



ESG REPORT

Environmental Impact
Social Responsibility
Corporate Governance



This is the first non-financial report on the implementation of the environmental, social and corporate governance principles prepared by AS VIRŠI-A and its related companies (hereinafter also referred to as VIRŠI and the Group) operating under the VIRŠI brand. The 2020 ESG report is based on the [ESG Reporting Guide 2.0](#) developed by Nasdaq and published in May 2019.

It has been prepared to introduce the customers, employees, prospective investors and shareholders of VIRŠI as well as others with the Group's sustainability and environmental, social and governance strategies. It reports on sustainability indicators and measures as well as initiatives related to sustainable development.

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Today, there is a growing belief that the performance and success of any business must also be seen in the context of sustainability, assessing its performance in line with environmental, social and corporate governance aspects. They provide a much deeper and broader insight into operations of a company, ensuring greater transparency and an overview of activities. This is also the belief of VIRŠI.

The development and publication of our first Environmental, Social and Governance (hereinafter – ESG) Report on environmental, social and corporate governance issues of 2020 is a significant event for us. Similar to the intention to become a public joint stock company and to admit shares to trading on Nasdaq Riga alternative market First North at the end of the year.

This report not only provides an in-depth insight into the operating and management principles, values, internal processes and initiatives of VIRŠI, but also reveals our future vision of the Latvian transport sector's path to cleaner energy sources in order to reduce the environmental impact.

Looking back on 2020, I can say with confidence that this has been our fastest year of growth. Despite the challenges posed by the pandemic in many areas, including the transport sector, strong competition in the industry with solid international players, VIRŠI, as a group of companies of 100% Latvian capital, has continued to increase the profit ratios and market share as well strengthened its competitiveness. Our sales in the fuel and in-store retail segments, as well as the Group's profitability have been at an all-time high in 2020.

With the launch of an in-depth performance review, we are committed to monitoring and mitigating the environmental impact of our operations, introducing new environmentally friendly initiatives, and reporting regularly on our progress to bring about positive change in the long run. Moreover, with specific steps and work, we will implement our growth strategy, which will promote faster transition of entire Latvian transport sector to sustainable and environmentally friendly transport energy

sources, generating less harmful emissions and reducing impact of the transport sector on the environment.

THE TRANSPORT SECTOR IS FACING NOT ONLY MAJOR CHALLENGES AND CHANGES, BUT ALSO OPPORTUNITIES ON THE WAY TO CLEANER ENERGY SOURCES.

To promote the use of environmentally friendly road transport, we will continue to create the future market for the energy supply to electric vehicles by opening more and more new electric vehicle charging points and promoting their wider availability to the population. Being aware of the transition period on our way to climate-neutral road transport, we already opened the first compressed natural gas (hereinafter – CNG) filling station in Latvia in 2019. We are continuing to rapidly develop the network of CNG stations and other sustainable transport energy sources to encourage companies and individuals to switch to a more environmentally friendly and economically more beneficial fleet.

The Latvian transport sector is at the beginning of change. We are proud and determined to initiate and actively implement this change. We are taking decisive action already today to contribute to Latvia's transition to a climate-neutral economy.

SOLID GROWTH, STRONG TEAM, SUCCESSFUL FINANCIAL RESULTS AND AN AMBITIOUS DEVELOPMENT STRATEGY FOR THE COMING YEARS INSPIRE US TO FURTHER ACHIEVEMENTS.

Jānis Vība,
VIRŠI Chairman of the Board



Our story

VIRŠI is the largest and fastest growing fuel and alternative energy filling station network with 26 years of experience in the industry. It is a 100% local capital company.

Successfully competing with the largest foreign retailers, VIRŠI occupies a stable position among the top sector companies in Latvia and continues to grow its market share every year.

At present, the VIRŠI network includes 63 service stations, including six CNG or compressed natural gas stations. VIRŠI is the first and only filling station network that ensures the availability of CNG in Latvia and purposefully continues developing the infrastructure of this type of alternative fuel.

The purpose of VIRŠI is to significantly expand the range of cleaner energy sources with products such as electricity, biomethane, liquefied natural gas (LNG) and hydrogen, in order to become a convincing leader in the alternative energy segment in Latvia.

