķīrotava (two sites), Gulbene, Ķeipene, Krauja and Vagonu Parks, Rīga. Detailed investigations, remediation works and regular surveillance (monitoring) are carried out as far as possible at high priority sites.
- Medium priority is given to sites with relatively small volumes (up to 1 000 m<sup>2</sup>) of petroleum products stored and contained in closed tanks. There are 7 medium priority sites in the register.
- Low priority is given to sites with small volumes of petroleum products (up to 70 m<sup>2</sup>) stored and contained in closed tanks. There are 4 low priority sites on the register.





Some historically contaminated sites are also under the supervision of SIA LDZ ritošā sastāva serviss and SIA LDZ CARGO (these sites are located in Daugavpils, where active sorting of incoming cargo has historically taken place, as well as where locomotive and wagon repairs are mainly carried out).

Given the nature of historical contamination and the costs associated with its remediation, the inability to carry out remediation work in a context of limited funding is considered to be one of the greatest risks. To address this, LDz has been approaching the Ministry of Transport for a number of consecutive years to include the remediation of historical pollution in the priority measures of the state budget, but so far this has not materialised. Also in 2024, a letter has been sent asking to include the mitigation of historical pollution in the priority budget measures to be financed.

The historical pollution is not related to LDz's current operations or value chain.

As regards modern pollution in the Group companies' operations, this mainly relates to air pollution and its control from boiler houses and locomotives, as well as potential risks in refuelling and chemical use, but these risks are significantly lower and easier to control than historical pollution issues. The issues of refuelling and locomotive emissions are also relevant in the context of the downstream value chain as they involve other rail operators. To the extent that refuelling is provided by SIA LDZ ritošā sastāva serviss, it controls the refuelling process and ensures that no pollution is generated. Emissions from locomotives are the responsibility of each haulier. In cases where carriers cause pollution (e.g. cargo spills), the LDZ Technical Inspection will determine measures to eliminate such pollution and it is the responsibility of the carrier to ensure that these measures are taken.

The operation of LDz is not dependent on ecosystem services, the availability of which could be affected or in which pollution and its mitigation could play a significant role, and therefore such environmental aspects are not addressed in the assessment.



Sub-area	Impact	Risks	Opportunities
Pollution of air	Pollution from chemicals used in the maintenance and repair of rolling stock		
	Air pollution from locomotives and boiler houses		
Pollution of water and soil	Historical contamination in and adjacent to railway-managed areas, which continues to contaminate soil and groundwater	Potential regulatory requirements, possible penalties for failure to adequately remediate and mitigate pollution	
	Regular and active monitoring and remediation of contaminated sites, as required	Inability to implement effective pollution abatement measures due to their high cost	
		The company's assets in the contaminated area are frozen and not available for active economic activities until the pollution is removed/mitigated or even afterwards	
	Potential weaknesses in production processes, waste management, refuelling, etc. that could lead to new pollution		Introducing technical and educational measures to reduce pollution at source
	Potential pollution caused by third parties during construction projects		Setting requirements for supplier evaluation before and throughout the cooperation
	Pollution caused by accidents with dangerous cargoes		
Substances of concern		Potential regulatory requirements, possible penalties for failure to manage hazardous waste properly	

positive impact   
 negative impact   
 Parts of value chain where the impact, risk, or opportunity manifests itself are coloured according to the colour code of the value chain illustration on page 78



### Pollution-related policies

To ensure effective and sustainable environmental protection, including addressing pollution issues, in 2021, the Group has adopted an [Environmental and Energy Resources Management Policy](#). One of its objectives is to reduce the spread of pollution in the environment, including emissions to air and water, harmful substances in the soil, waste, noise and vibration levels. The policy includes sub-objectives such as efficient and economical use of materials, raw materials, energy and natural resources, progressive electrification of the railway network, monitoring of ground and groundwater, noise and vibration abatement measures in densely populated areas, etc.

In order to ensure the fulfilment of the tasks set out in the policy, VAS Latvijas dzelzceļš and SIA LDZ ritošā sastāva serviss have developed environmental and energy management programmes for the medium term, which, among other things, provide for pollution management. For more details on these documents, see [page 98](#). As mentioned above, the programmes foresee regular monitoring of contaminated sites and, where possible, investigation and remediation in accordance with the available financial resources. The implementation of the LDz programme is monitored and coordinated by the Directorate of Development, while at Management Board level the Chairman of the Management Board is responsible for this area, together with other areas of environmental impact, in accordance with the Rules of Procedure of the Management Board.

The Civil Protection and Fire Safety Division of the Directorate of Security is responsible for ensuring the capability and preparedness to deal with emergency situations (including spills of dangerous goods). Measures such as Civil Protection Action Plans developed at sensitive sites and coordinated with the State Fire and Rescue Service (SFRS), regional exercises on prevention of dangerous goods accidents and civil protection and disaster management in cooperation with the SFRS several times a year, and other measures are implemented. Resources for environmental protection and energy efficiency improvement measures are planned in accordance with the *Rules for Planning and Controlling the Execution of Investments of the Latvijas dzelzceļš Group* and the *Rules for Planning and Controlling the Execution of the Budget of the Latvijas dzelzceļš Group*. Reports on the implementation of the planned measures and budget execution are prepared in accordance with the requirements of the above-mentioned documents.

### Actions and resources related to pollution

Environmental protection measures are planned annually as part of the Environment and Energy Management Programme, including in 2024:



In addition to planned activities, unplanned work is carried out as necessary. For example, in 2024, when planning the development of a possible infrastructure project on the Zemitāni-Garkalne section, LDz received information from the State Environmental Service that a freight train accident had occurred in the vicinity of Garkalne station in 1991, resulting in the release of various pollutants into the environment, and LDz was instructed to carry out an investigation of the site. The investigation did not reveal any contamination of the soil and groundwater by hazardous substances.

Actions to be taken on certain historically contaminated sites cannot be implemented in the short term or can only be implemented with the involvement of Group companies. For example, in 2024 LDz developed an indicative plan for joint action for the remediation of the historically oil-contaminated site No 01934/671 in the Vagonu parks area in 2024-2028. The development of the plan and the implementation of further measures involved not only LDz, but also AS Pasažieru vilciens, which uses part of the territory of Vagonu parks, SIA Eiropas dzelzceļa līnijas, whose Rail Baltica project is potentially related to the construction of infrastructure in Vagonu parks, as well as the Ministry of Transport, which is responsible for the possible provision of state budget funding for remediation measures.



Also in 2024, the Group entered into negotiations to carry out a detailed investigation of the historically contaminated site at Šķīrotava in the coming years to clarify the extent and distribution of contamination and possible future solutions, including their estimated costs.

Within the framework of the 2024 Environmental Action Plan, VAS Latvijas dzelzceļš implemented 37 measures, such as environmental quality monitoring (ground and groundwater, wastewater and rainwater testing, emission measurements, contaminated sites investigations), hazardous waste management, as well as measures aimed at reducing the company's climate impact, such as allocating funds for GHG emission calculations, auditing the certified environmental and energy management system and other activities. Mostly all activities at both LDz and Group companies are carried out with own funds, but in the case of significant historical pollution sites (such as Vagonu parks) LDz regularly approaches the Ministry of Transport to seek public funding for remediation works. To date, it has not been possible to attract funding for these works.

SIA LDZ CARGO implemented six measures under the 2024 Environmental Action Plan. They were divided into three categories: environmental quality measurement and monitoring, hazardous waste management, such as disposal of petroleum-contaminated soil, disposal of treated oils, and other measures - recertification of the energy management system in accordance with LVS EN ISO 50001:2018 standard requirements.

In 2024, SIA LDZ ritošā sastāva serviss implemented 41 measures under the Environmental Action Plan in the following areas: hazardous and non-hazardous waste management, measurement and monitoring of environmental quality (e.g. groundwater, soil, wastewater, etc.) and remediation of contaminated sites.

SIA LDZ apsardze included three measures for hazardous waste management in its 2024 Environmental Action Plan: disposal of lighting elements and light bulbs containing mercury and other hazardous substances, disposal of acid/alkali/lead batteries and disposal of waste electrical and electronic equipment. These measures were implemented.

All of these measures help to mitigate the negative environmental impacts of the Group's businesses, both in areas where the Group still needs to address historical contamination and in the use of substances that have the potential to cause harm to the environment and people. These activities primarily concern the Group's own operations, but involve external parties in the responsible disposal of hazardous waste and the investigation, monitoring and, where necessary, remediation of historical contamination.

Further financial investments in pollution prevention and control are planned within each year's budget according to the available funding. *The Procedure for the preparation of annual plans and reports on the implementation of energy efficiency improvement measures in Latvijas dzelzceļš Group* stipulates that the following year's environmental protection plan is prepared within 10 working days after the approval of the current budget.



## Targets related to pollution

The Group has not set specific pollution reduction targets, aiming to reduce or eliminate historical pollution as far as possible, depending on the financial feasibility. However, the reports on the management of the environmental and energy management system and the implementation of the Environmental and Energy Management Programme 2022-2028 report annually on actual performance indicators for monitoring, control and reduction of historical pollution. The following performance indicators were set out for 2024:

No	Environmental aspect, key tasks of the programme	Target	Indicator	Measurement	2023	2024
1.	Contaminated sites with high priority <sup>71</sup> : monitoring and remediation of contaminated sites	Remediation is carried out at all contaminated sites, in accordance with available financial resources and the requirements of environmental authorities	Number of sites	% of sites where remediation work has started, monitoring is ongoing	16.67% (1 out of 6 sites) - remediation works in Višķi  No change in performance indicator	25% (2 out of 8 <sup>72</sup> sites) - remediation works in Višķi and Krauja  Although the performance indicator has increased by more than 8 percentage points compared to 2023, two high priority sites have been added to the register of contaminated sites in 2024.
2.	Potentially contaminated sites: monitor potentially contaminated sites in accordance with the requirements of environmental authorities	Monitoring is carried out at all contaminated sites where required by environmental authorities	Number of sites	% of sites monitored (as required by the State Environmental Service)	33% (6 sites out of 18) - monitoring in Višķi, Skrunda, Gulbene, Vagonu Park and Šķīrotava (2 sites)  Performance indicator - number of sites monitored increased	35.29% (6 out of 17 sites) - monitoring in Gulbene, Šķīrotava (Locomotive Repair Centre, Riga), Skrunda, Vagonu Parks, Ķeipene and Ventspils (Depo iela 17, Ventspils)  Although the performance indicator has increased by 2.29 percentage points compared to 2023, the register of sites contaminated with petroleum products has been updated in 2024 by adding new sites and merging existing sites.
3.	Noise and vibration: reducing the adverse effects of noise from rail transport on the population	Reduce the length of track where noise barriers/screens need to be built/screened, including green planting	Length of railway lines in km where noise abatement measures are to be taken in accordance with noise abatement action plans	Number of kilometres (km)	6,55 km <sup>74</sup>  Performance indicator - Length of railway lines in km where noise abatement measures are to be taken unchanged	6,55 km <sup>75</sup>  Performance indicator - Length of railway lines in km where noise abatement measures are to be taken unchanged

<sup>71</sup> According to the Register of VAS Latvijas dzelzceļš sites contaminated with petroleum products

<sup>72</sup> Two new sites - Krauja and Ķeipene - have been added to the high priority register of sites contaminated with petroleum products in 2024.

<sup>73</sup> In 2024, the update and optimisation of VAS Latvijas dzelzceļš sites contaminated with petroleum products was started - two new sites were added (Krauja and Ķeipene) and territories with several contaminated sites, which were previously registered as separate contaminated sites, were combined into one site (Šķīrotava, where there are 4 separate contaminated sites).

<sup>74</sup> According to the Action Plan for Reduction of Environmental Noise Created by the Railway Operations for Noise Abatement for Railway Lines with Traffic Volumes greater than 30 000 Trains per Year for the period from 2019 to 2023. The table shows the total length (km) of the construction of noise barriers on the railway line Riga

Pasazieru - Krustpils section Riga - Lielvārde, including acoustic discomfort zones:

Salaspils, Ikšķīle, Ogre, Ķegums, and Lielvārde. In 2023, a new LDz Action Plan for Reduction of Environmental Noise Created by the Railway Operations was developed for the period 2024-2028, identifying acoustic discomfort zones and noise abatement measures to be taken. The new LDz Action Plan for Reduction of Environmental Noise Created by the Railway Operations was approved by the LDz Management Board Decision No VL-1.6/12-2024 of 15 January 2024.

<sup>75</sup> In 2024, the update and optimisation of VAS Latvijas dzelzceļš sites contaminated with petroleum products was started - two new sites were added (Krauja and Ķeipene) and territories with several contaminated sites, which were previously registered as separate contaminated sites, were combined into one site (Šķīrotava, where there are 4 separate contaminated sites).



The report on the management of the environmental and energy management system and the implementation of the Environmental and Energy Management Programme 2022-2028 of VAS Latvijas dzelzceļš is prepared annually in accordance with the requirements of ISO 14001:2015 and ISO 50001:2018.

### Pollution of air, water and soil

The Group plans and implements environmental measurements every year in the following areas: qualitative testing of wastewater and rainwater, soil and groundwater monitoring, boiler house emissions measurements.

The amounts of pollutants in the air indicated in the table are the result of the operation of the boiler houses on the balance sheet of LDz, whose nominal heat input capacity according to the Cabinet of Ministers Regulation No 1082 *Procedure for Application and Issue of Permits for Polluting Activities of Category A, B and C corresponds to the permit for polluting activity of category B or C* and which are required to calculate and pay natural resources tax according to the Natural Resources Tax Law. LDz has on its balance sheet one boiler house with a rated thermal input of category B (equal to or greater than 5 MW) and 11 boiler houses with a rated thermal input of category C (equal to or greater than 0,2 MW).

The amounts of pollutants in water indicated in the table are the amounts of pollutants discharged as a result of the operation of wastewater treatment plants on the balance sheet of LDz, which according to the Cabinet of Ministers Regulation No 1082 correspond to polluting activity category C.

Environmental management, including environmental measurement and monitoring, is implemented in accordance with the certified environmental management system standard ISO 14001:2015. A detailed presentation and analysis of all measurement and monitoring results is included annually in the Environmental Management System Management Report. In spring 2025, the management report for 2024 will be prepared and approved, with complete data for the calendar year.

Environmental measurements and monitoring results are analysed in accordance with the regulatory enactments, which assess the quality of the environment in terms of pollution concentrations and their annual changes.

### 2024 pollutant emissions of VAS Latvijas dzelzceļš, tonnes

Pollutant	Air	Water	Soil
Solid particulate matter PM	2,03	-	-
Solid particulate matter PM10	0,058	-	-
Solid particulate matter PM2.5	0,058	-	-
Carbon monoxide (CO)	5,85	-	-
Sulphur dioxide (SO <sub>2</sub> )	0,19	-	-
Nitrogen oxides (NO <sub>x</sub> )	2,71	-	-
Volatile organic compounds (VOCs)	0,008	-	-
Carbon dioxide (CO <sub>2</sub> )	1457,45	-	-
Suspended substances	-	0,006	-
Chemical Oxygen Demand (COD)	-	0,025	-
Biological oxygen demand (BOD5)	-	0,003	-
Total nitrogen	-	0,008	-
Total phosphorus	-	0,001	-

**2024 pollutant emissions by SIA LDZ ritošā sastāva serviss, tonnes**

The air pollutants in the table below come from sources of pollutants that are necessary for RSS operations, such as workshops, workbenches, painting and sanding stations, etc., whose operating capacity according to the Cabinet of Ministers Regulation No 1082 *Procedure for Application and Issue of Permits for Polluting Activities of Category A, B and C* corresponds to a permit for a polluting activity of category B and for which the National Statistical Report 2-Air. Report on air protection should be filed annually.

Pollutant	Pollution-generating processes	Air	Water	Soil
Solid particulate matter PM10	Manufacturing process: welding, painting	1.34	-	-
Kerosene	In the process of storing diesel	0.03	-	-
Carbon oxide (CO)	In production: welding, metal gas cutting and heating	3.88	-	-
Nitrogen dioxide (NO <sub>2</sub> )	In production: welding, metal gas cutting and heating	3.47	-	-
Sulphur dioxide (SO <sub>2</sub> )	As a result of the combustion of fuels	0.18	-	-
Carbon dioxide (CO <sub>2</sub> )	As a result of the combustion of fuels	1676.72	-	-
Nitrogen oxides (NO <sub>x</sub> )	As a result of the combustion of solid fuels	0.19	-	-
Volatile organic compounds (VOCs)	As a result of evaporation of chemicals	24.06	-	-
Tetrachloroethylene (C <sub>2</sub> Cl <sub>4</sub> )	Dry cleaning of specialised clothing	0.02	-	-
Particulate matter	In production: welding, painting	1.78	-	-
Solid particulate matter PM2.5	In production: welding, painting	0.0024	-	-
Potassium hydroxide (KOH)	Electrolyte evaporation	0.0001	-	-
Natrium hydroxide (NaOH)	As a result of washing spare parts	0.80	-	-



The air pollutant emissions shown in the table are generated by sources of pollutants necessary for CARGO's business activities, such as crushed stone and sand handling yards and painting stations, whose operating capacity according to the Cabinet of Ministers Regulation No 1082 *Procedure for Application and Issue of Permits for Polluting Activities of Category A, B and C* corresponds to a permit for a polluting activity of category B and for which the National Statistical Report 2-Air. Report on air protection should be filed annually

**2024 pollutant emissions from SIA LDZ CARGO, tonnes**

Pollutant	Pollutant amount in 2024, t		
	Air	Water	Soil
Particulate matter	9,4713	-	-
Particles PM10	0,1876	-	-
Particles PM2.5	0,01816	-	-
Manganese and its compounds	0,00027	-	-

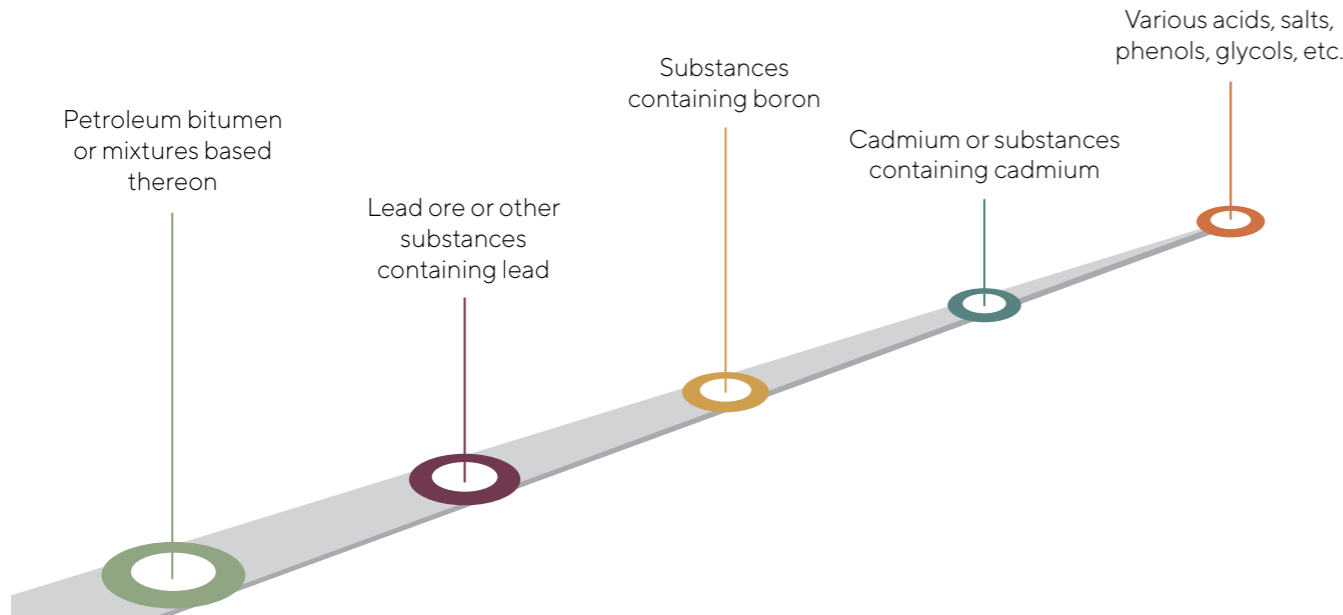
Financial investments in pollution prevention and control are planned within each year's budget according to the available funding. The *Procedure for the preparation of annual plans and reports on the implementation of energy efficiency improvement measures in Latvijas dzelzceļš Group* stipulates that the following year's environmental protection plan is prepared within 10 working days after the approval of the current budget.



### Substances of concern and substances of very high concern

With regard to substances of concern and substances of very high concern, the Environmental and Energy Management Programme 2021-2028 of SIA LDZ ritošā sastāva serviss states that the management of environmentally hazardous waste, including chemicals, is strictly regulated by environmental legislation. They are collected separately and handed over to companies that have the necessary permits to manage the specific types of waste. As regards specific substances, SIA LDZ ritošā sastāva serviss uses boric acid for water cooling and softening in diesel locomotives. In 2024, 69 kg of this substance was consumed.

In addition to standard cargo types such as grain, wood chips, coal or petroleum products, SIA LDZ CARGO has also transported in 2024, at the request of customers, certain cargoes containing substances included in the European Chemicals Agency's lists of substances of very high concern and substances of very high concern<sup>76</sup>. Some types of shipments containing such substances include:



Such goods are transported according to the rules governing the carriage of dangerous goods or other relevant rules, as applicable.

In 2024, the total volume of such freight was 19 356 tonnes, which is less than 0.2% of the total volume of freight transported via Latvia's railway infrastructure in that year<sup>77</sup>.

### Expected financial impact related to pollution

The Group, in line with the requirements of the European Sustainability Reporting Standard (EU) 2023/2772 (ESRS), uses a phase-in approach to disclosure for E2-6 *Anticipated financial effects from climate change drivers*, disclosing only qualitative information in this reporting year.

Pollution control at LDz mainly involves additional costs - investigating the distribution and extent of historical pollution and carrying out remediation work. The costs of the investigations LDz is largely able to cover on its own, but the costs of remediation of high priority historically contaminated sites amount to several million euros, which in the current economic conditions LDz cannot cover from its own resources.

In 2024, there have been no OpEx and CapEx related to serious incidents and sludges. Expenditure is regularly budgeted for the monitoring and investigation of historically contaminated sites, which represent a significant and long-term burden for LDz's operations, as several of these sites are located today in locations that, even after remediation, would not be usable for LDz's business activities. (One of these sites is located in an area where today there is no railway infrastructure at all and not even close to it, making the site unusable for LDz now or in the future, regardless of the mitigation measures taken.)

<sup>76</sup> The substances concerned have been selected in accordance with the definitions of the terms "substances of concern" and "substances of very high concern" as defined in the ESRS on page 279 of COMMISSION DELEGATED REGULATION (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council with regard to sustainability reporting standards

<sup>77</sup> Data not externally verified



## RESOURCE USE AND CIRCULAR ECONOMY

As regards resource use and the circular economy, there are two companies within the Group that have the most material impact in this area:

- VAS Latvijas dzelzceļš, whose activity is related to regular **maintenance, modernisation and development works of the infrastructure, either in-house or with external contractors**. In order to ensure that the infrastructure meets modern requirements, it is essential to assess the condition of the tracks, overhead contact lines and other railway infrastructure elements with sufficient regularity and to carry out repairs or replacement as necessary. This means using steel rails, sand and rubble for track bed and railway right-of-way maintenance, wooden and reinforced concrete sleepers and other resources. Similarly, end-of-life items also generate recyclable waste during maintenance work, as does construction waste during development projects (e.g. the construction of new passenger infrastructure at stations and stopping points, where it is currently being substantially upgraded);
- The activity of SIA LDZ ritošā sastāva serviss is related to the **overhaul and regular repairs of wagons and locomotives, as well as the modernisation of rolling stock**. This in turn involves the use of various lubricants and chemicals, the processing of various types of metal parts and other resources, while also generating waste, including hazardous waste, which is properly managed and disposed of.

### Circular economy-related impacts, risks, and opportunities

LDz does not have a detailed process in place to assess the impacts, risks and opportunities of resource use and/or the circular economy, and the most material risks are addressed in the context of the impact, risk and opportunity assessment undertaken for this report. At the same time, the following environmental aspects related to resource use and the implementation of the circular economy framework are analysed within the framework of the Environment and Energy Resources Management Policy and related programmes discussed in the previous sections:



use of natural resources and raw materials (including heat and electricity, fuels, water resources, fuels, hazardous/non-hazardous chemicals and mixtures)



municipal and other non-hazardous waste



hazardous waste



According to the environmental assessment carried out, aspects related to resource use and circular economy are currently not assessed as significant environmental impacts of LDz. The use of hazardous chemicals and mixtures as well as the generation of municipal and hazardous waste (e.g. fluorescent lamps and waste containing petroleum products) have been assessed as significant environmental aspects of SIA LDZ ritošā sastāva serviss. The RSS Environment and Energy Management Programme 2021-2028 addresses only relevant environmental aspects (according to the standard LVS EN ISO 14001 "Environmental Management Systems. Requirements for the application of the guidelines") and sets out measures to mitigate their impacts. In 2024, SIA LDZ apsardze identified the management of hazardous waste as a significant environmental aspect related to resource use and circular economy. External stakeholders are not involved in the environmental assessment, but issues related to resource use and waste management in the case of LDZ are not of interest to the general public or to consumers at large.

At the same time, LDz has identified the following aspects of impacts, risks and opportunities, which allow further development of the approach to these issues:

Sub-area	Impact	Risks	Opportunities
Resource inflows, including use of resources	Production of new spare parts, goods to ensure the Group's operations	Limited range of goods where the company could use recycled/reused goods, substances, materials, etc.	
	Recycled materials are used wherever possible (infrastructure, repairs)		
Waste	Waste generated by the company's activities, including hazardous waste, end-of-life machinery, construction waste, etc., is properly disposed of		Introducing zero-waste technologies/ solutions into the company's production processes
			Higher waste sorting rates would contribute to more sustainable waste management

positive impact   
 negative impact   
 Parts of value chain where the impact, risk, or opportunity manifests itself are coloured according to the colour code of the value chain illustration on [page 78](#)



### Policies related to resource use and circular economy

To ensure efficient resource management, the Group has an [Environment and Energy Resources Management Policy](#) in place since 2021, where one of the policy's objectives is to reduce the amount of waste generated. This policy is publicly available on the website of VAS Latvijas dzelzceļš. The policy includes sub-tasks such as efficient and economical use of materials, raw materials, energy and natural resources, as well as ensuring sustainable and appropriate management of the waste generated. One of the objectives of the policy is to favour environmentally friendly, energy-saving and energy-efficient products and services in relations with business partners and in procurement, in compliance with applicable legislation, by promoting green public procurement. The policy does not specifically address the waste hierarchy<sup>78</sup>.

Separately, SIA LDZ ritošā sastāva serviss has an approved Environmental and Energy Management Programme 2021-2028 and VAS Latvijas dzelzceļš has an approved [Environmental and Energy Management Programme 2022-2028](#), which provide for more detailed measures to manage specific environmental aspects, including waste. For example, it is planned to introduce a sorting system for Municipal waste (paper/cardboard, plastic packaging, glass, bio-waste) at LDZ. In addition, some of the company's resources are reused for its core business, such as reinforced concrete and wooden sleepers for the maintenance of railway infrastructure.

Both programmes have been developed in accordance with the environmental management systems implemented and certified by VAS Latvijas dzelzceļš and SIA LDZ ritošā sastāva serviss in accordance with the requirements of ISO 14001:2015 standards. The environmental management system of SIA LDZ apsardze has also been certified in accordance with the requirements of ISO 14001:2015. All these systems are subject to regular recertification and surveillance audits by an external competent certification organisation.

<sup>78</sup> <https://eur-lex.europa.eu/EN/legal-content/glossary/waste-hierarchy.html>

### Actions and resources related to resource use and circular economy

Each year, Group companies prepare environmental and energy efficiency improvement plans for the year. Details of the environmental measures for 2024 can be found in section E2-2 (page 124), which also includes measures related to responsible resource management, such as appropriate management of hazardous waste and substances.

Within the framework of the Environmental Action Plan 2024, VAS Latvijas dzelzceļš implemented 37 measures, including hazardous waste management measures. SIA LDZ CARGO implemented 6 measures under the 2024 Environmental Action Plan, including hazardous waste management measures, such as disposal of soil contaminated with petroleum products, disposal of treated oils. In 2024, SIA LDZ ritošā sastāva serviss implemented 41 measures under the Environmental Action Plan, including hazardous and non-hazardous waste management measures, environmental quality measurement and monitoring, and remediation of contaminated sites. SIA LDZ apsardze included three hazardous waste management activities in the 2024 Environmental Action Plan and implemented them. These activities are primarily related to the Group companies' own operations and do not involve the downstream value chain, nor are other stakeholders involved in the identification and implementation of these activities – except by working with a suitably qualified hazardous waste management company to help put these activities into practice.

Further financial investments, including in the circular economy, are planned within each year's budget, subject to the availability of funding. In accordance with the *Procedure for the preparation of annual plans and reports on the implementation of energy efficiency improvement measures in Latvijas dzelzceļš Group* stipulates that the following year's environmental protection plan is prepared within 10 working days after the approval of the current budget. The environmental protection plans include measures necessary for the management of significant environmental aspects identified in the environmental protection and/or energy management programmes of the Group companies, e.g. determining the measures to be taken for obtaining, reviewing and renewing environmental permits (category B and C permits for polluting activities), environmental quality measurement and monitoring, environmental remediation measures, incl., installation, rehabilitation, maintenance of monitoring and observation wells, excavation of contaminated soil/material, pumping of contaminated groundwater, containment, disposal, etc.





**Targets related to resource use and circular economy**

The Group has no specific targets for resource use and circular economy. The need for such targets will be assessed in future periods.

**Resource inflows**

To ensure the safe and high-quality maintenance and development of railway infrastructure, various materials are used – sand and gravel, crushed stone, wooden and reinforced concrete sleepers, etc. The amount of these materials varies from year to year and depends on the amount of repair work planned and carried out.

Recycled materials used in the core business of VAS Latvijas dzelzceļš\*:

Material	2022	2023	2024	Type of resource
 Reinforced concrete sleepers, used (pieces)	19 383	13 148	<b>10 616</b>	Non-renewable resource
 Wooden sleepers and beams, used (pieces)	556	883	<b>1 197</b>	Renewable resource

According to the information available in the Administration of Rail Tracks module of the LDz SAP system. Data not externally verified.

It should be noted that the choice of materials and their use in the rail sector is closely linked to road safety and is taken into account in decisions on the feasibility of using recycled materials.

Materials consumed and their volume in 2024 for infrastructure construction and repair works of VAS Latvijas dzelzceļš:

Material	2022	2023	2024	Unit	Resource type
 Sand	2 709	7 439	<b>5 795,5</b>	Tonnes	Non-renewable resource
 Gravel (dolomite rubble)	409	312	<b>75</b>	Tonnes	Non-renewable resource
 Granite rubble	26 015	36 812	<b>29 440,89</b>	Tonnes	Non-renewable resource
 Impregnated oak sleepers	818	1 048	<b>1 287</b>	pieces	Renewable resource
 Impregnated conifer sleepers	2 254	2 284	<b>2 362</b>	pieces	Renewable resource
 Oak beams	1 701	1 475	<b>1 460</b>	pieces	Renewable resource
 Coniferous timber beams	3 068	3 160	<b>2 010</b>	pieces	Renewable resource
 Bridge beams (wooden)	413	226	<b>203</b>	pieces	Renewable resource
 Reinforced concrete sleepers	1 516	10 671	<b>14 841</b>	pieces	Non-renewable resource

\* According to the information available in the Administration of Rail Tracks module of the LDz SAP system. Data not externally verified.



Natural resources used, associated materials and recycled material volumes in 2024\* by individual subsidiaries:

Material	2024	Unit	Type of resource
Fractionated sand 0-10mm**	61.5	tonnes	Non-renewable resource
Recycled material			
Abrasive granules**	1.7	tonnes	Non-renewable resource



\* Other resources, including various chemicals, are also used by Group companies, but are not currently accounted for separately.

\*\* Abrasive granules are used for abrasive blasting of the surfaces of components (valves, cylinder caps, housings, reducers, etc.).

Data extracted from SAP and not externally verified.

In addition to the above-mentioned resources required for its core business, one of the resources consumed by the Group on a daily basis is water, which is obtained both from centralised water supply systems provided by various utilities and from water wells owned by the Company.

Recognising that water is one of those natural resources that cannot be renewed as quickly as it is consumed, water conservation is one of the basic conditions for environmentally friendly management and the Group strives to manage as sustainably as possible by minimising the amount of water consumed year after year. The report does not include information on the consumption of water and other natural resources in the value chain.

	VAS Latvijas dzelzceļš			Group
	2022	2023	2024	2024
 Volume of water extracted and used*, m <sup>3</sup>	76 415	75 808	<b>71 058</b>	<b>115 055</b>
 Wastewater generated and treated*, m <sup>3</sup>	88 163	86 541	<b>81 278</b>	<b>120 708</b>

\* Data extracted from SAP and not externally verified

### Resource outflows

The Group's business activities do not result in the creation of new products, including consumer goods, and therefore the Group's focus in the context of outputs is on various types of waste, including hazardous and recyclable waste.

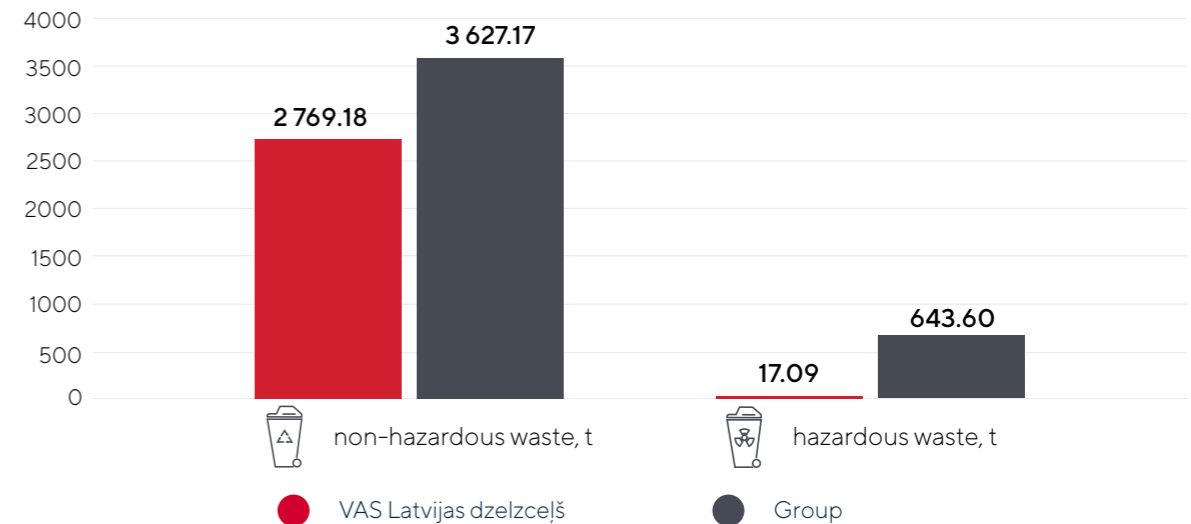
As regards the actual further treatment of the waste (i.e. what proportion of the waste is prepared for reuse, recycling, etc., as well as landfilling) no detailed information is available for LDz. In order to obtain such information, LDz carried out a survey of its partners - waste management companies - in spring 2024. Eight responses were received from 28 waste management companies, which together manage around 72% of the waste transferred by LDz. Most of these companies, with the exception of one, could not provide precise information on the future management of the waste they had handed over. The information provided by one waste management company on the further treatment of waste prompted LDz to start considering a more targeted promotion of waste sorting, starting with the administrative buildings and premises of the Group companies.

In addition, the survey asked waste management companies about their willingness to provide information to LDz on the amount of GHG emissions from further treatment of waste collected from LDz (to provide more accurate information for the climate change section - see above). Again, only one company was able to provide this information.



Amount of non-hazardous and hazardous waste generated by the Group's activities in 2024\*:

	VAS Latvijas dzelzceļš	Group
	2024	
Amount of non-hazardous waste, t	2769.18	3627.17
Breakdown of non-hazardous waste by treatment type, t	2769.18	3627.17
preparation for re-use	No reliable information available	No reliable information available
recycling	No reliable information available	No reliable information available
combustion	No reliable information available	No reliable information available
landfilling	No reliable information available (but it is likely that most of the volume transferred)	No reliable information available (but it is likely that most of the volume transferred)
Amount of hazardous waste, t	17.09	643.60
Breakdown of hazardous waste by treatment type, t:	17.09	643.60
preparation for re-use	No reliable information available	No reliable information available
recycling	No reliable information available	No reliable information available
combustion	No reliable information available	No reliable information available
landfilling	No reliable information available	No reliable information available



\* Data extracted from SAP and not externally verified.



Waste categories and their relation to the Group's activities\*, t:

2024	Source of generation	Type of waste	VAS Latvijas dzelzceļš	Group
Waste categories				Volume generated, t
Municipal waste			2 619,37	3 038,33
Paper, cardboard			0,09	1,31
Glass	Waste from the company's operations (as part of production or administrative processes)	Non-hazardous waste	5,70	5,73
Wood			28,14	28,14
Aluminium			0,01	0,01
Plastic			0,01	0,01
Construction waste			In the process of removing buildings and structures	Hazardous waste
Asbestos-containing building materials	4,68	4,68		
End-of-life tyres	10,45	10,56		
Oil filters	In the course of use or production	Hazardous waste	5,57	5,57
Small appliances**			0,15	0,15
Computer and office equipment	End-of-use, obsolete or damaged machinery	Non-hazardous waste	5,33	5,68
Unsorted batteries and accumulators	As a result of the operation of the machinery		0,15	0,31
Printing ink waste containing dangerous substances	As a result of the operation of printing equipment		1,60	1,60
Fluorescent lamps and other mercury-containing waste	In the course of use	Hazardous waste	0,07	0,07
Absorbents, filter materials, wiping materials, and protective clothing contaminated with hazardous substances	In the manufacturing process		0,01	94,30
Disposal of lighting fittings, bulbs containing mercury, other hazardous substances	In the course of use		0,11	0,11
Other engine oils, gear oils and lubricating oils		0,05	99,45	



Waste categories and their relation to the Group's activities\*, t:

2024 Waste categories	Source of generation	Type of waste	VAS Latvijas dzelzceļš	Group
			Volume generated, t	
Other emulsions	Air compressor operation	Hazardous waste	3,60	3,60
Discarded cables not falling within Class 70410	Maintenance of energy infrastructure	Non-hazardous waste	0,06	0,06
Waste containing petroleum products	Waste from the company's operations		1,00	329,20
Waste paints and varnishes containing organic solvents or other dangerous substances		Hazardous waste	0,10	0,10
Discarded electrical and electronic equipment containing hazardous components, not falling within Classes 200121 and 200123	Maintenance of energy infrastructure		0,10	0,10
Large waste		Non-hazardous waste	0,09	0,09
Invalid equipment containing hazardous compounds other than 160209, 160210, ...		Hazardous waste	0,06	0,06
Metalworking waste	After abrasive cleaning of wagons		-	354,04
Coal soot, fly ash, slag and soot	Forge	Non-hazardous waste	-	1,58
Street cleaning waste	After wagon repairs		-	60,34
Non-chlorinated mineral motor oils, gear oils and lubricating oils	Waste from the company's operations		-	4,67
Wood, glass or plastics composed of hazardous substances	Wooden sleepers	Hazardous waste	-	38,96
Solid wastes from soil remediation containing dangerous substances	After washing of wagons (solid)		-	50,54
Unfit-for-use antifreeze			-	2,07
Components not elsewhere specified	In the manufacturing process	Non-hazardous waste	-	0,20

\* Data extracted from SAP and not externally verified.

\*\* Small appliances (no external dimension exceeding 50 cm), including household appliances, consumer appliances, luminaires, sound or visual display equipment, electrical and electronic instruments, monitoring and control instruments, automatic distributors, and other equipment.



### Expected financial impact related to circular economy

LDz has not yet made a detailed assessment of the potential financial impact of reducing the use of virgin materials or, conversely, of not changing the current approach. However, the fact that VAS Latvijas dzelzceļš and SIA LDZ ritošā sastāva serviss have to use specific resources for their business activities, and consequently the range of goods where the Group could use recycled/reused goods, substances, materials, etc., is limited, can be assessed as a potential risk. At the same time, in areas where materials of equivalent quality, strength and safety are being developed, those with a relatively high degree of reliability will initially be substantially more expensive to purchase and, possibly due to their experimental nature, also have a higher degree of risk during use. Therefore, the replacement of resources by more circular materials is assessed with caution, primarily in terms of their impact on costs and, in particular, on road safety.