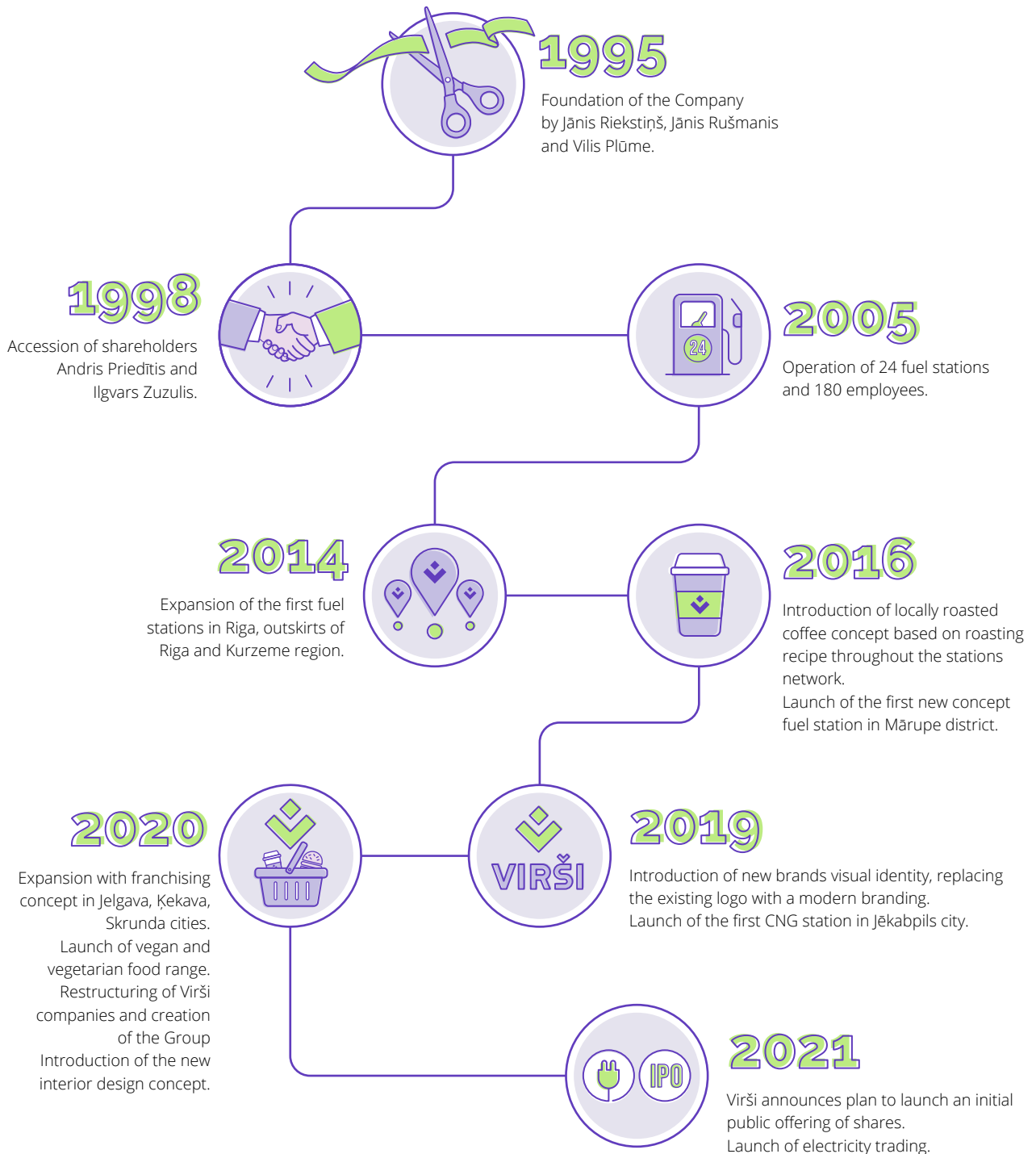
VIRŠI has been rated as one of the TOP employers in Latvia for many years. In 26 years, its team has grown from 12 to 581 employees in 2020, working in all municipalities and regions of Latvia.

VIRŠI is one of the largest taxpayers in the country and is included in the State Revenue Service responsible taxpayer programme at the Gold level.

History

VIRŠI was founded in 1995 and is a capital company of Latvian origin. During its 26 years of operation, VIRŠI has grown to become the largest national fuel retailer, despite harsh competition from international companies. Leadership in innovation, the ability to respond faster to local market demand combined with the enthusiasm to reach and exceed the expectations of

its customers are the factors that have facilitated the growth of VIRŠI and its place in the market. Over the past 10 years, the Group has doubled its network of fuel and alternative energy filling stations in Latvia. Over the past 5 years it has shown a rapid increase in profit and business profitability.



Areas of action



Conventional fuels

VIRŠI offers all types of fuel products, including premium class diesel fuel VIRŠI EVO, which is available throughout the station network. We also provide agro-fuel and heating fuel delivery to customers' facilities, as well as individual, customised services and products for corporate customers. In cooperation with foreign partners, VIRŠI offers customers refuelling facilities also in Estonia, Lithuania and Russia, as well as in over 18,000 stations throughout Europe, as part of their loyalty programme.



Alternative energy sources

VIRŠI is the only company that provides the filling of CNG, products in the Latvian market. CNG refuelling is available for passenger and cargo transport at six VIRŠI filling stations throughout Latvia.

VIRŠI also provides electric vehicle charging points at its stations. They are currently available at five VIRŠI stations, and it is planned to increase their number.



Shop and catering

VIRŠI is a chain of convenient small-format commodity stores with a wide offer, specially tailored to today's fast pace of life. Everything that is needed on-the-go is provided, including goods and services to suburban residents (courier point, trailer rental, garden goods, etc.).

In terms of quality and popularity, VIRŠI coffee is a leader in takeaway coffee in Latvia. It is made from coffee beans freshly roasted here in Latvia that are delivered to the stations no less than once a month. There is also a specially developed assortment of dishes, including a wide range of hot snacks and a variety of products for vegetarians and vegans.



Services

Electricity: VIRŠI offers electricity supply services to the business segment since mid-2021 as part of its expanding field of operations. As such VIRŠI ranks among the few market players in Europe that successfully combine wide range of fuel, product, electricity and natural gas procurement opportunities.

Car wash: Customers can use the car wash, waxing and interior cleaning services at VIRŠI stations.