At the same time, each year the Group companies allocate financial resources to ensure the proper disposal of waste generated by their operations, including hazardous waste. The Group sees potential opportunities in this area, including the reduction of financial costs through the gradual development of zero-waste technologies in production processes (a detailed assessment is currently pending) and an increase in waste sorting, which would reduce the costs of waste transfer to waste managers.



03

SOCIAL



## OWN WORKFORCE

### Interaction of own workforce-related impacts, risks and opportunities with strategy and business model

In 2024, measures to promote operational efficiency and reduce costs continued at VAS Latvijas dzelzceļš and the Group's companies by reviewing business, organisational and technological processes with the aim of ensuring the Group's competitive and sustainable operations in the future. The targeted review of functions and changes in the organisational structure have also continued resulting in reduction of the number of employees in the parent company and the Group as a whole, but despite this LDz remains one of the largest employers in Latvia. As at 31 December 2024, the Group had a total of 5 084 employees, 3 311 of whom worked for VAS Latvijas dzelzceļš.

It is important that LDz structural units are located all over Latvia, where the company's employees ensure high-quality and safe maintenance of the railway infrastructure. A large part of employees still work in the Latgale region, where there are important railway junctions for both freight and passenger traffic. LDz is therefore considered to be a significant employment contributor in this region, with 984 employees of the parent company working in this region (as at 31 December 2024).

Given the Group's line of business, LDz is one of the top players in the labour market with the widest range of occupations available - from specialised technical workers in various railway professions to highly qualified engineering and administrative staff. Depending on the specific nature of the Group's companies, they also employ security service providers, production specialists, logistics forwarders, etc.

Knowledgeable and educated staff, which ensures the Group's companies' stable operations and underpins its successful development and growth, is one of the Group's most important resources - especially given the challenges currently facing the railway industry (fundamental shift of the sector from freight to passenger transport, as well as closer integration into the European railway area, which requires different skills and qualifications). Continuous up-skilling and professional skills development is therefore essential. VAS Latvijas dzelzceļš has established its own Training Centre, which provides relevant specialised training programmes for the Group's employees, railway companies and cooperation partners and is the only Training Centre in Latvia providing training for certificates required for work in the railway sector (e.g. for work with dangerous goods).

All Group companies treat employees fairly and in accordance with the law, create a safe and healthy working environment and care for the physical and social well-being of employees. It should be emphasised that in addition to the social guarantees established by the state, additional guarantees have been introduced for every LDz employee in accordance with the Collective Bargaining Agreement concluded between LDz and the Latvian Railway and Transport Industry Trade Union (LDzSA).

Cooperation with the LDzSA is a very important tool for addressing employee-related issues, including in the difficult economic conditions facing the railway sector in Latvia. The union represents the interests of employees in areas such as employee welfare and social protection, rights, development, motivation, occupational safety and health, as well as in employee engagement in the development of the company.



Sub-area	Impact	Risks	Opportunities
Working conditions	Social protection for employees, transparent working time, remote working, support for families with children		
	Collective bargaining agreement in force, active cooperation with and support for trade union membership	The compatibility of the Collective Bargaining Agreement with the company's capacities and realities. The applicability of certain sections of the Collective Bargaining Agreement only to some employees (trade union members)	Successful dialogue with trade unions, finding joint solutions to problems (especially sector-wide challenges)  Collective bargaining as an instrument for addressing major work relations issues at systemic level
	Effective occupational safety and health system	The impact of any accidents or incidents on the company's financial situation and business continuity  Psycho-emotional consequences of epidemics and other emergencies	
	The impact of negative changes in the economic situation in the sector on employer's ability to provide competitive pay, an effective incentive system, long-term stable employment and social protection	Increased staff turnover, declining quality and/or inability to attract new qualified staff. Escalation of possible dissatisfaction at trade union level	
	Insufficient investment in employee welfare and effective information flow at all levels of the Group		Developing and providing a modern, comfortable and flexible working environment for employees. Promoting effective internal communication
	Launch of a working environment standard and an internal culture change programme, including active communication between managers and staff at all levels		

positive impact   
 negative impact   
 
 Parts of value chain where the impact, risk, or opportunity manifests itself are coloured according to the colour code of the value chain illustration on [page 78](#)



Sub-area	Impact	Risks	Opportunities
Equal treatment and opportunities for all	The proportion of women in the company is relatively high for the industry (35%)		
	There has not been a sufficiently systematic approach to training and development	Increasing competition for professionals in the sector	Ability to attract and retain senior experts and to contribute to the company's development by providing the right conditions for growth
Other work-related rights		Declining prestige of railway professions, which reduces the interest of young people in studying the specialities required by the Group and consequently reduces the availability of specialists on the labour market	Development of the potential of the LDz Training Centre, facilitating the training of experts needed by LDz and the industry as a whole (including not only in Latvia)
		Decreasing level of potential competences and professionalism, inability to retain high-level professionals	
	High standards and principles are applied to the processing, security and privacy of staff data	Shortcomings in the processing of staff data may lead to a breach of the General Data Protection Regulation	

positive impact    
 negative impact    
 Parts of value chain where the impact, risk, or opportunity manifests itself are coloured according to the colour code of the value chain illustration on [page 78](#)



## Workforce-related policies

The Group has a **Human Resources Management and Remuneration Policy**. Its purpose is to establish common HR management, development and remuneration guidelines, policies, guiding principles, key responsibilities and areas of activity throughout the Group and is approved by the Council of LDz as one of the Group's substantive policies. This policy states that employees are the most important strategic resource of LDz, creating and developing the company's values and ensuring its competitiveness in the services market. The HR management processes at LDz are organised and managed in such a way that the company's values – growth, safety and synergy – are maintained and developed, and understood and respected by all employees.

The main objective of the **Human Resources Management and Remuneration Policy** is to ensure professional and loyal employment of employees, to promote motivation of employees to achieve the Group's objectives, and to encourage the involvement of each employee in improving the quality of work performance. At the same time, the policy aims to ensure that employees receive appropriate and competitive remuneration for their work and contribution and to promote the development of employee competencies. The policy thus regulates the Group's corporate influences and helps to manage risks related to the working environment and employee social protection issues. In accordance with the Rules of Procedure of the LDz Management Board, the Chairman of the Management Board is responsible for the overall area of personnel management. Responsibility for practical matters lies with the HR Director of the parent company, as well as the HR managers and specialists of each Group company. The Human Resources Management and Remuneration Policy is available on the LDz intranet and published on the [external website](#).

The Group also has in force a **Occupational Health and Safety Policy**, the purpose of which is to determine the principles of labour protection management and directions of action of the companies of the Latvijas dzelzceļš Group, in compliance with the requirements of the regulatory enactments governing labour protection, in order to create and ensure a safe and secure working environment for the life and health of employees. Given that the railway is a highly hazardous facility, occupational safety is a very important aspect of its operation, both in the context of human health and life, and because accidents affecting employees also pose risks to the company's operations. This policy regulates the Group's business impacts and helps manage risks related to occupational safety and health. The LDz Technical Inspection is responsible for occupational health and safety and oversees both occupational health

and safety and traffic safety issues. In accordance with the Rules of Procedure of the LDz Management Board, the Technical Inspection is managed by a Member of the Management Board responsible for commercial matters. The Occupational Health and Safety Policy and related documents are available to all employees on the LDz intranet.

The **Code of Ethics** summarises the best commercial practices and general principles of professional ethics and employee conduct to be followed by the Group Parent Company and its dependent limited liability companies. This document covers various aspects relevant to the Group, including human rights, equal opportunities and mutual respect, occupational safety, road safety, professional activities, and political activities. The Code also describes the Company's guiding principles for the protection of the environment and the use of natural resources, the principles of fair business conduct, the basic principles of information protection, and cooperation with customers, suppliers, and society. The principles contained in the Code of Ethics are observed by all employees of the Group in the performance of their work and duties, in their dealings with each other and with shareholders or members, governmental, municipal and non-governmental institutions, customers, suppliers, and other third parties. The Code of Ethics is available to all employees on the LDz intranet and published on the [external website](#). In 2024, a new version of the Code of Ethics was approved, improving its readability for employees.

It is possible to report possible breaches of the Code of Ethics and the reports received are examined by the Ethics Committee established by the LDz Management Board.

The Group's activities are based on internationally accepted practices in the protection of human rights, and the Group does not tolerate violations of human rights principles in its day-to-day activities, as well as in the activities of its business partners and suppliers, including the Code of Ethics, which provides that all employees have equal opportunities regardless of nationality, race, religion, age, gender, sexual orientation, political opinions, etc.



Staff are recruited on the basis of their professional qualifications and experience. Decisions are taken in strict compliance with the law and on the basis of objective and justifiable criteria only. The Group does not discriminate in the workplace and ensures that performance appraisals, promotion opportunities and remuneration levels are based solely on objective criteria, as well as internal and external regulations, and are not linked to an employee's personal characteristics.

The Group addresses any human rights violations by responding to the situation as quickly as possible and taking appropriate decisions.

LDz also imposes similar requirements on its cooperation partners - a new version of the Code of Ethics for Business Partners has been drafted in 2024, which is expected to be reviewed and approved by the Management Board in the near future. Further details are included in the section on value chain actors ([page 159](#)).

The relations between the employer and employees at LDz are regulated by the **Group's Collective Bargaining Agreement**, which, in addition to the social guarantees provided for in external legislation, provides for additional guarantees for each LDz employee for various life situations, as well as measures provided by the employer to improve the working environment and promote the employee's well-being and motivation. The Collective Bargaining Agreement, which is signed by the LDz Management Board and the management of the Latvian Railway and Transport Industry Trade Union and is regularly revised according to the current situation (including economic conditions), is available to all LDz employees on the Group's intranet, with an updated version posted whenever the existing Collective Agreement is renewed, or a new one is concluded.

The LDz Group's **Personal Data Privacy Policy**, which is available to all employees on the intranet and an extract of which is published on the [LDz website](#), also sets out the protection of employees' personal data, non-compliance with which could cause significant damage to the company.

In order to improve the motivation and remuneration system, including the ability to attract and retain highly qualified specialists in specific areas, and to maintain and improve the level of competence and professionalism throughout the Group, work has started in 2024 to review the remuneration system, assessing the classification of job groups and defining remuneration parameters. This work will continue in 2025.



### Processes for engaging with workers about impacts

VAS Latvijas dzelzceļš regularly (on average every two years) conducts a **survey of employees of all Group companies** by outsourcing, the aim of which is to conduct a comprehensive study of the Group's employee engagement (satisfaction, involvement, motivation, loyalty). The main objectives of the survey are to identify strengths and weaknesses in the area of employee engagement and to identify priorities for improving the level of employee engagement, as well as to study issues related to information, communication and employee well-being. The study also includes questions on the reputation of the company in the eyes of its employees (the company as an employer, the company as a socially responsible trader, etc.). Employee surveys for the research are conducted online as well as through paper questionnaires to ensure the widest possible participation of employees. The most recent employee survey is currently available to the Group was conducted in early 2023.

In 2024, the LDz Management Board, identifying the need to transform the internal culture and make it more relevant to the dynamic challenges of the external environment (this need was also identified by analysing the results of the employee survey mentioned above), launched **the internal culture change programme "Virzības algoritms"**. The programme was developed and is being implemented by the Directorate of Communications. The programme also improves direct communication between management and employees, including inviting employees to report on current developments in the working environment, to ask questions of interest to the Group management, and publishing answers to questions on the LDz intranet and employee portal. Monthly management meetings have also been established with a wide range of senior and middle managers (on average around 100 participants) to discuss major news, changes, and future developments in the Group.

LDz has not specifically evaluated the effectiveness of these activities, but it is likely that this will be reflected in the results of future employee surveys and studies.

In the area of occupational health and safety, the Technical Inspection ensures that **employee representatives take part in the annual risk assessment of workplaces**, representing the views and perspectives of employees and contributing to the improvement of the working environment in all Group companies.

Not all employees are involved in the mitigation of LDz's climate impact, but within the framework of the Environment and Energy Management System, employees who work on electricity, heat, and transport energy consumption issues on a daily basis are involved in planning energy efficiency, renewable energy implementation and other measures. For more information on the activities carried out in this area, see Climate change ([page 99](#)).



### Processes for addressing negative impacts and channels for raising concerns about the working environment

The Group's Code of Ethics includes the possibility, in the event of a breach or suspected breach of ethical standards, to address one's supervisor or the Group's Ethics Committee, whose task is to review applications, complaints and reports concerning the conduct of employees of the Group companies related to a possible breach of the Code of Ethics.

Complaints and submissions are dealt with on an individual basis and can be made on any of the issues that concern workers, such as the working environment, alleged misconduct or unfair treatment, etc. The company has also implemented a Fraud Prevention Policy, under which potential conflicts of interest and their associated risks will be thoroughly examined and analysed. Additionally, an anonymous reporting tool has been introduced both on the external website and the LDz intranet. If an employee makes use of the whistleblowing mechanism, it is ensured that no formal or informal sanctions are taken against the employee.

The regular employee opinion survey (see above) is also a valuable channel for employees to voice their key concerns about their company's performance, impact on employees, and other aspects.

LDz does not have a specific procedure in place for the remediation of negative impacts, as no such impacts have been identified so far in LDz's operations that would have to be compensated for the damage caused.

### Actions and processes related to impacts, risks, and opportunities for workforce

The actions implemented or initiated in 2024 to improve the working environment, labour protection, and growth are a direct result of the socio-economic challenges facing the railway sector and the views expressed by employees themselves during the regular employee survey.

In recent years, LDz has been in a process of continuous change, which has had an impact on its employees, their number, the specifics of its activities and challenges. The most important course of action is therefore to communicate as openly and actively as possible with employees at all levels, including by explaining the negative economic aspects as well as the Group's future development directions. In 2024, **active communication was launched within the framework of the above-mentioned "Virzības algoritms" programme, and for the first time in the Group's history, working groups to improve efficiency in various areas of activity were set up**, involving a wide range of employees from different functions. These activities are planned to continue in 2025 and beyond as appropriate. The effectiveness of the communication activities will be assessed in future employee surveys.

To promote a common understanding and action, and opportunities for growth, LDz Group has **introduced a target-setting system** since 2024, cascading targets from the performance indicators set for the Management Board to the targets of individual units and departments and further to the targets of their employees. For this purpose, a **Performance and Target Management System** has been developed, in which targets and performance discussions are registered. The Directorate of Personnel monitors whether individual goals have been set and performance discussions have been conducted for all employees who are required to have individual targets. This ensures that each employee has a clear understanding of what is expected of them and what is considered to be a job well done. At least once a year, a review is held with the unit manager to assess how the objectives have been met. The system is transparent, established in a single information system and accessible to all staff, and the objectives can be adjusted throughout the year as external or internal circumstances change. The system is expected to strengthen in the coming years and to contribute positively to the medium and long-term growth of both the company and its employees. This will include an assessment of the effectiveness of target setting and follow-up - including the link to the actual development of the company. For lower-level staff, targets are not set at individual level but at a department or unit level.



With regard to occupational safety, in order to develop occupational safety as a priority value both in every operational phase and in interaction with society, in October 2023 VAS Latvijas dzelzceļš joined the **social initiative Mission Zero**, committing to respect and ensure the highest occupational safety standards and care for its employees.

In April 2024, SIA LDZ CARGO and SIA LDZ ritošā sastāva serviss joined the initiative.

Joining the initiative presents an opportunity to consult with experts in the field and exchange experiences with other members of the initiative – more than 100 representatives of Latvian employers, businesses, and institutions. The Group's companies plan to continue to participate in Mission Zero activities.

On 23 September 2024, the Management Board of SIA LDZ CARGO also signed the **EU Railway Safety Culture Declaration**, joining an initiative that expresses the commitment of European railway companies and organisations to promote the emergence and development of a safety culture in line with the EU Railway Safety Culture Model.

However, attracting the workforce of the future, not just ensuring the well-being and safety of existing employees, is a major challenge. In recent years, there has been a significant decline in the demand for students to study railway professions, which is **why LDz actively cooperates with higher and vocational education institutions** to facilitate the attraction of young people and the acquisition of knowledge and skills relevant to the needs of the sector. LDz specialists are involved in the development of university programmes, examination boards, lectures, providing and managing internships for students, etc. Such cooperation can be seen as a set of medium- to long-term activities that will produce practical results over a longer period of time.

SIA LDZ CARGO introduces RTU students to internship and career opportunities at the company.

At the beginning of June, representatives of SIA LDZ CARGO, together with representatives of several other large Latvian companies, visited the Faculty of Engineering Economics and Management of Riga Technical University (RTU), where they introduced the students of the Transport Services course – future logistics and international relations managers – to internship and career opportunities at the company.

For the activities covered in this section (promotion of internal culture, development and maintenance of a target management system, planning of occupational safety measures, etc.), funds are budgeted annually by the responsible bodies according to the resources available. In addition, posts have been created in the Directorate of Personnel and the Technical Inspection to ensure the implementation of the performance management system and work safety measures.





**Targets related to workforce**

In the Medium-Term Operational Strategy 2021-2025 of VAS Latvijas dzelzceļš, one of the non-financial objectives is the percentage of employee satisfaction, which is determined within the framework of regular employee surveys (see above). Measuring employee satisfaction is essential for the development of the staff motivation system, as well as for measuring employees' attitudes and feelings towards the development of the company, their role, well-being, and other aspects. This indicator measures the effectiveness of LDz's work-force-focused policies and concrete actions. In 2020, the Group's employee satisfaction score was 76%. Given the Group's transformation period and socio-economic challenges, a decrease in the satisfaction score is foreseeable in the short term. In the medium term, complex measures are planned, including talent programmes, promotion of cooperation with educational institutions in the railway and other priority areas, improvement of incentive systems, employee competence development, and professional training. It is expected that in 2025 LDz will be able to raise its employee satisfaction rating to 80%.

Not all staff are involved in setting the target, but a significant number of senior professionals are involved in the development of the medium-term performance strategy for each period, so that the target in each area – including staff satisfaction – is identified, set and agreed with a wider group of experts.

**Non-financial objectives (sustainability and human capital) set out in the Medium-Term Operational Strategy 2021-2025 of VAS Latvijas dzelzceļš**

Strategic directions	Performance indicators	2019	2020	2021	2022	Target value			
						2023	2024	2025	
						Plan	Performance		
Sustainability and Human capital	Employee satisfaction rating, % (strategic plan)	70%	76%	70%	75%	80%		80%	80%
	Employee satisfaction rating, % (actual and planned)					75.0% (budgeted)	74.0% (actual)		no measurement of employee satisfaction
	Sustainability Index, level					Gold	Gold		Platinum

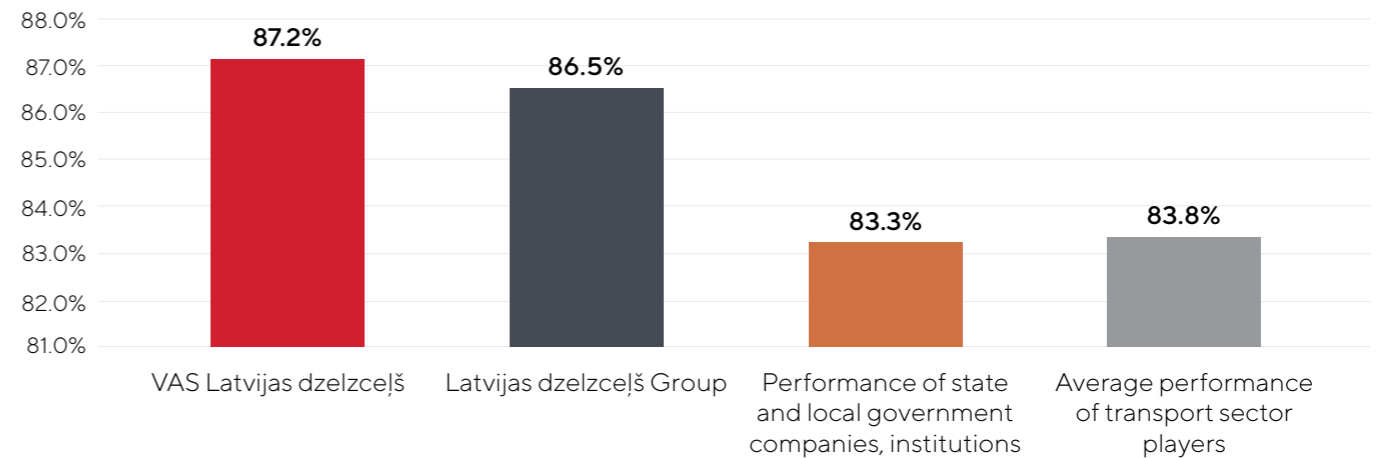


No employee survey was carried out in 2024, so the current employee satisfaction score is 74% in 2023. This differs from what was originally planned in the strategy, as the strategy was prepared in the period before the major structural changes in the railway sector, which affected the number of employees and necessitated changes in processes, allocation of functions, etc. Change is usually a cause for concern and is reflected in employee satisfaction.

There are no detailed targets in the area of HR management, although the company's Directorate of Personnel regularly monitors a number of indicators, such as employee turnover, average age, training, etc. Potentially, in the future, targets could also be set in other employee-related areas.

In addition, the Group's companies also participate annually in the **Sustainability Index assessment** organised by the Institute of Corporate Sustainability and Responsibility to assess their performance in terms of sustainability. One of the sections assessed in the Sustainability Index is *Work Environment*, which requires the Group to report on various employee-related aspects such as employee satisfaction, well-being, health, workplace safety, and many other issues.

In 2023, the performance of LDz and the Group in the *Work Environment* section was above the average performance of transport sector players and the performance of state and local government institutions. Detailed assessment data for 2024 are not available to the Group at the time of preparing this Report.



Source: Sustainability Index assessment by the Institute for Corporate Sustainability and Responsibility, section Work Environment. 2023

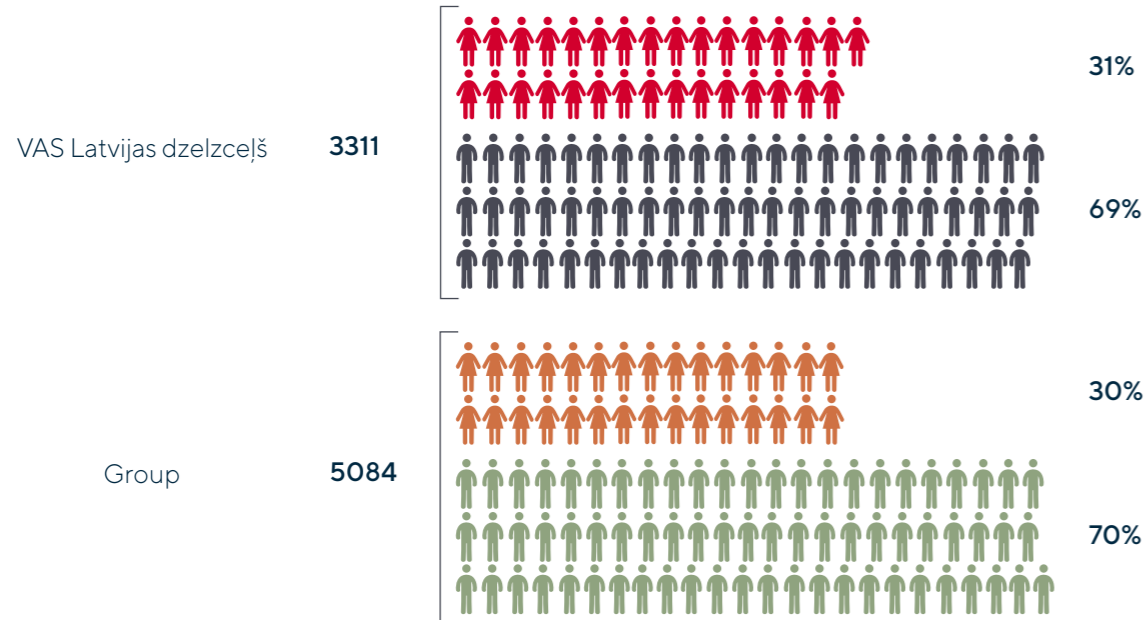


### Workforce composition in the Group

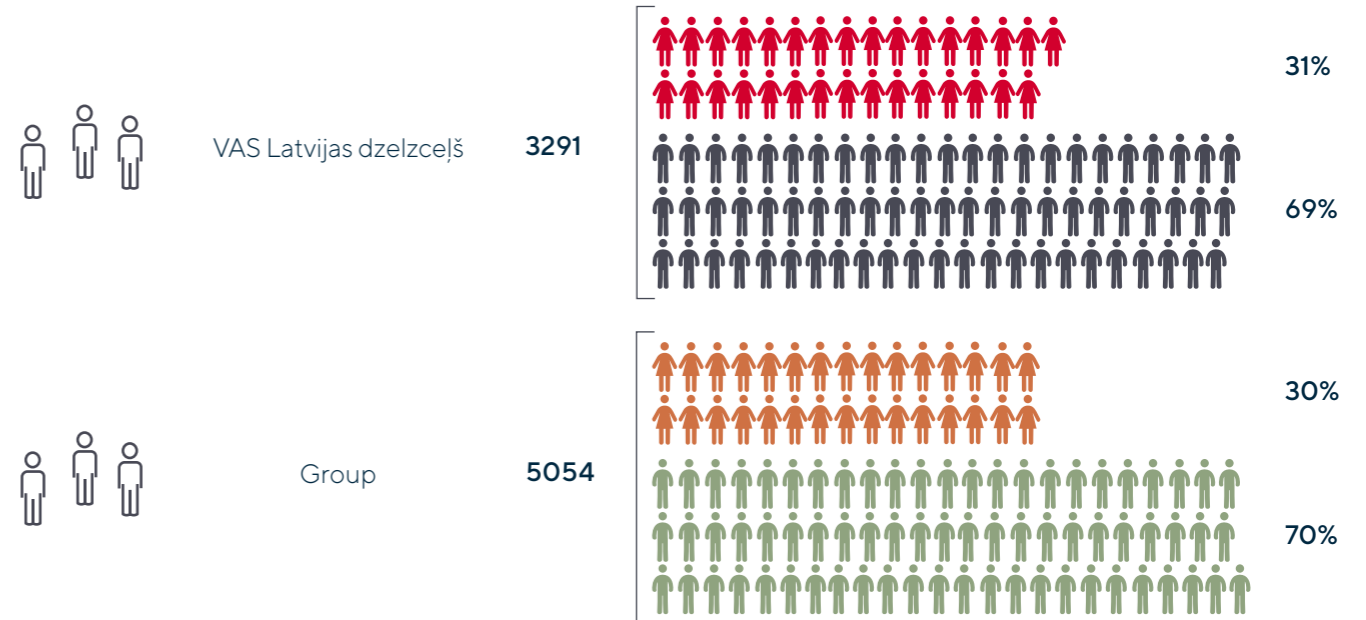
As mentioned above, LDz has a broad spectrum of employees in terms of occupations, regional coverage, age, and other aspects. At the same time, for example, the gender balance in LDz is highly valued at European level, as many other European countries have a significantly male-dominated railway sector.

#### Employee metrics as at 31 December 2024

##### Total number of employees



##### Employees with indefinite contracts (permanent employees)





Employee metrics as at 31 December 2024

Employees with fixed-term contracts (temporary personnel)



Employees without guaranteed working hours

0  
VAS Latvijas dzelzceļš

0  
Group



Number of employees whose employment relationship has been terminated

711  
VAS Latvijas dzelzceļš

1228  
Group



Turnover during the reporting period (% of average number of employees)

19.7%  
VAS Latvijas dzelzceļš

16.5%  
Group

Employee turnover has been relatively high during the reporting period, but this is due to continued structural changes in the sector.



Employee metrics as at 31 December 2024

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



full-time employees, women

1 034

VAS Latvijas dzelzceļš

1 522

Group



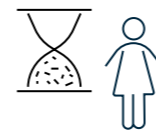
full-time employees, men

2 267

VAS Latvijas dzelzceļš

3 537

Group



part-time employees, women

2

VAS Latvijas dzelzceļš

5

Group



part-time employees, men

8

VAS Latvijas dzelzceļš

20

Group

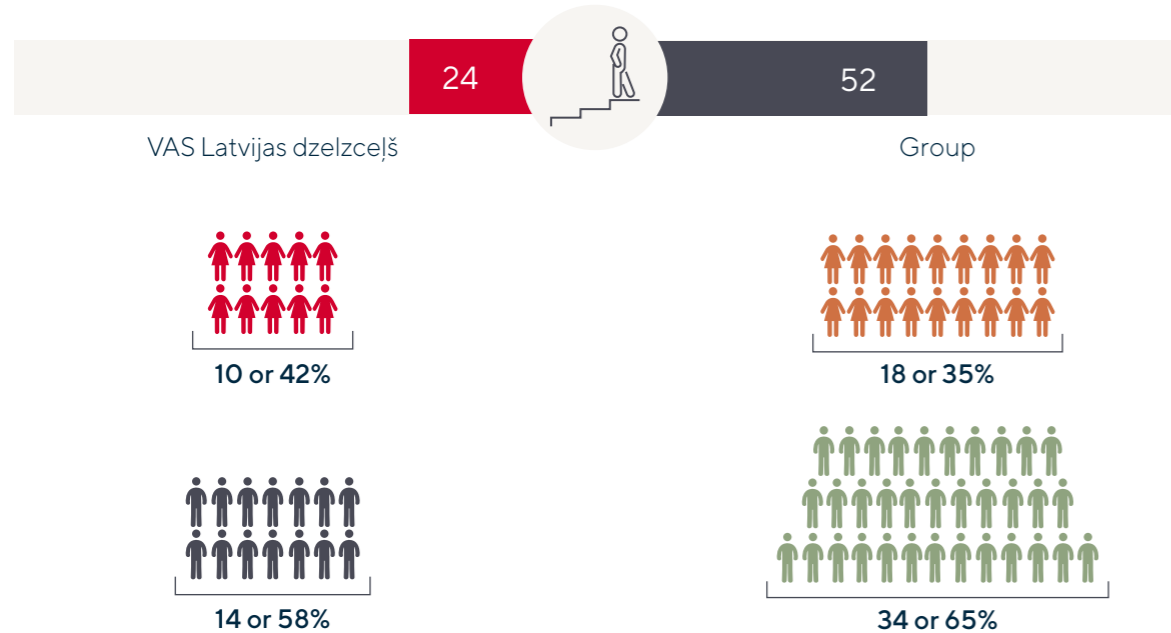
\* According to the information available in the HR module of the LDz SAP system. Data not externally verified.



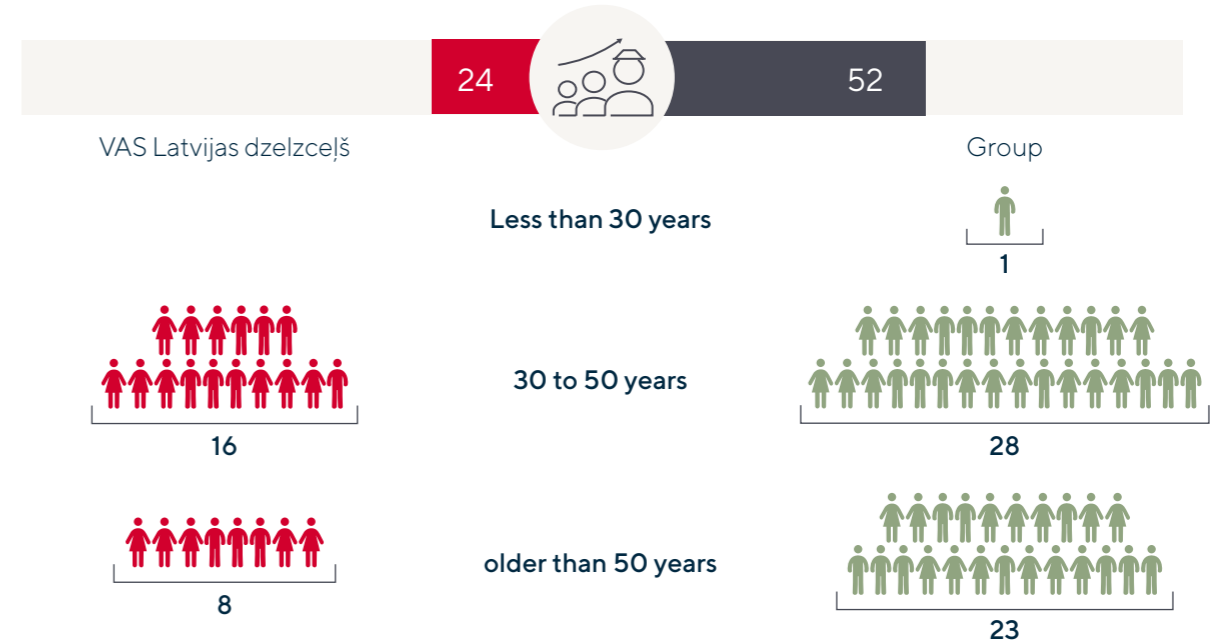
Employee metrics as at 31 December 2024

Diversity indicators at senior management level

Gender distribution of senior management



Age distribution of senior management



\* According to the information available in the HR module of the LDz SAP system.

\*\* Senior management includes members of the Councils and Management Boards of Group companies, as well as directors and heads of business units.

Data not externally verified.



### Characteristics of outsourced workers (employee characteristics as at 31 December 2024)

LDz employs mostly permanent full-time staff, but in some areas outsourced staff is used.

With labour contract or employees, number and %



Other forms of employment / outsourced (mainly on a contract basis), number and %



### Collective agreement and social dialogue

LDz has a long-standing cooperation with the Latvian Railway and Transport Industry Trade Union (LDzSA), with which the Group has a Collective Bargaining Agreement that is regularly updated and renewed. On 1 January 2025, the new version of the Collective Bargaining Agreement of Latvijas dzelzceļš entered into force, which, in addition to the social guarantees provided for in external legislation, provides for additional social guarantees for LDz employees for various life situations, as well as employer-provided measures to improve the working environment and promote employee well-being and motivation. For example, the collective agreement also provides for additional paid vacation days for employees raising children, additional vacation days for 5, 10, and 15 years of service in the railway, additional vacation for work in special conditions, as well as additional paid vacation days for employees on important anniversaries and holidays, an allowance for parents of 1st grade pupils at the beginning of the school year to purchase school supplies, compensation for the purchase of special medical and optical vision correction aids (spectacles), and other benefits.

The collective agreement applies to 100% of employees. The additional benefits in the collective agreement apply to those employees of the Group who are members of LDzSA (70% of the total number of employees).

### Remuneration and related indicators

The remuneration indicators in LDz should be seen in relation to the national minimum wage, because an adequate remuneration is, first of all, not lower than the national minimum threshold. In 2024, this was EUR 700 per month. LDz respects this threshold and no employee is paid less than the minimum wage.

\* According to the information available in the HR module of the LDz SAP system.

\*\* The total number of staff against which the ratios for employees and outsourced workers are calculated is the sum of the number of employees and the number of outsourced workers.

Data not externally verified.



Remuneration metrics

Considering the gender pay gap, the Group's average gender pay gap is not significant (according to the European Union, the average gender pay gap in the EU is 13%<sup>79</sup>).

The difference between the highest paid employee and the median of the Group's average salary shows the broad spectrum of the Group's workforce, ranging from a significant number of blue-collar workers to highly qualified experts.

Remuneration metrics for 2024	VAS Latvijas dzelzceļš	Group
Gender pay gap*	4%	9%
Ratio of total annual remuneration of the highest paid employee to the median of total annual remuneration of all employees**	421%	275%

\* Calculated on the basis of the ratio of the average gross hourly rate of pay of men working for LDz to the average gross hourly rate of pay of women working for LDz, expressed as a percentage.

\*\* Calculated on the basis of the ratio of the gross annual remuneration of the highest paid employee of LDz (including all extra payments, bonuses, etc.) to the average gross remuneration of LDz employees, expressed as a percentage. The determination of the highest paid employee does not take into account the members of the LDz Management Board and Council who are not employees within the meaning of the Labour Law and who have a temporary delegation contract with a clearly defined remuneration.

Data not externally verified.

<sup>79</sup> [https://ec.europa.eu/commission/presscorner/detail/en/statement\\_24\\_5806](https://ec.europa.eu/commission/presscorner/detail/en/statement_24_5806)

Social protection, including family conditions

Employees of LDz Group companies have access to all social protection provided by Latvian legislation, thus all employees have the opportunity to take maternity, paternity or parental leave in an appropriate situation, to use employer and/or state paid sick days, as well as to receive unemployment benefit and old-age pension, if applicable.

In accordance with the Collective Bargaining Agreement, employees have access to additional benefits and social protection in certain life situations, such as additional vacation days if there are children under the age of 12 in the family, support for the child's school start, death benefit for a relative, etc.

In view of the above, in 2024, 1845 Group employees, of whom 1268 are LDz employees, have taken family-related leave:

Work-life balance metrics for 2024	VAS Latvijas dzelzceļš	Group
Percentage of employees entitled to family leave*, %	100%	100%
Percentage of employees on family leave**, %	38%	36%
female, %	34%	39%
male, %	66%	61%

\* Based on the Latvian labour law, all employees have this right.

\*\* Based on data collected by the HR Departments of LDz Directorate of Personnel and Group companies on cases of incapacity for work related to family growth, illness of children, etc., as well as on leave taken in cases provided for in the collective agreement (e.g. death of a close family member, additional leave for parents with children under 12, etc.).

Data not externally verified.



**Persons with disabilities**

VAS Latvijas dzelzceļš and the Group do not collect information on the percentage of employees with disabilities and do not request such information from employees.

**Training and skills development**

In order to ensure the acquisition of technical skills and professional development courses necessary for work in the railway system, as well as various additional skills, employees of the Group's companies have access to training at the LDz Training Centre, as well as the opportunity to attend external conferences, courses, and seminars to improve their competences. In particular, LDz mid-level employees or employees with the potential to become mid-level employees are trained several times a year at the LDz Leadership Academy.

Training needs are also considered during the annual target-setting discussions (see [page 146](#) for details) and included in the individual targets for the following year, as appropriate.

**Training and skills development metrics for 2024**

Percentage of employees who have taken part in regular career appraisal activities\*



Percentage of employees who have received training\*\*



32% Female



68% Male



28% Female

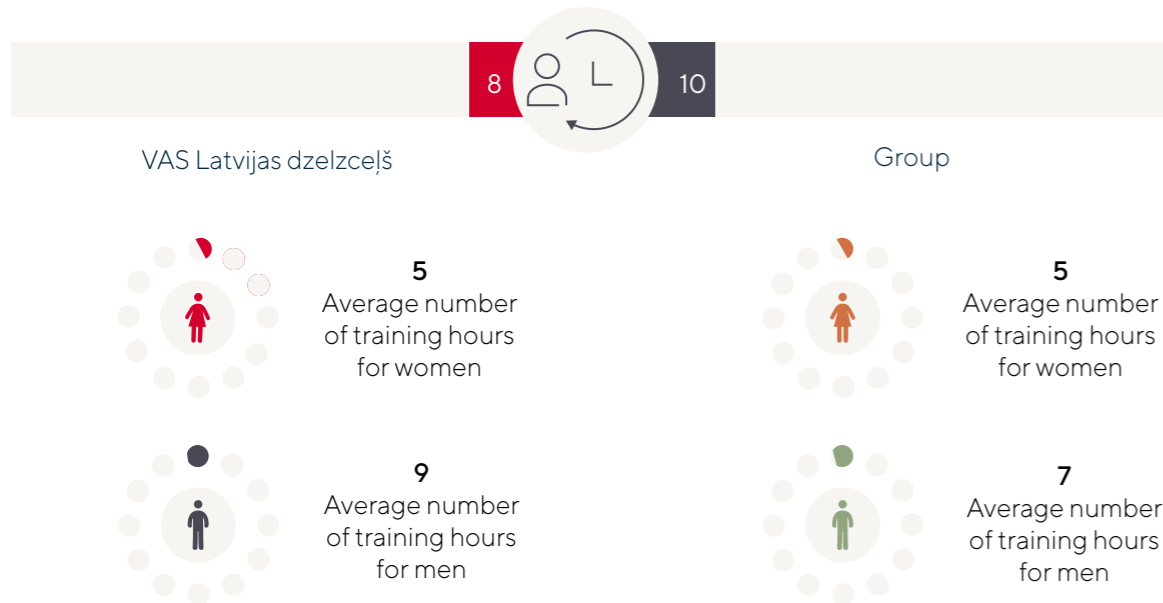


72% Male

\* Percentage of all employees  
\*\* Percentage of all employees



average number of training hours per 1 employee\*\*\*, h



\*\*\* According to the information on internal and external training attended during the year recorded in the Directorate of Personnel of LDz and in the HR departments of the Group companies (information based on prepared orders)  
Data not externally verified.