Trailer rental: Customers can use a trailer rental service at 46 filling stations throughout Latvia.

Courier parcel point: Cooperation with courier mail – at VIRŠI stations it is possible to send and receive courier parcels.

Leadership in new product development

First CNG filling stations in Latvia

In 2019 VIRŠI made a substantial investment and opened the first public CNG filling station in Latvia to achieve greenhouse gas (hereinafter – GHG) emission reduction goals that the transport sector needs to achieve. Six CNG filling stations are currently available and it is planned to expand the network to 10 CNG stations by the first half of 2022. We are also actively working on the development of other alternative energy sources – electric charging, biomethane, LNG, hydrogen.



The first environmentally friendly pourable windshield fluid

How do you avoid plastic bottles every time you refill the windshield fluid to reduce the adverse impact of packaging on the environment? VIRŠI introduced an unprecedented, innovative and environmentally friendly solution in Latvia already in 2009. The first pourable windshield fluid equipment was installed at filling station in Riga, the capital of Latvia. Today, we provide our customers with the opportunity to refill windshield fluid at 22 filling stations throughout Latvia.

The first cup of coffee roasted in Latvia

We took an important step in 2016 by introducing freshly roasted coffee throughout the filling station network. By this move we became the first and only in Latvia to always offer its customers freshly roasted coffee in the fuel retail stations. VIRŠI coffee from high-quality beans is roasted in Riga at Rocket Bean Roastery. To keep the coffee fresh, it is not roasted and then stored in warehouses for a long period. VIRŠI offers coffee roasted no later than 30 days ago.



The first to introduce an offer for vegetarians and vegans

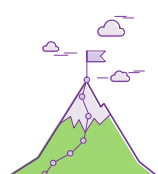
We have demonstrated the ability to respond quickly and efficiently, as well as adapt to the changing consumption habits, needs, views and diversity of lifestyles of business and private customers. We have done so both by adapting our product and service offerings and by enthusiastically developing and modernising station infrastructure. Following public demand and the growing interest in plant nutrition, we were the first to add vegetarian and vegan food to our assortment – vegetarian beetroot and vegan pea burgers, as well as vegan kebabs.



Mission, vision, values

THE MISSION, VISION AND VALUES ARE THE BASIS OF VIRŠI DEVELOPMENT. WE MUST BELIEVE IN OUR VALUES AND PRACTICE THEM ON A DAILY BASIS FOR THEM TO BE VIABLE. SO A COMMON UNDERSTANDING OF VALUES AND ACTING ON THEM IS OUR GUIDE IN DAILY WORK."

Jānis Vība,
VIRŠI Chairman of the Board



MISSION

We give our clients the power to do more and more.



VISION

We want to be your favourite meeting and refuelling place.

VALUES

Enthusiasm is our fuel.



Working in VIRŠI charges you. We work with passion and perseverance! We believe in our own efforts and want to set an example for Latvian companies to succeed!



Our strength is our roots.

A strong company knows its roots. Whatever tomorrow brings, we always remember and value our origins.



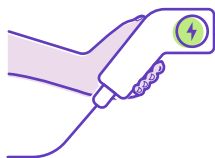
Man to Man.

We work with a humane attitude towards each other and our clients.

The overview of 2021



63 STATIONS

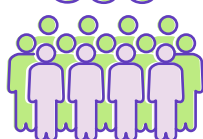


5 EV CHARGING STATIONS



6 CNG STATIONS

599



EMPLOYEES



NATIONWIDE
COVERAGE



PARTICIPATION
IN LOCAL AND INTERNATIONAL ORGANISATIONS



European Clean
Hydrogen Alliance



SUSTAINABLE
BRAND INDEX



UPEI
THE VOICE OF EUROPE'S INDEPENDENT FUEL SUPPLIERS

Ratings and acknowledgements

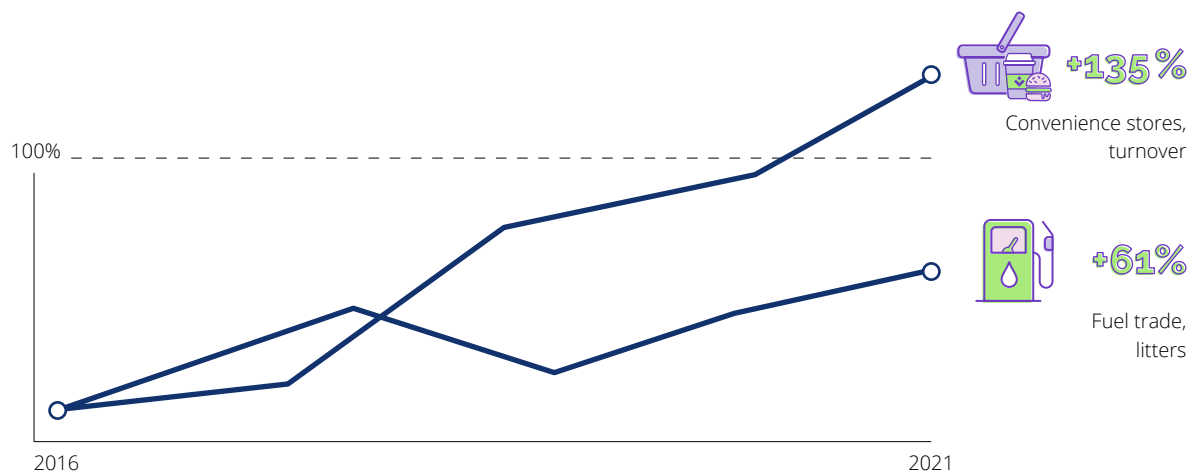
In the largest European independent brand sustainability study *Sustainable Brand Index 2020*, VIRŠI is ranked 28th on the list of the 50 most sustainable brands in Latvia, and 3rd among fuel retail service providers in Latvia.¹

VIRŠI won 1st place in the Zemgale region in the annual employee survey TOP Employer 2020. And for the first time in history, VIRŠI entered the TOP 50 list and won 32nd place in the main category *Top-of-mind* of Latvia's best employers, as well as 8th place in the retail category. TOP Employer 2020 is carried out by recruiting company *CV-Online Latvia*.

VIRŠI received the State Revenue Service (SRS) award and was recognised as the largest taxpayer in the Zemgale region in 2020. With the receipt of this award, VIRŠI ranks among the TOP 15 companies that the SRS has recognised as the most honest, patriotic, sustainable and socially responsible companies in Latvia, which make a significant contribution to the national economy.

¹ *Sustainable Brand Index 2021* — Europe's largest independent and annual (since 2011) brand sustainability survey, reflecting the views of consumers (B2C) and, since 2017, also decision makers (B2B), comprising more than 1,400 brands and more than 58,000 stakeholder interviews across Europe.

Dynamic growth



VIRŠI is on a rapid growth path. Despite the challenges of 2020 in many sectors, including the transport sector, we continued to increase the Group's profitability over the past year, strengthening our competitiveness and increasing market share. The total sales of VIRŠI as well as profitability in 2020 reached an all-time high.

Although the total retail market of sold fuel in Latvia in tonnes decreased by 3.6% in 2020, the volume of fuel sold by VIRŠI in retail increased by 0.1%, while the retail turnover of goods increased by 16.1%.

If we compare the current results with the indicators of 2015, we have grown our market share and achieved an increase in volume of more than 60% in fuel sales.

In retail store sales which is the second strategically most important segment, we have doubled our sales increasing it by 135% in the last five years.

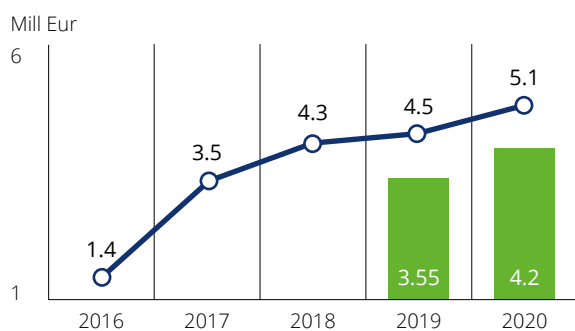
Convincing sales figures, together with a well-thought-out investment and cost strategy, are reflected in the Group's financial figures of recent years. Over the last five years, we increased turnover by more than 50%, which reached EUR 171.4 million in 2020 (14% more than in 2019). Net profit, on the other hand, has more than tripled since 2016, rising to EUR 4.2 million, but EBITDA has more than doubled, reaching EUR 7.8 million, which is a 6.5% increase compared to 2019.² Starting from 2020, the Group's annual report is prepared in accordance with the International Accounting Standards (hereinafter – IFRS) at the consolidated group level.

"WE ARE IN A STRONG POSITION AND CAN CONFIDENTLY CALL OURSELVES THE LEADING AND FASTEST GROWING NETWORK OF DOMESTIC ENERGY SERVICE STATIONS. IT GIVES US CONFIDENCE THAT THE COMPANY IS READY FOR A NEW STAGE OF DEVELOPMENT."

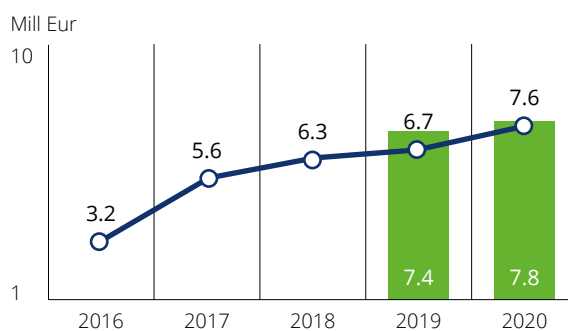
Vita Čirjevskā,

VIRŠI Board Member and Chief Financial Officer

NET Profit



EBITDA



○ Figures by Latvia statutory reporting standart

● Figures by IFRS

² Consolidated, audited financial results for 2020.



What does sustainability mean to us?

In our view, sustainability is responsible management, which takes into account not only the economic benefits of a company's operations, but also its impact on the environment and society as a whole.

When thinking about sustainable development, we look through a prism of two sectors: first, the transport sector, which is facing significant transformation, and second, the retail sector, where we are in direct contact with our customers on a daily basis.

We are aware that we have a key role to play in tackling one of today's most pressing sustainability challenges, which is climate change, in order to facilitate the transition to low carbon energy consumption.

This is why we have started to assess the Group's operations and their impact on the environment and society, also based

on the United Nation Sustainable Development Goals (hereinafter – SDGs). They provide a framework to help countries, businesses and other stakeholders understand and address key environmental and social issues.