### Health and safety

Taking into account that the majority of LDz Group companies' daily work involves being in the vicinity of railway infrastructure, which is a highly hazardous area, special attention is paid to regular training of employees in occupational safety and health issues and assessment of work environment risks. Nevertheless, as in any company, there are periodic situations in which employees do not comply with work protection requirements or treat them frivolously. Incidents are always analysed and action is taken to prevent similar situations from recurring in the future.

Health and safety metrics for 2024	VAS Latvijas dzelzceļš	Group
Coverage of own workforce in H&S management system*	3 311	5 084
employees, %	100%	100%
Number of deaths due to work-related injuries and diseases**	0	0
employees, %	0	0
others working on company sites, %	0	0
Number of recordable work-related accidents***	5	7
employees, %	0.1%	0.1%
For own workforce - the number of recordable work-related diseases (i.e. occupational diseases)***	11	13
For own workforce - the number of days lost due to work-related injuries and deaths caused by accidents, as well as work-related illness and death caused by such illness****	776	831

\* In accordance with the Occupational Health and Safety System, the policy and resulting documents, the system applies to all employees

\*\* Data based on the accident register of the Technical Inspection of LDz

\*\*\* Data based on occupational physicians' reports received at the LDz Technical Inspection and Group companies' occupational health and safety or HR departments

\*\*\*\* Data calculated on the basis of information on sick leaves related to workplace injuries, work-related illnesses, etc. recorded in the HR departments of LDz Directorate of Personnel and Group companies.

Data not externally verified.



### Incidents, complaints and severe human rights impacts

In accordance with the Code of Ethics of the LDz Group, every employee of the Group companies has the possibility to apply to the Ethics Committee to have a complaint investigated concerning unethical, discriminatory, offensive, etc. behaviour of another employee (or employees). There were no such cases in 2024. There have also been no complaints to other instances on issues related to human rights implications.

2024 metrics of incidents, complaints and severe human rights impacts	VAS Latvijas dzelzceļš	Group
Total number of incidents of discrimination, including harassment, reported in the reporting period	0	0
Number of complaints filed through channels for people in the undertaking's own workforce to raise concern	0	0
Number of complaints filed to the National Contact Points for OECD Multinational Enterprises	0	0
Amount of fines, penalties, and compensation for damages as a result of the incidents and complaints disclosed above	0	0
Number of severe human rights incidents connected to the undertaking's workforce in the reporting period	0	0
Amount of fines, penalties, and compensation for damages as a result of the above	0	0



## WORKERS IN THE VALUE CHAIN

### Interaction of impacts, risks and opportunities related to workers in the value chain with strategy and business model. Engagement of workers in the value chain

In 2024, 206 procurement procedures were implemented (13 by the Group, 158 by LDz and 35 by LDz subsidiaries), while the number of additional purchases of goods and services that do not require a procurement procedure or the procedures established by LDz for sub-threshold procurement or market studies is even higher. This gives the Group a wide range of suppliers. Most of them are companies established in Latvia, but in practice it is understood that various technologies, equipment, materials, etc. are purchased from other countries, both within and outside the European Union.

While LDz understands its broader responsibility for the companies in its value chain and the situation of their employees, the most relevant factors according to the impact, risk, and opportunity assessment are currently considered to be:

- **Suppliers' understanding, attitudes and actions regarding occupational safety and traffic safety** - in particular where the supplier's employees work in close proximity to or on railway infrastructure;
- **Social protection for suppliers' employees**, the absence of which also potentially increases the security risk mentioned above.

Although LDz has not yet sought the views of employees working in supplier companies on their working conditions, it ensures adequate monitoring of safety aspects. For more details, see the section on policies - including measures to monitor traffic safety risks, which also includes the management of traffic safety risks related to supplier employees.

Given that the Group is required to select suppliers in accordance with the Law on the Procurements of Public Service Providers, there is limited scope for significant review of the process by which suppliers are selected and evaluated. However, in recognition of the Group's wider role and impact on its suppliers and their employees, as well as the risks that may arise from suppliers' lack of concern for their employees, their human rights, safety, etc., LDz in 2024 initiated a categorisation of suppliers and an assessment of their sustainability risks, mapping them against LDz's own material sustainability areas (which are discussed in this report). The assessment took into account suppliers' potential impacts on the environment, on their own employees and on the wider community, as well as suppliers' geographical origin (including the likelihood that certain regions may have increased human rights risks) and governance risk factors. In total, 27 categories of suppliers have been identified, categorised into low, medium and high risk depending on the results of the assessment.

In 2024, a supplier assessment questionnaire based on the initial assessment has been developed to identify the sustainability risk of specific suppliers in the relevant categories and, if necessary, to identify monitoring and other measures. The questionnaire is planned to cover suppliers whose cooperation with an LDz Group company amounts to at least EUR 300 000 in a calendar year (a similar threshold is also applied to transactions that require the prior approval of the LDz Management Board, which is therefore considered to be the materiality threshold). In 2024, the questionnaire was conducted on a pilot basis, receiving responses and suggestions for clarification from four suppliers.

With regard to the downstream value chain, risks can arise from the actions of hauliers, but here again the focus is specifically on road safety, with appropriate controls, information exchange, training, and other necessary measures.



Sub-area	Impact	Risks	Opportunities
Working conditions	Sustainability requirements for suppliers	Inadequate social responsibility of workers, inadequate pay and other shortcomings can lead to risks in performance, quality, accountability	Promoting supplier responsibility by setting criteria and principles that are relevant to the Group
	Monitoring suppliers' compliance with occupational health and safety measures, in particular traffic safety, including possible penalties	Lack of relevant competences among suppliers	Potential for LDz Training Centre to offer relevant training to suppliers
		Increased safety risks due to the railway being a hazardous site and some suppliers and business partners carrying out hazardous work (builders, carriers)	

positive impact  
 negative impact  
 Parts of value chain where the impact, risk, or opportunity manifests itself are coloured according to the colour code of the value chain illustration on [page 78](#)



### Policies relevant to value chain workers

LDz does not have specific policies aimed directly at employees of companies or other organisations in the value chain, but these are implicit in two important sets of documents:

- **In the area of traffic safety** - the Group's Traffic Safety Policy and the VAS Latvijas dzelzceļš Traffic Safety Monitoring Strategy (approved by the LDz Management Board on 20.09.2023). This strategy also covers compliance with traffic safety requirements and their monitoring in relation to cooperation partners. This includes requirements for the performance of specific works under the Railway Act and the qualifications of those performing them (requiring special safety certificates), as well as for other contractors (who are not required to have safety certificates but are subject to strict supervision by LDz when performing work in the railway right-of-way), as well as for goods - including control of suppliers of various spare parts, infrastructure components, technology, etc. - both before and after delivery.

The Group's Traffic Safety Policy is available to stakeholders on LDz's [external website](#), while the measures included in the Traffic Safety Monitoring Strategy are incorporated into cooperation agreements with partners whose operations may be exposed to increased traffic safety risks. This includes traffic safety requirements that apply to the conduct of the contractual partner and its employees as well as to the use and conduct of any subcontractors or other contractors.

- **In the area of overall supplier oversight** - since 2017, LDz has had in force the [Business Ethics of Cooperation Partners of the Latvijas dzelzceļš Group](#), which are referred to in all contracts concluded with business partners (where appropriate and where the partner has equivalent requirements - by agreeing and applying a mutually acceptable and inclusive version). In 2024, a substantially revised Code of Ethics for Business Partners has been developed, covering a wider range of topics - including partners' commitment to fundamental human rights aspects (incl. child labour and forced labour, ensuring adequate social protection for employees, etc.), environmental and climate concerns, and fair business principles. The draft Code of Ethics also requires suppliers to commit to these principles at company level, to inform their employees and to implement them in their supply chain wherever possible. This document has not yet been approved by the LDz Management Board.

No value chain or other stakeholders have been involved in the development of the policies, but in autumn 2024 suppliers were involved in the testing of a supplier questionnaire related to the implementation of the updated Code of Ethics for Business Partners. As a result, LDz obtained feedback on the questions asked in the questionnaire and their perception, in some cases clarifying wording or guidance for completing the questionnaire.

In the development and implementation of its policies, LDz is guided by internationally relevant human rights principles (which are also included in detail in the draft Code of Ethics for Business Partners, which is being submitted for approval, but are not specifically linked to United Nations, International Labour Organisation or Organisation for Economic Co-operation and Development guidelines.



### Processes for engaging with value chain workers about impacts

LDz has not yet implemented targeted measures to involve value chain workers, but it ensures that the most important risks (traffic safety risks) are included in the cooperation agreements with the specific cooperation partner, as well as conducts monitoring at specific sites, communicating with the workers there and drawing their attention to the importance of traffic safety where necessary.

### Processes to remediate negative impacts and channels for value chain workers to raise concerns

**Business Ethics of Cooperation Partners** of the Latvijas dzelzceļš Group and the new Code of Ethics for Business Partners, which is in the process of being harmonised, provide a mechanism for companies and their employees to contact LDz to report possible material misconduct. Anyone can also use the [whistleblowing channel](#) to report significant misconduct. To date, LDz has not received any reports of human rights or other significant violations related to the situation of workers in the value chain.

Currently, LDz Group has no other process – regular or irregular – for engaging workers in the value chain. Nor are there specific mechanisms in place for remediating (preventing or restoring to a better situation) potential negative impacts.

### Actions and processes related to impacts, risks, and opportunities for workers in the value chain

In the area of traffic safety, as mentioned above, LDz imposes substantial requirements on suppliers working in the immediate vicinity of railway infrastructure or whose goods or services are directly related to ensuring traffic safety. These may include enhanced controls during the execution of works, requirements to ensure a certain level of qualification of employees and appropriate training to minimise the likelihood of any incidents. The effectiveness of the processes is demonstrated by the fact that in recent years there have been no major accidents involving value chain workers on LDz infrastructure.

Regarding other impacts, risks and opportunities (including social protection), the continuation of the assessment of supplier categories and individual key suppliers launched in 2024 and the introduction of the new Code of Ethics for Business Partners will progressively introduce control, monitoring and, potentially, supplier engagement and education measures. LDz's ability to apply the requirements of the Code of Ethics for Business Partners in the selection of suppliers is limited due to the Group's compliance with public procurement regulations, but it is envisaged that the requirements will be integrated into the contracting process and further monitoring of the cooperation.

Implementing the measures does not involve additional financial resources, but ensuring transparent and understandable processes. The effectiveness of these processes will be monitored in the future. A challenge to the implementation of the measures – in particular the implementation of the Code of Ethics for Business Partners – is the possible reluctance and lack of willingness of business partners to engage in improving the overall working environment, as well as the fact that the LDz supply chain is also located outside the European Union, including in regions where ethical principles tend to differ. However, LDz is committed to progressively implementing these principles.

### Targets relevant to workers in the value chain

LDz Group does not currently have any targets for impact management for workers in the value chain. **In the area of traffic safety, the target of reducing the number of serious accidents from 1.2 to 1 accident per 1 million train kilometres per year, as set out in LDz's Medium-Term Operational Strategy 2021-2025, may be considered an indirect target with regards to value chain workers.** This target is linked to the targets set internationally by the rail industry and setting of the target does not additionally engage stakeholders. As such accidents include accidents with employees of the LDz Group, the general public and employees working in the value chain, this indicator and its monitoring also indirectly apply to suppliers working in close proximity to the railway infrastructure.

In the future, LDz will assess the need to set other targets, including, for example, supplier-related sustainability risk appetite, or other aspects.



## AFFECTED COMMUNITIES

### Interaction of impacts, risks and opportunities related to affected communities with strategy and business model. Engagement with affected communities

Stakeholders in the affected communities in the case of LDz are mainly residents of various Latvian municipalities whose well-being may be affected by railway operations or who come into contact with railway infrastructure periodically in their daily routine, even if they do not use train services in their daily mobility. The two most important types of impact are:

- **Rail safety** (e.g. because the railways are crossed by people moving from one part of the city to another, but not necessarily using rail passenger transport themselves). Unsafe crossing or careless behaviour near railways can lead to accidents, including those with irreversible consequences (serious disability or death);
- **Noise from train traffic**, which can cause discomfort for people living or staying near railway infrastructure.




























In both cases, the impact on the surrounding population is not intentional or a direct result of the activities of LDz, but may be a side-effect of the rail operation.

Traffic safety has always been a priority for LDz, and you can read more about how LDz manages traffic safety issues both for its end users - passengers - and for society as a whole on [page 176](#). From the perspective of the affected communities, communication on traffic safety issues focuses most on cities, where rail traffic is heavier and hence there is a need to promote public awareness of the risks.

With regard to noise from train traffic, LDz regularly draws up noise maps and takes measures to reduce noise (see [page 165](#) for details), but it should be noted that complaints about noise in the vicinity of railways have decreased significantly in recent years as rail freight traffic has declined.

In both impact areas, potential risks are also covered in LDz's risk management processes, both in terms of environmental management (where one of the areas is environmental noise management) and traffic safety (the risk register includes several types of risks related to traffic safety). It should be emphasised that safety risks which have a low probability of occurrence but a potentially critical impact are also considered to be material risks for LDz - and this is the case for a number of traffic safety risks.



Sub-area		Impact	Risks	Opportunities	
Working conditions	   	The quality of life of the surrounding community / residents is affected by rail noise	  	Residents' complaints, claims about noise nuisance, discomfort	
	   	It is managed as part of projects and routine maintenance			
	   	Traffic safety risks are managed by promoting physical safety, introducing video surveillance at level crossings and providing regular public information	  	Accidents, fatalities and their consequences (most often not caused by the infrastructure or a specific company)	   Public education, information on safety near the railway
			  	Terrorism / threats from third parties (including various unintended external circumstances)	   Implementation of a comprehensive crisis management process, including public information, post-analysis (including risk analysis, loss estimation, changes to actual procedures, etc.)



positive impact



negative impact



Parts of value chain where the impact, risk, or opportunity manifests itself are coloured according to the colour code of the value chain illustration on [page 78](#)



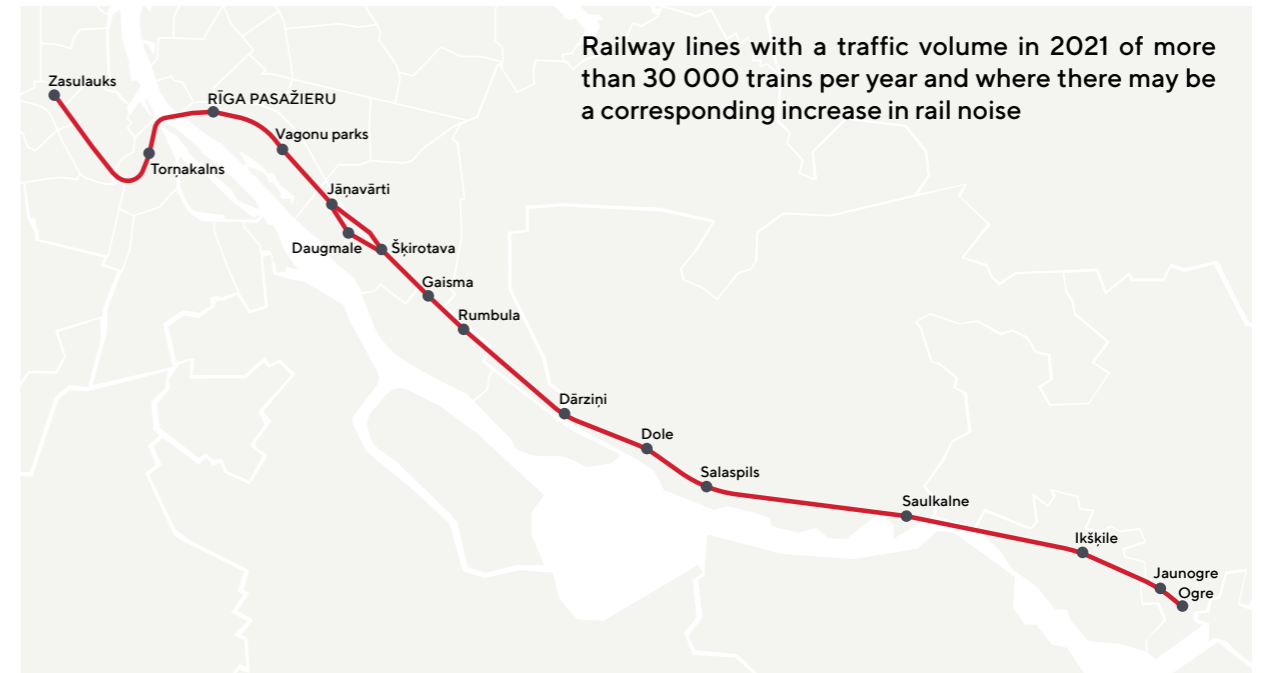
### Policies related to affected communities

Traffic safety issues are managed in accordance with the LDz Group's internal regulations, which are described in more detail on [page 176](#) and whose implementation is monitored by the LDz Technical Inspection and, at Management Board level, by the Member of the Management Board for Commercial Matters in accordance with the current Rules of Procedure of the Management Board.

Environmental noise is managed in accordance with external legislation and the principles set out in the Group's Environment and Energy Resources Management Policy. The LDz Environmental and Energy Management Programme 2022-2028 identifies noise as one of the key environmental aspects. The implementation of the programme is monitored and coordinated by the Directorate of Development, while at Management Board level the Chairman of the Management Board is responsible for this area, together with other areas of environmental impact, in accordance with the Rules of Procedure.

In accordance with Section 18.1 of the Law on Pollution, LDz, as the manager of railway infrastructure in public use, has developed strategic noise maps for sections of railway lines where the train traffic volume exceeded 30 000 trains per year in 2021. It is considered that this level of train movements may contribute to noise nuisance for the surrounding population and therefore needs to be managed. The maps have been developed in accordance with the requirements of the Cabinet of Ministers (CM) Regulation No 16 of 07.01.2014 *Noise Assessment and Management Procedure* and approved by the Ministry of Transport on 29.02.2024, taking into account the amendments to CM Regulation No 16 of 31.10.2023 (effective from 03.11.2023). According to these noise maps, the total length of the railway lines with a traffic volume of more than 30 000 trains per year in 2021 is 50.3 km. These railway lines cross the territory of the Riga agglomeration, Ropaži, Salaspils, and Ogre municipalities, thus potentially causing the greatest discomfort to the inhabitants of these municipalities, whose daily routine takes place in the immediate vicinity of the railway line (e.g. in Riga - in the neighbourhood of Ķengarags / Šķīrotava, and in other cities - in neighbourhoods located close to the railway line).

Based on the noise maps, LDz, with the support of consultants from Estonian, SIA Latvian & Lithuanian Environment and based on specific noise measurements (in decibels), has developed a Noise Abatement Action Plan for railway lines with traffic volumes greater than 30 000 trains per year for the period from 2024 to 2028. The Action Plan includes measures to reduce noise levels in the areas concerned - including both tasks to be carried out as part of routine track maintenance (e.g. replacing and grinding the rails, which slightly reduces noise) and



the **construction of a 618-metre noise barrier in Riga, Ķengarags**, where noise discomfort levels are highest. The noise maps and action plan are available on the [LDz website](#).

In the area of affected communities, the impact of Group companies is closely linked to risks and opportunities (e.g. serious traffic accidents also pose risks for Group companies, while residents' complaints about noise and inadequate management of noise-related issues can pose both risks and opportunities for more effective management). Thus, the policies identified also implicitly include the management of risks and opportunities.

LDz has not developed a specific general policy on human rights issues, instead focusing on the material impacts, risks, and opportunities in the above areas. At the same time, respect for human rights as an essential operating principle is included in the Group's Code of Ethics.



### Processes for engaging with affected communities

In order to obtain public feedback on the suitability and effectiveness of the planned measures to reduce noise nuisance from railways, a public consultation with the municipalities and residents of Riga, Ogre and Salaspils was organised in 2023 after the development of the Noise Action Plan for railway lines with a traffic volume of more than 30 000 trains per year for the period from 2024 to 2028.

Positive comments were received during the public consultation, as well as a suggestion to consider in the future the possibility to plant greenery in the vicinity of the railway lines independently or together with the municipalities, which would also help to reduce noise and improve the visual attractiveness of the area, according to the municipalities. Regarding planting greenery, it should be noted that such a measure does not significantly reduce noise levels. Additionally, when implementing it, the proximity of the vegetation to the railway infrastructure must be carefully considered to avoid potential safety hazards caused by reduced visibility due to the vegetation or, in the case of larger tree plantings, the risk of storms and tree falls that could affect railway infrastructure and train operations. Thus, reduction of one impact factor on the surrounding community may lead to negative impacts on the community in another area (traffic safety).

For other cases, not related to noise, but where local community interests are at stake (e.g. finding the most appropriate solutions for a safe railway crossing at a certain location), meetings and consultations with residents are organised as necessary. For example, in 2023, LDz met with residents of the Čiekurkalns neighbourhood in Riga to further discuss the future development of the station.

In 2024, together with other stakeholders, LDz met with community representatives in Inčupe - regarding the possible retention or relocation of the stopping point.

There is no single person in charge of community engagement - it is organised according to relevance and links to other Group processes. For example, noise abatement is the responsibility of the LDz Directorate of Development, which also ensures public consultation; traffic safety is the responsibility of the LDz Technical Inspection, which is involved in consultations where necessary; and in other cases, communication with the surrounding communities is most often ensured by the LDz Directorate of Communication, involving other responsible Group bodies. Based on the conclusions and proposals resulting from the community engagement and consultations, LDz's operational plans are updated as necessary. The effectiveness of engagement is not specifically assessed.





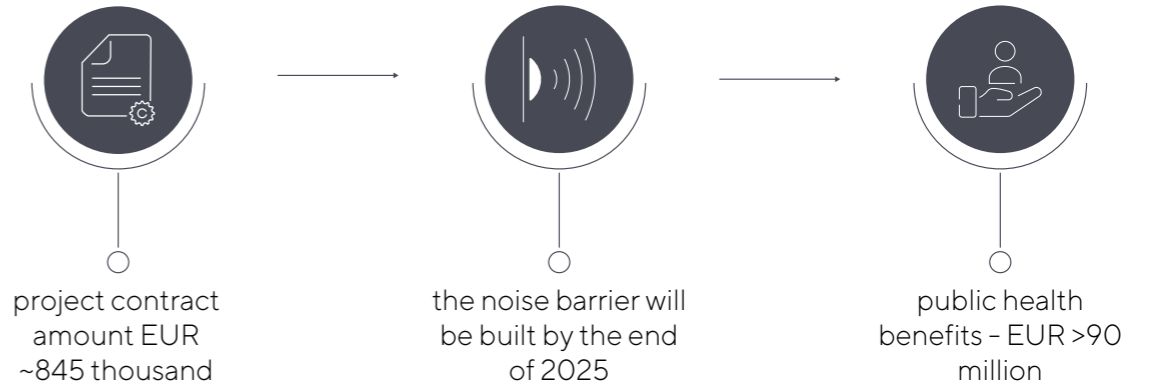
**Processes to remediate negative impacts, channels to raise concerns and actions to manage impacts, risks and opportunities related to affected communities**

Where possible, LDz takes measures to mitigate the negative impact of rail infrastructure on society. In the case of noise, this includes the **construction of the noise barrier in Ķengarags, Riga, included in the [Action Plan](#). In 2024, the project started** with the development of the specification for the noise barrier and the procurement process, which closed on 11 November 2024. The contract amount of the project is around EUR 845 thousand. The noise barrier is expected to be built by the end of 2025, with public health benefits worth more than EUR 90 million (the Action Plan assumes a 20-year lifetime for the noise barrier, based on a model developed by the European Environment Agency to assess and monetise the negative effects of noise). The resources for the implementation of this measure are foreseen in the LDz investment plan for 2024 and 2025 and the investments are to be made from LDz own resources.

In addition, the Action Plan summarises the costs and benefits of constructing noise barriers not only in Ķengarags, but also in Ogre, Ikšķile, Salaspils and Bieriņi, but funding for these measures is currently not available and is not planned.

Other noise abatement measures, as foreseen in the Action Plan, are to be carried out as part of routine infrastructure maintenance work (e.g. rail grinding, long-rail replacement, etc. components of track maintenance work). Resources for these works are foreseen in the annual investment plan and included in the infrastructure renewal programmes. In the investment plan for 2024, EUR 22.5 million was allocated for the respective works, financed from own funds (including commercial bank loans). The effectiveness of these noise abatement measures is not assessed in detail as these works are not carried out in isolation from other infrastructure maintenance works and the contribution of specific actions to noise abatement is difficult to assess.

Both the construction of the noise barrier in Ķengarags and the works to be carried out within the framework of regular track maintenance are included in the CapEx items of LDz in the financial statements for 2024. In the future, the necessary funding for noise abatement will be planned in accordance with LDz's financial possibilities, including consideration of the possibility to integrate noise abatement solutions into EU-funded infrastructure development and modernisation projects.





At the same time, it should be noted that rail traffic has decreased significantly since 2017 (especially freight, which is noisier due to longer and heavier trains), so the noise impact on people has naturally decreased.

The processes and concrete actions to improve traffic safety are presented in more detail in the Consumer and end-user section on [page 176](#).

As mentioned above, the residents of the municipalities concerned, where elevated levels of rail noise are observed, are involved in the public consultation of the Action Plan. Citizens can contact the LDz Customer Service Centre on 8002 1181 or by e-mail [uzzinas@ldz.lv](mailto:uzzinas@ldz.lv) to discuss these or other issues related to the impact of rail on their local communities. Each application received is examined and a decision is taken on how to proceed. In 2024, have received applications concerning, for example, malfunctioning level crossings, pedestrian crossings, inadequately maintained railway right-of-ways sidings, station facilities and cleanliness (including in slippery weather), etc. The management of the LDz Customer Service Centre also regularly assesses the speed and quality of the answers provided and the communication with customers by the helpline operators, making improvements in procedures and service delivery where necessary. It is also possible to submit questions and suggestions to the Customer Service Centre anonymously.

In addition to mitigating negative impacts, LDz also provides information and education to the public on railway-related issues by ensuring the operation of the Latvian Railway History Museum. The museum's experts regularly offer events and activities that allow young and old to learn about the history of railways in Latvia and the world, as well as other topics related to railways and industrial heritage. In 2024, the Latvian Railway History Museum celebrated its 30th anniversary by inviting visitors to celebratory events, such as the [Platform Festival](#), which took place in August 2024 at the museum's premises in Riga, Uzvaras Bulvāris 2A, and was attended by almost 800 guests, according to information gathered by the museum. Traffic safety issues are also raised on a daily basis at the Museum's events, thus contributing to education on safety.





### Targets related to affected communities

The objectives relating to traffic safety are described in more detail on [page 184](#). No noise reduction targets have been set, but the Action Plan identifies targets to be implemented in the period 2024-2028 to reduce noise levels in areas of discomfort, including:

- Construction of noise-reducing barriers in the acoustic discomfort zone Ķengarags;
- Noise abatement measures implemented on the Šķirotava-Salaspils and Salaspils-Ogre sections as part of railway infrastructure maintenance works;
- Conducting a study on *Sustainable solutions to reduce transport noise* (the proposal for the study has been submitted to the Ministry of Transport and its implementation is subject to the availability of external funding);
- Evaluation of noise reduction measures in railway infrastructure development projects, including requirements in construction projects;
- Creation of planting strips in the vicinity of the tracks, subject to available funding (taking into account the traffic safety risks mentioned above).

The implementation of these measures over the planning period is also considered as a key target and is being monitored. With the exception of the noise barrier to be built in the neighbourhood of Ķengarags, the exact costs of the other measures have not been determined.

The effectiveness of the measures taken will be evaluated through noise mapping and the development of an Action Plan for the next period (beyond 2028, when the current Action Plan will expire). As mentioned above, the effectiveness of the measures depends not only on their implementation by LDz, but also on the level of traffic on the railway infrastructure as a whole.



## CONSUMERS AND END-USERS

### Interaction of impacts, risks and opportunities related to consumers and end-users with strategy and business model

Consumers and end-users (or direct and indirect customers) of the Group's services can be divided into three broad groups:



**Passengers** who increasingly use rail infrastructure. It should be noted that passenger transport is not part of the Group's business, but it does include the provision of passenger infrastructure – including both tracks and related infrastructure and stations and stopping points and their equipment managed by VAS Latvijas dzelzceļš and where security is provided by SIA LDZ apsardze). In 2024, passenger transport reached 19.4 million passengers, an increase of 13.5% on the previous year. This volume has been relatively stable since 2017, falling only in 2020 and 2021, when it was affected by the Covid-19 pandemic and its restrictions. Passenger transport by rail in Latvia is two to three times higher than in neighbouring Estonia and Lithuania.

LDz aims to develop a passenger-friendly and safe infrastructure, thus contributing to the extent of its capabilities to the fact that an increasing proportion of the population uses rail rather than, for example, private road transport for their daily journeys. The role of passengers in railway operations has been growing in recent years, but at the same time LDz has no contractual relationship with passengers as users of the infrastructure, so its relationship with these customers is indirect. Given that the total passenger population is made up of very diverse groups, including those with reduced mobility or other limitations that make it difficult to comfortably use the historically developed railway infrastructure, the improvement of passenger infrastructure is one of LDz's key priorities in 2024 and in the future;



**Freight forwarders, owners and logistics intermediaries.** The Group includes one of the largest rail freight transport companies in Latvia, SIA LDZ CARGO, but there are also a number of private rail freight transport companies operating in Latvia using the infrastructure managed by LDz, including AS Baltijas Ekspresis, AS Baltijas tranzīta serviss and SIA Euro Rail Cargo. LTG CARGO, a Lithuanian railway company, also carries out freight transport on Latvia's public railway infrastructure. SIA LDZ CARGO and SIA LDZ Loģistika provide freight transport planning, the most efficient solutions for specific customer needs, fleet planning and availability for different types of freight transport etc. Meanwhile, SIA LDZ ritošā sastāva serviss provides maintenance, routine and overhaul repairs, refuelling and other related services for wagons and locomotives used for freight transport.

The role of freight-related services in LDz's activities has been decreasing in recent years (in the last 10 years the volume of freight transported by rail in Latvia has decreased from 57 million tonnes per year to 11.47 million tonnes per year). At the same time, this group of customers is the most important in terms of developing commercial services and building long-term relationships (insofar as it is not affected by international sanctions or other restrictions);



**Direct and indirect customers of other services not related to the core railway business.** LDz provides electricity supply to a total of 4482 facilities throughout Latvia (including some areas, especially in the vicinity of railway lines, where customers cannot choose another distribution service provider because the infrastructure of AS Sadales tīkls is not available nearby), of which 4193 electricity users are private individuals, while 319 electricity users are legal entities. The beneficiaries of the service are both natural and legal persons. LDz also leases real estate to legal and natural persons. In addition to providing security for LDz infrastruktūra, SIA LDZ apsardze also provides security services to external, non-railway customers.



Each of these groups has a slightly different approach to identifying customer needs, building and maintaining relationships. At the same time, there are a number of aspects in which LDz's influence on these groups and/or the risks and opportunities that working with these customer groups present to the Group are similar.

The following systemic areas are considered to be the most important areas of sustainability related to consumers and end-users in LDz's operations, mostly related to respecting and improving passenger rights:

- **Ensuring privacy.** Although LDz does not process passenger data, it does process data related to commercial customers and their contacts, as well as, for example, data related to electricity service users, which include a large number of private individuals. Thus, the processing of such data, its security and compliance with regulatory requirements are carefully considered in the design of the Group's data protection system;
- **Access to quality and timely information.** Although the primary responsibility for passenger information lies with AS Pasažieru vilciens, which is not an LDz Group company, LDz is responsible for the efficient flow of information in various emergency situations related to the operation of infrastructure and transport. The ability of passengers to plan their daily routes and to mitigate various situations of increased stress in the event of unforeseen events during an ongoing service depends on the availability of efficient, comprehensible, high-quality and timely information. LDz takes these needs into account when planning information circulation measures (discussed below), ensuring timely and complete availability of information to LDz Customer Service Centre employees, as well as including various information improvement solutions – electronic boards, voice announcements, etc. – within infrastructure modernisation projects. Information circulation is also continuously improved in the area of commercial services;
- **Safety of people, including children.** The railway is a high-risk area, so traffic safety issues have always been of particular importance to LDz. Safety is one of the core values of the LDz Group and its aspects are assessed when making any changes to the Group's structure, operations, processes, etc., and in all necessary cases, changes are coordinated with an external body – the State Railway Technical Inspection. Safety issues are always considered in infrastructure development and modernisation projects. Safety hazards can affect both adults and children, but for more than 15 years LDz has paid special attention to educating children and young people about traffic safety issues, both by organising individual safety lessons in educational institutions and by participating in various events aimed at a wider audience of children and young people;





- **Access to products and services.** Physical access to infrastructure, or environmental accessibility, is considered to be an important area, including in relation to human rights. These issues have entered the LDz agenda relatively recently, within the last 10–15 years or so, but have now become an essential aspect of all passenger infrastructure projects, to make infrastructure more accessible to passengers and other users with disabilities, mobility difficulties, sensory impairments, etc. LDz has also developed a [Universal Design Standard for Passenger Infrastructure](#), which sets out detailed requirements for any passenger infrastructure project. Due to limited financial possibilities, LDz cannot reconstruct all passenger infrastructure facilities in a short time in accordance with the basic principles of this standard, but it does so in a targeted and gradual manner within the framework of passenger infrastructure modernisation projects co-financed by EU funds;
- **Equal treatment and non-discrimination.** This issue is also mainly related to passenger and environmental accessibility, as described above, as improved infrastructure makes it possible to prevent indirect discrimination against certain groups in society and to promote the principles of equality in the mobility of society through rail transport;
- **Responsible marketing practices.** This mainly concerns commercial transport and equal treatment of all freight carriers using LDz infrastruktūra. Given that one of the carriers, SIA LDZ CARGO, is part of the LDz Group, it is very important for LDz to comply with the principles of equal and fair competition for all carriers, which is done accordingly.

The most material impacts, risks and opportunities have been identified in the areas covered and are summarised on the following page (including the risks identified in the table, which are also discussed within the overall LDz risk management framework).





Sub-area	Impact	Risks	Opportunities
Information-related impacts on consumers and/or end-users	Processing of customer data (including directory enquiries, direct business customers, CCTV data, etc.) in compliance with privacy requirements	Intentional or unintentional leaks of customers' personal data can have an impact on the company	
	Inadequate provision of timely and quality information, including in emergencies	Reputational risks associated with failure to provide timely and/or complete information	
Personal safety of consumers and/or end-users	Care for safety in the vicinity of railway-including education campaigns, safety solutions, especially work with young people and other groups	Accidents, fatalities and their consequences	
	Availability of services, wide coverage of Latvia		
Social inclusion of consumers and/or end-users	Non-discrimination against carriers in access to infrastructure	Possible infringements of competition law	Raising awareness within the Group on fair competition issues
	Insufficient provision of environmental accessibility, which limits the potential range of rail passengers (the Group's indirect customers) and mobility options	Limited resources to promote environmental accessibility, which can lead to reputational risk	Integrating environmental accessibility considerations into all ongoing passenger infrastructure projects. Accelerating the implementation of the developed universal design standard at least to the "minimum programme" level at all stations and stops
	Universal design standard for passenger infrastructure put into practice, significantly improving accessibility		Carrying out activities within the Group's remit to promote the greater use of rail in society's daily mobility (passengers) and economic activities (freight)

positive impact   
 negative impact   
 Parts of value chain where the impact, risk, or opportunity manifests itself are coloured according to the colour code of the value chain illustration on [page 78](#)



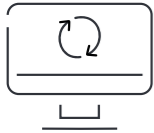
## Policies related to consumers and end-users

In order to manage the most important impact, risk and opportunity factors for consumers and end-users, the following documents have been developed and approved at the LDz Group or individual company level:



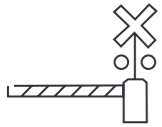
– In the area of data processing/privacy:

- **Latvijas dzelzceļš Group Physical Persons Data Protection Policy** (approved by the LDz Council on 27.02.2020). The purpose of the Policy is to ensure uniform implementation and enforcement of the requirements of the General Data Protection Regulation (EU) 2016/679 throughout the Group. Among others, the policy sets out the obligations regarding the processing of personal data in relations with external business partners and other stakeholders, as well as the processing of employees' personal data. It also sets out the levels of responsibility: the overall responsibility for the protection of personal data within the Group lies with the LDz Directorate of Security, but each Group company delegates a Data Protection Officer, who together form a working group dealing with data protection issues. The Policy also sets out the procedures for identifying, investigating and reporting potential breaches, defines certain forms of documentation for regulating the processing of personal data in employment relationships and relationships with third parties, and strengthens the framework within which personal data protection risk assessments, incident logging and data processing assessments are carried out. According to the Rules of Procedure of the LDz Management Board, the Chairman of the Management Board is responsible for the security of personal data as one of the areas of internal and external security;
- **Regulation on Latvijas dzelzceļš Group Video Surveillance and Processing of Data Obtained** (approved by the LDz Management Board on 22.08.2023). LDz manages an important public infrastructure and the safety of the use of this infrastructure is of great importance (both in the performance of transport, in the crossing of tracks and in the sense of hooliganism or damage by third parties), therefore more than 1500 video surveillance cameras have been deployed throughout the LDz infrastructure. Video surveillance involves the processing of personal data (the visual identity of natural persons is recorded). The approved rules stipulate that the provision of video surveillance is the responsibility of the LDz Directorate of Security and is carried out with the aim of preventing or avoiding incidents, including dangerous situations, on railway infrastructure, preventing access to restricted areas and reconstructing the course of incidents in the event of such incidents. Access to CCTV data is restricted to a limited number of staff approved by the security. The data is stored for a maximum period of two months (unless otherwise provided by external legislation) and shall be released to third parties only by the Directorate of Security in accordance with the cases, procedures and scope provided for by law. Such cases may be, for example, related to traffic accident investigations. For the purpose of traffic safety control, CCTV data may also be requested by the LDz Technical Inspection for the purpose of analysing necessary traffic safety improvements, public education measures or other aspects that could improve the safety situation on and in the vicinity of the railway infrastructure. The Regulation also provides that, subject to equivalent data protection measures, LDz may enter into cooperation agreements with other state and local authorities in order to ensure an improvement in the level of safety in the vicinity of the railway. For example, such measures include cooperation with the State Police in controlling traffic offences at level crossings using LDz CCTV data. The rules provide that data subjects are informed about the video surveillance in the relevant area by means of warning signs of a uniform design;

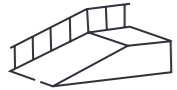


– With regards to the information circulation, LDz does not have a unified policy, but in some areas there are documents that define the procedure for disclosure of information and its availability to the public:

- **The Equipment and Traffic Information Service Rules** (approved by the LDz Management Board on 09.01.2023) define the procedure for LDz, as an operator of a service facility, to provide the service of informing passengers about train movements at stations and stopping points. Among other things, the rules define that LDz provides passengers with easily accessible and clearly understandable information on the movement of passenger trains by means of electronic boards or displays on platforms, at exits to platforms, in passenger waiting areas and tunnels, as well as by playing automatic audio announcements (specifically at Daugavpils station) and by providing manual audio announcements as necessary (e.g. in case of significant train delays or changes in the timetable). It is the responsibility of the passenger carrier to provide LDz with up-to-date information on changes and events that may affect the train timetable so that LDz can in turn provide up-to-date information to passengers;
- **Rules for reporting, registration, investigation and record-keeping of railway accidents** (approved by the Chairman of the Management Board of LDz on 29.02.2024) provides for the procedure for exchange of information and further action in the event of a traffic accident, including situations involving a person being hit by a train, a train collision or a collision between a train and another vehicle, derailment, sending a train on an unprepared or incorrectly prepared route, passing a prohibitive signal, accident with dangerous cargo goods, misuse of railway infrastructure by third parties and other possible situations. In total, the rules cover 52 different possible situations which may cause a railway accident and in the event of which railway professionals should immediately report to the LDz Administration of Train Movement, which will take further action depending on the situation, including, if necessary, involving external services such as emergency medical assistance, the State Police, the State Fire and Rescue Service, the Transport Accident and Incident Investigation Bureau, the State Environmental Service, etc., according to the specific nature of the accident. Other internal bodies and departments are also informed if necessary (including the LDz Customer Service Centre, whose task is to provide the most accurate information to the operators of the 8002 1181 helpline, who are most frequently contacted by passengers when they encounter train disruptions);
- In a broader sense, the disclosure of information on the activities of the Group and some of its companies is regulated by the **Procedure for Disclosure of Information by the Latvijas dzelzceļš Group** (approved by the LDz Management Board on 19.12.2023), which has been developed based on the requirements of the *Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof* and the resulting legislation on disclosure of information. The Procedure defines the scope, frequency and units responsible for the disclosure of the Group's financial and non-financial information. Although this Procedure mainly concerns the disclosure of documents relating to the corporate governance of the company, it also contains information that may provide the Group's direct and indirect clients, including passengers, or clients of certain of Group's companies, with information on the most important measures taken by the Group's to improve the quality and scope of its services;



- In the area of traffic safety, LDz has developed documents at both Group and parent company level, taking into account that the use of public railway infrastructure is associated with increased safety risks. All the documents are based on the principle that safety is always a priority and that every effort should be made to prevent incidents – as far as this is within LDz's power and competence:
  - **Latvijas dzelzceļš Group Traffic Safety Policy** (approved by the LDz Management Board on 13.03.2023), which states that traffic safety is the top priority in the list of the Group's values and in case of any doubts about possible actions, safety is the first priority. Similarly, safety aspects and risks are always assessed when decisions are taken related to railway operations (including reorganisations, changes in functions, etc.), and safety risk management is not considered as a separate function of the Group and each of its companies, but is integrated into all management processes. The policy also states that LDz sets targets related to traffic safety and evaluates their achievement (see [page 184](#) for details). The policy also provides for the handling of accident investigations and states that the principles of the policy apply not only to the Group and its companies, but also to contractors and suppliers who are contractually required to comply strictly with road safety requirements. According to the Rules of Procedure of the LDz Management Board, the Member of the Management Board responsible for commercial matters is responsible for traffic safety;
  - **The strategy of VAS Latvijas dzelzceļš for traffic safety monitoring** (approved by the decision of the Management Board of LDz on 20.09.2023) deals in more detail with the control of compliance with traffic safety requirements and also with measures to monitor the activities of cooperation partners. This includes requirements for the performance of specific works under the Railway Act and the qualifications of those performing them (requiring special safety certificates), as well as for other contractors (who are not required to have safety certificates but are subject to strict supervision by LDz when performing work in the railway right-of-way), as well as for goods – including control of suppliers of various spare parts, infrastructure components, technology, etc. – both before and after delivery. The strategy also includes common safety targets set at European Union level for railways, safety targets set in LDz's medium-term operational strategy and indicators to be monitored in order to obtain timely information on potential incidents (see [pages 184 to 185](#) for details);
  - **The internal traffic safety monitoring system of Latvijas dzelzceļš** (approved by the Order of the Chairman of the Management Board of LDz dated 21.02.2024) describes in detail a set of preventive measures to monitor and improve the traffic safety situation. Among other things, the document stipulates that an assessment of the traffic safety situation in the train running, electrical, track and wagon management is to be carried out on a semi-annual basis, reviewing and recording information on safety indicators and their analysis, incidents and infringements observed during the period, both in the company's own operations and in the operations of suppliers and cooperation partners, analysis of improvements implemented and their effectiveness, and other related issues. The system also includes regular inspections and compliance checks of the railway infrastructure and its elements, and more extensive audits every 2-4 years. The system also provides for unscheduled (surprise) inspections and measures to check the condition of the track using technical means (gauging devices, ultrasonic inspection with defectoscopic apparatus, etc.). Quarterly technical training, including on how to deal with equipment breakdowns, accidents, etc;



- In the area of environmental accessibility (including equal and non-discriminatory access to services), LDz has not developed any policies or strategies, but in 2022, in cooperation with the organisation of people with disabilities and their friends *Foundation "Association of Disabled People and Their Friends "Apeirons"*, the Universal Design Standard for Passenger Infrastructure was developed and updated in 2024 (the current version was approved by the LDz Management Board on 14.05.2024 and is available on the [LDz website](#)). The standard describes the requirements for the equipment of railway passenger infrastructure - stations and stopping points - depending on the station class (there are five classes, denoted by letters from A to E - depending on the average number of passengers at a given station per year), as well as requirements for ensuring environmental accessibility.