We have identified five key areas in line with the SDG's, that the Group has the most significant input potential. The work here has already begun and it will be our focus in the coming years.

At the same time, it is planned to develop a strategic vision for addressing sustainability issues in 2021 in order to better define environmental, social and governance criteria, their measurement, management, as well as transition periods for achieving specific goals. This will enable us to report on the Group's progress next year, bringing about positive change on all ESG issues.





2030 and 2050 – how will we drive in Latvia?

The future of transport sector

With the adoption of the European Green Deal by the European Union (hereinafter – EU), the EU has set itself an ambitious goal of becoming the first climate-neutral continent in the world by 2050. European Parliament and EU Member States agreed in mid-July 2021 on a target to reduce GHG emissions by at least 55% by 2030 compared to 1990 levels.

The European Green Deal, or European Growth Strategy, aims to improve the well-being and health of its citizens, and to protect, preserve and enhance the EU's natural capital and biodiversity. It is a comprehensive package of measures covering all aspects of society and the economy, with a central focus on reducing GHGs.

The proposals adopted on 14 July 2021 envisage the inclusion of new sectors in the Emissions Trading Scheme (ETS) and the strengthening of the existing EU ETS, the wider use of renewable energy sources, increased energy efficiency, the acceleration of low-emission modes of transport and the development of necessary infrastructure and fuels to do so. It also seeks to harmonise tax policy with the objectives of the European Green Deal, the implementation of measures to prevent carbon leakage and introduction of instruments to protect and maintain natural carbon sinks. To help meet the 2050 target, the European Commission has set a more ambitious intermediate target for the EU: to increase the share of renewable energy to 40% of final consumption by 2030, compared to around 20% in 2019.

Undoubtedly, the transport sector will have to change as well. An important part of reducing emissions from road transport is the shift to low-carbon alternative fuels and new, zero-emission

energy sources. Both car manufacturers and fuel retailers will increasingly have to think about how to integrate more environmentally friendly forms of energy into their product range in order to be able to meet both the EU's criteria for reducing GHG emissions and growing the share of fuels produced from renewable energy sources. Of these, the most common new energy source is electricity, especially for passenger vehicles, followed by compressed natural gas, liquefied natural gas, compressed biomethane and liquefied biomethane, as well as hydrogen.

“THE TRANSPORT SECTOR AROUND THE WORLD, INCLUDING EUROPE AND LATVIA, IS ON A CHALLENGING TRANSFORMATION PATH. OUR BELIEF IS THAT CLIMATE CHANGE AND SUSTAINABILITY MUST BE TAKEN INTO ACCOUNT BY ANY FORWARD-LOOKING COMPANY. THE ROAD TO CHANGE DOES NOT PROMISE TO BE FAST AND EASY, BUT IT INSPIRES US TO TAKE DECISIVE STEPS TODAY TOWARDS REORIENTATING THE LATVIAN TRANSPORT SECTOR TO USING ENVIRONMENTALLY FRIENDLY ENERGY.”

Jānis Vība,
VIRŠI Chairman of the Board

In the search for solutions for the transport sector, which is responsible for about a third of GHG emissions, Latvia plans to promote the transition to electric vehicles and the use of alternative fuels, including the development of the necessary infrastructure. These plans are included in the Latvian National Energy and Climate Plan, the Recovery and Resilience Plan for Latvia

as well as the Draft Transport Energy Law. Therefore, since 2019, we have purposefully started to implement and will continue to expand the offer of alternative energy sources and the network

of available infrastructure in order to ensure the faster transition of the Latvian transport sector to environmentally friendly fleets, especially in the freight and public transport segments.

Role of VIRŠI in the transition of the transport sector to cleaner energy sources

Our belief is that various forms of energy, including traditional ones, will co-exist in the Latvian road transport sector during the next 10 years. But the transition to alternative energy sources, including electricity, compressed and liquefied natural gas, biomethane and hydrogen, will accelerate.

In the future, electricity will play an increasingly important role in the passenger car segment. Based on various studies carried out in the EU, we see that electricity will play an important role alongside other alternative fuels such as natural gas (compressed and liquefied natural gas) and hydrogen. In order to provide our input towards road transport electrification, we will continue to create the future market for the supply of energy to electric vehicles by opening more and more new electric vehicle charging points and promoting their wider availability to the population.

In addition to electricity, CNG is an alternative solution in all road transport segments. This is especially concerning the freight or commercial transport sector, where due to the large mass of vehicles, electricity as a technology will not be able to provide a competitive solution for a long time to come. Consequently, the transition to electricity in this segment will take place over a longer period of time. Freight transport is one of the biggest challenges in the transition to a low-carbon economy, as it accounts for the largest share of fuel consumption in the sector. Although trucks account for only 5% of EU transport, heavy duty transport is responsible for almost half of CO₂ emissions. Therefore, a path has been set to reduce CO₂ emissions from heavy duty transport by 15% by 2025 and by 30% by 2030³.

In the short term, other alternatives or transitional solutions are needed. One such solution is CNG, which is currently the most developed and affordable alternative. Vehicles operating on CNG are more environmentally friendly than petrol or diesel engines.

Although natural gas is a fossil fuel, it is considered to be the most environmentally friendly form of fossil fuel because it has significantly lower levels of carbon dioxide and harmful emissions. It is ideal for ensuring the transition from a carbon-intensive to a low-carbon future. A car powered by compressed natural gas emits less CO₂, 90% less nitrogen dioxide and 98% less fine dust than a car with a diesel or petrol engine.

“THE FUTURE IS NOT ENTIRELY PREDICTABLE, BUT IT MUST NOT PREVENT US FROM ACTING DECISIVELY AND IN A FAR-SIGHTED MANNER TODAY TO SLOW DOWN THE PACE OF CLIMATE CHANGE AND CREATE A BETTER TOMORROW FOR FUTURE GENERATIONS. WE TOOK THE RISK OF CREATING AND DEVELOPING A NEW MARKET IN 2019, TIRELESSLY AND PURPOSEFULLY MOVING THE LATVIAN TRANSPORT SECTOR TOWARDS MORE SUSTAINABLE AND ENVIRONMENTALLY FRIENDLY ENERGY SOURCES, TAKING THE LEAD IN AN ENVIRONMENTALLY FRIENDLY MOBILITY COURSE IN LATVIA.”

Jānis Bethers,

VIRŠI Head of Business Development

We started developing a CNG service station network in Latvia in 2019 and in the coming years, we will continue to expand the range of cleaner energy sources in the transport sector with products such as compressed and liquefied natural gas and hydrogen, in order to become a convincing industry leader in the offer of alternative energy sources in Latvia. We plan to open four more CNG filling stations during first half of 2022, ensuring the availability of a total of 10 CNG service stations. Already today, our customers include companies in the waste management industry, logistics companies and public transport companies that appreciate the economic and environmental properties of this product.

Educating customers in developing an environmentally friendly fleet

To educate our business customers about the possibilities to switch to a more environmentally friendly fleet, we organised an educational and comprehensive seminar on transport issues in May 2020. It explained the EU's goals for decarbonisation, provided an overview on future fuels and alternative energy sources as well

as reducing GHG emissions from road transport. At the seminar, we also introduced the customers to the experience of other companies in rebuilding the fleet and equipping them with more environmentally friendly alternative energy sources, highlighting their economic advantages and benefits for reducing GHG emissions.

³ [Reducing CO₂ emissions from heavy duty vehicles.](#)



Environmental impact (E)

In the previous chapters, we outlined our strategic projects for the transition to cleaner energy sources. This part of the report will focus on the Group's assessment of environmental impact, social responsibility and governance in 2020, based on the ESG Reporting Guide 2.0. guidelines developed by Nasdaq.

The report primarily assessed the quantitative data in order to determine the baseline situation, which will serve as a foundation for setting goals and developing plans to reduce the im-

part of the Group's operations. At the same time, the initiatives already launched in these areas are also highlighted.

In general, the most important environmental aspect of VIRŠI operations is transport and electricity consumption, the reduction of which will be the priorities of the Group in the coming years. This is followed by waste reduction, which is the Group's third most significant environmental footprint.

Environmental impact mitigation

The climate policy implemented by the EU has significantly promoted the use of alternative energy sources for transport, resulting in significant developments in the European CNG market. In order to reduce the environmental impact of transport, VIRŠI has been developing and expanding the range and accessibility of cleaner energy sources since 2019. As a result of long term and sustainable business planning, VIRŠI has become the first and currently the only fuel operator in the Latvian market offering a CNG product. It had a demand in Latvia, but was not publicly available before.

Currently, there are six public CNG filling points available in Latvia, which provide an opportunity to fill CNG in both cars and trucks. We plan to open four more CNG filling points in first half of 2022, providing a total of 10 VIRŠI stations with CNG filling options.

We will also open new charging points for electric vehicles and

continue to work on research into hydrogen technologies to be able to offer hydrogen as an alternative energy source for transport in the future.

At the same time, we implement several measures every year to reduce the environmental impact of the Group companies. Measures taken in 2020 to improve environmental and energy efficiency performance:

- Cleaning of storm water treatment equipment was performed at 15 stations and oil depots, and cleaning of fuel tanks at 14 VIRŠI stations to control and reduce pollution, groundwater and stormwater monitoring is carried out on a regular basis, renewing groundwater monitoring networks and maintaining biological treatment plants where necessary.
- With a responsible attitude towards the historical soil

pollution of the filling stations, groundwater treatment and remediation works were performed in two stations in accordance with the category B permits for polluting activities.

- Reconstruction of storm water treatment plants was performed at two stations. As a result, industrial wastewater from car wash is additionally treated and discharged to the municipal collector.
- There has been an intensive replacement of fuel equipment in recent years to the STAGE 2 vapour collection system to

return fuel vapour to the fuel tank. In 2020, there were 52 stations in the VIRŠI network equipped with such a system.

- 139.76 tonnes of hazardous waste have been moved to a licensed hazardous waste transportation company. VIRŠI implements waste sorting practices on a daily basis. 182 tonnes of sorted waste were transferred for waste recycling during the reporting year, which was 10% more than in 2019. 1255.74 tonnes of unsorted municipal waste were also transferred.

Improving the energy efficiency of the Group operations

We introduced an energy management system in accordance with the requirements of the ISO 50001: 2018 standard in 2015. This ensures continuous improvement of the Group companies, energy efficiency performance, as well as the use of sustainable and energy-efficient environmentally friendly products and solutions.