This includes the basic principles to be followed when equipping stations and stopping points for passengers with reduced mobility, sensory impairments (hearing and visual impairments), allergies, cognitive impairments, etc. The requirements of the standard are considered in all new investment projects that rebuild or upgrade passenger infrastructure and incorporating these requirements in the technical specifications for procurement.



- In the area of service management, it should be noted that LDz Group does not market consumer services or goods, so responsible marketing for the Group is primarily about providing transparent, understandable, and accessible services. Information on all services provided by LDz, their availability, conditions, forms, etc. is available on the LDz website (in the subsections For Business and For Individuals). **All the information required by carriers and other railway infrastructure users or cooperation partners is updated annually and published in the [Network Statement](#)** - in accordance with the requirements of the external regulation, the information contained in the Network Statement on infrastructure availability, equipment, capacity etc. is published two years in advance, i.e. at the time of preparing this report, the [Network Statement for 2026](#) approved by the LDz Management Board decision of 21.01.2025 is up to date. In addition, procedures or rules have been developed for the provision of specific services (e.g. traction services, coordination of construction projects affecting the territory of LDz or its engineering systems, freight transport, including specific types of transport such as oversized and heavy goods, etc.). The rules or requirements contained therein which are binding on external parties are published on the website;



- The Group companies with certified quality management systems ([SIA LDZ ritošā sastāva serviss](#) and [SIA LDZ apsardze](#) - ISO 9001) have developed and maintained a Quality Management Manual (RSS) and an Integrated Management System Policy (Apsardze). SIA LDZ CARGO has developed Customer Communication and Relationship Management Guidelines, which define the main principles of communication and cooperation, customer segmentation and actions in the development of specific projects, such as facilitating the transfer of customer freight from road transport to climate and environmentally friendly rail;



- In order to promote the most efficient use and development of the Group's resources, the LDz Management Board decision of 02.05.2023 approved the **Guidelines for determining commercialisation measures in the strategic planning documents of the Group companies and action plans for their implementation**. The Guidelines set out four essential objectives:
  - Improve the profitability of services provided to external customers;
  - Ensure a high level of customer service;
  - Diversify service segments;
  - Increase the range of services provided to external customers.



At the same time, the guidelines cover customer segmentation, customer management approaches, sales process, information flow and risk management approaches, among other relevant considerations. According to the Rules of Procedure of the LDz Management Board, the Member of the Management Board responsible for commercial matters is responsible for commercialisation matters.

According to the performance indicators (KPIs) set by the LDz Council for 2024, one of the KPIs for the Management Board is to securing new commercial projects capable of generating commercially viable revenues. The development of commercialisation measures and more detailed processes is also one of the key activities of the Group's efficiency programme launched at the end of 2024.

In the policies mentioned above, LDz does not specifically refer to United Nations, Organisation for Economic Co-operation and Development or other guidelines, but follows best practices and requirements of external laws and regulations, as well as in the case of the Universal Design Standard for Passenger Infrastructure - human rights (access to services and equal opportunities) of different groups of society.

In order to address possible violations of the rights of direct and indirect customers, including in the context of human rights, the Group has established a Complaints and Suggestions Procedure, which is followed by the respective Group company.

### Processes for engaging with consumers and end-users

Engagement with consumers and end-users and soliciting their views is mainly organised at the level of strategic customers - passenger and freight operators - while also giving other customers of less strategic services (e.g. electricity supply) the opportunity to express their views. The following channels are used for engagement:



#### Surveys

- **Direct customer surveys** in which VAS Latvijas dzelzceļš, SIA LDZ CARGO, SIA LDZ ritošā sastāva serviss and SIA LDZ apsardze find out their customers' opinion on the quality of the service received, the compliance with expectations and the necessary improvements after the provision of the service or, for example, once a year. Depending on the feedback, the results of the surveys are analysed and options for upgrading the service, including improving communication with customers, are considered;
- **The opinion of indirect customers or passengers is analysed on the basis of the results of annual customer surveys conducted by AS Pasažieru vilciens (PV)**, which usually include questions on passenger satisfaction with the railway infrastructure, and PV shares the information with LDz, discussing, if necessary, opportunities for improvement.



GENERAL DISCLOSURES

ENVIRONMENT

SOCIAL

GOVERNANCE

KEY DISCLOSURES IN THE SUSTAINABILITY STATEMENT

INDEPENDENT AUDITOR'S ASSURANCE REPORT

The results of the 2024 Train Passenger Satisfaction Survey conducted by AS Pasažieru vilciens show that:



61%

rail passengers surveyed are rather satisfied or completely satisfied with the appearance, cleanliness, technical condition, and equipment of station buildings



64%

are rather satisfied or completely satisfied with the appearance, cleanliness, technical condition, and equipment of the platform or stop



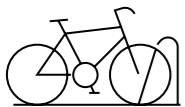
67%

respondents feel safe about themselves, their health and their belongings when at a train station or stop



75-76%

are satisfied with the signs and indications at the station and on the platform, as well as with the availability of operational information on station loudspeakers or boards



49%

respondents indicated that they were satisfied with bicycle parking, but a very large number of respondents (almost a third or 29%) had no opinion on this question, so it can be assumed that they do not cycle and the question is not relevant for this group of respondents



45%

indicated that they were satisfied with the facilities and their availability at the station, and were less satisfied with the shopping facilities at the station, the movement of other public transport to/from the station and the parking facilities near the station, but these aspects are most often not under the control of LDz

Satisfaction with assistance for people with disabilities and reduced mobility is also relatively lower.



37%

respondents have no opinion on this issue, again indicating that the issue may not be relevant to these passengers

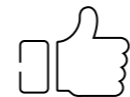
42%

indicated that they were rather satisfied or satisfied with the quality of the service

21%

not satisfied

Satisfaction levels have increased since the previous survey, which can be attributed in part to LDz's investment in improving infrastructure, making it more accessible to all passenger groups (see [pages 182-183](#) for more details).



On average, passengers travelling daily on the Jelgava line have a more positive opinion, while passengers on the Skulte line are more critical.

The views of direct and indirect customers are also sought through surveys conducted to identify the Group's material sustainability areas and to develop the structure of the sustainability report. Such surveys have been carried out in 2023 and 2024 and are planned for the future on average every three years or as required.



### Face-to-face or remote individual or sectoral meetings

Face-to-face or remote individual, or sectoral meetings, as needed, to discuss relevant cooperation issues. For example, LDz has been meeting with the grain industry for several years before the start of the grain season to plan in advance for sufficient availability of grain wagons, appropriate volumes, frequencies and routes, as well as information exchange. Discussions are also held with representatives of indirect customers - passengers - in the Riga neighbourhoods and other municipalities in Latvia to discuss, for example, the impact of planned or potential infrastructure modernisation projects on the use of infrastructure (including environmental accessibility);



### Joint projects

Joint projects are organised in certain areas to ensure that the needs of users are taken into account in service delivery (especially in the passenger segment). The most important of these is the long-standing cooperation with the Foundation "Association of Disabled People and Their Friends "Apeirons"", which periodically advises and supports LDz in improving the passenger infrastructure and has been involved in the development of the Universal Design Standard for Passenger Infrastructure (see [page 177](#) for details). In this area, communication and engagement often takes place before projects are implemented in order to anticipate necessary solutions or changes to projects;



### High-level meetings at international level

Given that the Group's activities in the freight and rolling stock maintenance and repair segments involve international customers and business partners, the opportunity to meet at international events (including industry exhibitions and conferences) is used to build cooperation, discuss existing cooperation and resolve issues, including the exchange of information. These events are held in accordance with the calendar of international events or as required;



### Lectures, discussions and information campaigns on traffic safety

Despite traffic safety being a priority for the Group, people are injured or killed on the railways every year. In 2024, there were 14 serious accidents in which 4 people died and 11 people were seriously injured. In addition, in 2024 there were 10 accidents involving a person classified as suicide according to the Regulation No 334 of the Cabinet of Ministers of 02.06.2020 *Procedure for classification, investigation and recording of railway accidents*. Therefore, for many years now, LDz has considered lectures, discussions and information campaigns on safety in the vicinity of railways to be a very important engagement and education function, which can timely draw the attention of target audiences to safety and potentially prevent accidents due to ignorance or carelessness. Upon request, LDz visits Latvian educational institutions to talk about safety to young people of all ages and to demonstrate the risks that non-compliance with safety requirements can cause. **In 2024, LDz safety experts have given 69 lectures in 16 educational institutions.** Safety lessons or discussions on safety near railways are also integrated into the activities of the Latvian Railway History Museum, which is managed by LDz. The annual traffic safety campaign in the media and on social networks focused on ghosts, making its audience think that every member of society can become a ghost if they do not consciously or unconsciously take care of their safety around railways.


These channels and mechanisms of engagement do not have a single point of responsibility. For example, communication with the public (including neighbourhoods, schools, NGOs, etc.) is most often the responsibility of the LDz Directorate of Communication, planning international events and meetings is the responsibility of the LDz Directorate of International Relations, and obtaining customer feedback on service quality issues is the responsibility of each of the Group's business units according to their respective competences. The effectiveness of engagement activities is not specifically measured, but it is considered to be a valuable result when problems are resolved jointly.





Processes to remediate negative impacts and channels for raising concerns

The most significant negative impacts on consumers and end-users discussed on the previous pages may relate to access to information, traffic safety, or limited access to rail infrastructure and hence transport for certain groups of society. To express their concerns or views, passengers and recipients of other Group services (including electricity customers) may contact the LDz Customer Service Centre at 8002 1181 or by e-mail [uzzinas@ldz.lv](mailto:uzzinas@ldz.lv) and express their views, complaints, suggestions, information or gratitude. In simple situations, the Customer Service Centre operators provide information immediately, but in cases where a further solution is needed, the information is passed on to the responsible LDz units to prevent or resolve the problem, depending on its specific nature. If the customer wishes LDz to provide feedback on the solution, the Customer Service Centre ensures that it is provided.


In 2024, the LDz Customer Service Centre has received customer enquiries on topics such as:


 operation of level crossings

 LDz property management issues (e.g. uncleared paths in winter)

 application for services for passengers with restricted mobility and issues related to this service

 compatibility of the new AS Pasažieru vilciens electric trains with passenger platforms

 LDz information systems operational issues

 train timetable enquiries, safety issues, etc.

In matters relating to commercial services, customer concerns and queries are dealt with by the employees in charge of customer relations of the relevant Group companies or other responsible units. In order to improve the accessibility and transparency of information, the LDz website contains useful information and documents for direct and indirect customers to apply for services. This also ensures that all relevant information is public and that there is no discrimination or competitive advantage/restriction for any customer group in accessing it.

LDz does not have a specific procedure or procedure in place for the remediation of negative impacts, as no such impacts have been identified so far in LDz's operations that would have to be compensated for the damage caused.



### Managing impacts, risks and opportunities for consumers and end-users

The following are considered to be the most relevant lines of action aimed at managing the impacts, risks, and opportunities identified in this section:

- **Incorporation of environmental accessibility as an essential human rights parameter** (the right to move freely and fulfil one's needs) in all new infrastructure development projects related to the improvement or construction of passenger infrastructure. Latvia's railway infrastructure was largely built in the 19th and 20th centuries, at a time when environmental accessibility was not only not a priority, but was not even discussed as a term. Consequently, the improvements to be made are numerous and are being addressed in a sequential manner, integrating them as far as possible into the various infrastructure improvement projects. For example, for several consecutive cycles, the project *Modernisation of Railway Passenger Infrastructure*, co-financed by the Cohesion Fund of the European Union, has been implemented sequentially, building elevated passenger platforms at stations and stops accessible to different groups of society and, from 2022, these platforms were built using the guidelines of the Universal Design Standard for Passenger Infrastructure. The standard also helps to ensure that specific requirements are set for suppliers to ensure that the solution developed meets the required level and needs. It is not possible to implement the improvements across the entire railway network managed by LDz in the short term, not least due to the availability of funding, but it is being done sequentially - with priority given to the Pierīga railway lines, where passenger traffic figures are highest.

According to information provided by AS Pasažieru vilciens, in 2023 most passengers were carried on the lines Riga-Tukums II, Riga-Krustpils, Riga-Jelgava and Riga-Skulte - some of the stations and stops on these lines have already been modernised during the 2007-2014 planning period, while modernisation of **48 stations and stops was started during the 2014-2020 planning period**. Due to difficulties in the project progress, the **project has been phased out by a decision of the Cabinet of Ministers and will continue in the 2021-2027 programming period**, including works in 2024. A total of EUR 51.7 million has been earmarked for the current project (of which EUR 7.7 million is co-financed by LDz). In the Group's financial statements, the investments for the reporting year are included in investments or tangible assets already put into operation.

The project includes the construction of elevated passenger platforms, improving passenger and train safety, passenger service quality and comfort, as well as reducing environmental impact.

### Modernisation of passenger platforms:





At the end of 2024, 31 upgraded platforms were already available to passengers, and infrastructure upgrades at the remaining 17 stations are planned to be completed by the end of 2025.

In the next stages, modernisation is planned on the Riga-Lugaži line, which is also relatively intensively utilised, as well as on other regional lines (Jelgava-Liepāja, Pļaviņas-Gulbene, Krustpils-Rēzekne and Krustpils-Daugavpils).

Outside the current scope of modernisation are the Tukums II-Ventspils line, where no passenger services are currently operated by rail, and the border lines from Rēzekne and Daugavpils to the state border (except Ludza and Krāslava, where it is planned to modernise station passenger platforms). On these lines, the modernisation of other station and stop platforms depends on the national passenger transport development strategy.

In order to provide a solution for the interoperability of infrastructure and passenger transport in places that have not yet been upgraded (e.g. Torņakalns and Zaslauks stations, which were initially planned to be upgraded as part of the Rail Baltica project, but in 2024 the scope and further direction of the project are under discussion, so the upgrading of the stations will most likely not be possible in the nearest future as part of the project), temporary solutions - mobile platforms for easier access from the platform to the train and vice versa - are introduced in autumn 2024. The implementation of these actions contributes to improving both the quality and modernity of the passenger infrastructure and its environmental accessibility aspects, contributing to gradually enabling all passengers, regardless of their physical capabilities, to make greater use of rail transport in their daily mobility. The funding needed for these improvements is planned for future periods, but this depends on the availability of public co-financing;

- Public education measures are carried out annually to **improve traffic safety** - safety lessons and information campaigns, and, where necessary, traffic safety solutions in infrastructure - for example, traffic lights at level crossings similar to those on streets and roads, or mazes and barriers to slow down or restrict people in the most dangerous areas.

Such solutions help to improve traffic safety by giving pedestrians early attention with barriers, traffic lights and other solutions, prompting them to reduce their speed and look more closely at whether it is safe to cross the railway at that moment. As far as possible, solutions are implemented either within LDz's own resources or, where possible, integrated into traffic safety solutions in larger-scale infrastructure development projects co-financed by EU funds;

- In terms of **information flow**, in recent years LDz structures have improved their communication to ensure that information is readily available - especially in emergency situations. The rules on reporting, registration, investigation, and recording of railway accidents mentioned on page 175 also include a process for information on accidents and their impact on train movements (including timetable changes, cancelled trains, length of delays, etc.) to be received by LDz Customer Service Centre staff so that the information can be passed on to passengers;
- For the resolution of various non-standard issues, when receiving information via the Customer Service Centre, the official LDz e-address or other channels, employees of the relevant LDz units or subsidiaries are involved as necessary and according to their competence. In total, the LDz Customer Service Centre and its outsourced service providers handled more than 20 000 calls in 2024, provided 3437 consultations (mainly on electricity services and operation of level crossings), and registered and referred for further resolution more than 400 complaints and suggestions in total. Some of the issues can be resolved during the telephone conversation by providing the necessary information, while others are passed on to the responsible units by being recorded in the internal information system. The Customer Service Centre allows LDz to improve customer service, to learn in a timely manner about issues that cause problems for customers, and to provide a fast and reliable channel for customers who call to find out information that is relevant to them;



=



more than 20 000 calls handled



3 437 consultations provided



more than 400 complaints/suggestions registered



- For commercial customer issues, the subsidiaries have developed their own procedures and rules for customer segmentation and, depending on the volume and strategic importance of the cooperation, may assign a specific Customer Relationship Manager who is responsible for resolving all issues with the customer concerned and involves other colleagues as necessary.

LDz does not specifically measure the effectiveness of the above activities, but the effectiveness is indirectly demonstrated by the increase in passenger traffic (which is only partly dependent on LDz's activities), as well as by the loyalty of commercial customers. Traffic safety campaigns are measured in terms of the audience they reach but they do not have direct correlation with the number or frequency of accidents.

#### Targets related to consumers and end-users

**In the area of environmental accessibility**, LDz's long-term goal is to provide convenient and accessible infrastructure for all groups of society, which is in line with the European Union and national objectives for the development of transport infrastructure. However, the medium-term objective, which depends on the availability of public funding and its possible reallocation at national level, is to complete the modernisation of passenger infrastructure at 48 stations and stops on the Pierīga railway lines by the end of 2025 (see details above). At the end of 2024, 31 upgraded platforms were already available to passengers, and infrastructure upgrades at the remaining 17 stations are planned to be completed by the end of 2025.

**In the area of traffic safety**, LDz's medium-term operational strategy for 2021–2025 sets a non-financial target—Reduce the number of serious accidents from 1.2 to 1 accident per million train kilometres per year. In 2024, the rate is 1.3. With fewer train kilometres and more accidents (14 accidents in 2024; 7 in 2023), the rate of serious accidents per million train kilometres has increased significantly.



This calls for comprehensive safety measures – infrastructure improvements as well as social campaigns to promote safety around railway tracks.

The Technical Inspection of LDz, which oversees the management of traffic safety issues, has established common safety indicators that describe traffic safety or potential risks on the railway and which LDz monitors on a daily basis. No target indicators have been set for these objectives, considering that the most important objective of traffic safety is the prevention of any accidents. For example, all types of accidents and collisions on railway infrastructure are monitored and recorded (incl. collisions between railway rolling stock, collisions with cars at level crossings or people crossing railway infrastructure, etc.), various infrastructure defects that have the potential to cause accidents (e.g. rail fracture, track superstructure defect, signalling failure, damage to various devices, passing of a prohibitive signal, etc.), accidents involving the carriage of dangerous cargoes, misconduct of a different nature with the potential to cause accidents (e.g. driver passing a prohibitive signal) and other indicators. In addition, LDz entities may set other indicators specific and relevant to their operations which may have an impact on traffic safety.

In 2024, under the supervision of the Technical Inspection, specific traffic safety targets were set for the LDz Administration of Rail Tracks, the Administration of Train Movement and the Electrotechnical administration. For example, for the Administration of Rail Tracks, they are specifically related to track quality indicators, for the Electrotechnical administration to the control of faults in signalling, interlocking and locking devices, power supply devices, telecommunications and other equipment, and for the Administration of Train Movement to the reduction of delays for passenger and freight trains. The administrations also have targets for effective control of errors or irregularities by staff and for reducing overtime, given that overworking can lead to inattention, which in turn can lead to traffic safety risks.

It is significant that the traffic safety targets set for the administrations are also closely linked to the employee reductions in the LDz Group in recent years, as well as to the reduction of financial resources – thus, with fewer resources, it is necessary to ensure a railway infrastructure and train traffic management that are no less safe.

The European Union has set common safety targets for Latvia in the Traffic Safety Monitoring Strategy of VAS Latvijas dzelzceļš<sup>80</sup>:

<sup>80</sup>Commission Decision 2012/226/EU of 23 April 2012 on a set of common safety targets for the rail system



Common safety targets	Unit of measurement	Value (*10 <sup>-9</sup> )	Achievement of targets in 2024 (*10 <sup>-9</sup> )
Passenger risk	Number of passenger deaths and weighted severe personal injuries per year due to serious accidents <sup>81</sup> /passenger train kilometres per year	78,2	0
Passenger risk	Number of passenger deaths and weighted severe personal injuries per year due to serious accidents/ passenger kilometres per year	0,665	0
Employee risk	Number of employee deaths and weighted severe personal injuries per year due to serious accidents/ train kilometres per year	64,8	0
Level crossing user risk	Number of level crossing user deaths and weighted severe personal injuries per year due to serious accidents/ train kilometres per year	239,0	132,31
«Other» person risk	Number of other person deaths and weighted severe personal injuries per year due to serious accidents/ train kilometres per year	11,6	0
Unauthorised person risk	Number of deaths and weighted severe personal injuries per year of unauthorised persons in railway territory due to serious accidents/ train kilometres per year	1310,0	349,69
Society risk	Number of deaths and weighted severe personal injuries per year due to serious accidents/ train kilometres per year	1660,0	482

It follows from the values in the table of common safety targets set for Latvia by the EU and the achievement of 2024 targets that all common safety targets have been met and no values have been exceeded.

<sup>81</sup>Deaths and weighted severe personal injuries" is the unit of measurement used to assess the consequences of serious accidents involving both fatalities and serious injuries, 1 serious injury being statistically equivalent to 0.1 fatalities



With regard to commercial customers, the Group companies set annual customer acquisition targets, but this information is considered to be commercially sensitive and is therefore not disclosed in this report. The Customer Service Centre, on the other hand, has set a target for 2024 to ensure a high level of quality in the Customer Service Centre (91%) - currently the quality level is 92%, so the target is being met. The Customer Service Centre's quality rating is based on the quality of information provided: each month an audit of calls is carried out, randomly selecting 30 calls per calendar month and assessing them against the criteria set out in the contract with the outsourced directory enquiry service provider.

In the other areas of impacts, risks and opportunities mentioned above, LDz does not currently have specific targets. No external stakeholders have been involved in the definition of existing targets, but in the area of environmental accessibility LDz has consulted with the *Foundation "Association of Disabled People and Their Friends "Apeirons""*, which has, for example, helped to develop the Universal Design Standard for Passenger Infrastructure used in the design of the above-mentioned upgraded platforms.

With regard to the achievement of the target indicators, in accordance with the best practices of state capital company management, LDz **monitors twice a year the indicators included in the medium-term operational strategy for 2021-2025, submitting a report on their achievement to the Council, which in turn submits it to the LDz shareholder.** Progress monitoring of projects co-financed by EU funds is carried out on an ongoing basis, at least once a month at a meeting of the Investment Committee, and more frequently if necessary. Other targets are monitored on a company-by-company basis in the Group, with progress monitored and results verified at least once a year. In the event of a significant deviation from the target, the entity or company concerned is required to analyse the reasons and the possible impact on the achievement of the target or the need to adjust it. As an example, the targets related to the commercial customer segment have been revised downwards by the Group companies several times in recent years, as the international sanctions regime and related events continue to reduce freight traffic on the Latvian railway infrastructure and this trend is expected to continue regardless of the Group's own actions.

04

# GOVERNANCE

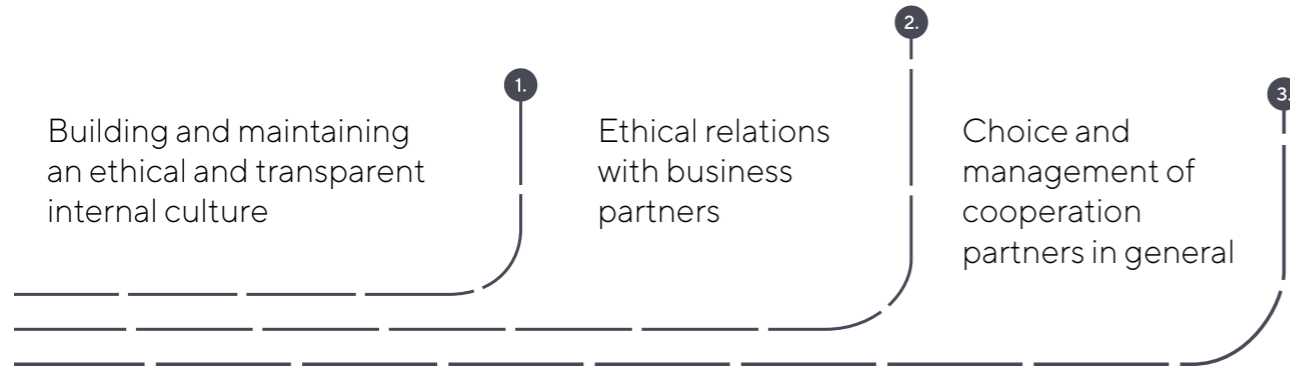




## BUSINESS CONDUCT

### The role of the administrative, management and supervisory bodies regarding business conduct

Business conduct at LDz concerns three key areas:



While all areas are generally the responsibility of, and monitored by, the Management Board of the Group's parent company, as well as the Management Board of each subsidiary, each area has a designated responsible entity at administrative level:

- The Group's internal culture is mutually developed by the LDz Directorate of Communications and Directorate of Personnel;
- Anti-corruption and conflict of interest issues both internally and in relations with external partners are coordinated and monitored by the LDz Directorate of Security. Responsible employees receive regular anti-corruption training, as well as organise training for other Group employees according to their risk level;
- The selection of cooperation partners is carried out by the Procurement Bureau within the framework of the procurement procedures set out in the Law on the Procurements of Public Service Providers, as well as in all cases where the contract amount is at least EUR 22 000. The staff responsible regularly broaden and update their procurement knowledge and advise and support other staff in the preparation of procurement specifications and other related documentation.

### Process to identify and assess material impacts, risks, and opportunities

Given that LDz is a state-owned company, transparency and accountability in the Group's and the Company's operations are of the utmost importance, both within the Group and with its business partners (suppliers, customers, etc.). Thus, both the employees' own understanding and sense of responsibility and the existence of appropriate tools to manage potential risks are essential.

The identification of impacts, risks and opportunities for the purposes of the business section of this report has been made in accordance with the overall approach described on [pages 84 to 85](#). At the same time, within the scope of its competence, the LDz Directorate of Security regularly carries out corruption risk assessments in accordance with the methodology developed by the Corruption Prevention and Combating Bureau (KNAB), including both at the level of Group companies and at the level of position categories, in accordance with the requirements of Cabinet of Ministers Regulation No 630 and the KNAB guidelines for conducting job and function risk assessments.

As a result of the assessment of material impacts, risks and opportunities it has been concluded that there are no material impacts, risks, or opportunities for LDz Group in the context of payment practices and therefore this topic is not included in the further description of governance-related aspects.



Sub-area	Impact	Risks	Opportunities
Corporate culture	Internally established ethical principles, adherence to those and regular information/education of staff to ensure that all staff follow the same approach, including in dealing with various non-standard and emergency situations, under stress, etc.	Inconsistent, unethical or potentially illegal behaviour can have a substantial impact on a company's reputation, credibility, opportunities for cooperation and fundraising, and can have significant legal consequences	
		Insufficient communication and/or understanding at all levels of the Group's development objectives, internal culture, and core values, and the practical role and importance of internal cooperation	
		High internal bureaucracy and insufficient synchronisation of internal processes and information	Maximum process automation, improving efficiency and reducing the human factor
Protection of whistle-blowers	A whistleblowing mechanism is in place and available, but has not been used in practice		
Political engagement and lobbying activities	Transparency of interest representation through public platforms, e.g. business organisations	Relatively high political influence on the Group's activities (within the policy planning framework). Insufficient involvement of the Group / consideration of its views in political decision-making	

positive impact   
 negative impact   
 Parts of value chain where the impact, risk, or opportunity manifests itself are coloured according to the colour code of the value chain illustration on [page 78](#)



Sub-area	Impact	Risks	Opportunities
Management of relationships with suppliers	<p>Relationships are mutually transparent, the company has established procurement and contract management practices, and treats market participants equally</p>	<p>Non-transparent relationship management can have a very significant impact, both legal and reputational</p>	<p>Establishing a systematic process for assessing suppliers before, during and after cooperation (including sustainability aspects) and integrating the findings into further decision-making</p>
		<p>Insufficient control of contractors</p>	
			<p>Dependence on specific suppliers, their availability</p>
Corruption and bribery	<p>The Group manages significant financial resources and is a state-owned company, so it is essential to comply with the basic principles of anti-corruption and to educate employees about their importance, which is done regularly</p>	<p>Corruption or fraud can have a very significant legal and reputational impact</p>	
		<p>Inadequate management of conflicts of interest can create reputational and/or legal risks</p>	

positive impact   
 negative impact   
 Parts of value chain where the impact, risk, or opportunity manifests itself are coloured according to the colour code of the value chain illustration on [page 78](#)



### Business conduct policies and corporate culture

To ensure transparent, ethical and well-managed Group operations, LDz has approved the following documents:

- **Corporate Governance Code of the Latvijas dzelzceļš Group** (approved on 20.10.2021 by a resolution of the LDz Council). It sets out the Group's common governance principles, including adherence to the values set out in the medium-term business strategy, fair business practices and competition law, as well as adherence to ethical principles in day-to-day operations. The Code also defines the division of responsibilities between the shareholder, the LDz Council and the Management Board, the process of developing the medium-term operational strategy and defines corporate governance instruments, the corporate social responsibility approach, the approach to personnel management and remuneration policy, as well as the approach to risk management and internal control within the Group. The Corporate Governance Code is available on the [LDz website](#);
- **Code of Ethics of the Latvijas dzelzceļš Group** (approved on 27.09.2024 by a resolution of the LDz Council). The Code of Ethics highlights LDz's values of Growth, Safety and Synergy, and describes the Group's approach to safety, human rights, equal opportunities, environmental protection, and use of natural resources, fair business and fair competition, anti-corruption and conflict of interest management and other areas. The Code of Ethics is available on the [LDz website](#) and is made available to every employee of the Group;
- In accordance with the Code of Ethics, the Group has established an Ethics Committee to which any employee may refer possible breaches of the Code. An updated Regulation of the **Ethics Committee** was approved by the LDz Management Board on 20 August 2024. In addition to employee complaints about possible violations of the Code of Ethics, the Committee may also consider possible ethics-related issues on its own initiative. The Commission is chaired by the HR Director of LDz and includes four permanent members and, if necessary, invited members, as well as a permanent representative of the Latvian Railway and Transport Industry Trade Union, thus representing the interests of employees;

- **Latvijas Dzelzceļš Group Fraud Prevention Policy** (updated version approved by the LDz Council on 10.11.2022). The Policy sets out the basic principles of prevention of fraud (including corruption and conflict of interest) and the requirements to be followed by the Group's employees. The policy takes into account the requirements binding on the Group set out in the Whistleblowing Law and Cabinet of Ministers Regulation No 630 of 17 October 2017 On the Basic Requirements for the Internal Control System to Prevent the Risk of Corruption and Conflict of Interest in an Institution of a Public Person. On the basis of the Policy, other internal normative acts are developed, which define in detail the procedures, for example, in the area of corruption risk assessment and other areas. The Policy also sets out the reporting obligations and tools for reporting possible irregularities. Based on the instruments set out in the policy, reference is also made to them in contracts with business partners, who are also encouraged to report immediately if they are in possession of information that could indicate dishonest behaviour by LDz employees. Information on the policy and the principles set out therein, as well as reporting possibilities, is also available on the LDz website. A whistleblower report form is also available if the whistleblower wishes to report using the whistleblowing mechanism. LDz ensures that whistleblower reports are processed in accordance with the requirements of the Whistleblowing Law and the binding Cabinet of Ministers Regulations, including the whistleblower protection conditions;
- In order to successfully implement the Fraud Prevention Policy, on 15 August 2023, by the decision of the LDz Management Board, the Procedure of the Latvijas Dzelzceļš Group for Identification and Examination of Fraud Cases was approved, which defines procedures and measures in case of possible reports (including the procedure applicable also to whistleblower reports in compliance with the Whistleblowing Law until the Group approves a separate procedure for consideration of such reports).



In 2024, the risk assessment of **1 356 posts**, or **6 321 posts** across the Group, started in the previous year, was completed



VAS Latvijas dzelzceļš Group companies



To ensure that employees are aware of the business policies, it is mandatory for every new employee of LDz to familiarise themselves with the above-mentioned documents. Regular anti-corruption training is also organised for senior and middle managers, as well as for other employees as required (e.g. based on the results of fraud risk assessments for certain job groups).

External lecturers with extensive experience in planning and organising anti-corruption activities are also involved in the organisation of the training. The training provides theoretical information and references to legislation, as well as modelling and analysis of various possible situations that officials and employees of state capital companies in particular may face in the course of their work.

Officials of capital companies also attend training organised by the Corruption Prevention and Combating Bureau, as well as training sessions are organised for senior management. Cabinet Regulation No 630 requires officials to undergo such training at least once every three years. In 2023, 144 of the Group's employees in managerial positions have received training of this nature. In accordance with the Group's internal requirements and taking into account the risk assessments carried out for the positions, an additional 276 Group employees received anti-corruption training in 2024.



In 2024, in order to promote the development of an internal culture focused on cooperation, reliability and development within the Group, alongside the above-mentioned policies, the Latvijas dzelzceļš Group's internal culture change programme "Virzības algoritms" was developed **and the internal culture change activity plan for 2024** was approved by the LDz Management Board on 12.03.2024 in accordance with the above-mentioned policies. Within its framework, measures have been implemented to promote cooperation between employees, the ability to say "thank you" to colleagues for teamwork and other desirable actions, to ensure regular communication between the Group's management and employees, to give everyone the opportunity to ask management questions about strategic development, issues to be resolved and various uncertainties, etc. The purpose of the "Virzības algoritms" is both to contribute to the development of a more transparent and better corporate culture at LDz and to encourage employees to show initiative, develop and contribute to the development of their colleagues and thus together make a greater contribution to the growth of the Group.

In accordance with the Rules of Procedure of the LDz Management Board, the Chairman of the Management Board is responsible for corporate governance matters. The Council monitors compliance of LDz's activities with external regulations, principles of sound governance and twice a year reviews the report on the implementation of the LDz Corporate Governance Code and the related annual action plan.



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### Management of relationships with suppliers

LDz is subject to the Law on the Procurements of Public Service Providers and its selection and cooperation with suppliers, and thus its influence on them, is strictly regulated. To ensure compliance with the requirements of the Law, LDz has established a Procurement Bureau which organises all procurement procedures for LDz, as well as supplier engagement in all cases where the estimated contract price is at least EUR 22 000. The Procurement Bureau also ensures the selection of suppliers for smaller contracts from 2024 onwards, by launching market surveys on the publicly available procurement system Merzell. This approach has helped to increase the number of tenderers, including for relatively specific procurements (e.g. for environmental pollution studies).

In all cases where the contract amount is at least EUR 300 000, the Procurement Bureau prepares the relevant information for the Management Board, which in turn requests the prior consent of the LDz Council to conclude the contract. This ensures additional control in large-scale procurement.

Subsidiaries may organise their own procurement, but in all cases where the value of the procurement is at least EUR 120 000, it is handled by the LDz Procurement Bureau. The Procurement Bureau is also involved in cases where several Group companies purchase similar goods or services, and it is therefore possible to organise a centralised procurement.

In areas where external regulation requires compliance with green procurement principles (e.g. automotive, electrical, etc.), the Procurement Bureau incorporates them into the procurement specification. Environmental or social aspects are not included in the evaluation criteria, but each cooperation partner is required to certify that it complies with the [Basic Principles of Business Ethics for Cooperation Partners of the Latvijas dzelzceļš Group](#), which are available on the LDz website, when concluding a contract with LDz.

In 2024, LDz started work on the development of a supplier sustainability risk assessment methodology and a new version of the Code of Ethics for Business Partners. According to the draft documents, LDz has classified all suppliers into 27 categories according to the type of goods or services supplied (e.g. construction, workwear, office supplies, etc.) and identified potential sustainability risks in accordance with LDz's approved material sustainability areas (i.e. whether and to what extent the actions of a particular category of suppliers may affect LDz's sustainability efforts, for example in the areas of climate change, HR and other material areas).



GENERAL DISCLOSURES

ENVIRONMENT

SOCIAL

GOVERNANCE

KEY DISCLOSURES IN THE SUSTAINABILITY STATEMENT

INDEPENDENT AUDITOR'S ASSURANCE REPORT

Procurement categories identified within the Group

 Design	 Supply of building	 Transport services	 Supply of refrigerants	 Supply of household goods
 Construction, civil engineering	 Construction supervision	 Supply of lubricants	 Transport repair works	 Fuel delivery
 Tyre delivery	 Supply of raw materials	 Carrying out pollution control measures (inspections, remediation work)	 Energy supply	 Vehicle delivery/rental
 Supply of work protection equipment (incl. clothing)	 Financial services (financing of investments)	 Financial services (insurance)	 Production and supply of herbicides/ invasive plant control measures	 Manufacture and supply of spare parts
 Computer equipment, other IT and/or supply of electrical equipment (incl. servicing)	 Office supplies	 Manufacture and supply or hire of equipment/ machinery related to railway infrastructure, maintenance and repair of rolling stock, etc., or works	 Advertising and marketing services	
	 IT and telecommunications services (software)	 Cleaning services	 Professional services/ consultancy	



For each supplier sustainability risk, the likelihood and impact is assessed on a 5-point scale, resulting in three groups of supplier categories: high, medium and low. No further action is taken for low-risk suppliers, while for the medium and high-risk categories, a questionnaire is sent to specific suppliers identifying their performance in sustainability areas. As a result of the questionnaire, the risk level of a particular supplier may change. The risk level after the questionnaire determines whether and which additional monitoring activities the contract officer should carry out during the cooperation (the risk level cannot be used for supplier selection by LDz, at least currently under the current procurement framework, so it only applies to suppliers already selected as a result of the procurement).