An external supervisory audit is performed annually, during which the auditors evaluate the operation of the energy management system, its efficiency and the performance of energy improvements. 25 stations were modernised and improved in 2020 to meet the highest quality standards, create a unified corporate image, use more energy-efficient lighting fixtures and solutions in lighting, and provide the ability to prepare a wider range of fast-food snacks for customers.

In an effort to reduce electricity consumption, in 2020 the lighting fixtures of the sales area were replaced with more energy efficient

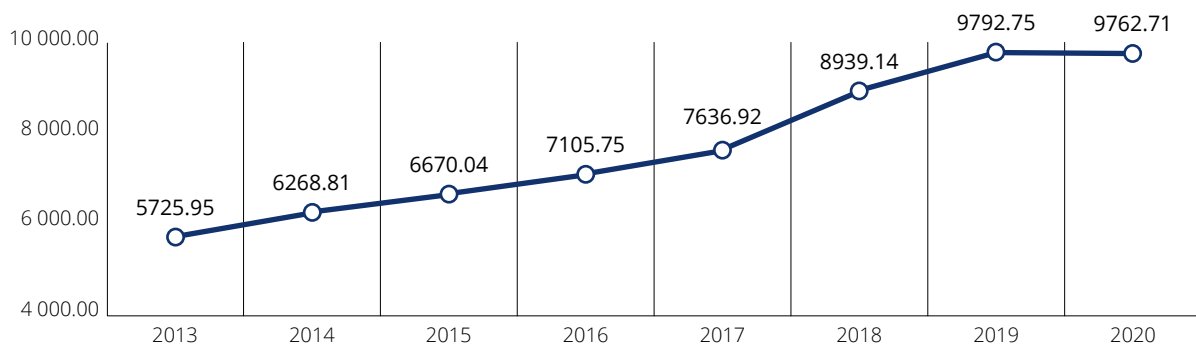
ones in 13 stations. We also replaced the lighting fixtures in the offices of two stations and warehouse premises in one station – reaching the annual saving of 77.92 MWh.

In order to increase the range of products available to customers, AD Blue refuelling equipment was installed at one station, and built-in freezers were built at two stations.

We continued the placement of motion sensors in the auxiliary rooms and customer facilities during the reconstruction or the opening of new stations therefore saving up to 72% of electricity from the possible electricity consumption in the specific area. Motion sensors were installed in eight VIRŠI stations during 2020.

Although the amount of used resources has been increasing in recent years, 2020 marked a change. The total amount of used resources decreased by 0.3% during the reporting year, reaching 9762.71 MWh.

Resources used in the company 2013-2020, MWH



In order to objectively judge the useful growth of energy, it must be considered in conjunction with the general business development indicators of the Group – turnover, fuel sales, retail store turnover and company growth. The energy efficiency curve has been positive so far – the amount of energy consumed by the Group is proportional to the growth

of the Group. Taking into account the activity of VIRŠI in the convenience shopping segment, continuous progress towards development, expansion of the service station network and introduction of the latest trends and innovations in filling stations, no significant reduction in energy consumption is foreseen.

Reducing the environmental impact of packaging

VIRŠI is a network of convenient small-format stores, where various other goods and services are available in addition to fuel products. There are also various environmental issues in this segment, including the impact of the Covid-19 pandemic, which is significant in the retail sector. One of them is disposable packaging and packaging for takeaway food.

As part of food and beverage takeaway trade, we are involved in a value chain, where ideally packaging is produced, marketed, used, collected, sorted and recycled with the minimum environmental footprint. We are well aware that this process is still far from ideal and needs to be developed at many stages. So we are closely following the new developments and solutions in the packaging industry and looking for ways to reduce the environmental impact of packaging.

A significant part of the total volume of disposable packaging is created by disposable cups, in which customers fill beverages sold at VIRŠI stations. Coffee is a widely popular product in VIRŠI stations. So in order to reduce the environmental

impact of disposable packaging we started inviting customers to buy coffee with their own reusable cup at a discount.

In the search for new solutions, we started using Huhtamaki Future Smart beverage cups in 2020, which are made from 100% renewable resources. The inner layer of the cups contains bio polyethylene, also known as renewable polyethylene. It is made from a variety of raw materials, including sugar cane, sugar beet and wheat grains. While paper used for the production of cups is PEFC™ (Programme for the Endorsement of Forest Certification) certified. It is an evaluation programme of forest certification systems – an international non-governmental, independent non-profit organisation founded in 1999. PEFC provides a guaranteed mechanism for wood and paper purchasers, proving that they contribute to sustainable forest management. It should be noted, however, that the waste management system for recycling these materials is still incomplete. So we will continue to call on our customers to be responsible in terms of resource consumption, namely, to use their reusable cups for takeaway drinks, in order to reduce waste.

Environmental impact assessment according to Nasdaq ESG reporting guidelines

E1. GHG emissions

The core business of VIRŠI is related to sectors that, similarly to the rest of the world, account for a significant share of GHG emissions in Latvia as well (transport 28.6%, energy 36.9%). Reducing them is an essential precondition for preventing the effects of climate change. Therefore, it is also important for us to evaluate the carbon footprint of the company to see the main sources of emissions and to be aware of the total carbon footprint of the Group.