In autumn 2024, testing of this assessment system has started and the risk levels have been integrated into the supplier CRM system developed by LDz.

In addition, the draft Code of Ethics for Business Partners elaborates on areas where LDz would like to see responsible behaviour by cooperation partners, including in the areas of human rights, climate and environmental protection and other related areas.

### **Prevention and detection of corruption and bribery, identified incidents**

The procedures for prevention and detection of corruption and bribery are set out in the Group's Fraud Prevention Policy and the Group's Fraud Case Identification and Examination Procedure. The checks are carried out by the LDz Directorate of Security, which is not involved in business processes that may potentially give rise to fraud or corruption. Depending on the employees or officials involved and the results of the inspection, the Directorate of Security shall report to the LDz Management Board, Council or external law enforcement authorities.

The Anti-fraud policy also sets out an approach to training for staff at risk of corruption, requiring training both at the start of employment and at least once every three years throughout their employment.

In 2024, 14 reports (13 in 2023) of possible fraud were received via one of the information channels - e-mail, telephone, social networks, mail, word of mouth, as well as the LDz intranet. The information received has been reviewed and proposals have been made to improve the control system, while in two cases reviews are still ongoing.

No whistleblower reports were received in the reporting year. During the reporting year, no fines or other sanctions were imposed on Group companies for breaches of anti-corruption and anti-bribery legislation.



### Political influence and lobbying activities

LDz is a state-owned company and a capital company whose functions are related to the implementation of the national transport policy. Thus, in its day-to-day activities, LDz regularly communicates with public administration bodies and policy makers. At the same time, LDz does not make payments or other contributions to political interests and does not engage in lobbying. To represent its interests, LDz has joined the Confederation of Employers of Latvia, within which it provides its opinions on policy planning documents if they affect any areas of LDz's activity – for example, broader transport policy, which may also affect the operation of the railway sector.

Regarding previous activities of members of the Council or the Management Board of LDz in comparable positions in public administration or management of capital companies:

- Member of the LDz Council Andris Liepiņš has been or is a member of the Councils of other state or municipal capital companies whose activities are not related to or do not affect LDz. However, both Mr Liepiņš and Reinis Cepelis are independent members of the Council and thus fulfil the criteria set out in Section 31(6) of the *Law on Governance of Capital Shares of Public Entity and Management of Capital Companies Thereof* regarding independent members of the Council;
- Prior to joining the LDz Management Board, Artis Grinbergs was a member of the Council of AS Pasažieru vilciens, but he resigned from this position after his appointment to the Management Board of LDz. Mr Grinbergs also previously served on the Management Board of the Freeport of Riga;
- The other two members of the LDz Management Board, Rinalds Pļavnieks and Mārtiņš Keņģis, have not previously held positions in the state administration or its capital companies;
- The temporary members of the Council of SIA LDZ CARGO, Andris Ozoliņš and Miks Ozols, have previous experience of working on the Councils of state-owned companies, including Mr Ozols, who is currently a member of the Council of AS Pasažieru vilciens;
- The members of the Council of SIA LDZ ritošā sastāva serviss, Guntis Stafeckis, Baiba Beatrise Sleže and Āris Dandens have experience, including in management structures of other state-owned and municipal companies. Ms Sleže has been the Chairperson of the Management Board of SIA Rīgas nami, while Mr Stafeckis and Mr Dandens have worked in various positions at Latvenergo Group and AS Augstsprieguma tīkls.

Other members of the Councils and Management Boards of the Group companies have no previous experience in other comparable positions in state administration or in the management of state-owned companies.



05

# KEY DISCLOSURES IN THE SUSTAINABILITY STATEMENT



## ESRS quantitative indicators

### E1-5: Energy consumption and mix

Total energy consumption and mix, MWh\*

2024***	VAS Latvijas dzelzceļš	Group
<b>Total energy consumption from fossil energy sources**</b>	<b>46 584.72</b>	<b>60 562.21</b>
Share of fossil sources in total energy consumption (%)	83%	84%
<b>Total energy consumption from nuclear sources**</b>	<b>3 060.20</b>	<b>3 827.32</b>
Share of consumption from nuclear sources in total energy consumption (%)	5%	5%
<b>Total energy consumption from renewable sources disaggregated by**:</b>	<b>6 477.05</b>	<b>7 625</b>
fuel consumption for renewable sources	2 557	2723
consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources	3 860.50	4 828.24
consumption of self-generated non-fuel renewable energy	59.21	73.27
Share of renewable sources in total energy consumption (%)	12%	11%
<b>Total energy consumption, MWh</b>	<b>56 121.96</b>	<b>72 014.44</b>

\* According to data obtained from information recorded in the Group's resource management system SAP; data is not verified but is obtained within the framework of the energy management system, which is certified according to the ISO 50001 standard and recertified according to this standard every three years, with an independent monitoring audit in between

\*\* Calculated using 2023 data on the origin of uncertified electricity supplied<sup>82</sup>

\*\*\* The total energy consumption table includes data on electricity and heat consumption, but excludes data on fuel consumption for transport. Similarly, the Group does not include consumption of cold and steam energy, as this type of energy use is not specific to the Group's activities.

<sup>82</sup> <https://latvenergo.lv/lv/par-mums/tirdznieciba>



	NACE 52.21. – Service activities incidental to land transportation VAS Latvijas dzelzceļš	NACE 30.2 – Manufacture of railway locomotives and rolling stock; NACE 33.17 – Repair and maintenance of other transport equipment SIA LDZ ritošā sastāva serviss	NACE 49.20 – Freight rail transport SIA LDZ CARGO
<b>Total fuel consumption from fossil energy sources**</b>	<b>46 584.72</b>	<b>13065.11</b>	<b>635.72</b>
Share of fossil sources in total energy consumption (%)	83%	89%	78%
fuel consumption from coal and coal products	-	176.96	-
fuel consumption from crude oil and petroleum products	-	154.48	-
fuel consumption from natural gas	3227.19	7351.89	-
fuel consumption from other fossil sources	3964.29	-	-
consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources	39393.24	5381.78	635.72
<b>Energy consumption from nuclear sources**, MWh</b>	<b>3060.20</b>	<b>674.57</b>	<b>77.15</b>
Share of consumption from nuclear sources in total energy consumption (%)	5%	5%	10%
<b>Total energy consumption from renewable sources, MWh**</b>	<b>6477.05</b>	<b>1017.04</b>	<b>97.32</b>
Share of renewable sources in total energy consumption (%)	12%	7%	12%
<b>Total energy consumption, MWh</b>	<b>56121.96</b>	<b>14756.73</b>	<b>810.18</b>
<b>Net revenue, EUR thousand</b>	<b>129,087.89</b>	<b>44,324.03</b>	<b>100,364.87</b>
<b>Energy intensity (total energy consumption per net revenue according to the ESRS formula), MWh/EUR thousand</b>	<b>0.43</b>	<b>0.33</b>	<b>0.01</b>
<b>The Group's total net revenue, EUR thousand (as reported in the consolidated financial statements)***</b>		<b>233 737.51</b>	

\* According to data obtained from information recorded in the Group's resource management system SAP; data is not verified but is obtained within the framework of the energy management system, which is certified according to the ISO 50001 standard and recertified according to this standard every three years, with an independent monitoring audit in between

\*\* Calculated using 2023 data on the origin of uncertified electricity supplied, taking into account that data for 2024 is not yet available at the date of this Report<sup>64</sup>

\*\*\* The Group's total net revenue also includes the revenue of SIA LDZ Loģistika, SIA LDZ apsardze and AS LatRailNet, the energy consumption of which is not considered in this table, as the activities of these companies do not have a material impact on the climate.

<sup>64</sup> <https://latvenergo.lv/lv/par-mums/tirdznieciba>



E1-6: Gross Scopes 1, 2, 3 and Total GHG emissions Results of the GHG emissions calculation of VAS Latvijas dzelzceļš and the Group:

1Gross Scopes 1, 2, 3 and total GHG emissions, tCO <sub>2</sub> eq****	VAS Latvijas dzelzceļš					Group		
	2021	2022 (base year)	2023	2024	2024 versus 2022	2023	2024 (base year)	2024 versus 2023***
Gross Scope 1 GHG emissions, tCO <sub>2</sub> eq	7 114	6 848	7 044	<b>6 875</b>	<b>0%</b>	44 958	<b>33 506</b>	<b>-25%</b>
Gross market-based Scope 2 GHG emissions, tCO <sub>2</sub> eq	15 464	19 954	20 267	<b>20 730</b>	<b>-2%</b>	23 906	<b>24 982</b>	<b>4%</b>
Gross location-based Scope 2 GHG emissions, tCO <sub>2</sub> eq	7 654	5 491	5 383	<b>5368</b>	<b>-4%</b>	5 708	<b>5 768</b>	<b>-1%</b>
Significant gross Scope 3 GHG emissions*, tCO <sub>2</sub> eq	-	-	-	-	-	-	-	-
Total GHG emissions (market-based), tCO <sub>2</sub> eq	22 579	26 801	27 311	<b>27 605</b>	<b>-2%</b>	68 864	<b>58 488</b>	<b>-15%</b>
Total GHG emissions (location-based), tCO <sub>2</sub> eq	14 769	12 338	12 427	<b>12 243</b>	<b>-2%</b>	50 666	<b>39 274</b>	<b>-22%</b>
<b>GHG Intensity based on net revenue</b>								
Net revenue used to calculate GHG intensity**, EUR thousand (as reported in the consolidated financial statements)	157,700	153,158	165,410	<b>129,088</b>		263,529	<b>233,737</b>	
Total GHG emissions (market-based) per net revenue, tCO <sub>2</sub> eq/EUR thousand	0,14	0,17	0,17	<b>0,21</b>		0,26	<b>0,25</b>	
Total GHG emissions (location-based) per net revenue, tCO <sub>2</sub> eq/EUR thousand	0,09	0,08	0,08	<b>0.09</b>		0,19	<b>0,17</b>	

\* Scope 3 emissions are planned to be determined in the next stage of calculations

\*\* Revenue of VAS Latvijas dzelzceļš or the Group's parent company

\*\*\* The Group's emissions base year is 2024, but this report also includes 2023 GHG emissions for comparability

\*\*\*\* Data not externally verified



GHG intensity based on specific metrics

	VAS Latvijas dzelzceļš			Group		
	2021	2022	2023	2024	2023	2024
Operating length of railway lines used to calculate GHG intensity, km	1859	1865	1831	<b>1831</b>	1831	<b>1831</b>
Total GHG emissions (market-based) per operating length of railway lines, tCO <sub>2</sub> eq	12	14	15	<b>15</b>	38	<b>32</b>
Total GHG emissions (location-based) per operating length of railway lines, tCO <sub>2</sub> eq	8	7	7	<b>7</b>	28	<b>21</b>
Thousand train-kilometres used to calculate GHG intensity	11131	11206	10230	<b>10581</b>	10230	<b>10581</b>
Total GHG emissions (market-based) per train-kilometre, tCO <sub>2</sub> eq/thousand t-km	2,0	2,4	2,7	<b>2,6</b>	6,7	<b>5,5</b>
Total GHG emissions (location-based) per train-kilometre, tCO <sub>2</sub> eq/thousand t-km	1,3	1,1	1,2	<b>1,2</b>	5,0	<b>3,7</b>
Thousand passenger-kilometres used to calculate GHG intensity	361000	541000	612000	<b>694000</b>	612000	<b>694000</b>
Total GHG emissions (market-based) per passenger-kilometre, tCO <sub>2</sub> eq/thousand p-km	0,06	0,05	0,04	<b>0,04</b>	0,11	<b>0,08</b>
Total GHG emissions (location-based) per passenger-kilometre, tCO <sub>2</sub> eq/thousand p-km	0,04	0,02	0,02	<b>0,02</b>	0,08	<b>0,06</b>



EU Taxonomy tables

Proportion of turnover from products or services associated with Taxonomy-eligible economic activities – disclosure covering the year 2024

Economic activities (1)	Taxonomy code (-) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial Contribution criteria						DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, 2024 (18)	Taxonomy-aligned proportion of turnover, 2023 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)	
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)						Yes/No
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																					
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																					
Infrastructure for rail transport	CCM 6.14.	77,908,585	33.3%	100%	0%	0%	0%	0%	0%	0%	Yes	Yes	Yes	Yes	Yes	Yes	33.3%	N/A	E		
Manufacture of rail rolling stock constituents	CCM 3.19.	508,031	0.2%	100%	0%	0%	0%	0%	0%	0%	Yes	Yes	Yes	Yes	Yes	Yes	0.2%	N/A	E		
Production of heat/cool from bioenergy	CCM 4.24.	28,635	0.0%	100%	0%	0%	0%	0%	0%	0%	Yes	Yes	Yes	Yes	Yes	Yes	0.0%	N/A			
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>78,445,251</b>	<b>33.6%</b>	<b>33.6%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>							<b>33.6%</b>	<b>N/A</b>			
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																					
Freight rail transport	CCM 6.2.	88,649,226	37.9%																		
Passenger interurban rail transport (sale of fuel to a passenger carrier outside the Group)	CCM 6.1.	4,606,239	2.0%																		
Manufacture of rail rolling stock constituents	CCM 3.19.	4,283,855	1.8%																		
Transmission and distribution of electricity	CCM 4.9.	7,792,742	3.3%																		
Production of heat/cool	CCM 4.24.	16,897	0.0%																		
Acquisition and ownership of buildings	CCM 7.7.	2,432,720	1.0%																		
<b>Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>107,781,679</b>	<b>46.1%</b>																		
<b>TOTAL (A.1 + A.2)</b>		<b>186,226,930</b>	<b>79.7%</b>														<b>33.6%</b>	<b>33.5%</b>			
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																					
Taxonomy-non-eligible activities		47,510,576	20.3%																		
<b>Turnover of Taxonomy-non-eligible activities (B)</b>		<b>47,510,576</b>	<b>20.3%</b>																		
<b>Total (A+B)</b>		<b>233,737,506</b>	<b>100.0%</b>																		



Proportion of OpEx from products or services associated with Taxonomy-eligible economic activities – disclosure covering the year 2024

Economic activities (1)	Taxonomy code (-) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial Contribution criteria						DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, 2024 (18)	Taxonomy-aligned proportion of turnover, 2023 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		EUR	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	P
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																				
Infrastructure for rail transport	CCM 6.14.	102,103,007	50.1%	100%	0%	0%	0%	0%	0%		Yes	Yes	Yes	Yes	Yes	Yes	50.1%	N/A		E
Freight rail transport	CCM 6.2.	492,846	0.2%	100%	0%	0%	0%	0%	0%		Yes	N/A	Yes	Yes	N/A	Yes	0.2%	N/A		
Manufacture of rail rolling stock components	CCM 3.19.	421,295	0.2%	100%	0%	0%	0%	0%	0%		Yes	Yes	Yes	Yes	Yes	Yes	0.2%	N/A		E
Production of heat/cool from bioenergy	CCM 4.24.	209,335	0.1%	100%	0%	0%	0%	0%	0%		Yes	Yes	N/A	Yes	Yes	Yes	0.1%	N/A		
Remediation of contaminated sites and areas	PPC 2.4.	104,987	0.1%	0%	0%	0%	0%	100%	0%	Yes	Yes	Yes	Yes		Yes	Yes	0.1%	N/A		
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>103,331,470</b>	<b>50.7%</b>	<b>100%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>								<b>50.7%</b>	<b>N/A</b>		
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																				
Freight rail transport	CCM 6.2.	38,877,105	19.1%																	
Passenger interurban rail transport (sale of fuel to a passenger carrier outside the Group)	CCM 6.1.	4,162,275	2.0%																	
Manufacture of rail rolling stock components	CCM 3.19.	24,194,211	11.9%																	
Transmission and distribution of electricity	CCM 4.9.	7,513,869	3.7%																	
Heat/cool production	CCM 4.24.	572,473	0.3%																	
Acquisition and ownership of buildings	CCM 7.7.	2,483,776	1.2%																	
Data processing, hosting and related activities	CCM 8.1.	105,141	0.1%																	
<b>OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>77,908,850</b>	<b>38.2%</b>																	
<b>TOTAL (A.1 + A.2)</b>		<b>181,240,320</b>	<b>89.0%</b>														<b>50.7%</b>		<b>50.3%</b>	
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
Taxonomy-non-eligible activities		22,490,509	11.0%																	
<b>OpEx of Taxonomy-non-eligible activities (B)</b>		<b>22,490,509</b>	<b>11.0%</b>																	
<b>Total (A+B)</b>		<b>203,730,829</b>	<b>100.0%</b>																	
Manual financial adjustments for consolidation		206,360,461																		





Proportion of CapEx from products or services associated with Taxonomy-eligible economic activities – disclosure covering the year 2024

Economic activities (1)	Taxonomy code (-) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial Contribution criteria						DNSH criteria (Does Not Significantly Harm)						Minimum safeguards (17)	Taxonomy-aligned proportion of turnover, 2024 (18)	Taxonomy-aligned proportion of turnover, 2023 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)					
		EUR	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	E	P
<b>A. TAXONOMY-ELIGIBLE ACTIVITIES</b>																				
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)</b>																				
Infrastructure for rail transport	CCM 6.14.	53,976,756	87.5%	100%	0%	0%	0%	0%	0%		Yes	Yes	Yes	Yes	Yes	Yes	87.5%	N/A		E
Installation, maintenance and repair of renewable energy technologies	CCM7.6.	28,085	0.0%	100%	0%	0%	0%	0%	0%		Yes	Yes	Yes	Yes	Yes	Yes	0.0%	N/A		
Installation, maintenance, repair of energy efficiency equipment	CCM 7.3.	255,867	0.4%	100%	0%	0%	0%	0%	0%		Yes	Yes	Yes	Yes	Yes	Yes	0.4%	N/A		E
Production of heat/cool from bioenergy	CCM 4.24.	67,705	0.1%	100%	0%	0%	0%	0%	0%		Yes	Yes	Yes	Yes	Yes	Yes	0.1%	N/A		
<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>54,328,413</b>	<b>88.1%</b>	<b>100%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>								<b>88.1%</b>	<b>N/A</b>		
<b>A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																				
Manufacture of rail rolling stock constituents	CCM 3.19.	200,022	0.3%																	
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5.	51,021	0.1%																	
<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>251,043</b>	<b>0.4%</b>																	
<b>TOTAL (A.1 + A.2)</b>		<b>54,579,456</b>	<b>88.5%</b>														<b>88.1%</b>			<b>87.9%</b>
<b>B. TAXONOMY-NON-ELIGIBLE ACTIVITIES</b>																				
Taxonomy-non-eligible activities		7,119,557	11.5%																	
<b>CapEx of Taxonomy-non-eligible activities (B)</b>		<b>7,119,557</b>	<b>11.5%</b>																	
<b>Total (A+B)</b>		<b>61,699,012</b>	<b>100.0%</b>																	
Manual financial adjustments for consolidation		63,901,770																		



Resource inflows

Recycled materials used in the core business of VAS Latvijas dzelzceļš\*:

Material	2022	2023	2024	Type of resource
 Reinforced concrete sleepers, used (pieces)	19 383	13 148	<b>10 616</b>	Non-renewable resource
 Wooden sleepers and beams, used (pieces)	556	883	<b>1 197</b>	Renewable resource

Materials consumed and their volume in 2024 for infrastructure construction and repair works of VAS Latvijas dzelzceļš:

Material	2022	2023	2024	Unit	Type of resource
 Sand	2 709	7 439	<b>5 795,5</b>	tonnes	Non-renewable resource
 Gravel (dolomite rubble)	409	312	<b>75</b>	tonnes	Non-renewable resource
 Granite rubble	26 015	36 812	<b>29 440,89</b>	tonnes	Non-renewable resource
 Impregnated oak sleepers	818	1 048	<b>1 287</b>	pieces	Renewable resource
 Impregnated conifer sleepers	2 254	2 284	<b>2 362</b>	pieces	Renewable resource
 Oak beams	1 701	1 475	<b>1 460</b>	pieces	Renewable resource
 Coniferous timber beams	3 068	3 160	<b>2 010</b>	pieces	Renewable resource
 Bridge beams (wooden)	413	226	<b>203</b>	pieces	Renewable resource
 Reinforced concrete sleepers	1 516	10 671	<b>14 841</b>	pieces	Non-renewable resource

\* According to the information available in the Administration of Rail Tracks module of the LDz SAP system. Data not externally verified.



Natural resources used, associated materials and recycled material volumes in 2024\* by individual subsidiaries:



Material	2024	Unit	Type of resource
Fractionated sand 0-10mm	61.5	tonnes	Non-renewable resource
Recycled material			
Abrasive granules**	1.7	tonnes	Non-renewable resource

\* Other resources, including various chemicals, are also used by Group companies, but are not currently accounted for separately.

\*\* Abrasive granules are used for abrasive blasting of the surfaces of components (valves, cylinder caps, housings, reducers, etc.).

Data extracted from SAP and not externally verified.

Water consumption:

	VAS Latvijas dzelzceļš			Group
	2022	2023	2024	2024
 Volume of water extracted and used*, m <sup>3</sup>	76 415	75 808	<b>71 058</b>	<b>115 055</b>
 Wastewater generated and treated*, m <sup>3</sup>	88 163	86 541	<b>81 278</b>	<b>120 708</b>

\* Data extracted from SAP and not externally verified.

**E5-5: Resource outflows**

Amount of non-hazardous and hazardous waste generated by the Group's activities in 2024\*:

	VAS Latvijas dzelzceļš	Group
	2024	
Amount of non-hazardous waste, t	2769.18	3627.17
Breakdown of non-hazardous waste by treatment type, tonnes	2769.18	3627.17
preparation for re-use	No reliable information available	No reliable information available
recycling	No reliable information available	No reliable information available
combustion	No reliable information available	No reliable information available
landfilling	No reliable information available (but it is likely that most of the volume transferred)	No reliable information available (but it is likely that most of the volume transferred)
Amount of hazardous waste, t	17.09	643.60
Breakdown of hazardous waste by treatment type, tonnes	17.09	643.60
recycling	No reliable information available	No reliable information available
recycling	No reliable information available	No reliable information available
combustion	No reliable information available	No reliable information available
landfilling	No reliable information available	No reliable information available

\* Data extracted from SAP and not externally verified.



Waste categories and their relation to the Group's activities\*, t:

2024	Source of generation	Type of waste	VAS Latvijas dzelzceļš	Group
Waste categories				Volume generated, t
Municipal waste			2 619,37	3 038,33
Paper, cardboard			0,09	1,31
Glass	Waste from the company's operations (as part of production or administrative processes)	Non-hazardous waste	5,70	5,73
Wood			28,14	28,14
Aluminium			0,01	0,01
Plastic			0,01	0,01
Construction waste			In the process of removing buildings and structures	Hazardous waste
Asbestos-containing building materials	4,68	4,68		
End-of-life tyres	10,45	10,56		
Oil filters	In the course of use or production	Hazardous waste	5,57	5,57
Small appliances**			0,15	0,15
Computer and office equipment	End-of-use, obsolete or damaged machinery	Non-hazardous waste	5,33	5,68
Unsorted batteries and accumulators	As a result of the operation of the machinery		0,15	0,31
Printing ink waste containing dangerous substances	As a result of the operation of printing equipment		1,60	1,60
Fluorescent lamps and other mercury-containing waste	In the course of use		0,07	0,07
Absorbents, filter materials, wiping materials, and protective clothing contaminated with hazardous substances	In the manufacturing process	Hazardous waste	0,01	100,71
Disposal of lighting fittings, bulbs containing mercury, other hazardous substances			0,11	0,11
Other engine oils, gear oils and lubricating oils	In the course of use		0,05	99,45



Waste categories and their relation to the Group's activities\*, t:

2024 Waste categories	Source of generation	Type of waste	VAS Latvijas dzelzceļš	Group
			Volume generated, t	
Other emulsions	Air compressor operation	Hazardous waste	3,60	3,60
Discarded cables not falling within Class 70410	Maintenance of energy infrastructure	Non-hazardous waste	0,06	0,06
Waste containing petroleum products	Waste from the company's operations		1,00	329,20
Waste paints and varnishes containing organic solvents or other dangerous substances		Hazardous waste	0,10	0,10
Discarded electrical and electronic equipment containing hazardous components, not falling within Classes 200121 and 200123	Maintenance of energy infrastructure		0,10	0,10
Large waste		Non-hazardous waste	0,09	0,09
Invalid equipment containing hazardous compounds other than 160209, 160210, ...		Hazardous waste	0,06	0,06
Metalworking waste	After abrasive cleaning of wagons		-	354,04
Coal soot, fly ash, slag and soot	Forge	Non-hazardous waste	-	1,58
Street cleaning waste	After wagon repairs		-	60,34
Non-chlorinated mineral motor oils, gear oils and lubricating oils	Waste from the company's operations		-	6,47
Wood, glass or plastics composed of hazardous substances	Wooden sleepers	Hazardous waste	-	38,96
Solid wastes from soil remediation containing dangerous substances	After washing of wagons (solid)		-	50,54
Unfit-for-use antifreeze			-	2,07
Components not elsewhere specified	In the manufacturing process	Non-hazardous waste	-	0,20

\* Data extracted from SAP and not externally verified.

\*\* Small appliances (no external dimension exceeding 50 cm), including household appliances, consumer appliances, luminaires, sound or visual display equipment, electrical and electronic instruments, monitoring and control instruments, automatic distributors, and other equipment.



**S1-6: Characteristics of the undertaking's employees**

Employee metrics as at 31 December 2024	VAS Latvijas dzelzceļš	Group
<b>S1-6 Total number of employees</b>	<b>3311</b>	<b>5084</b>
female, %	31%	30%
male, %	69%	70%
Employees with indefinite contracts (permanent employees)	3291	5054
female, %	31%	30%
male, %	69%	70%
Fixed-term contract staff (temporary staff)	20	30
female, %	60%	50%
male, %	40%	50%
Employees without guaranteed working hours	0	0
female, %	0	0
male, %	0	0
Employees whose employment relationship has been terminated	711	1228
Turnover in the reporting period, %	19.7	16.5
Number of employees by type of employment (full-time and part-time), by gender	3311	5084
full-time employees, women	1034	1522
full-time employees, men	2267	3537
part-time employees, women	2	5
part-time employees, men	8	20

\* According to the information available in the HR module of the SAP system. Data not externally verified.

**S1-9: Diversity metrics**

Employee metrics as at 31 December 2024	VAS Latvijas dzelzceļš	Group
Gender diversity at senior management	24	52
female, number	10	18
female, %	42	35%
male, number	14	34
male, %	58	65%
Age distribution of senior management	24	52
Less than 30 years	0	1
30 to 50 years	16	28
older than 50 years	8	23

**S1-7: Characteristics of outsourced workers in the undertaking's own workforce**

Characteristics of outsourced workers in 2024	VAS Latvijas dzelzceļš	Group
labour contract or employees, number	3311	5084
labour contract or employees*, %	99.6%	99.3%
Other forms of employment / non-employee workers	12	35
Other forms of employment / non-employee workers*, %	0.4%	0.7%

\* According to the information available in the HR module of the SAP system.

\*\* The total number of workers against which the ratios for workers and non-employee workers are calculated is the sum of the number of own workers and the number of non-employee workers. Data not externally verified.



**S1-8: Collective bargaining coverage and social dialogue**

Employee metrics as at 31 December 2024	VAS Latvijas dzelzceļš	Group
Percentage of employees covered by collective bargaining agreements, %	The collective bargaining agreement applies to all employees, additional benefits in the agreement Members of the LDzSA trade union (70% of all employees)	The collective bargaining agreement applies to all employees, additional benefits in the agreement Members of the LDzSA trade union (70% of all employees)
Number of collective bargaining agreements	1	1

**S1-16: Compensation metrics (pay gap and total compensation)**

Remuneration metrics in 2024	VAS Latvijas dzelzceļš	Group
Gender pay gap*	4%	9%
Ratio of total annual remuneration of the highest paid employee to the median of total annual remuneration of all employees**	421%	275%

\* Calculated on the basis of the ratio of the average gross hourly rate of pay of men working for LDz to the average gross hourly rate of pay of women working for LDz, expressed as a percentage.

\*\* Calculated on the basis of the ratio of the gross annual remuneration of the highest paid employee of LDz (including all extra payments, bonuses, etc.) to the average gross remuneration of LDz employees, expressed as a percentage. The determination of the highest paid employee does not take into account the members of the LDz Management Board and Council who are not employees within the meaning of the Labour Law and who have a temporary delegation contract with a clearly defined remuneration.  
Data not externally verified.

**S1-10: Adequate wages**

	VAS Latvijas dzelzceļš	Group
Percentage of workers who are paid an adequate wage according to minimum wage criteria	100%	100%

**S1-15: Work-life balance metrics**

Work-life balance metrics for 2024	VAS Latvijas dzelzceļš	Group
Percentage of employees entitled to use family-related leave*, %	100%	100%
Percentage of employees on family leave**, %	38%	36%
female, %	34%	39%
male, %	66%	61%

\* Based on the Latvian labour law, all employees have this right.

\*\* Based on data collected by the HR Departments of LDz Directorate of Personnel and Group companies on cases of incapacity for work related to family growth, illness of children, etc., as well as on leave taken in cases provided for in the collective agreement (e.g. death of a close family member, additional leave for parents with children under 12, etc.).  
Data not externally verified.



Employee metrics as at 31 December 2024

S1-13: Training and skills development metrics

Training and skills development metrics for 2024	VAS Latvijas dzelzceļš	Group
Percentage of staff who have taken part in regular career appraisal activities*	17%	13%
Percentage of staff who have received training**	78%	63%
female, %	32%	28%
male, %	68%	72%
Average number of training hours per employee***, h	8	10
average number of training hours for women	5	5
average number of training hours for men	9	7

\* Percentage of all employees

\*\* Percentage of all employees

\*\*\* According to the information on internal and external training attended during the year recorded in the Directorate of Personnel of LDz and in the HR departments of the Group companies (information based on prepared orders)

Data not externally verified.

S1-14: Health and safety metrics

	VAS Latvijas dzelzceļš	Group
Coverage of own workforce in H&S management system*	3311	5084
employees, %	100%	100%
Number of deaths due to work-related injuries and diseases**	0	0
employees, %	0	0
others working on company sites, %	0	0
number of recordable work-related accidents***	5	7
employees, %	0.1%	0.1%
For own workforce – the number of recordable work-related diseases (i.e. occupational diseases)***	11	13
For own workforce – the number of days lost due to work-related injuries and deaths caused by accidents, as well as work-related illness and death caused by such illness****	776	831

\* In accordance with the Occupational Health and Safety System, the policy and resulting documents, the system applies to all employees

\*\* Data based on the accident register of the Technical Inspection of LDz

\*\*\* Data based on occupational physicians' reports received at the LDz Technical Inspection and Group companies' occupational health and safety or HR departments

\*\*\*\* Data calculated on the basis of information on sick leaves related to workplace injuries, work-related illnesses, etc. recorded in the HR departments of LDz Directorate of Personnel and Group companies.  
Data not externally verified.



**S1-17: Incidents, complaints and severe human rights impacts**

2024 metrics of incidents, complaints and severe human rights impacts	VAS Latvijas dzelzceļš	Group
Total number of incidents of discrimination, including harassment, reported in the reporting period	0	0
Number of complaints made through channels where own workforce can express their concerns	0	0
Number of complaints filed to the National Contact Points for OECD Multinational Enterprises	0	0
Amount of fines, penalties, and compensation for damages as a result of the above	0	0
Number of severe human rights incidents connected to the undertaking's workforce in the reporting period	0	0
Amount of fines, penalties, and compensation for damages as a result of the above	0	0

An aerial photograph showing a multi-lane asphalt road and a railway track running parallel to each other. The road is on the right, and the railway track is on the left. Both are flanked by lush green trees and grass. In the background, a large blue lake stretches across the horizon under a clear sky. A tall green electricity pylon stands near the road. A few people are visible walking on a path next to the road.

06

INDEPENDENT  
AUDITOR'S  
ASSURANCE  
REPORT



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## Limited Assurance Report on the Sustainability Statement of «Latvijas dzelzceļš» Group

### To the Shareholder of VAS «Latvijas dzelzceļš»

#### *Limited assurance conclusion*

We have performed a limited assurance engagement on whether the consolidated Sustainability Statement, of VAS Latvijas dzelzceļš and its scoped in subsidiaries (the “Group”) included in section Sustainability Statement (pages 19 to 213) of the accompanying management report (the “Sustainability Statement”) as at and for the year ended 31 December 2024 has been prepared in accordance with Article 7 of the Sustainability Disclosure Law of the Republic of Latvia implementing Article 29(a) of EU Directive 2013/34/EU.

Except for the effects of the matter described in the first paragraph of the *Basis for Modified Conclusion section*, based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Sustainability Statement of the Group as at and for the year ended 31 December 2024 is not prepared, in all material respects, in accordance with Article 7 of the Sustainability Disclosure Law of the Republic of Latvia implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Group to identify the information reported in the Sustainability Statement (the “Process”) is in accordance with the description set out in section *Description of the processes to identify and assess material impacts, risks and opportunities* of the Sustainability Statement; and
- compliance of the disclosures in the section *EU Taxonomy disclosures* of the Sustainability Statement with Article 8 of EU Regulation 2020/852 (the “Taxonomy Regulation”).

The comparative information included in the Sustainability Statement of the Group as at and for the year ended 31 December 2023, 31 December 2022, 31 December 2021 and the Statement on Corporate Governance in the Group (pages 46 to 66) was not subject to an assurance engagement. Our conclusion is not modified in respect of this matter.

#### *Basis for Modified Conclusion*

The Group is required by ESRS E1-6 to disclose gross Scope 1, 2 and 3 greenhouse gas (“GHG”) emissions and total GHG. The Group has not disclosed material Scope 3 categories in the Sustainability Statement. Considering the nature of the Group’s operations, we have assessed that undisclosed emissions are material. Consequently, in our view, the gross Scope 3 GHG emissions and total GHG emissions are materially understated; however, we were unable to quantify the amount of the misstatement.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Management Board (IAASB).

Our responsibilities under this standard are further described in the Our responsibilities section of our report.

KPMG Baltics SIA, a Latvian limited liability company and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.



We have complied with the independence and other ethical requirements of the International Code of Conduct for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Management Board for Accountants (IESBA), together with the ethical requirements that are relevant to our assurance engagement on the Sustainability Statement in Latvia.

Our firm applies International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our modified conclusion.

### **Responsibilities for the Sustainability Statement**

Management of the Group is responsible for designing and implementing and maintaining a process to identify the information reported in the Sustainability Statement in accordance with the ESRS and for disclosing this process in section Description of the processes to identify and assess material impacts, risks and opportunities of the Sustainability Statement. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- identifying the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- assessing the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- developing methodologies and making assumptions that are reasonable in the circumstances.

Management of the Group is further responsible for the preparation of the Sustainability Statement, in accordance with the Article 7 of the Sustainability Disclosure Law of the Republic of Latvia implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the ESRS;
- preparing the disclosures in section EU Taxonomy disclosures of the Sustainability Statement, in compliance with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation");
- designing, implementing and maintaining such internal controls that management determines are necessary to enable the preparation of the Sustainability Statement such that it is free from material misstatement, whether due to fraud or error;
- selecting and applying appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable in the circumstances.

Those charged with governance are responsible for overseeing the reporting process for the Group's Sustainability Statement.

### **Inherent limitations in preparing the Sustainability Statement**

In reporting forward-looking information in accordance with ESRS, management of the Group is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. The actual outcome is likely to be different since anticipated events frequently do not occur as expected.

In determining the disclosures in the Sustainability Statement, management of the Group interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.



## Our responsibilities

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Sustainability Statement is free from material misstatement, whether due to fraud or error, and reporting our limited assurance conclusion to the shareholders of VAS «Latvijas dzelzceļš». Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Statement as a whole.

Our responsibilities in relation to the Process for reporting the Sustainability Statement, include:

- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in section *Description of the processes to identify and assess material impacts, risks and opportunities* of the Sustainability Statement.
- Our other responsibilities in respect of the Sustainability Statement include:
  - Obtaining an understanding of the Group's control environment, processes and information systems relevant to the preparation of the Sustainability Statement but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
  - Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error; and
  - Designing and performing procedures focused on disclosures in the Sustainability Statement where material misstatements are likely to arise. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

### *Summary of the work we performed as the basis for our conclusion*

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Statement. We designed and performed our procedures to obtain evidence about the Sustainability Statement that is sufficient and appropriate to provide a basis for our conclusion. The nature, timing and extent of our procedures depended on our understanding of the Sustainability Statement and other engagement circumstances, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Sustainability Statement. We exercised professional judgment and maintained professional scepticism throughout the engagement.

In conducting our limited assurance engagement, with respect to the Process, the procedures we performed included:

- Obtaining an understanding of the Process by:
  - performing inquiries to understand the sources of the information used by management (e.g., stakeholder engagement, business plans and strategy documents); and
  - reviewing the Group's internal documentation of its Process; and
- Evaluating whether the evidence obtained from our procedures about the Process was consistent with the description of the Process set out in section *Description of the processes to identify and assess material impacts, risks and opportunities* of the Sustainability Statement.

In conducting our limited assurance engagement with respect to the Sustainability Statement, the procedures we performed included:

- Obtaining an understanding of the Group's reporting processes relevant to the preparation of its Sustainability Statement by:
  - performing inquiries to understand the sources of the information used by management;
  - reviewing the relevant Group's internal documentation.



- Evaluating whether material information identified by the Process is included in the Sustainability Statement;
- Evaluating whether the structure and the presentation of the Sustainability Statement is in accordance with the ESRS;
- Performing inquiries of relevant personnel and analytical procedures on selected disclosures in the Sustainability Statement;
- Performing substantive limited assurance procedures based on a sample basis on selected disclosures in the Sustainability Statement;
- Obtaining evidence on the methods, assumptions and data for developing material estimates and forward-looking information and on how these methods were applied;
- Obtaining an understanding of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Sustainability Statement;
- Performing inquiries of relevant personnel, analytical and substantive limited assurance procedures based on a sample basis on selected disclosures on taxonomy-eligible and taxonomy-aligned economic activities in the Sustainability Statement;

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.

KPMG Baltics SIA  
Licence No. 55

Armine Movsisjana  
Member of the Management Board  
Latvian Sworn Auditor  
Certificate No. 178  
Riga, Latvia  
17 April 2025

The Limited Assurance report is signed with a secure electronic signature, which contains a timestamp. The date of the Limited Assurance report is the date of the last attached secure electronic signature timestamp.



## CONSOLIDATED INCOME STATEMENT FOR 2024

(EUR'000)

	Notes	2024	2023
Revenue	<a href="#">4</a>	233 738	263 529
Other income	<a href="#">5</a>	23 658	26 859
<b>Total operating income</b>		<b>257 396</b>	<b>290 388</b>
Cost of goods, materials, and services	<a href="#">6</a>	(64 856)	(89 040)
Personnel costs	<a href="#">7</a>	(133 171)	(133 961)
Depreciation, amortisation, and impairment	<a href="#">8</a>	(86 108)	(54 635)
Other expenses	<a href="#">9</a>	(8 334)	(9 509)
<b>Total operating expenses</b>		<b>(292 469)</b>	<b>(287 145)</b>
<b>Operating profit / (loss)</b>		<b>(35 073)</b>	<b>3 243</b>
Finance income	<a href="#">10</a>	192	65
Finance expenses	<a href="#">10</a>	(4 557)	(4 522)
<b>Losses before corporate income tax</b>		<b>(39 438)</b>	<b>(1 214)</b>
Current income tax liabilities	<a href="#">11</a>	461	(2 017)
<b>Loss of the year</b>		<b>(38 977)</b>	<b>(3 231)</b>

Notes on pages 226 to 272 form an integral part of these consolidated financial statements.

*The original document prepared in Latvian has been signed electronically with a secure electronic signature and contains a timestamp.*

**A.Grinbergs**  
Chairman of the Board

**R.Pļavnieks**  
Member of the Board

**M.Keņģis**  
Member of the Board

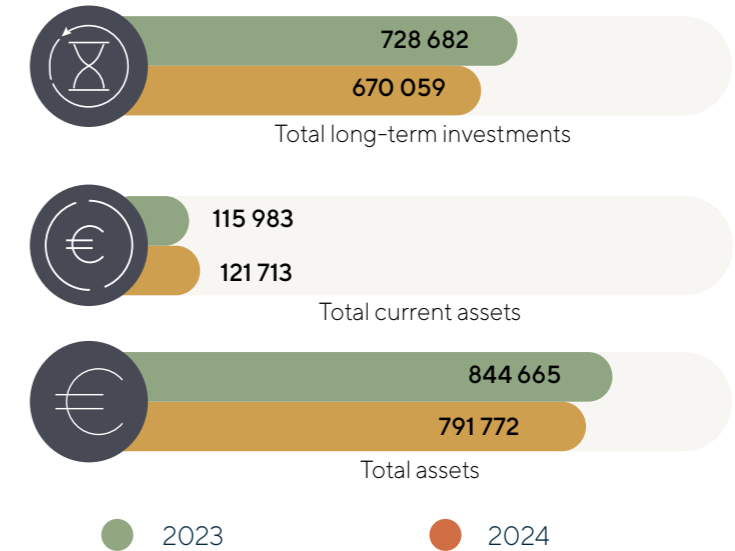
The annual report was prepared by the Finance Department of  
SJSC Latvijas dzelzceļš, Chief Financial Officer  
**T.Labzova-Ceicāne**



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

(EUR'000)

ASSETS	Notes	31.12.2024.	31.12.2023.
<b>Long-term investments</b>			
Property, plant and equipment	<a href="#">13</a>	637 608	694 812
Intangible assets	<a href="#">12</a>	3 958	4 347
Right-of-use assets	<a href="#">14</a>	3 280	3 578
Advance payments on property, plant and equipment and intangible assets		25 139	25 871
Long-term financial investments		74	74
<b>Total long-term investments</b>		<b>670 059</b>	<b>728 682</b>
<b>Current assets:</b>			
Inventories	<a href="#">15</a>	13 525	13 845
Non-current assets classified as held for sale	<a href="#">16</a>	263	-
Trade and other receivables	<a href="#">17</a>	11 594	16 137
Accrued income	<a href="#">18</a>	26 013	46 798
Cash and cash equivalents	<a href="#">19</a>	70 318	39 203
<b>Total current assets</b>		<b>121 713</b>	<b>115 983</b>
<b>Total assets</b>		<b>791 772</b>	<b>844 665</b>



(continued overleaf)

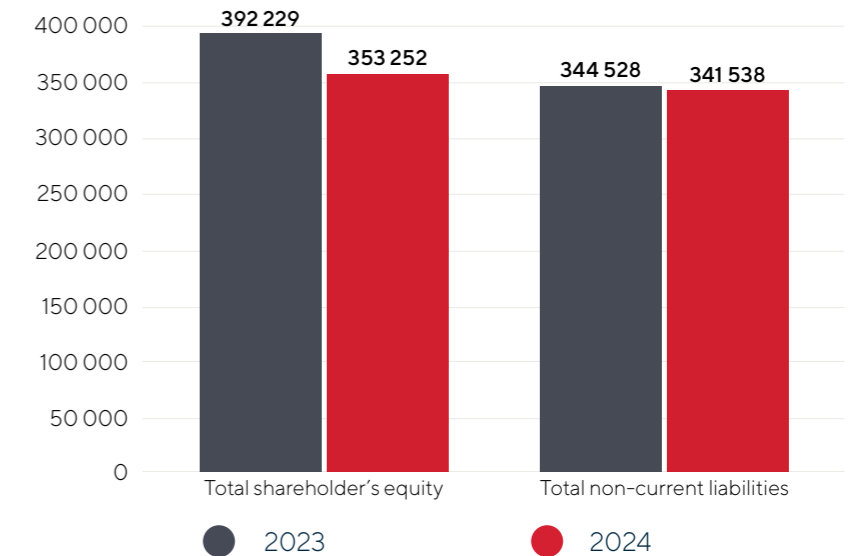


Consolidated Statement of Financial Position 31 December 2024 (continued)

(EUR'000)

Equity and liabilities	Notes	31.12.2024.	31.12.2023.
<b>Shareholder's equity and liabilities</b>			
<b>Shareholder's equity</b>			
Attributable to the shareholder of the Group Parent Company:			
Share capital	<a href="#">20</a>	374 420	327 622
Long term investment revaluation reserve	<a href="#">21</a>	26 224	26 493
Reserves and retained earnings/(accumulated loss)	<a href="#">21</a>	(47 392)	38 114
<b>Total shareholder's equity</b>		<b>353 252</b>	<b>392 229</b>
<b>Liabilities</b>			
<b>Non-current liabilities:</b>			
Deferred income tax liabilities	<a href="#">11</a>	512	1 781
Provisions	<a href="#">22</a>	5 855	5 859
Loans from credit institutions	<a href="#">23</a>	67 605	53 988
Taxes and social contributions	<a href="#">24</a>	3 340	5 082
Accounts payable to suppliers and contractors		1 256	767
Lease liabilities		2 029	2 163
Deferred income	<a href="#">25</a>	260 941	274 888
<b>Total non-current liabilities</b>		<b>341 538</b>	<b>344 528</b>

(continued overleaf)

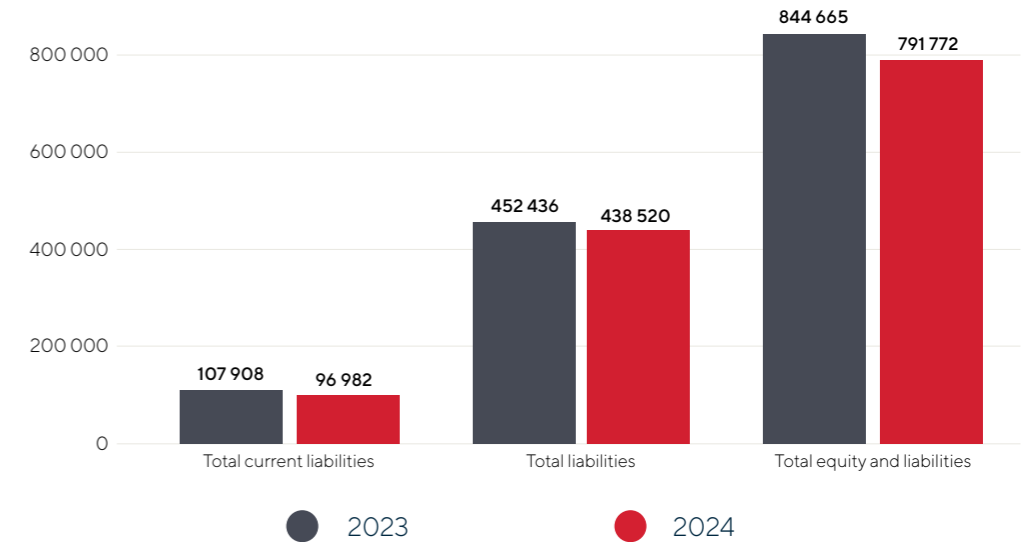




## Consolidated Statement of Financial Position 31 December 2024 (continued)

(EUR'000)

Equity and liabilities	Notes	31.12.2024.	31.12.2023.
<b>Current liabilities:</b>			
Loans from credit institutions	<a href="#">23</a>	35 343	32 321
Provisions	<a href="#">22</a>	2 158	1 828
Trade and other payables		28 475	33 082
Taxes and social contributions	<a href="#">24</a>	15 670	20 257
Lease liabilities		1 147	1 442
Deferred income	<a href="#">25</a>	14 189	18 978
<b>Total current liabilities</b>		<b>96 982</b>	<b>107 908</b>
<b>Total liabilities</b>		<b>438 520</b>	<b>452 436</b>
<b>Total equity and liabilities</b>		<b>791 772</b>	<b>844 665</b>



Notes on pages 226 to 272 form an integral part of these consolidated financial statements.

The original document prepared in Latvian has been signed electronically with a secure electronic signature and contains a timestamp.

**A.Grinbergs**  
Chairman of the Board

**R.Pļavnieks**  
Member of the Board

**M.Keņģis**  
Member of the Board

The annual report was prepared by the Finance Department of  
SJSC Latvijas dzelzceļš, Chief Financial Officer  
**T.Labzova-Ceicāne**





## CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2024

(prepared using the indirect method)

(EUR'000)

	Notes	2024	2023
<b>Cash flow from operating activity</b>			
<b>Losses before tax</b>		<b>(39 438)</b>	<b>(1 214)</b>
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment and other impairment adjustments		66 156	34 796
Amortisation of intangible assets and other impairment adjustments	<a href="#">12</a>	1 255	1 189
Foreign exchange gain	<a href="#">5</a>	(35)	(164)
Other interest income and similar income	<a href="#">10</a>	(192)	(65)
Interest expenses and similar expenses	<a href="#">10</a>	4 557	4 522
<b>Profit before adjustments for changes in the working capital</b>		<b>32 303</b>	<b>39 064</b>
<b>Adjustments for:</b>			
Decrease in receivables;		(21 249)	(23 103)
Increase/decrease in inventories		(854)	388
Decrease of accounts payable to suppliers, contractors and other creditors;		(11 820)	(9 617)
<b>Cash (used in) / generated from operations</b>		<b>(1 620)</b>	<b>6 732</b>
Interest expense		(5 662)	(4 386)
Corporate income tax expense	<a href="#">11</a>	(808)	(2 099)
<b>Net cash (used in) / generated from operating activities</b>		<b>(8 090)</b>	<b>247</b>
<b>Cash flow from investing activity</b>			
Purchase of property, equipment and intangible assets		(60 250)	(66 679)
Proceeds from sale of property, plant and equipment and intangible assets		693	2 990
Subsidies or grants received (net)	<a href="#">25</a>	36 844	28 139
Interest received		180	65
<b>Net cash flows from investing activities</b>		<b>(22 533)</b>	<b>(35 485)</b>

(continued overleaf)

**Consolidated Statement of Cash Flows for 2024**

(EUR'000)

	Notes	2024	2023
Cash flows used in financing activities			
Increase in share capital	<a href="#">20</a>	46 798	-
Borrowings received	<a href="#">23</a>	44 000	20 000
Borrowings repaid	<a href="#">23</a>	(27 361)	(24 247)
Lease payments		(1 688)	(1 781)
<b>Net cash generated from financing activities</b>		<b>61 749</b>	<b>(6 028)</b>
Gain on foreign exchange rate fluctuations		(11)	81
<b>Change in cash and cash equivalents during the reporting year</b>		<b>31 115</b>	<b>(41 185)</b>
Cash and cash equivalents balance at the beginning of the reporting year		39 203	80 388
<b>Cash and cash equivalents balance at the end of the reporting year</b>	<a href="#">19</a>	<b>70 318</b>	<b>39 203</b>

Notes on pages 226 to 272 form an integral part of these consolidated financial statements.

*The original document prepared in Latvian has been signed electronically with a secure electronic signature and contains a timestamp.*

**A.Grinbergs**  
Chairman of the Board

**R.Pļavnieks**  
Member of the Board

**M.Keņģis**  
Member of the Board

The annual report was prepared by the Finance Department of SJSC Latvijas dzelzceļš, Chief Financial Officer  
**T.Labzova-Ceicāne**



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. General information

The Group manages the public-use railway infrastructure, provides rail transport services and related services.

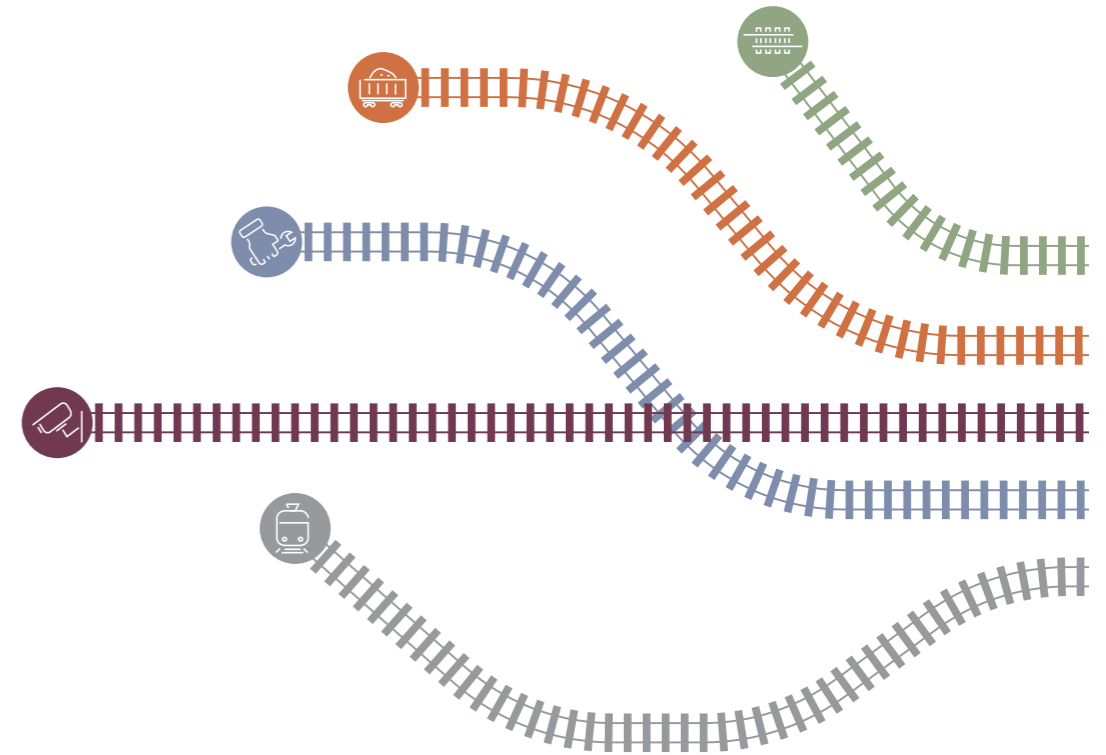
The Group Parent Company is state joint stock company Latvijas dzelzceļš, which is the Group's governing company and performs the functions of the public railway infrastructure operator.

The Group Parent Company is registered in the Commercial Register of the Enterprise Register of the Republic of Latvia as a state joint stock company, and it is 100% owned by the Republic of Latvia. The registered office of the Group Parent Company is Emīlijas Benjamiņas iela 3, Rīga, LV-1547, Latvia.

All the Group's companies are registered in the Republic of Latvia and the Group Parent Company has a direct decisive influence on them. The Group includes:

Name	Types of activity
SIA LDZ CARGO	freight transportation services
SIA LDZ ritošā sastāva serviss	maintenance and repair of rolling stock; locomotives and machinery rental services
SIA LDZ apsardze	security services
SIA LDZ Loģistika	transport forwarding and logistics services
AS LatRailNet	performance of the essential functions of the infrastructure operator

The consolidated financial statements are approved by the shareholder meeting convened by the Board of SJSC Latvijas dzelzceļš after receipt of the auditor's opinion and the Council's report.





## 2. Accounting and measurement principles

These consolidated financial statements have been prepared based on the accounting and measurement principles set out below. These principles have been applied accordingly to all comparative indicators, unless otherwise stated.

### 2.1. Accounting and measurement principles

These consolidated financial statements have been prepared in accordance with IFRS Accounting standards as adopted by the EU (IFRS Accounting Standards).

The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation method applied to freight transportation wagons (included in property, plant and equipment), using the going concern principle.

The consolidated financial statements cover the period from 1 January to 31 December 2024.

In preparing the consolidated financial statements in conformity with the IFRS Accounting Standards, Management relies on estimates and assumptions that affect certain reported amounts and disclosure of contingent liabilities. Future events may impact assumptions that were used as the basis for estimates. The effects of changes in estimates are reflected in the financial statements when they occur. Although estimates are based on comprehensive management information on current events and activities, actual results may differ from these estimates. Significant assumptions and judgements are disclosed in [Note 3](#).

In the reporting year, no IFRS Accounting Standards adopted by the EU, amendments thereto or amendments to their interpretations became effective, whose adoption had a material impact on the Group's operations. In the reporting year, the following amendments to standards have entered into force and have been approved for use in the EU as of 1 January 2024:

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Non-current Liabilities with Covenants (Amendments to IAS 1);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);
- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7).

The following amendments and interpretations to standards, which may impact the Group's financial statements, are currently being assessed by the Group's management. Initial estimates suggest that the impact will not be material (except for IFRS 18, Presentation and Disclosure in Financial Statements, the impact of which will be evaluated separately upon adoption in the EU). These changes will become effective on or after 1 January 2025: Lack of exchangeability (Amendments to IAS 21) (effective from 1 January 2025);

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) (effective from 1 January 2026, not yet adopted by the EU);
- Annual Improvements to IFRS Accounting standards Volume 11 (issued on 18 July 2024) (effective from 1 January 2026, not yet adopted by the EU);
- IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024) (effective from 1 January 2027, not yet adopted by the EU);
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024) (effective from 1 January 2027, not yet adopted by the EU).

In addition to the above, the Group's Management has assessed the impact of other standards and interpretations that will be effective from 1 January 2025 and does not expect them to have a material impact on the Group's consolidated financial statements.



## 2.2. Foreign currency translation

### Functional and presentation currency

Items in the Group's consolidated financial statements are measured in the currency of the economic environment in which the Group operates (functional currency). The items in the consolidated financial statements are presented in the official currency of the Republic of Latvia in euro (EUR), which is the Group's presentation currency. The functional and presentation currency of all companies in the Group is EUR.

### Transactions and balances in foreign currencies

All transactions in foreign currency are translated into EUR at the euro reference rate published by the European Central Bank at the beginning of the transaction day. Monetary assets and liabilities denominated in foreign currency on the last day of the reporting year are presented in the consolidated financial statement translated into EUR at the foreign exchange rate published by the European Central Bank and in force at the end of the last day of the reporting year.

Exchange differences arising from settlements in foreign currencies are recognised in the Consolidated Income Statement.

Foreign exchange rates	Currency unit per EUR 1 31.12.2024.	Currency unit per EUR 1 31.12.2023.
USD	1.03890	1.10500
CHF	0.94120	0.92600

## 2.3. Intangible assets

Intangible assets mainly consist of software licences and are initially recognised at cost. Intangible assets have limited useful lives. Subsequently, intangible assets are carried at cost less accumulated amortisation and impairment losses.

Subsequent costs are capitalised, increasing the value of the existing intangible asset or recognised as a separate intangible asset only when it is probable that future economic benefits associated with the item will flow to the Group and if the costs can be measured reliably. Other costs are written off in the Consolidated Income Statement as incurred.

For intangible assets, amortisation is calculated on a straight-line basis to write down their acquisition cost over the useful life period and is included in the Consolidated Income Statement for the relevant period. Intangible assets are generally amortised over five years.



## 2.4. Property, plant and equipment

Property, plant and equipment items are recognised under the cost or the revaluation method, as described below, less accumulated depreciation and accumulated impairment, if any.

Freight wagons are accounted for using the revaluation method, i.e. these assets are revalued at least every five years to ensure that their carrying amount does not materially differ from their fair value at the end of the reporting year. The increase in carrying amount resulting from revaluation is recognised in other comprehensive income and as a revaluation reserve in equity. Impairments relating to property, plant and equipment for which an increase in value was previously recorded, are recognised in other comprehensive income and reduce the revaluation reserve in equity. Otherwise, any impairment arising on is recognised in the Statement of Comprehensive Income. In the event of sale or write-off of property, plant and equipment, the revaluation reserve previously included in equity is reclassified to retained earnings. The depreciation accumulated at the revaluation date is eliminated against the historical cost of the asset, the net amount is included in the revalued value so that the carrying amount of the asset after revaluation is equal to its revalued amount.

Other categories of property, plant and equipment are accounted for using the historical cost method, whereby property, plant and equipment items are stated at cost less accumulated depreciation and accumulated impairment, if any. The acquisition cost includes the costs directly attributable to the acquisition of the property, plant and equipment. The cost of self-constructed property, plant and equipment consists of the cost of materials and direct labour costs, as well as any other costs directly attributable to bringing the asset into working condition for its intended use, and the costs of demolishing and removing the asset and restoring the site where the asset is to be located. The cost of computer software that is closely related to the functionality of the equipment and cannot be separated from it, is capitalised as part of this equipment.

The Group capitalises property, plant and equipment with cost exceeding EUR 500 and a useful life exceeding one year. Leasehold improvements are capitalised and presented as property, plant and equipment.

If the useful lives of individual components of property, plant and equipment differ, they are accounted for as separate components of those assets. The estimated residual values and useful lives of property, plant and equipment are reviewed and adjusted, if necessary, at each reporting date.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and if the cost of the item can be measured reliably. Other current repairs and maintenance costs of property, plant and equipment are included in the Consolidated Income Statement for the period in which they are incurred.

Gain or loss on disposal of property, plant and equipment is calculated as the difference between the book value of the property, plant and equipment and the proceeds from the sale and included in the Consolidated Income Statement for the respective period.

Where the carrying amount of an asset exceeds its recoverable amount, the value of the asset is immediately written down to its recoverable amount (see [Note 3](#)).

### Depreciation

Depreciation of property, plant and equipment is calculated on a straight-line basis. Depreciation is recognised in the Consolidated Income Statement.

Leasehold improvements are depreciated over the shorter of the lease term or the useful life of a similar asset at the rates applied to the category in which investments in the leased asset falls. Land is not depreciated.



Depreciation of the Group's property, plant and equipment for the reporting period is calculated by applying the determined useful life to the respective asset.

PPE	Useful life
Buildings and structures	10-130 years
Railway tracks	10-90 years
Railway rolling stock – wagons for technological needs and freight transport	22-40 years
Railway rolling stock – locomotives, diesel trains, and technological equipment	5-40 years
Track machinery	30 years
Computers, communication equipment, photocopiers, and fittings	3-10 years
Other property, plant and equipment	5-30 years

#### Assets under construction

Assets that are not ready for their intended use at the time of their acquisition or are in the process of being installed are classified as "assets under construction". The cost of assets under construction is increased during the period by borrowing costs and other direct costs related to the asset until its commissioning. The cost of the respective asset is not increased by borrowing costs in periods when there is no active development of the asset.

When the assets are ready for their intended use, they are reclassified to the appropriate category of property, plant and equipment and the calculation of depreciation starts. Assets under construction are regularly reviewed for impairment indicators.

## 2.5. Impairment of tangible and intangible assets

All the Group's property, plant and equipment, including the right-of-use assets, and intangible assets have a finite useful life (except for land and museum collections). Depreciable assets are reviewed whenever events or circumstances indicate that their book value may not be recoverable.

An impairment loss is recognised in the amount of the difference between the carrying amount of an asset and its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. To determine the impairment, the assets are grouped based on the lowest level for which cash flows can be identified (cash-generating units). Impairment losses are recognised in the Consolidated income statement.

Impairment losses recognised in prior periods are reviewed at each balance sheet date to determine whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the respective asset does not exceed its carrying amount less the depreciation that would have been recorded if the impairment loss had not been recognised.



## 2.6. Financial instruments

### Classification of financial instruments

The Group's financial instruments consist of financial assets (financial assets at amortised cost and financial assets at fair value through profit or loss) and financial liabilities (financial liabilities at amortised cost).

The classification of debt instruments depends on the Group's business for managing financial assets, and whether the contractual cash flows consist solely of principal and interest payments (SPPI). If a debt instrument is held to collect cash flows, it may be carried at amortised cost if it meets the requirements of the SPPI. Financial assets whose cash flows do not meet the requirements of the SPPI must be measured at fair value through profit or loss (FVTPL) (e.g., financial derivatives). Embedded derivatives are not separated from financial assets, but are assessed for SPPI requirements when they are included in financial assets.

Equity instruments are always measured at fair value. However, Management has the opportunity to make an irrevocable choice to present fair value changes in other comprehensive income if the instrument is not held for trading. If an equity instrument is held for trading, changes in fair value should be presented in the Consolidated Income Statement.

### Recognition and derecognition

Financial assets and liabilities are recognised when the Group becomes a party to the contract and has fulfilled the conditions of the transaction, i.e., at the date of the transaction.

Financial assets are derecognised when the Group's contractual obligations to the cash flows generated by the financial assets expire or when the Group transfers the financial asset to another party or transfers the significant risks and rewards of the asset. Purchases and sales of financial assets in the ordinary course of business are accounted for on the transaction date, i.e., the date when the Group decides to buy or sell the asset.

Financial liabilities are derecognised when the underlying obligation is withdrawn, cancelled or expires.

### Measurement

At initial recognition, financial instruments are measured at their fair value. For financial assets and financial liabilities at amortised cost, fair value is adjusted at initial recognition for transaction costs that are directly attributable to that financial instrument.

### Financial assets at fair value through Consolidated Income Statement

This category includes the equity instruments owned by the Group, under Other financial investments. These investments are presented within non-current assets, unless the Management intends to sell them within 12 months from the reporting date. The fair value of these financial assets is determined based on estimates made by the Group's Management, which are based on the financial information of these investments. Changes in fair value are recognised in the Consolidated Income Statement.

Dividends on investments are recognised in the Consolidated Income Statement at the time when the Group becomes legally entitled to them.

### Financial assets at amortised cost

Financial assets at amortised cost are debt instruments with a fixed or determinable schedule that are not held for trading and whose future cash flows consist solely of principal and interest payments. Financial assets at amortised cost include trade and other receivables, as well as cash and cash equivalents. Financial assets at amortised cost are classified as current assets if the maturity is one year or less. If the payment term exceeds one year, then they are presented as non-current assets. Short-term receivables are not discounted.

Financial assets at amortised cost are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method less impairment provisions.



### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, current account balances and short-term highly liquid investments that can be easily converted into cash if necessary and are not exposed to significant risk of changes in value.

### Impairment of financial assets at amortised cost

Impairment is recognised according to the expected credit loss (ECL) model. The model has a three-step approach, which is based on changes in the credit quality of a financial asset compared to initial recognition. The Company recognises an immediate loss equal to 12-months ECL on initial recognition of a financial asset, even if the financial asset does not show any signs of impairment (for trade receivables a lifetime expected credit loss is recognised). In the event of a material increase in credit risk, impairment is measured using the asset's lifetime ECL instead of the 12-month ECL.

The Group applies operational allowances permitted by IFRS 9 for the measurement of trade receivables: trade receivables are grouped according to their credit quality and days past due, applying an expected credit loss percentage to each group. The ECL rates are estimated considering the last three years of payment history, adjusted to consider information on the present and future forecasts.

Receivable from related parties, as well as the loans issued to the related parties, are categorised into a separate group, for which ECL is calculated considering not only past experience, but also the credit rating of the ultimate owner, the Republic of Latvia, and projections of future developments. Loans granted to subsidiaries are considered to be assets with a credit risk that has not increased materially since the initial recognition, so the calculation of the ECL includes the expected credit losses over the next 12 months.

Impairment allowance is included in a separate allowance account and a loss is recognised in the Consolidated income statement. If, in a subsequent period after impairment is recognised, the amount of the loss decreases and the decrease can be related objectively to an event occurring after impairment was recognised (for example, the debtor's credit rating improves), a reversal of the previously recognised impairment loss is recognised in the Consolidated income statement.

### Financial liabilities at amortised cost

Financial liabilities at amortised cost include borrowings from credit institutions, other borrowings, trade and other payables.

Financial liabilities at amortised cost are initially recognised at fair value. In subsequent periods, financial liabilities at amortised cost are measured at amortised cost using the effective interest method. Financial liabilities at amortised cost are classified as current liabilities if their maturity term is one year or less. If the maturity term exceeds one year, they are presented as non-current liabilities.

### Borrowings

Borrowings are initially recognised at fair value, net of borrowing costs incurred. In subsequent periods, borrowings are measured at amortised cost using the effective interest method. The difference between the amount of proceeds, less borrowing costs, and the redemption value of the borrowing is gradually recognised in the profit or loss, using the borrowing's effective interest rate. This difference is recognised as finance expense.

Borrowings are classified as current liabilities except in cases when the Group has an irrevocable right to defer the settlement of the liability for at least 12 months after the balance sheet date.

### Offsetting financial assets and liabilities

Financial assets and liabilities are netted against each other and presented on the balance sheet at net amounts when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to transfer the asset and settle the liability simultaneously.



## 2.7. Inventories

Inventories are carried at the lowest of the cost or net realisable value. Net realisable value is the selling price of inventories less costs to complete and sell, determined in the ordinary course of the Group's business. The cost is determined using the weighted average cost method for fuel and the FIFO (first in, first out) method for other inventory components.

When necessary, allowances are created for the write downs of obsolete, slow-moving or damaged inventories. For inventories without movement over one year, the allowances are recognised for the full amount. The change of the allowance is recognised in the Consolidated Income Statement.

## 2.8. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition will be considered to be met only if the probability of a sale transaction is high and the asset is available for immediate sale in its present condition. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell at the time of reclassification.

An impairment loss is recognised if, at initial recognition or subsequent measurement, the value of the asset is reduced from its initial carrying amount to its fair value less costs to sell. An impairment loss can be estimated and recognised in income if the fair value of the asset less costs to sell increases. However, such an estimate may be recognised only to the extent that it offsets a previously recognised impairment of that same asset.

Net gains or losses on derecognition and sale are recognised when non-current assets held for sale are sold.

Non-current assets held for sale are not depreciated or amortised until they are classified as held for sale.

Non-current assets held for sale and assets held for sale are presented separately from other assets in the balance sheet.

## 2.9. Share capital and payments for the use of state-owned capital shares (dividends)

The share capital of the Group Parent Company consists of ordinary registered shares. All shares of the Group Parent Company are dematerialised shares. The nominal value of a share is one euro.

Dividends or payments to the shareholder of the Group Parent Company for the use of the state capital shares are recognised as a liability in the Group's consolidated financial statements in the period in which the amount of the dividend is approved by the shareholder of the Group Parent Company.

## 2.10. Reserves

A portion of the after-tax profit of the Group's parent company may be transferred to the reserve by a resolution of the Group's parent company's general shareholder meeting. For this purpose, an item Reserves has been set up under equity. The appropriation and distribution of reserves is the competence of the general shareholder meeting.

## 2.11. Accrued unused annual leave expenses

The accrued expenses for unused annual leave are calculated for each employee by multiplying the number of unused annual leave days at the end of the reporting year by the average daily wage in the last six months of the reporting year and adding the employer's share of social insurance contributions.



## 2.12. Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

If the Group expects to receive reimbursement for the part or full amount of the provision, the reimbursement of those costs is recognised as a separate asset if, and only if it is virtually certain that the expenditure will be reimbursed. The costs associated with creating provision are recognised in the Consolidated income statement, net of amounts recovered.

## 2.13. Corporate income tax for the reporting year and deferred tax

Corporate income tax is recognised in the Consolidated income statement.

Corporate income tax is calculated in accordance with the legislation effective at the end of the reporting period. The current legislation imposes a tax rate of 20 percent on the calculated taxable base, adjusted before the application of the tax rate by dividing the taxable base by a coefficient of 0.8.

Corporate income tax, which is calculated on distribution of dividends, is presented separately in the Consolidated income statement, and otherwise as other operating expense.

Deferred tax assets or liabilities do not arise because there is no difference between the book values of assets and liabilities and their tax base. Since the Group's parent company controls the dividend policy of the Group's subsidiaries, it is also able to control the timing of the reversal of temporary differences related to investments in subsidiaries, including temporary differences arising from retained earnings. Thus, the Group's consolidated financial statements recognise a deferred tax liability for temporary differences arising from retained earnings by applying the tax rate applicable to retained earnings, unless the Group has assessed that the dividends will be distributed in the foreseeable future.

## 2.14. Revenue recognition

Revenue is the consideration received as a result of carrying out operating activities. Revenue is measured at the transaction price specified in the contract. The transaction price is the amount that the Group expects to receive upon transfer of control over the goods or services, excluding amounts collected on behalf of third parties (e.g., value added tax). The transaction price is reduced by any discounts or other benefits granted to the customer. The specific criteria for recognising revenue of the Group for each type of revenue are set out below.

The Group does not have any contracts with customers with a settlement period of more than one year and therefore does not make adjustments to reflect changes in the value of money over time. In addition, the settlements do not provide for variable consideration.

Revenue from the sale of goods is recognised when control over them is transferred, i.e., when the Group has delivered the goods to the customer and the customer has accepted the goods and it is probable that the receivable is recoverable.

Ieņēmumi no pakalpojumu sniegšanas tiek atzīti tajā finanšu periodā, kad pakalpojumi tika sniegti, ņemot vērā kopējo sniegtā pakalpojuma attiecību pret kopējo līgumā noteikto pakalpojumu, ja piemērojams.

The Group companies provide the following services (recognised in accordance with IFRS 15):

- **Public-use railway infrastructure services** - access to the railway infrastructure, provided by the infrastructure operator on a non-discriminatory basis to all carriers. LDz provides a service comprising the public-use minimum access service package and access to the public-use railway infrastructure connecting the railway infrastructure with service sites (the minimum access service package).



In connection with the provision of railway infrastructure for public use, LDz has been granted a state budget subsidy to fully cover the costs of the passenger segment and the costs relating to passenger stations on lines where the carrying of passengers has been terminated. Revenue from the received grants (excluding VAT), is recognised in the period in which the services are rendered, up to the amount of the funding received, in accordance with IAS 20.

- **Maintenance of service points** – services for the use of passenger stations and stops. LDz provides the following services at passenger stations: ticket counters, passenger notification systems, and facilities for passenger use. Revenue (excluding VAT) is recognised in the period in which the services are rendered, up to the amount of funding received, in accordance with IAS 20.
- **Ancillary services of the infrastructure operator, including service site services** – freight wagon sorting and assembly services (processing of freight wagons with or without train formation), freight wagon maintenance and inspection – basic and ancillary freight wagon inspection services, routine suspension repairs, freight wagon storage services and freight wagon brokerage settlement services, etc. revenue is recognised in the period in which the services are rendered.
- **Specific services related to the maintenance and repair of infrastructure** – construction and repair of track and bridge decks, replacement of switches, repair of railway machinery, tools and plant, modernisation of wagons, rail welding works and transportation of long rails, installation and repair of drainage systems, preparation of the ground base. Revenue is recognised when the services are rendered, or the repairs are completed.
- **Electricity distribution and sale services** – LDz provides electricity distribution and trading services to natural and legal persons, including its subsidiaries. The cost of electricity distribution (traction substations and overhead power lines) for the traction of passenger trains is included in the charge for using the public-use railway infrastructure and are not included in this service. LDz provides electricity sales services to electricity consumers by fulfilling the obligations laid down in the *Electricity Market Law*, the *Law On Regulators of Public Utilities and Cabinet Regulation No. 635 Regulations Regarding the Trade and Use of Electricity*. LDz acts as the primary service provider, thus revenues and costs are recognised in gross value. Revenue is calculated by multiplying the tariff by the number of kilowatt hours consumed and is recognised in the period when consumption was made.

- The **principal's services** include submission of the import summary declaration, customs procedures – transit clearance, temporary storage. In accordance with the agreement between LDz and SIA LDZ CARGO, the Company as the holder of the authorisation to use the transit procedure submits transit declarations, prepares temporary storage declarations, as well as performs other customs activities for the transit compliance. Revenue is recognised in the period when the services are provided.
- **Forwarding services** – development of freight transport routes, organisation of rail freight transport, including the execution of transport documents, customs formalities, dispatch/receipt of freight. Revenue is recognised in the period when the services are provided.
- **Freight transport services** – SIA LDZ CARGO provides freight transport services:
  - from the dispatch station to the receiving station (in the territory of Latvia and the territory of Estonia) for domestic transport;
  - from the border station to the port terminal or land border station for transit services;
  - from the border station to the station of destination or in the opposite direction (for import and export transportation services).Revenue for the freight transportation services consists of the tariff charge, plus additional charges not included in the tariff and determined under the contract. Freight transportation service charges are determined in accordance with the freight tariff, a system of rates that includes information on the distances to be covered, the procedure for calculating the charges and the freight charges, which consist of the transportation charge, charges for additional operations and other services related to the transportation. Revenue is recognised in the period when the services are provided.
- **Traction services** – SIA LDZ CARGO provides locomotive crew services to both Latvijas Dzelzceļš Group companies and other freight carriers, and other external customers to ensure their economic activity. Revenue is recognised in the period when the services are provided.



- **Locomotive repair services** – includes the services of SIA LDZ ritošā sastāva serviss related to maintenance and repair of freight, passenger and shunting diesel locomotives; modernisation of freight and shunting diesel locomotives; maintenance and repair of infrastructure road machines; life extension works, repair of assemblies and units of railway rolling stock; placement and maintenance of railway rolling stock in the locomotive reserve base. Revenue is recognised in the period when the services are provided.
- **Wagon repair services** – depot and overhaul of freight wagons by SIA LDZ ritošā sastāva serviss; life extension of freight wagons; overhaul of tanks and covered wagons; modernisation of freight wagons, manufacture of RU1Š-957-G type wheelsets for freight wagons, full inspection with replacement of elements and second revision of bushings, abrasive cleaning, priming and painting of ER2 and ER2T series electric trains, DR1A series diesel trailers, locomotive and road engine wheelsets, complete inspection of locomotive and road engine wheelsets with replacement of elements and second revision of bushing assemblies, locomotive and wagon bodywork. Revenue is recognised in the period when the services are provided.
- **Storage and sale of diesel fuel** – fuel sales provided by the Crewing centre fuel base of SIA LDZ Ritošā sastāva serviss. This service is provided mainly to railway carriers. Revenue from sale of diesel fuel is recognised at the point of the sale of fuel, i.e., when the fuel is filled into the vehicle. Revenue from other fuel-related services is recognised in the period in which the services are provided.
- **Non-destructive control laboratory services** – includes services related to calibration, initial and re-verification of pressure gauges; non-destructive control of assemblies and parts of railway rolling stock (by visual, ultrasonic, magnetic particle and eddy current methods); conformity assessment of railway tanks for the transport of substances of classes 3 to 9; assessment of the conformity of railway rolling stock renewal repairs with an extension of service life; the verification of geometric measuring instruments. Revenue is recognised in the period when the services are provided.
- **Electronic communications services** – data and electronic message transmission services, access to electronic communications network infrastructure. Revenue is recognised after the actual use of the network in the relevant reporting period.
- **Information technology services** – services related to information systems for freight and passenger traffic, train movement, as well as business support, control and management information systems. Revenue is recognised in the period when the services are provided.
- **Construction services** – own construction works on railway infrastructure objects. Revenue is recognised in the period when the services are provided.

- **Security services** – SIA LDZ apsardze performs physical security of various objects and railway cargoes, designs and assembles various security, fire safety and video surveillance systems, which are subject to technical maintenance and maintenance during operation, as well as monitoring of the received alarm signals. Revenue is recognised in the period when the services are provided.
- **Other services** – these services include commercial train inspection services, services for ensuring the operation of technological centres and drop-off points, specific services of the infrastructure operator, and various other small-scale services for legal and natural persons. Revenue is recognised in the period when the services are provided.

The Group provides the following services (recognised in accordance with IFRS 16):

- **Leases** – the Group leases out buildings, structures, land, locomotives, freight wagons and other property, plant and equipment that are not necessary for the operating activity, to carriers and other companies and institutions related to the operation of the railway system. Leasing unused areas located in railway infrastructure facilities to external customers reduces the cost of the basic service. As a result, the competitiveness of the basic service increases, as well as the efficiency of the use of objects. Revenue is recognised in the period when the services are provided.

#### **Interest income (recognised in accordance with IFRS 9)**

Interest income is recognised on an accrual basis, using the effective interest rate. Interest income on cash and cash equivalents is classified as finance income.

#### **Income from fines**

Under the principle of prudence, contractual penalties, including late payment interest for payments past the due date, are recognised in revenue only upon receipt.

#### **Dividend income**

Dividend income recognised when a legal right to receive dividend arises.



## 2.15. Lease arrangement

### Classification

At the inception of the contract, the Group assesses whether the contract is a lease or includes a lease. A contract is or contains a lease, if the contract conveys the right to control the use of an identifiable asset for a fixed time in exchange for consideration. To assess whether a contract is or contains a lease, the Group assesses whether:

- The contract provides for the use of an identifiable asset. The asset can be specified explicitly or implicitly and must be physically separable or reflect the full capacity of the asset from a physically separable asset. If the supplier has a significant right to substitute the asset, the asset is not identifiable;
- The Group is entitled to obtain all economic benefits from the use of the identifiable asset throughout its period of use;
- The Group has the right to direct the use of the identifiable asset. The Group has the right to direct the use of an asset when it can decide how and for what purpose the asset will be used. Where the relevant decisions about how and for what purpose an asset is used are predetermined, the Group must assess whether it has the right to operate the asset or to direct others to operate the asset in a manner it determines, or whether the Group intends to use the asset in a predetermined manner on how and for what purpose the asset will be used.

When initially measuring or remeasuring a contract that contains one or more lease components, the Group attributes its relative stand-alone price to each lease component.

### Lessee's accounting

A lease is recognised as a right-of-use asset and the corresponding lease liability at the date the leased asset is available for use to the Group. The cost of the right-of-use asset is made up from:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs.

Depreciation is calculated on a straight-line basis from the lease start date to the end of the lease term unless it is planned to redeem the asset. The right-of-use asset is reduced periodically by the amount of impairment losses, if any, and adjusted for revaluation of the lease liabilities.

At the date of initial recognition, assets and liabilities arising from leases are measured at the present value of the remaining lease payments, discounted at the Group's benchmark interest rate. Lease liabilities comprise the present value of the following lease payments:

- fixed lease payments (including in-substance fixed lease payments) less lease incentives;
- variable lease payments that depend on the index or rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option that the lessee is reasonably certain to exercise and
- payments for terminating the lease if the lease term reflects early termination.

Lease liabilities are remeasured when future lease payments change because the index or rate used to measure those payments has changed, the Group's estimate of the expected payments changes, or the Group changes its assessment of whether to exercise a call option, extend or terminate a lease. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or recognised in the profit or loss if the carrying amount of the right-of-use asset decreases to zero.

Each lease payment is split between the lease liability and interest expense on the lease liability. Interest expense on the lease liability is recognised in the profit or loss over the lease term to produce a constant periodic rate of interest on the remaining lease liability each period.

### Short-term leases and leases with a low-value underlying asset

Lease payments related to short-term leases or leases with a low-value underlying asset are recognised as an expense in the income statement on a straight-line basis. A short-term lease is a lease with a term of 12 months or less at the commencement date.



### Lessor's accounting

Leases in which substantially all the risks and rewards incidental to ownership of an asset are transferred to the lessee are classified as finance leases. Leases in which the lessor retains substantially all the risks and rewards incidental to ownership are classified as operating leases.

Assets leased under operating leases are presented under property, plant and equipment at cost less depreciation. Depreciation is calculated on a straight-line basis. Rental income from operating leases and prepayments received from customers are recognised in the consolidated income statement over the lease period.

### 2.16. Co-financing from the state budget and EU funds

Co-financing from the state budget and EU funds are recognised at fair value if there is reasonable certainty that the funds will be received, and it can be reasonably argued that the Group will be able to meet all conditions associated with the receipt of these funds.

Co-financing from the state budget and from EU funds that is attributable to assets (property, plant and equipment) is recognised in the balance sheet as Deferred income and recognised periodically in the consolidated income statement in proportion to the depreciation of the relevant assets (property, plant and equipment) over their useful lives.

The main objective of LDz is to ensure the management of the state public-use railway infrastructure and safe, high-quality and efficient railway and logistics services in the interests of the state and the Latvian national economy. In order to compensate for losses incurred in fulfilling this objective, in accordance with Section 9, Paragraph 4 of the Railway Law, it is expected to receive state funding for ensuring the financial stability of SJSC Latvijas dzelzceļš, since the state shall ensure that in the profit and loss account of the state public-use railway infrastructure operator revenue from infrastructure charges, profit from other commercial activities, non-refundable revenue from private sources, as well as state financing (including, where applicable, also from advances received from the state) are at least in balance with infrastructure expenditure.

In the reporting year, the financing required for ensuring financial stability is recognised in other revenue in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. These principles require the recognition of a government grant at the point in time when there is reasonable assurance that the conditions attached to the receipt of the grant have been fulfilled. In addition, grants relating to the recovery of costs should be recognised in the period in which the costs are incurred, provided there is reasonable assurance that the grant will be received in the future.

LDz has been granted a state budget subsidy for the maintenance of unused crew places and a subsidy for the full cost of the passenger transport segment provided by LDz under a public service contract to the railway infrastructure operator in public use, which includes ineligible costs within the meaning of Article 4 of the European Commission Implementing Regulation EU 2015/909 of 12 June 2015 on the procedure for calculating costs directly incurred in the operation of train services, including, but not limited to, the costs of maintenance and renewal of fixed railway infrastructure (including passenger platforms) as well as the costs of train control, including signalling, regulation, dispatching and communication, and the provision of information on train movements, which are incurred independently of the train movements and are necessary to keep the trains running but which are not included in the minimum access service package charge. Revenue from the received grants (excluding VAT), is recognised in the period in which the services are rendered, up to the amount of the funding received, in accordance with IAS 20.



## 2.17. Related parties

Related parties include the state, the Board and Council members of the Group companies, their close family members, and entities in which these persons have control or significant influence.

## 2.18. Subsequent events

The consolidated financial statements reflect events after the reporting date that provide additional information about the Group's financial position at the balance sheet date (adjusting events). If the nature of subsequent events is other than adjusting, they are disclosed in the notes to the financial statements only if they are significant.

## 2.19. Employee benefits

### Social insurance and pension plan contributions

The Group makes compulsory national social insurance contributions to the state-funded pension scheme under Latvian laws. The state-funded pension scheme is a defined contribution pension plan, and the Group company is required to make contributions of the prescribed statutory amount. The Group company does not incur any additional legal or constructive obligations to make additional payments if the state-funded pension scheme is unable to meet its obligations to employees. Social insurance contributions are recognised as an expense on an accrual basis and recognised under Personnel expenses.

## 2.20. Basis of consolidation

A subsidiary of the Group is an entity whose financial or operational activities are controlled by the Group Parent Company. Control is considered to exist if the Group Parent Company owns more than 50% of the shares or equity interest in a subsidiary or has the power to control all operational decisions of that subsidiary.

The financial statements of the Group's subsidiaries are consolidated from the date on which the parent obtains control of the subsidiary and are derecognised when that control ceases.

The financial statements of the companies are prepared using uniform accounting and financial policies for similar transactions and other events in similar circumstances. If necessary, the accounting and measurement methods of the Group's subsidiaries may be changed to conform to the Group's accounting and measurement methods. The consolidated financial statements include the annual accounts of the parent company and subsidiaries for 2024. The annual reporting periods of the Group companies are the same and coincide with the calendar year.

Transactions between the Group companies, intercompany balances and unrealised gains or losses on transactions between the Group companies are eliminated.



### 3. Significant assumptions and judgements

The preparation of consolidated financial statements in accordance with IFRS Accounting Standards requires making material assumptions. It also requires Management to make estimates and judgements in the application of the Group's accounting policies.

The preparation of consolidated financial statements in accordance with the IFRS Accounting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures in the notes to the consolidated financial statements at the reporting date, as well as the reported amounts of revenues and expenses during the reporting period. The actual results may differ from these estimates. The areas that are more likely to be affected by assumptions are Management's assumptions and estimates in determining the recoverable amount of assets and the amount of provisions.

#### Useful life of property, plant and equipment

The Group assesses the remaining useful lives of its property, plant and equipment at the end of each reporting period. Based on the most recent assessment performed by the Finance Department of the Group Parent Company, the current useful lives are consistent with the actual useful lives of the Group's property, plant and equipment.

#### Provisions

In estimating the amount of the provision, Management relies on estimates of the probable amount of the liability and the time when the liability is expected to be settled. If these events do not materialise or materialise differently, the actual cost may differ from the estimate. More detailed information on the assumptions regarding provisions is provided in [Note 22](#).

#### Impairment of property, plant and equipment

An impairment loss was recognised for property, plant and equipment not used for operational purposes and for assets whose expected future economic benefits were significantly lower than their carrying amount. The most significant impairment amount is recognised for buildings, structures and tracks based on the future cash flows from the use of these assets in the provision of services.

In carrying out the impairment test, all LDz assets are divided into cash-generating units – geographical rail track lines. Each line has been assessed for indicators of impairment and lines with indicators of impairment have been subject to impairment test. The main indicators of impairment were the absence or decrease of passenger traffic in a particular line, as well as a significant decrease in freight traffic volumes.

**Impairment** The impairment calculation resulted in impairment recognised in 11 lines for a total amount of EUR 67.8 million.

Future expected cash flows are determined based on the actual figures for 2024 and the budget for 2025, extrapolating them to the next five years. When discounting future projected cash flows, a weighted average cost of capital (WACC) of 7.47% is applied, determined as the weighted average cost of capital of the infrastructure operator. WACC, EBITDA, and future growth rate are the most important indicators affecting the impairment estimate. A WACC of 8.47% (up 1%) would increase the impairment by EUR 49 million. On the other hand, at a WACC of 6.47% (1% decrease), no impairment would be recognised. A 0.5% decrease in the future growth rate would trigger an impairment of EUR 53 million. A 5% decrease in EBITDA would trigger an impairment of EUR 46 million and a 10% decrease would trigger an impairment of EUR 61 million.

For a future growth rate increase of 0.57% or an EBITDA increase of 10.35%, no impairment would be recognised.

In addition to the assessment at the level of cash-generating units, an overall impairment assessment has also been carried out, determining LDz's total value in use.

In this calculation, WACC is also the key estimate influencing the impairment. Assessing the sensitivity of the calculation to changes in WACC, it has been concluded that an impairment should be recognised for WACC above the 6.98% threshold.



Given that the tangible assets have been financed to a large extent by various EU and national co-financing instruments, the write-down of the asset value should be matched by a proportional write-down of the amount of deferred income attributable to the asset. The rationale for this approach is that the deferred income is directly linked to the tangible assets concerned and its direct purpose was to finance the creation of these assets. It is also important to underline that all the obligations on the part of LDz to receive the financing have been fulfilled.

The main cause of the impairment of PPE in 2024 is a significant further decline in freight traffic. The assessment of the recoverable amount of PPE carried out in the preparation of the financial statements for 2023, based on forecasts and assumptions available at that time on the development of freight traffic, indicated that no impairment should be recognised. The additional sanctions against Russia and Belarus, implemented in late spring and early summer 2024, reduced the previously forecasted freight flows, resulting in a drop in the 2024 traffic from the 16.5 million tonnes forecast at the beginning of 2024 to 11.5 million tonnes, with a projected 2025 traffic of around 9.5 million tonnes. As these conditions arose and became known in 2024, the entire impairment is attributable to the financial result for 2024.

The group of tangible assets *Freight wagons* of SIA LDZ CARGO is presented according to the 2022 valuation taking into account accumulated depreciation (see also section *Fair value of long-term investments*). Also, in 2024 impairment was recognised for six individual assets (wagons) (in 2023: seven individual assets (wagons)), due to identified indicators that the carrying amount of those assets may be not recoverable.

During 2024, the management of SIA LDZ ritošā sastāva serviss carried out an assessment of the future use of the locomotives. The Company's Board decided to recover the value of 10 locomotives by selling them. Following this decision, two locomotives were reclassified from property, plant and equipment at residual value less costs to sell to assets held for sale. Management is actively pursuing the sale of these two locomotives and has the intention to complete the disposal of these assets within the year. The decision to proceed with the disposal of the remaining eight locomotives, including their reclassification to assets held for sale, will be made in the light of market trends following the auction results of the first two locomotives.

In addition, for the two subsidiaries a valuation of randomly selected individual items and groups (categories) of property, plant and equipment was carried out to ensure that the carrying amounts of the assets are not

higher than their potential market values less expected costs to sell. As a result, it was found that the total carrying amount of these fixed assets does not exceed the recoverable amount for cash-generating units.

#### **Fair value of long-term investments**

SIA LDZ CARGO performed a fair value measurement of the tangible asset group *Freight wagons* as at 31 December 2024. Having assessed the results of the measurement, the Management concluded that no material changes in the fair value of the assets were identified in the period 2023-2024 and that the carrying amount of these tangible assets approximated their fair value.

#### **Financial stability compensation disbursement**

The main objective of LDz is to ensure the management of the state public-use railway infrastructure and safe, high-quality and efficient railway and logistics services in the interests of the state and the Latvian national economy. In order to compensate for losses incurred in fulfilling this objective, in accordance with Section 9, Paragraph 4 of the Railway Law, it is expected to receive state funding for ensuring the financial stability of SJSC Latvijas dzelzceļš, since the state shall ensure that in the profit and loss account of the state public-use railway infrastructure operator revenue from infrastructure charges, profit from other commercial activities, non-refundable revenue from private sources, as well as state financing (including, where applicable, also from advances received from the state) are at least in balance with infrastructure expenditure.

In the reporting year, the financing required for ensuring financial stability is recognised in other revenue in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. These principles require the recognition of a government grant at the point in time when there is reasonable assurance that the conditions attached to the receipt of the grant have been fulfilled. In addition, grants relating to the recovery of costs should be recognised in the period in which the costs are incurred, provided there is reasonable assurance that the grant will be received in the future. Finally, the fact that the financial stability compensation disbursement from previous years has been received and that the financial stability payment for 2024 is included in the 2025 state budget in the amount of EUR 26 million confirms the validity of the revenue recognition for 2024.



## 4. Revenue

(EUR'000)

Types of activity	2024	2023
<b>Revenue from contracts with customers (IFRS 15):</b>		
<i>Revenue recognised over time:</i>		
Freight transportation services	76 201	107 768
Charges for the use of the public-use railway infrastructure	21 373	14 040
Forwarding services	10 365	14 732
Repair and maintenance of rolling stock	4 867	5 659
Ancillary services of the infrastructure operator	4 770	4 183
Security services	3 667	3 172
Specific services related to infrastructure maintenance and repair	1 285	1 250
Services in passenger stations	1 095	1 164
Performance of the essential functions of the railway infrastructure operator	1 064	917
Principal's services	899	1 245
Construction services	238	691
Traction provision services	19	48
Other services	3 135	3 504
<i>Total recognised over time</i>	<i>128 978</i>	<i>158 373</i>
<i>Revenue recognised at a point in time</i>		
Electricity distribution and trading services	7 793	16 709
Sale of fuel and oil	5 984	5 028
Electronic communications services	588	729
Information technology services	500	493

(continued overleaf)



Revenue (continued)

(EUR'000)

Types of activity	2024	2023
<i>Total recognised at a point in time</i>	14 865	22 959
<b>Total revenue from customer contracts (IFRS 15)</b>	<b>143 843</b>	<b>181 332</b>
<b>Other revenue (IFRS 16):</b>		
Freight wagon lease	10 210	10 690
Other asset lease services	3 000	3 236
<b>Total other revenue (IFRS 16)</b>	<b>13 210</b>	<b>13 926</b>
<b>Other revenue (IAS 20):</b>		
Revenue from railway infrastructure maintenance (State budget funding)	50 474	35 634
Financial stability compensation disbursement*	26 013	32 439
Revenue from maintenance of service points (State budget funding)	198	198
<b>Total other revenue (IAS 20)</b>	<b>76 685</b>	<b>68 271</b>
<b>Total</b>	<b>233 738</b>	<b>263 529</b>

\*The necessary financial stability compensation disbursement of EUR 26,013 thousand to be received during 2025, was recognised as accrued income in the statement of financial position based on the obligations and duties specified in Section 9, Paragraph 4 of the Railway Law. The financial stability compensation has been recognised following the guidelines of the IFRS Accounting Standards and in the amount provided for in Section 73 of the law *On the State Budget for 2025 and Budget Framework for 2025, 2026, and 2027*. The request for financial stability compensation will be made after approval of the annual report of LDz in accordance with the procedure set out in Section 9(4) of the *Railway Law*.

In 2024, to ensure financial stability, LDz received from the state budget EUR 14 359 thousand of uncovered payments for 2022 and EUR 32 439 thousand for 2023, which was previously recognised under accrued income

On 19 December 2024, the Shareholders' Meeting decided to increase the share capital of LDz by EUR 46 798 thousand (Minutes of Decision No A1.1./7-3, item 3 On increasing the share capital of SJSC Latvijas dzelzceļš and amendments to the Articles of Association). On 27 December 2024, pursuant to the decision of the Enterprise Register of the Republic of Latvia No 6-12/112157, changes in the subscribed and paid-up share capital were registered in the Commercial Register. The share capital was increased by investing state budget funds in the amount of EUR 46 798 thousand in accordance with the Cabinet of Ministers Order No 1120 of 17 December 2024 in order to ensure the financial stability of the state public use railway infrastructure operator (SJSC Latvijas dzelzceļš) for 2022 (the uncovered part) and 2023.

As the purpose of the share capital increase was to cover the financial stability for 2022 and 2023, the corresponding decrease in the financial stability compensation receivable previously recognised under accrued income has been reflected as a decrease in retained earnings, thus ensuring that this element of the transaction is also reflected as a transaction with the shareholder (notional distribution of retained earnings).



## 5. Other income

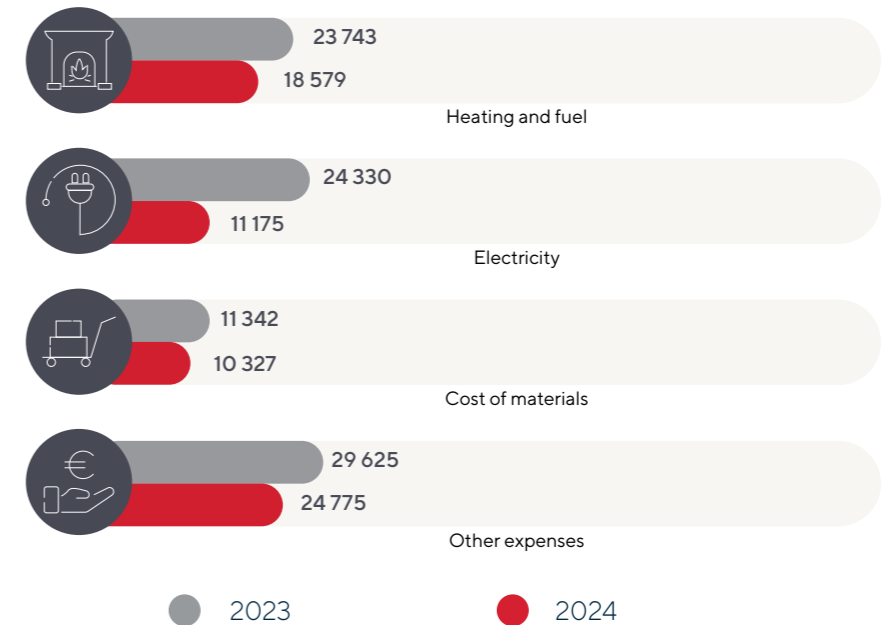
(EUR'000)

	2024	2023
Gradual recognition of deferred income	19 151	19 348
Payments from other railway administrations for bundled settlements	1 875	2 284
Purchase of held-to-maturity financial instruments	511	1 200
Proceeds from compensation for damage	439	154
Gain on sale of inventories	405	2 321
Fines and late payment penalties	257	391
Gain on disposal of long-term assets held for sale	-	106
Exchange rate fluctuations	35	164
Decrease of provisions (see Note 22)	27	74
Other income	958	817
<b>Total</b>	<b>23 658</b>	<b>26 859</b>

## 6. Cost of goods, materials, and services

(EUR'000)

	2024	2023
Heating and fuel	18 579	23 743
Electricity	11 175	24 330
Cost of materials	10 327	11 342
Other expenses	24 775	29 625
<b>Total</b>	<b>64 856</b>	<b>89 040</b>





## 7. Personnel costs

(EUR'000)

	2024	2023
Salary expenses	99 736	102 848
Statutory social security contributions	24 744	24 831
Severance pay	5 584	2 392
Other social security costs	3 001	3 001
Supplementary pension insurance for employees	486	578
Accrued liabilities for vacations	(533)	152
Other personnel expenses	153	159
<b>Total</b>	<b>133 171</b>	<b>133 961</b>
of which remuneration to members of the Group's Board and Council	1 701	1 524
incl. remuneration for work	1 376	1 233
state compulsory social insurance contributions	325	291

Average number of  
employees in the Group  
in 2024



5 742

Average number of  
employees in the Group  
in 2023



6 219

## 8. Depreciation, amortisation, and impairment

(EUR'000)

	2024	2023
Depreciation and amortisation	53 025	52 526
Impairment of property, plant and equipment and intangible assets	31 213	62
Changes in value associated with the risk of non-return of wagons from the territory of Ukraine	(50)	(75)
Depreciation of right-of-use assets	1 592	1 702
Changes in provisions for obsolete materials	328	420
<b>Total</b>	<b>86 108</b>	<b>54 635</b>



## 9. Other expenses

(EUR'000)

	2024	2023
Payments to other railway administrations for bundled settlements	4 363	7 438
Increase in the allowance for doubtful debts	1 256	23
Losses on disposal of property, plant and equipment and assets under construction	1 070	664
Collective bargaining agreement costs of <i>Latvijas Dzelzeļš</i> Group	729	683
Expenditure on damages	432	171
Fines and late payment penalties	129	26
Increase and use of provisions, net (See Note 22)	105	54
Corporate income tax on deemed distribution of profits	17	38
Foreign currency exchange rate fluctuation	11	23
Other charges	222	389
<b>Total</b>	<b>8 334</b>	<b>9 509</b>

## 10. Finance income and expenses, net

(EUR'000)

	2024	2023
<b>Finance income</b>	<b>192</b>	<b>65</b>
Other interest income	192	65
<b>Finance expenses</b>	<b>(4 557)</b>	<b>(4 522)</b>
Bank interest, including interest on non-current borrowing	(4 874)	(4 056)
Capitalised interest payments on loans	1 006	-
Interest expense on lease transactions	(70)	(62)
Late payment interest for extending the tax payment deadline	(619)	(404)
<b>Finance expenses, net</b>	<b>(4 365)</b>	<b>(4 457)</b>



## 11. Corporate Income Tax

### Corporate income tax movement table for the reporting year

(EUR'000)

	2024	2023
Calculated for the reporting year	808	2 099
Paid in the reporting year	(808)	(2 099)

### Deferred tax expense

The Group's deferred tax is calculated on the future corporate income tax payable on the 2024 retained earnings of subsidiaries, which is expected to be paid to the parent company in dividends in subsequent years, taking as a basis the amount of dividends from public capital companies as determined by the country.

(EUR'000)

	2024	2023
Deferred tax liability at the beginning of the year	1 781	1 863
Decrease in deferred corporate income tax liabilities	(1 269)	(82)
<b>Deferred tax liability at the end of the year</b>	<b>512</b>	<b>1 781</b>

## 12. Intangible assets

(EUR'000)

	2024	2023
<b>Historical cost at the beginning of the year</b>	<b>17 069</b>	<b>13 562</b>
Additions	1 152	968
Reclassified from property, plant and equipment (see Note 13)	-	4 942
Disposals	(97)	(2 403)
<b>Historical value at the end of the year</b>	<b>18 124</b>	<b>17 069</b>
<b>Accumulated amortisation at the beginning of the year</b>	<b>13 441</b>	<b>10 058</b>
Amortization charge	1 255	1 189
Reclassified from property, plant and equipment (see Note 13)	-	4 597
Disposals	(97)	(2 403)
<b>Accumulated amortisation at the end of the year</b>	<b>14 599</b>	<b>13 441</b>
<b>Impairment</b>	<b>(16)</b>	<b>(16)</b>
<b>Carrying amount at the beginning of the year</b>	<b>3 612</b>	<b>3 488</b>
<b>Carrying amount at the end of the year</b>	<b>3 509</b>	<b>3 612</b>
Intangible assets in unfinished construction objects	449	735
<b>Intangible assets at the end of the year</b>	<b>3 958</b>	<b>4 347</b>



### 13. Property, plant and equipment

(EUR'000)

	Land plots	Buildings, structures, and perennial plantations	Railway tracks	Leasehold improvements	Plant and machinery	Freight wagons	Computers, communication equipment, photocopiers, and fittings	Other property, plant and equipment	Construction in progress	Total
<b>Historical cost / revalued amount at 01.01.2024</b>	<b>1 361</b>	<b>153 933</b>	<b>648 853</b>	<b>179</b>	<b>402 386</b>	<b>176 538</b>	<b>28 205</b>	<b>31 639</b>	<b>56 337</b>	<b>1 499 431</b>
Additions and construction of property, plant and equipment	-	13 012	14 468	-	19 411	3 723	1 006	1 038	11 168	63 826
Transfers	-	11	-	-	(10)	-	11	(12)	-	-
Disposal of property, plant and equipment	(53)	(2 781)	(1 575)	(7)	(460)	(380)	(482)	(954)	-	(6 692)
Reclassified to assets held for sale (see Note 16)	-	-	-	-	(3 629)	-	-	-	-	(3 629)
<b>Historical cost / revalued amount at 31.12.2024</b>	<b>1 308</b>	<b>164 175</b>	<b>661 746</b>	<b>172</b>	<b>417 698</b>	<b>179 881</b>	<b>28 740</b>	<b>31 711</b>	<b>67 505</b>	<b>1 552 936</b>
<b>Accumulated depreciation on 01.01.2024</b>	<b>-</b>	<b>65 373</b>	<b>363 136</b>	<b>132</b>	<b>200 946</b>	<b>98 270</b>	<b>19 966</b>	<b>22 063</b>	<b>-</b>	<b>769 886</b>
Amortization charge	-	5 054	23 402	29	15 132	3 428	3 564	1 416	-	52 025
Transfers	-	10	-	-	(9)	-	-	(1)	-	-
Disposals	-	(2 156)	(1 355)	(7)	(212)	(274)	(470)	(891)	-	(5 365)
Reclassified to assets held for sale (see Note 16)	-	-	-	-	(3 366)	-	-	-	-	(3 366)
<b>Accumulated depreciation at 31.12.2024</b>	<b>-</b>	<b>68 281</b>	<b>385 183</b>	<b>154</b>	<b>212 491</b>	<b>101 424</b>	<b>23 060</b>	<b>22 587</b>	<b>-</b>	<b>813 180</b>
<b>Impairment on 01.01.2024</b>	<b>(38)</b>	<b>(3 939)</b>	<b>(22 799)</b>	<b>-</b>	<b>(6 991)</b>	<b>(288)</b>	<b>(484)</b>	<b>(194)</b>	<b>-</b>	<b>(34 733)</b>
Impairment adjustment for disposed property, plant and equipment	38	210	24	-	52	-	-	1	-	325
Impairment as at 31.12.2024	(11)	(3 857)	(55 029)	-	(8 749)	-	(36)	(108)	-	(67 790)*
Changes in value associated with the risk of non-return of wagons from the territory of Ukraine	-	-	-	-	-	50	-	-	-	50
<b>Impairment as at 31.12.2024</b>	<b>(11)</b>	<b>(7 586)</b>	<b>(77 804)</b>	<b>-</b>	<b>(15 688)</b>	<b>(238)</b>	<b>(520)</b>	<b>(301)</b>	<b>-</b>	<b>(102 148)</b>
<b>Carrying value as at 01.01.2024</b>	<b>1 323</b>	<b>84 621</b>	<b>262 918</b>	<b>47</b>	<b>194 449</b>	<b>77 980</b>	<b>7 755</b>	<b>9 382</b>	<b>56 337</b>	<b>694 812</b>
<b>Balance at 31.12.2024</b>	<b>1 297</b>	<b>88 308</b>	<b>198 759</b>	<b>18</b>	<b>189 519</b>	<b>78 219</b>	<b>5 160</b>	<b>8 823</b>	<b>67 505</b>	<b>637 608</b>

During the reporting period, 15 thousand hectares of land registered in the name of the Ministry of Transport was used by LDz (mostly it is a railway division strip, which is part of the railway public-use infrastructure and is intended for the placement of railway infrastructure objects in order to ensure the development and safe operation of the railway infrastructure).

\* incl. EUR 31 213 thousand that impact the result of the statement of comprehensive income (see Note 8) and EUR 36 577 thousand to be covered from revenue of future periods (see Note 25).

More detailed information on the impairment calculation, assumptions and sensitivity analysis is provided in the Impairment of property, plant and equipment section of Note 3 Significant assumptions and judgements.



(EUR'000)

	Land plots	Buildings, structures, and perennial plantations	Railway tracks	Leasehold improvements	Plant and machinery	Freight wagons	Computers, communication equipment, photocopiers, and fittings	Other property, plant and equipment	Construction in progress	Total
<b>Historical cost / revalued amount at 01.01.2023</b>	<b>1 361</b>	<b>152 710</b>	<b>642 995</b>	<b>161</b>	<b>400 043</b>	<b>177 700</b>	<b>31 546</b>	<b>30 138</b>	<b>11 983</b>	<b>1 448 637</b>
Additions and construction of property, plant and equipment	-	3 977	7 398	18	6 912	2 280	2 882	1 984	44 940	70 391
Reclassified (see Note 12)	-	-	-	-	(38)	-	(4 900)	(4)	(87)	(5 029)
Disposal of property, plant and equipment	-	(2 754)	(1 540)	-	(4 484)	(2 559)	(1 323)	(479)	(499)	(13 638)
Reclassified to assets held for sale	-	-	-	-	(47)	(883)	-	-	-	(930)
<b>Historical cost / revalued amount at 31.12.2023</b>	<b>1 361</b>	<b>153 933</b>	<b>648 853</b>	<b>179</b>	<b>402 386</b>	<b>176 538</b>	<b>28 205</b>	<b>31 639</b>	<b>56 337</b>	<b>1 499 431</b>
<b>Accumulated depreciation on 01.01.2023</b>	<b>-</b>	<b>63 024</b>	<b>340 314</b>	<b>104</b>	<b>189 073</b>	<b>97 223</b>	<b>22 350</b>	<b>21 062</b>	<b>-</b>	<b>733 150</b>
Amortization charge	-	4 532	24 057	28	14 849	3 564	3 445	1 429	-	51 904
Reclassified (see Note 12)	-	-	-	-	(7)	-	(4 586)	(4)	-	(4 597)
Disposals	-	(2 183)	(1 235)	-	(2 945)	(1 728)	(1 243)	(424)	-	(9 758)
Reclassified to assets held for sale	-	-	-	-	(24)	(789)	-	-	-	(813)
<b>Accumulated depreciation at 31.12.2023</b>	<b>-</b>	<b>65 373</b>	<b>363 136</b>	<b>132</b>	<b>200 946</b>	<b>98 270</b>	<b>19 966</b>	<b>22 063</b>	<b>-</b>	<b>769 886</b>
<b>Impairment on 01.01.2023</b>	<b>(38)</b>	<b>(4 154)</b>	<b>(22 812)</b>	<b>-</b>	<b>(7 053)</b>	<b>(363)</b>	<b>(484)</b>	<b>(210)</b>	<b>-</b>	<b>(35 114)</b>
Impairment adjustment for disposed property, plant and equipment	-	215	13	-	62	62	-	16	-	368
Reclassified to assets held for sale	-	-	-	-	-	(62)	-	-	-	(62)
Changes in value associated with the risk of non-return of wagons from the territory of Ukraine	-	-	-	-	-	75	-	-	-	75
<b>Impairment as at 31.12.2023</b>	<b>(38)</b>	<b>(3 939)</b>	<b>(22 799)</b>	<b>-</b>	<b>(6 991)</b>	<b>(288)</b>	<b>(484)</b>	<b>(194)</b>	<b>-</b>	<b>(34 733)</b>
<b>Carrying value as at 01.01.2023</b>	<b>1 323</b>	<b>85 532</b>	<b>279 869</b>	<b>57</b>	<b>203 917</b>	<b>80 114</b>	<b>8 712</b>	<b>8 866</b>	<b>11 983</b>	<b>680 373</b>
<b>Balance at 31.12.2023</b>	<b>1 323</b>	<b>84 621</b>	<b>262 918</b>	<b>47</b>	<b>194 449</b>	<b>77 980</b>	<b>7 755</b>	<b>9 382</b>	<b>56 337</b>	<b>694 812</b>



## 14. Right-of-use assets

(EUR'000)

	Right-of-use land plots	Right-of-use buildings and structures	Right-of-use tracks	Right-of-use plant and machinery	Right-of-use computers, communication equipment, photocopiers, and fittings	Right-of-use other property, plant and equipment	Total
<b>Historical cost at 01.01.2024</b>	<b>497</b>	<b>4 556</b>	-	-	-	<b>4 604</b>	<b>9 657</b>
New lease agreements	10	455				1 009	1 474
Contract modifications	(317)	(2 266)				(2 712)	(5 295)
Termination of contracts	(18)	(777)				(359)	(1 154)
<b>Cost at 31.12.2024</b>	<b>172</b>	<b>1 968</b>				<b>2 542</b>	<b>4 682</b>
<b>Accumulated depreciation on 01.01.2024</b>	<b>311</b>	<b>2 430</b>	-	-	-	<b>3 338</b>	<b>6 079</b>
Amortization charge	57	520				1 051	1 628
Disposals	(319)	(2 696)				(3 290)	(6 305)
<b>Accumulated depreciation at 31.12.2024</b>	<b>49</b>	<b>254</b>				<b>1 099</b>	<b>1 402</b>
<b>Carrying value as at 01.01.2024</b>	<b>186</b>	<b>2 126</b>	-	-	-	<b>1 266</b>	<b>3 578</b>
<b>Balance at 31.12.2024</b>	<b>123</b>	<b>1 714</b>				<b>1 443</b>	<b>3 280</b>



(EUR'000)

	Right-of-use land plots	Right-of-use buildings and structures	Right-of-use tracks	Right-of-use plant and machinery	Right-of-use computers, communication equipment, photocopiers, and fittings	Right-of-use other property, plant and equipment	Total
<b>Historical cost at 01.01.2023</b>	<b>474</b>	<b>4 795</b>	<b>2 497</b>	<b>628</b>	<b>1 020</b>	<b>4 596</b>	<b>14 010</b>
New lease agreements	-	-	-	-	-	265	265
Contract modifications	23	(239)				(87)	(303)
Termination of contracts			(2 497)	(628)	(1 020)	(170)	(4 315)
<b>Cost at 31.12.2023</b>	<b>497</b>	<b>4 556</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4 604</b>	<b>9 657</b>
<b>Accumulated depreciation on 01.01.2023</b>	<b>248</b>	<b>2 114</b>	<b>2 004</b>	<b>504</b>	<b>971</b>	<b>2 612</b>	<b>8 453</b>
Amortization charge	70	516	75	19	49	1 018	1 747
Disposals	(7)	(200)	(2 079)	(523)	(1 020)	(292)	(4 121)
<b>Accumulated depreciation at 31.12.2023</b>	<b>311</b>	<b>2 430</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 338</b>	<b>6 079</b>
<b>Carrying value as at 01.01.2023</b>	<b>226</b>	<b>2 681</b>	<b>493</b>	<b>124</b>	<b>49</b>	<b>1 984</b>	<b>5 557</b>
<b>Balance at 31.12.2023</b>	<b>186</b>	<b>2 126</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 266</b>	<b>3 578</b>



## 15. Inventories

(EUR'000)

	31.12.2024.	31.12.2023.
Spare parts	8 634	8 408
Road surface materials	4 528	4 292
Other materials	3 200	3 546
Heating and fuel	1 518	1 874
Prepayments for inventories	100	89
Work in progress and orders	116	27
Other inventories	32	26
<b>Gross carrying amount</b>	<b>18 128</b>	<b>18 262</b>
Allowance for obsolete materials	(3 365)	(3 037)
Allowance for unused inventories	(1 238)	(1 380)
<b>Carrying amount</b>	<b>13 525</b>	<b>13 845</b>

## 16. Non-current assets classified as held for sale

(EUR'000)

	31.12.2024.	31.12.2023.
Non-current assets classified as held for sale	263	-

In 2024, the management of SIA LDZ ritošā sastāva serviss carried out an assessment of the future use of the locomotives. The Company's Board decided to recover the value of 10 locomotives by selling them. Following this decision, two locomotives were reclassified from property, plant and equipment with a carrying amount below fair value less costs to assets held for sale, Management is actively pursuing the sale of these two locomotives and intends to complete the disposal of these assets within one year. The decision to proceed with the disposal of the remaining eight locomotives, including their reclassification to assets held for sale, will be made in the light of market trends following the auction results of the first two locomotives.



## 17. Trade and other receivables

(EUR'000)

	31.12.2024.	31.12.2023.
Trade receivables	8 775	10 389
Doubtful receivables	2 404	1 157
Value added tax receivable	1 028	2 593
Other receivables	1 791	3 155
<b>Gross carrying amount</b>	<b>13 998</b>	<b>17 294</b>
Allowance for expected credit loss	(2 404)	(1 157)
<b>Carrying amount</b>	<b>11 594</b>	<b>16 137</b>

### Movement table of allowance for expected credit losses:

(EUR'000)

	31.12.2024.	31.12.2023.
Allowance for expected credit losses at the beginning of the year	1 157	1 154
Reduction of allowance due to receivable recovery	(36)	(122)
Reduction of allowance due to the write-off of receivables	(8)	(24)
Additional allowance created	1 291	149
<b>Allowance for expected credit loss at the end of the year</b>	<b>2 404</b>	<b>1 157</b>

In order to estimate the expected credit losses, receivables were grouped according to their risk characteristics and days past due (details are also provided in Note 26). The expected loss rates are based on historical repayment rates determined as the ratio of lost receivables to relevant revenue over the past 36 months (counting from 31 December 2024 or 1 January 2024, respectively). Historical loss indicators were adjusted to reflect current and forecasted information on macroeconomic factors affecting buyers' ability to pay with the Group. GDP forecasts are considered the most significant factor since they are most directly affected by changes in bad receivables.

In carrying out these calculations, on 31 December 2024 and 1 January 2024, allowance for trade receivables that were not overdue or were overdue for less than six months late have been immaterial, thus being recognised at zero in the consolidated financial statements.

According to the Group's accounting policy, for trade receivables that are more than six months past due, an allowance is usually made for expected credit losses of 100%, making adjustments only to reflect the possible recoverability of such receivables.

Similar calculations were made for other debtors, as well as for cash and cash equivalents, except that these calculations were based not on historical experience, but on the default rates of external credit rating agencies for similar borrowers or groups of borrowers. This approach has been chosen because the Group has no historical data regarding losses for these groups of financial assets. As a result of the calculations, it was concluded that the credit quality of those assets is good, so that the expected credit losses on 31 December 2024 and 1 January 2024 are not material, thus being recognised at zero.



## 18. Accrued income

(EUR'000)

	31.12.2024.	31.12.2023.
Accrued income	26 013	46 798
<b>Total</b>	<b>26 013</b>	<b>46 798</b>

The funding required to achieve the financial stability in the reporting year is recognised in other revenue following the principles set out in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. These principles require the recognition of a government grant at the point in time when there is reasonable assurance that the conditions attached to the receipt of the grant have been fulfilled. In addition, grants relating to the recovery of costs should be recognised in the period in which the costs are incurred, provided there is reasonable assurance that the grant will be received in the future.

The criteria for LDz to receive the financial stability compensation disbursement is the non-fulfilment of the financial stability conditions provided for in Section 9, Paragraph 4 of the *Railway Law*. Taking into account the fact that in 2024 LDz did not fulfil the intended conditions for financial stability, the criteria for receiving financial stability compensation disbursement under the procedures laid down in the *Railway Law* were fulfilled accordingly. Financial stability payments are recognised as revenue for 2024.

The required financial stability compensation disbursement of EUR 26 013 thousand, to be received in the future, recognised as Accrued income in the Statement of Financial Position based on the obligations and obligations specified in Section 9, Paragraph 4 of the *Railway Law*. In 2024, to ensure financial stability, LDz received from the state budget EUR 14 359 thousand of uncovered payments for 2022 and EUR 32 439 thousand for 2023.

## 19. Cash and cash equivalents

(EUR'000)

	31.12.2024.	31.12.2023.
Cash in bank	70 317	39 200
Cash on hand	1	3
<b>Total</b>	<b>70 318</b>	<b>39 203</b>



## 20. Share capital

### Registered and paid-up share capital of the Group Parent Company

The share capital of LDz is EUR 374 420 thousand, consisting of three hundred and seventy-four million four hundred and nineteen thousand seven hundred and ninety-one shares with a par value of EUR 1.00 (one EUR) per share (31 December 2023: EUR 327 622 thousand). On 19 December 2024, the Shareholders' Meeting decided to increase the share capital of LDz by EUR 46 798 thousand (Minutes of Decision No A11./7-3, item 3 *On increasing the share capital of SJSC Latvijas dzelzceļš and amendments to the Articles of Association*). On 27 December 2024, pursuant to the decision of the Enterprise Register of the Republic of Latvia No 6-12/112157, changes in the subscribed and paid-up share capital were registered in the Commercial Register. The share capital was increased by investing state budget funds in the amount of EUR 46 798 thousand in accordance with the Cabinet of Ministers Order No 1120 of 17 December 2024 in order to ensure the financial stability of the state public use railway infrastructure operator (SJSC *Latvijas dzelzceļš*) for 2022 (the uncovered part) and 2023.

All shares are held by the Republic of Latvia and are fully paid up. The holder of the state shares is the Ministry of Transport. All shares of LDz rank equal with respect to dividends, liquidation quota, and voting rights in the Shareholder's meeting.

## 21. Long-term investment revaluation reserve, other reserves, and retained earnings

Wagons for freight transport, which are part of the railway rolling stock, are recorded in the Group using the revaluation method. In 2022, SIA LDZ CARGO carried out the valuation of the group of property, plant and equipment *Wagons for freight transport* using the market method, because a sufficiently active and liquid secondary market was identified for most of the valued property, plant and equipment, and market prices were used when making the valuation. The determination of the value of property, plant and equipment was carried out by an external certified appraiser, assessing the potential market value of the wagons and using the method of residual replacement of the asset within the cost approach. The value of the wagons is therefore considered to be in line with the Level 3 valuation technique. The fair value as at 30 November 2022, was determined under the market method, and did not differ significantly from the carrying amount of assets.

The remaining reserves consist of retained earnings of previous periods, which, by the decision of the shareholder, were transferred to other reserves for the development of the Group. Consequently, reserves and retained earnings of previous periods do not differ in their nature and, therefore were combined into one balance sheet item. The use of the reserves and retained earnings of the Group Parent Company is determined by the Shareholders' Meeting of the Group Parent Company.

## 22. ProvisionS

	31.12.2024.	31.12.2023.
Provisions for fines imposed by the Competition Council	5 694	5 694
Provisions for costs of injuries at work	161	165
<b>Total non-current portion</b>	<b>5 855</b>	<b>5 859</b>
Provisions for termination benefits	1 807	1 615
Provisions for benefits up to the time of the vesting of pension rights	138	82
Other provisions	213	131
<b>Total current portion</b>	<b>2 158</b>	<b>1 828</b>
<b>Total</b>	<b>8 013</b>	<b>7 687</b>



(EUR'000)

Movement table of provisions by type of provision in 2024	01.01.2024.	Increase in provisions	Decrease in provisions	31.12.2024.
Provisions for fines imposed by the Competition Council	5 694	-	-	5 694
Severance pay	1 615	192	-	1 807
Provisions for costs of injuries at work	165	-	(4)	161
Provision for contingent losses from legal proceedings	29	45	-	74
Provisions for benefits until the vesting of pension rights	82	56	-	138
Provisions for warranty repairs	80	-	(1)	79
Provisions for transportation of unsaved cargoes	22	-	(22)	-
Other provisions	-	60	-	60
<b>Total</b>	<b>7 687</b>	<b>353</b>	<b>(27)</b>	<b>8 013</b>

(EUR'000)

Movement table of provisions by type of provision in 2023	01.01.2023.	Increase in provisions	Decrease in provisions	31.12.2023.
Provisions for fines imposed by the Competition Council	5 694	-	-	5 694
Severance pay	498	1 117	-	1 615
Provisions for costs of injuries at work	144	21	-	165
Provision for contingent losses from legal proceedings	103	-	(74)	29
Provisions for benefits until the vesting of pension rights	93	-	(11)	82
Provisions for warranty repairs	47	33	-	80
Provisions for transportation of unsaved cargoes	22	-	-	22
<b>Total</b>	<b>6 601</b>	<b>1 171</b>	<b>(85)</b>	<b>7 687</b>

In 2018, the Competition Council initiated case No. KL\5-5\18\30 *On violation of the prohibition stipulated in Section 13(1) of the Competition Law in the activities of SIA LDZ Cargo and SJSC Latvijas dzelzceļš in the railway freight transport market in Latvia*. By decision of the Competition Council (CC) of 28 December 2020 LDZ CARGO was fined EUR 5 694 thousands jointly and severally with SJSC Latvijas dzelzceļš. LDZ CARGO considers that the decision was based on erroneous conclusions drawn due to a lack of understanding of the specific nature of the carrier's activities. The decision of the Competition Council in case No. KL\5-5\18\30 was appealed to the Administrative Regional Court in order to declare it unfounded and cancel it in its entirety. The Administrative Regional Court has initiated case No. A43001921, and the case is now pending. It is not possible to predict the outcome of the case, nor to foresee additional risks related to the possible claims of other persons whose rights may have been affected in the event that the decision of the Competition Council is not overturned. A provision of EUR 5 694 thousand was recognised for these contingent losses in 2020. In 2024, the amount of the provision remained unchanged as the circumstances of the case have not changed and its outcome is unknown.



## 23. Loans from credit institutions

(EUR'000)

	31.12.2024.	31.12.2023.
Long term loans from credit institutions	67 605	53 988
Short term loans from credit institutions	35 343	32 321
<b>Total borrowings from credit institutions</b>	<b>102 948</b>	<b>86 309</b>
Calculated interest	242	340

The borrowings were received from *AS Swedbank, AS SEB banka, Nordic Investment Bank, OP Corporate Bank branch in Latvia, and Luminor Bank AS Latvian branch*. In the reporting period, borrowings received totalled EUR 44 000 thousand, and borrowings repaid totalled EUR 27 361 thousand.

The loan agreements of LDz with banks set out the relevant financial ratios of the financial statements of SJSC Latvijas dzelzceļš or the consolidated financial statements, which must be complied with during the term of the loan agreement. As at 31 December 2023, 31 December 2024, and early 2025, no borrowings were in default.

### Borrowings repayable and interest rates on borrowings as at 31 December 2024

Borrowing currency	Borrowing, EUR'000	Interest rate
EUR	92 206	3M EURIBOR + 0,86% to 3,5%
	10 742	6M EURIBOR + 0,75% to 1,1%
<b>Total</b>	<b>102 948</b>	

### Borrowings repayable and interest rates on borrowings as at 31 December 2023

Borrowing currency	Borrowing, EUR'000	Interest rate
EUR	69 872	3M EURIBOR + 0,77% to 3,5%
	16 437	6M EURIBOR + 0,75% to 1,1%
<b>Total</b>	<b>86 309</b>	

## Table of movements in borrowing balances

(EUR'000)

	2024	2023
<b>Borrowings at the beginning of the reporting period</b>	<b>86 309</b>	<b>90 556</b>
Borrowings received in the reporting period	44 000	20 000
Borrowings repaid in the reporting period	(27 361)	(24 247)
<b>Borrowings at the end of the reporting period</b>	<b>102 948</b>	<b>86 309</b>

## Calculated interest movement table

(EUR'000)

	2024	2023
<b>Calculated interest at the beginning of the reporting period</b>	<b>340</b>	<b>205</b>
Calculated interest in the reporting period*	4 871	4 056
Interest paid during the reporting period	(4 969)	(3 921)
<b>Calculated interest at the end of the reporting period</b>	<b>242</b>	<b>340</b>

\* Amount of interest capitalised: in 2024 – EUR 1 006 thousand; in 2023 – EUR 0 thousand..



## 24. Taxes and social contributions

(EUR'000)

Type of tax	Tax liabilities (+) as at 31.12.2024.	Overpaid taxes (-) as at 31.12.2024.	Tax liabilities (+) as at 31.12.2023.	Overpaid taxes (-) as at 31.12.2023.
Personal Income Tax	8 825	-	8 476	-
Value added tax	5 335	(1 028)	6 809	(2 593)
Statutory social security contributions	4 105	-	9 284	-
Excise duty	590	-	646	-
State duty for storage of security reserves	109	-	87	-
Natural resources tax	21	-	20	-
Current income tax liabilities	2	-	5	-
Business risk duty	2	-	2	-
Company car tax	-	-	1	-
Balance on the single tax account	-	(5)	-	(71)
Tax liabilities abroad (Estonia)	21	-	9	-
<b>Total</b>	<b>19 010*</b>	<b>(1 033)</b>	<b>25 339*</b>	<b>(2 664)</b>

\*Liabilities as at 31 December 2024: non-current: EUR 3 340 thousand, current: EUR 15 670 thousand (31.12.2023: non-current: EUR 5 082 thousand, current: EUR 20 257 thousand).

As at 31 December 2024, the Group has no overdue payments to the budget.

Under non-current liabilities, based on the decision of the State Revenue Service of 20 December 2022 On the extension of payment deadlines, the amounts of personal income tax and value added tax of *Latvijas dzelzceļš*, for which the payment deadline is longer than one year, are recognised. The extension of the deadline for paying taxes for another five years has been re-granted for tax amounts that arose during the COVID-19 emergency.



## 25. Deferred income

(EUR'000)

	31.12.2024.	31.12.2023.
Non-current portion of deferred income (EU funds and state budget resources)	260 892	274 799
Other deferred income	49	89
<b>Total non-current portion</b>	<b>260 941</b>	<b>274 888</b>
Current portion of deferred income (EU funds and state budget resources)	13 754	18 731
Other deferred income	435	247
<b>Total current portion</b>	<b>14 189</b>	<b>18 978</b>
<b>Total deferred income</b>	<b>275 130</b>	<b>293 866</b>

A major source of the deferred income is financing received from EU funds and the state budget for the development of the railway infrastructure.

### Movement of EU and national budget project funds in 2024 for PPE created with EU funds

(EUR'000)

Deferred income	Balance at 01.01.2024	Reclassified (transferred)	Received funds	Transfer of funds to the partner	Decrease by the amount depreciation charge	Balance at 31.12.2024
Non-current portion	274 799	(50 751)	39 093	(2 249)	-	260 892
Current portion	18 731	50 751	-	-	(55 728)	13 754
<b>Total</b>	<b>293 530</b>	<b>-</b>	<b>39 093</b>	<b>(2 249)*</b>	<b>(55 728)**</b>	<b>274 646</b>

EU funds received in 2024:

- EUR 6 577 thousand for the project *Modernisation of railway passenger infrastructure*,
- EUR 6 291 thousand for the project *Modernisation of railway infrastructure to increase the speed of trains*,
- EUR 23 697 thousand for the project *Modernisation of railway infrastructure to increase the speed of trains*,
- EUR 1 724 thousand for the project *Modernisation of Riga railway junction Sarkandaugava - Mangali - Ziemeļblāzma*,
- EUR 804 thousand for the project *Development of an interoperable railway system in the Baltic States*.

\* In 2024, cash was transferred to:

- EUR 352 thousand to Eesti Raudtee AS under the project *Establishment of an Interoperable Railway System in the Baltic States* in accordance with the cooperation agreement;
- EUR 1 897 thousand to the Central Finance and Contracting Agency as the project *Installation of fencing and pedestrian crossings at railway infrastructure facilities* was discontinued.

\*\* including EUR 36 577 thousand impairment of tangible assets in 2024.

### Movement of EU and national budget project funds in 2023 for PPE created with EU funds

(EUR'000)

Deferred income	Balance at 01.01.2023	Reclassified (transferred)	Received funds	Transfer of funds to the partner	Decrease by the amount depreciation charge	Balance at 31.12.2023.
Non-current portion	265 379	(18 719)	28 203	(64)	-	274 799
Current portion	19 360	18 719	-	-	(19 348)	18 731
<b>Total</b>	<b>284 739</b>	<b>-</b>	<b>28 203</b>	<b>(64)</b>	<b>(19 348)</b>	<b>293 530</b>



## 26. Financial risk management

The Group's most important financial instruments are borrowings from banks, other borrowings, cash and deposits with banks, as well as receivables and payables. The main task of these financial instruments is to ensure the financing of the Group's operating activity. The Group also has several other financial assets and liabilities, such as trade receivables and payables to suppliers and contractors, arising directly from its economic activities.

The Group is exposed to market, credit, and liquidity risks related to its financial instruments.

Financial risk management is ensured by the Finance Department of the dominant company of the Group (until 1 December 2024 also by the Finance Committee of the Group).

### Market risk

Market risk is the risk that changes in market factors, such as changes in foreign exchange rates, interest rates, and commodity prices, will affect the Group's revenue or the value of its financial instruments. Market risk includes currency risk and interest rate risk.

### Interest rate risk

Interest rate risk is the risk of incurring losses due to changes in interest rates on the Group's assets and liabilities. The Group is exposed to the risk of changes in market interest rates concerning its non-current liabilities subject to a variable interest rate.

All of the Group's borrowings are at variable interest rates. For a detailed description of interest rates on borrowings, see Note 23. Interest rate risk is managed by the Group by regularly assessing the borrowing rates available on the market. If lower interest rates than the existing ones are available, the Group evaluates the financial cost-effectiveness of loan restructuring.

The Group companies do not use derivative financial instruments to manage interest rate risks.

(EUR'000)

The Group's financial instruments are categorised as follows:	31.12.2024.	31.12.2023.
Financial assets at amortised cost		
Trade and other receivables, excluding advances	34 806	57 557
Cash and cash equivalents	70 318	39 203
Financial assets at fair value through revaluation in the income statement		
Long-term financial investments	74	74
<b>Total financial assets</b>	<b>105 198</b>	<b>96 834</b>
Financial liabilities at amortised cost		
Loans from credit institutions	102 948	86 309
Trade and other payables, lease liabilities, excluding advances (including the non-current portion)	30 856	35 528
<b>Total financial liabilities</b>	<b>133 804</b>	<b>121 837</b>



### Interest rate sensitivity

The following table shows the sensitivity of the Group's profit before tax to reasonably possible changes in interest rates at the end of each reported reporting period, provided that all other variables remain unchanged. The Group's equity, except for the result of the reporting year, is not affected.

	2024		2023	
	Base rate increase/decrease (basis points)	Impact on profit before tax (EUR 000)	Base rate increase/decrease (basis points)	Impact on profit before tax (EUR 000)
EURIBOR	(+100)	(686)	(+100)	(40)
	(-100)	686	(-100)	40

### Currency risk

Currency risk is the risk of incurring losses as a result of unfavourable exchange rate changes related to assets and liabilities in foreign currencies. The currency risk to which the Group is exposed stems mainly from its business activities – revenues and costs are denominated in different currencies. The Group's trade receivables are mostly in euro.

The Group's financial instruments by currency as at 31 December 2024 are presented in the table below:

	EUR	USD	CHF and other currencies	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Trade and other receivables, excluding advances	34 554	219	33	34 806
Cash and cash equivalents	69 631	206	481	70 318
<b>Total financial assets</b>	<b>104 185</b>	<b>425</b>	<b>514</b>	<b>105 124</b>
Loans from credit institutions	102 948	-	-	102 948
Trade and other payables, excluding advances	30 285	3	568	30 856
<b>Total financial liabilities</b>	<b>133 233</b>	<b>3</b>	<b>568</b>	<b>133 804</b>



The Group's financial instruments by currency as at 31 December 2024 are presented in the table below:

	EUR	USD	CHF and other currencies	Total
	EUR'000	EUR'000	EUR'000	EUR'000
Trade and other receivables, excluding advances	56 234	-	1 323	57 557
Cash and cash equivalents	38 031	47	1 125	39 203
<b>Total financial assets</b>	<b>94 265</b>	<b>47</b>	<b>2 448</b>	<b>96 760</b>
Loans from credit institutions	86 309	-	-	86 309
Trade and other payables, excluding advances	34 479	6	1 043	35 528
<b>Total financial liabilities</b>	<b>120 788</b>	<b>6</b>	<b>1 043</b>	<b>121 837</b>

The main currency risk management tool used by the Group is the identification and use of the Group's foreign currency funds to cover the Group's liabilities in foreign currencies.

The Group companies do not use derivative financial instruments to manage currency risks.

### Currency sensitivity

The Group had no significant foreign exchange balances during the reporting year, so the potential impact of currency fluctuations was negligible.

### Credit risk

Credit risk is the risk that a counterparty could default on its obligations to the Group, causing it significant financial losses. The Group is exposed to credit risk arising directly from its economic activities, principally trade receivables, and to credit risk related to the Group's financing activities, mainly cash deposits with banks.



### Trade receivables

Each company of the Group manages the credit risk of trade receivables in accordance with the Group's policies. Before concluding contracts, the solvency of customers is assessed. Several companies of the Group will secure against credit risk by receiving prepayments from their customers.

The Group continuously monitors the balances of receivables to minimise the possibility of uncollectible debts. Possible impairment of trade receivables is constantly analysed. The Group has not received any collateral as security for trade receivables.

The Group assesses the concentration of credit risk of its trade receivables as average. As at 31 December 2024, the Group had three customers (2023: three customers), each of which owed the Group more than EUR 700 thousand and accounted for about 82.1% (2023: 86.7%) of the total receivables.

The Group does not have an internal credit rating system for assessing trade receivables.

During 2024, there have been no significant changes in the allowances for expected credit losses for trade receivables. Trade receivables are written off only when they are not expected to be recovered. Indications that the recovery is unlikely include, inter alia, the debtor's inability to agree on a repayment schedule accompanied by the debtor's insolvency, bankruptcy, or liquidation.

The Group is exposed to maximum credit risk, as shown in the following table:

(EUR'000)

	31.12.2024.	31.12.2023.
Cash and cash equivalents	70 318	39 203
Trade and other receivables (gross amount), excluding advances and prepayments	37 209	58 714
<b>Total</b>	<b>107 527</b>	<b>97 917</b>

The allowances for expected credit loss as at 31 December 2024 are determined by applying the following expected credit loss rates:

(EUR'000)

	Not overdue	Overdue more than 30 days	Overdue more than 90 days	Overdue more than 120 days	Total
Expected credit loss rate	0,5%	5,0%	12,8%	91,6%	-
Trade and other receivables, gross	34 376	390	34	2 409	37 209
Allowances for expected credit loss	(172)	(20)	(4)	(2 208)	(2 404)

The allowances for expected credit loss as at 31 December 2023 are determined by applying the following expected credit loss rates:

(EUR'000)

	Not overdue	Overdue more than 30 days	Overdue more than 90 days	Overdue more than 120 days	Total
Expected credit loss rate	0,1%	2,0%	11,0%	79,2%	-
Trade and other receivables, gross	56 707	499	154	1 354	58 714
Sagaidāmie kredītzaudējumi	(58)	(10)	(17)	(1 072)	(1 157)



### Cash deposits

The credit risk arising from the Group's cash deposits with banks is managed by the Group's Finance Department (until 1 December 2024 also by the Finance Committee of the Group) in accordance with the Group's Financial Management Policy. Under the policy, it is permissible to invest the Group's free resources only in deposits or money market funds. Before placing funds in banks (deposits or current accounts), the Finance Department of the Group Parent Company evaluates banks' credit ratings and offered interest rates.

The Group's cash balances in banks according to bank credit ratings granted by Moody's agency:

(EUR'000)

Credit rating	31.12.2024.	31.12.2023.
Aa3	70	80
A3	68 770	35 832
Baa1	751	2 380
Bez reitinga	726	908
<b>Kopā</b>	<b>70 317</b>	<b>39 200</b>

### Liquidity risk

Liquidity risk is the risk that the Group will not be able to pay its financial liabilities when they fall due. The Group's Finance Committee and the Finance Department of the Group Parent Company (until 1 December 2024 also the Finance Committee of the Group) manage liquidity risk by maintaining adequate cash reserves and ensuring sufficient funding through the granted loans, credit lines, financial leases, etc., as well as by constantly monitoring the projected and actual cash flows and matching the term structure of financial assets and liabilities.

The Group prepares a long-term cash flow forecast for the year (by month) and an operational cash flow forecast for four weeks to ensure that the Group has sufficient funds at its disposal to finance the expected operating costs, settle financial obligations, and make the necessary investments.

As at 31 December 2024, the Group's current assets exceed its current liabilities by EUR 24 731 thousand, as a result of which the total liquidity - current assets against current liabilities was 1.3. Current liabilities include deferred income of EUR 13 754 thousand related to the European Union (EU) project and state budget fund investments in railway public infrastructure, so there is a low-risk possibility that financial resources will be required to cover these liabilities. The total liquidity ratio, excluding future revenues related to investments of EU projects and state budget funds in the public railway infrastructure, is 1.5.

The concluded loan agreements with banks provide for financial indicators that LDz must comply with during the term of the agreement. As at 31 December 2023, 31 December 2024, and early 2025, no borrowings were in default.

Nākamajās tabulās analizētas Koncerna finanšu saistības pēc to atmaksas termiņiem, pamatojoties uz līgumos noteiktajām nediskontētajām finanšu saistību summām, ieskaitot procentu maksājumus:

(EUR'000)

31 DECEMBER 2024	Up to 3 months	3 to 12 months	3 to 12 months	More than 5 years	Total
Loans from credit institutions	7 491	31 864	70 295	2 924	112 574
Other liabilities (including other borrowings, trade and other payables)	13 346	14 057	2 375	1 042	30 820
<b>Kopā</b>	<b>20 837</b>	<b>45 921</b>	<b>72 670</b>	<b>3 966</b>	<b>143 394</b>

31 December 2023	Up to 3 months	3 to 12 months	3 to 12 months	More than 5 years	Total
Loans from credit institutions	8 564	28 065	56 345	2 055	95 029
Other liabilities (including other borrowings, trade and other payables)	18 561	13 736	1 859	1 157	35 313
<b>Total</b>	<b>27 125</b>	<b>41 801</b>	<b>58 204</b>	<b>3 212</b>	<b>130 342</b>



## 27. Fair value considerations

IFRS 13 establishes a hierarchy of valuation techniques based on whether observable market data is used in the valuation technique or whether market data is not observable. Observable market data are obtained from independent sources. If the market data are not observable, the valuation technique reflects the Group's assumptions about the market situation.

This hierarchy requires the use of observable market data where available. When carrying out revaluation, the Group takes into account appropriate observable market prices, if possible.

The objective of fair value measurement, even if the market is not active, is to determine the transaction price at which market participants would be willing to sell the asset or assume a liability at a specific measurement date under current market conditions.

Various methods are used to determine the fair value of a financial instrument: quoted prices or valuation techniques that incorporate observable market inputs and are based on internal models. Based on the fair value hierarchy, all valuation techniques are categorised into Level 1, Level 2 and Level 3.

The level of the fair value hierarchy of a financial instrument should be set at the lowest level if the material part of its value is made up of lower-level data.

The classification of a financial instrument in the fair value hierarchy takes place in two stages:

1. Classify data at each level to determine the fair value hierarchy;
2. Classify the financial instrument itself based on the lowest level if the material part of its value is made up of lower-level data.

### Quoted market prices – Level 1

The Level 1 valuation technique uses unadjusted quoted prices in an active market for identical assets or liabilities, where the quoted prices are readily available and the price is representative of the actual market situation for arm's length transactions. The Group has no financial instruments valued at Level 1.

### Valuation technique using market data – Level 2

In the models used in the valuation technique at Level 2, all relevant data, directly or indirectly, is observable, on the assets or liability sides. The model uses market data other than the quoted prices included in Level 1, but which are observable either directly (i.e. price) or indirectly (i.e., derived from the price). The Level 2 fair value hierarchy corresponds to the Group's cash and cash equivalents.

### Valuation technique using market data that is not based on observable market data – Level 3

valuation technique, when using market data that is not based on observable market data (non-observable market data) is classified at Level 3. Unobservable market data is considered to be data that is not readily available in an active market, due to an illiquid market or complexity of the financial instrument. Level 3 data are generally determined based on observable market data of a similar nature, historical observations or using analytical approaches.

### Financial assets and liabilities included in Level 3:

(EUR'000)

ASSETS	31.12.2024.	31.12.2023.
Trade receivables, net	34 806	57 557
Long-term financial investments	74	74
<b>Total</b>	<b>34 880</b>	<b>57 631</b>

Liabilities	31.12.2024.	31.12.2023.
Borrowings from credit institutions	102 948	86 309
Accounts payable to suppliers and contractors	30 856	35 528
<b>Total</b>	<b>133 804</b>	<b>121 837</b>



### **Assets and liabilities for which fair value is disclosed**

The carrying amount of liquid and short-term (with maturity not exceeding three months) financial instruments, such as cash and cash equivalents, short-term deposits, short-term trade receivables, and current trade payables, approximate their fair value.

The fair value of loans from credit institutions, financial lease liabilities, and other non-current liabilities is measured by discounting future cash flows at market interest rates. Since the interest rates applied to loans from credit institutions, finance lease liabilities, and other non-current liabilities are generally variable and do not differ significantly from market interest rates, and the risk premium applicable to the Group has not changed significantly, the fair value of long-term liabilities approximates their carrying amount.

### **Assets measured at fair value**

The category of property, plant and equipment *Wagons for freight transportation is measured* at the revalued amount, based on the valuation performed in 2022, taking into account the accumulated depreciation. Based on the provisions of IAS 16 *Property, plant and equipment*, to ensure that the carrying amount at the end of the reporting year does not differ significantly from their fair value at the end of the reporting year, in 2022 SIA LDZ CARGO revalued wagons, engaging an independent external appraiser. As a result of the revaluation, it was concluded that the carrying amount of wagons did not significantly differ from their fair value and, accordingly, no difference was recognised. Also, in 2024 impairment was recognised for six individual assets (wagons) (in 2023: seven individual assets (wagons)), due to identified indicators that the carrying amount of those assets may be not recoverable.

SIA LDZ CARGO performed a fair value measurement of the tangible asset group *Freight wagons* as at 31 December 2024. Having assessed the results of the measurement, the Management concluded that no material changes in the fair value of the assets were identified in the period 2023-2024 and that the carrying amount of these tangible assets approximated their fair value.

At each reporting date SIA LDZ CARGO evaluates the remaining useful life of its property, plant and equipment. Based on the latest assessments carried out by SIA LDZ CARGO, the current useful life corresponds to the actual use time of the property, plant and equipment of SIA LDZ CARGO.



## 28. Capital management

The Republic of Latvia owns 100% of the shares of SJSC Latvijas dzelzceļš.

The Group's objectives concerning capital management are to ensure the Group's ability to continue as a going concern and to deliver the return on capital determined by the general meeting of shareholders of the Group companies. The state of Latvia, as the sole owner of the Group's share capital, has the right to make decisions related to the increase, decrease, payment of dividends or allocation of the Group's capital for development.

In the context of capital management, the Group assesses the leverage ratio. The Group's financial risk management policy does not set a minimum or maximum level for this indicator. The Group considers the financial conditions set by the banks concerning the leverage ratio when drawing up short- and long-term financial plans and budgets.

(EUR'000)

	31.12.2024.	31.12.2023.
Borrowings from credit institutions and other borrowings	102 948	86 309
Accounts payable (including taxes)	51 917	62 793
Other liabilities	283 655	303 334
<b>Total liabilities</b>	<b>438 520</b>	<b>452 436</b>
Shareholder's equity	353 252	392 229
<b>Total equity and liabilities</b>	<b>791 772</b>	<b>844 665</b>
Debt to total capital ratio	55%	54%
Equity to debt ratio	81%	87%



## 29. Capital expenditure commitments

The Group plans to make capital expenditure in property, plant and equipment and intangible assets also in the next reporting year, of which:

Major contracts concluded but not yet completed:

Name of counterparty, subject of the contract	Date of contract	Contract Deadline	Total price EUR'000
General partnership Berlam-Belss: Introduction of a digital radio system	14.08.2020.	Maturity date	7 075
General partnership BMGS – FIMA: Construction of elevated platforms on the railway line Riga – Jelgava	29.07.2021.	Maturity date	6 9167
General partnership BMGS – FIMA: Construction of elevated platforms on the railway line Riga – Krustpils	29.07.2021.	Maturity date	10 752
General partnership BMGS – FIMA: Construction of elevated platforms on the railway line Riga – Tukums II	29.07.2021.	Maturity date	6 163
OU Leonhards Weiss: Construction of elevated platforms on the railway line Zemitāni – Skulte (Zemitāni-Vecāķi-Alfa)	30.07.2021.	Maturity date	8 084
General partnership BMGS – FIMA: Construction of elevated platforms on the railway line Zemitāni – Skulte	29.07.2021.	Maturity date	8 229
General partnership FIMA GROUP: Implementation of unified information and video surveillance systems	12.05.2022.	Maturity date	5 512
PA BMGS-FiMA-ASTOM: Modernisation of railway infrastructure to increase the speed of train movement: construction	15.09.2022.	Maturity date	57 938
PS NORDES BŪVE&BCC: Modernisation and development of the electrified railway network: construction	28.02.2024.	30.01.2028.	59 072

In the reporting year, there were no significant approved transactions for which no contracts have been concluded.



### 30. Research and development activities

(EUR'000)

Costs	2024	2023
Internal expenditure on research and development work carried out by the companies	64	4 862
External expenditure on research and development work commissioned in other institutions, enterprises, organizations	54	166
<b>Total</b>	<b>118</b>	<b>5 028</b>

Research and development costs were incurred in 2024 by SIA LDZ CARGO. Development costs were included in personnel expenses.

### 31. Contingent tax liabilities

The tax authorities can at any time conduct an audit of accounting records within three years after the tax year and additionally calculate tax liabilities and penalties. The Group's Management is not aware of any circumstances that may give rise to possible material liabilities in the future.

### 32. Future lease payments

In 2024, the Group's costs related to the effective operating lease contracts were EUR 728 thousand; in 2023 – EUR 301 thousand, respectively.

### 33. Related party transactions

The Group applies the exemption under IAS 24 and presents only material transactions with state-related parties. The Group has transactions with the Ministry of Transport (100% shareholder of *Latvijas dzelzceļš*) and other companies whose shares are owned by the state. Mutual transactions are related to the operating activity of the respective parties.

Related party AS Pasažieru Vilciens*		2024	2023
	Sold/provided	27 900	30 938
Related party transactions	Purchased/ received	181	239
Due from the related party at the end of the reporting year		1 766	2 575
Due to the related party at the end of the reporting year		2	4

\*The types of largest transactions – payments for the minimum access service package, distribution and sale of electricity, fee for diesel fuel, lease of premises, purchase of subscriber tickets.

Related party AS Latvenergo*		2024	2023
	Sold/provided	1 609	1 585
Related party transactions	Purchased/ received	1 063	39 772
Due from the related party at the end of the reporting year		92	297
Due to the related party at the end of the reporting year		125	2 612

\*The types of largest transactions – payments for security services, purchase of natural gas.



### 34. Going concern

The Group's operating result for 2024 is a loss of EUR 38 977 thousand, significantly affected by a EUR 31 213 thousand impairment of net assets for property, plant and equipment of LDz. Impairment was recognised for the infrastructure used exclusively for freight transportation, especially on those sections of railway track where there was a significant drop in traffic. Similarly, both SIA LDZ ritošā sastāva serviss and SIA LDZ Loģistika closed the reporting year with losses.

External factors related to the geopolitical situation, the war in Ukraine, and the imposed international economic sanctions against Russia and Belarus indicate that the situation related to the volumes of freight transportation will not improve significantly in the future.

Following Russia's invasion of Ukraine on 24 February 2022, Russia and Belarus have been subject to extensive economic and political sanctions. The sanctions had a significant impact on the Group's operations, requiring a review of internal sanctions management processes as well as additional resources to be allocated to sanctions inspections, both on business partners and on the freight transported.

In addition, in 2025, the volume of freight traffic and, consequently, the use of the public railway infrastructure managed by LDz may be adversely affected by the continued uncertainty regarding the coordination or non-coordination of freight traffic by Russian Railways, the Russian ban on the export of Russian grain, as well as the Russian Railways ban on the loading of empty wagons registered in other countries.

Given the Group's cooperation with Russian and Belarusian partners in previous years, as well as the nature of its operations, the war in Ukraine has undoubtedly had and will continue to have an impact on the Group's operations in 2024 and beyond. The restrictions in place to date have led to a reduction in cargo volumes and it is difficult to predict the possible impact of additional sanctions on the Group's operations in the future. In view of the risks associated with sanctions, the following measures have been taken:

1. LDz has established a separate Sanctions Department and Sanctions Committee responsible for sanctions reviews, strengthening the exchange of information on sanctions reviews within the Group.
2. The Group has developed and implemented the Sanctions Policy of Latvijas Dzelzceļš Group, ensuring a uniform approach to sanctions checks throughout the Group.
3. In assessing the risks related to significantly expanded lists of sectoral sanctions, the Group strengthened cargo inspection procedures by increasing the assessment of cargo types and their compliance with the established sectoral sanctions.
4. All persons included in the sanctions lists are reflected in the Sanctions Information System (IS) maintained by LDz, which ensures daily automatic verification of all clients and cooperation partners for coincidence with the lists of sanctioned persons. The lists of IS Sanctions are updated daily automatically from the official sites that maintain news about the sanctions of the Republic of Latvia, the European Union, the UN, and OFAC.

5. In 2024, work continued to upgrade IS Sanctions system, as well as on strengthening the Group's sanctions monitoring function through several technical improvements. The Group's Management is aware of the uncertainty associated with the further development of the situation and continues to monitor the development of events daily, as well as their possible impact on the Group's activities.

However, despite the difficult situation, LDz management is confident that the going concern basis is applicable to the preparation of the consolidated financial statements based on the implementation of the Group's new business model, the execution of the crisis plan and the review of organisational and technological processes, which has resulted and will continue to result in cost reductions, as well as the receipt of the necessary public funding pursuant to Section 9(4) of the Railway Law.

The Group has begun implementing its new business model while continuing to execute the crisis plan and review organizational and technological processes. These efforts have already led to cost reductions and are expected to deliver further savings moving forward.

As mentioned, as at 31 December 2024, the Group's current assets exceed its current liabilities by EUR 24 731 thousand, as a result of which the total liquidity - current assets against current liabilities was 1.3. Current liabilities include deferred income of EUR 13 754 thousand related to the EU project and state budget fund investments in railway public infrastructure, so there is a low-risk possibility that financial resources will be required to cover these liabilities. The total liquidity ratio, excluding future revenues related to investments of EU projects and state budget funds in the public railway infrastructure, is 1.5. As at 31 December 2024, and early 2025, no borrowings were in default.

To mitigate the impact of market risk, the Group optimises costs by changing technological and administrative processes, increasing their efficiency. In order to diversify the freight nomenclature and reduce dependence on Russian and Belarusian exporters, the Group is focused on entering new markets and attracting freight, as well as actively working on increasing the services provided to other market segments, including: increasing the volume of domestic freight transport.

The main objective of LDz is to ensure the management of the state public-use railway infrastructure and safe, high-quality and efficient railway and logistics services in the interests of the state and the Latvian national economy.



In order to reduce LDz's costs and ensure compliance with the projected revenues and operating volumes for 2025, as well as to improve process efficiency, the Management has taken decisions on significant changes in LDz's organisational structure: the organisational structure has been optimised by terminating the operation of several structures as of 1 April 2025, whose functions will be taken over by other structures, resulting in a reduction of administrative costs; at the same time, centralisation of functions is planned, combining material support, mechanisation and management processes in order to avoid duplication and save resources.

By Decision No VL-1.6./336 of LDz Board made on 29 October 2024, it has been decided to terminate LDz's participation and decisive influence in SIA LDZ ritošā sastāva serviss and SIA LDZ Loģistika and, pursuant to Section 335 of the Commercial Law, to merge SIA LDZ ritošā sastāva serviss and SIA LDZ Loģistika with SIA LDZ CARGO by way of reorganisation, after obtaining the authorisation of the Cabinet of Ministers as the supreme decision-making body of a public person provided for in Section 4 (2) and Section 9 (2) of the *Law on governance of capital shares of public persons and capital companies*. As at the date of these financial statements, no Cabinet decision has been adopted.

In parallel with cost-cutting measures, the Group is working to increase revenues – both from the rental of facilities and from the provision of services outside the Group. SIA LDZ CARGO is actively working to develop freight transport both in Latvia and in the neighbouring countries of Lithuania and Estonia by participating in tenders, attracting new customers, and offering new routes. In 2025, SIA LDZ ritošā sastāva serviss plans to actively cooperate with foreign customers and partners in the field of railway rolling stock repairs. Other Group companies are also actively working on customer acquisition.

In 2024, to ensure financial stability, LDz received from the state budget EUR 14 359 thousand of uncovered payments for 2022 and EUR 32 439 thousand for 2023.

The Company works with the Ministry of Transport to prepare a new contract to ensure the financial stability of LDz, as the multi-annual agreement concluded in 2018 expired on 31 December 2022. The state budget funds to ensure the financial stability of LDz for 2024 in the amount of EUR 26 013 thousand are foreseen in the law *On the State Budget for 2025 and Budget Framework for 2025, 2026, and 2027*.

In 2024, the funding required to ensure financial stability was recognised as revenue in accordance with the recognition principles laid down in IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. These principles require the recognition of a government grant at the point in time when there is reasonable assurance that the conditions attached to the receipt of the grant have been fulfilled.

In addition, grants relating to the recovery of costs should be recognised in the period in which the costs are incurred, provided there is reasonable assurance that the grant will be repaid in the future. As a result of the economic activity, the funds necessary for the financial stability of the national public railway infrastructure operator, as defined by national legislation, amounting to EUR 26 013 thousand are recognised in 2024. The financial stability compensation has been recognised following the guidelines of the IFRS Accounting Standards and in the amount provided for in Section 73 of the law *On the State Budget for 2025 and Budget Framework for 2025, 2026, and 2027*. The request for financial stability will be made after approval of the annual report of LDz in accordance with the procedure set out in Section 9(4) of the *Railway Law*.

The criteria for LDz to receive a financial stability compensation disbursement is the non-fulfilment of the financial stability conditions set out in Section 9, Paragraph 4 of the Railway Law. Given that in 2024 LDz did not meet the conditions for financial stability set out in Section 9, Paragraph 4 of the *Railway Law*, the criteria for receiving financial stability compensation disbursement set out in Section 9, Paragraph 4 of the *Railway Law* were therefore met.

The fact that the financial stability compensation payment from previous years has been received confirms the validity of the revenue recognition for 2024.

Although there is confidence in the receipt of financial resources, there is uncertainty regarding the timing of receipt of additional financial resources required by LDz. This uncertainty applies both to the funds to compensate for the costs of maintaining and renewing the railway infrastructure in full for the provision of public transport services throughout 2025 and to the funds for ensuring the financial stability of LDz.

For additional liquidity purposes, two of the Group companies have short-term credit lines available:

- LDz has been granted a short-term cash flow financing credit line of EUR 5 000 thousand from November 2024 at the Latvian branch of Luminor Bank AS in case of delays in the state budget payments to ensure financial stability. Due to a significant increase in the cash balance as at 31 December 2024, this credit line has not been used as at the end of the reporting year.
- LDZ CARGO has been granted a credit line for short-term cash flow financing in the Latvian branch of OP Corporate Bank plc in the amount of EUR 5 000 thousand. In 2024 there was no need to use this credit line.



### 35. Subsequent events

There have been no events since the end of the reporting year, that have had a material impact on the information presented in the consolidated financial statements for 2024.

Riga, see the timestamp for the date.

*The original document prepared in Latvian has been signed electronically with a secure electronic signature and contains a timestamp.*

**A.Grinbergs**  
Chairman of the Board

**R.Pļavnieks**  
Member of the Board

**M.Keņģis**  
Member of the Board

The annual report was prepared by the Finance Department of SJSC Latvijas dzelzceļš, Chief Financial Officer  
**T.Labzova-Ceicāne**



GROUP PARENT  
COMPANY

MANAGEMENT  
REPORT

INCOME  
STATEMENT

FINANCIAL  
POSITION

CHANGES IN  
SHAREHOLDER'S  
EQUITY

STATEMENT OF  
CASH FLOWS

NOTES TO  
THE FINANCIAL  
STATEMENTS

INDEPENDENT  
AUDITOR'S  
REPORT



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## Independent Auditors' Report

### To the shareholder of Latvijas dzelzceļš VAS

#### Report on the Audit of the Consolidated Financial Statements

##### *Our Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated financial statements of Latvijas dzelzceļš VAS ("the Company") and its subsidiaries ("the Group") set out on pages 219 to 272 of the accompanying consolidated Annual Report, which comprise:

- the consolidated income statement for the year ended 31 December 2024,
- the consolidated statement of financial position as at 31 December 2024,
- the consolidated statement of changes in equity for the year then ended,
- the consolidated statement of cash flows for the year then ended, and
- the notes to the consolidated financial statements, which include a summary of material accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Latvijas dzelzceļš VAS and its subsidiaries as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

##### *Basis for Opinion*

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibility for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) developed by the International Ethics Standards Board for Accountants (IESBA Code) and the independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



#### *Other Matter*

The corresponding figures included in the accompanying consolidated financial statements are based on the Group's consolidated financial statements as at and for the year ended 31 December 2024, which were audited by other auditors, whose auditors' report dated 27 March 2024 expressed an unqualified opinion.

#### *Reporting on Other Information*

The Group's management is responsible for the other information. The other information comprises:

- Information about the Group, as set out on pages 3 and 4 of the accompanying consolidated Annual Report,
- the Management Report, as set out on pages 5 to 18 of the accompanying consolidated Annual Report,
- the Group Sustainability Report, as set out on pages 19 to 213 of the accompanying Group's consolidated Annual Report.

Our opinion on the consolidated financial statements does not cover the other information included in the consolidated Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information section of our report. However, we note that we have issued a limited assurance report as set out on pages 215 to 218 with respect to the Group Sustainability Report, as set out on pages 19 to 213.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. Except for non-compliance with requirements relating to scope three GHG emission disclosures, as outlined in the Basis for Modified Conclusion paragraph of the limited assurance report issued by us on the Group Sustainability Statement, as set out on pages 215 to 218, we have nothing to report in this regard.

#### *Other Reporting Responsibilities in Accordance with the Legislation of the Republic of Latvia Related to Other Information*

In addition, in accordance with the 'Law on Audit Services' of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.



Based solely on the work required to be undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the Management Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the 'Law on the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

*Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements*

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditors' Responsibility for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Baltics SIA  
Licence No. 55

*Armine Movsisjana*

Armine Movsisjana  
Chairperson of the Board  
Latvian Sworn Auditor  
Certificate No. 178  
Riga, Latvia

17 April 2025

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.