In 2020, the Group conducted its first GHG emissions audit, calculating and analysing both direct and indirect carbon emissions within all three scopes (*Scope 1*, *Scope 2*, *Scope 3*). The GHG review of the Group was carried out in accordance with ISO 14064-1: 2018 requirements and in accordance with the GHG Protocol Corporate Accounting and Reporting Standard.

It is important to note that the calculation of *Scope 3* emissions only included indicators that cover aviation, waste management and water consumption. Other emission parameters, such as emissions that characterise staff mobility or emissions related to the supply chain, were not calculated due to the lack of data for full analysis.

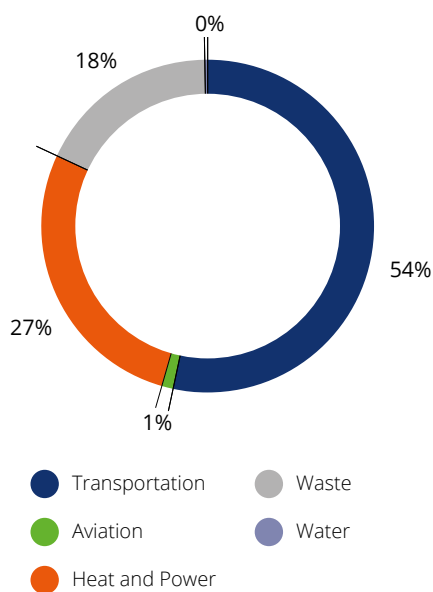
The total GHG emissions of the Group upon analysing the available data in 2020 were 3031 tCO_{2e}. The table below shows their distribution across *Scope 1*, *Scope 2* and *Scope 3*⁴:

Emissions	Total (tCO _{2e})	%
<i>Scope 1</i>	1 720	57%
<i>Scope 2</i>	710	23%
<i>Scope 3</i>	601	20%
TOTAL	3 031	100%

Transport was the main source of GHG emissions of the Group, accounting for 54% of total emissions. The second most important source was heat and electricity generation, which accounted for 27% of total emissions in 2020; and 84% of these emissions are directly related to electricity consumption. The third most important source of emissions is waste, which accounts for 18% of total emissions.

⁴ *Scope 1* refers to direct emissions from owned or controlled sources. *Scope 2* includes indirect emissions from the production of electricity, steam, heating and cooling by the Group. *Scope 3* includes all other indirect emissions that occur in the Group's value chain.

VIRŠI carbon footprint in 2020 divided by sectors (CO_{2e}; %)



In order to be able to assess progress towards reducing GHG emissions, the Group will continue to measure its carbon footprint annually, set or review emission reduction targets and report on progress.

E2. Emissions Intensity

Emission intensity indicates how much carbon companies emit per unit of activity. The GHG emission intensity of the Group was assessed based on 2020 profit and total carbon emissions of the Group, which amounted to 0.72 kilograms per euro earned.

E3. Energy Usage

Direct energy consumption within the Group consisted of transport (96%) or consumption of diesel fuel, petrol, LPG and CNG, as well as self-sufficiency of heating (4%) from wood pellets and heating fuel, totalling 6296.72 MWh per annum.

In turn, almost 97% of indirect energy consumption was accounted for by electricity consumption for service station and office operations. It was also supplemented by the use of natural gas within service stations (2.2%) and the consumption of district heating energy (0.8%), totalling 5180.8 MWh per annum.

Direct energy consumption (MWh)		Indirect energy consumption (MWh)	
Transport	6 030.8	Electricity	5 022.1
Heat	266.0	Central heating	43.1
		Natural gas	115.6
Total:	6 296.8	Total:	5 180.8

E4. Energy Intensity

Similar to the analysis of the intensity of GHG emissions in the operations of the Group, the assessment of energy consumption was based on the Group's profit and direct energy consumption indicators in 2020. Based on the assessment the energy intensity was 0.003 MWh per euro earned in 2020.

E5. Energy Mix

VIRŠI used various types of energy in 2020, of which transport and electricity are the most important part of the consumed MWh of energy. A full summary of the energy mix is highlighted in the tables below:

Transport		
	Size	MWh
Diesel consumption per annum, litres	462 459	4 402
Petrol consumption per annum, litres	109 824	987
LPG consumption per annum, litres	136	1
CNG consumption per annum, kg	66 247	641
		6 031

Self-provision of heating		
	Volume	MWh
Wood (pellets), m ³	14	49
Heating fuel, litres	22 780	217
Central heating consumption, kWh	43 120	43
Natural gas for service station heating needs, kg	11 940	115.6
		425

Electricity	
	MWh
Electricity consumption in service stations	4 842
Electricity consumption for offices, oil depot and other facilities	178
	5 022

E6. Water Usage

This is one of the indicators that shows the amount of water consumed, recycled and reclaimed. An in-depth understanding of its use can contribute to efficient water management.

The Group's total hot and cold water consumption in 2020 was 18,954 m³. It is mostly used to ensure the operation of the VIRŠI stations network.

E7. Environmental Operations

VIRŠI implemented an energy management system in accordance with the requirements of the ISO 50001:2018 standard in 2015, to monitor, research and seek new methods to improve and enhance energy efficiency and the energy management system. Following the principles of the standard, an energy management policy has been developed and is available on the Group's website in the section [Documents](#).

Understanding the importance of climate change and environmental issues, as well as being aware that the activities of each company inevitably affect the environment, the Group decided in 2020 to implement an environmental management system in accordance with the requirements of the international standard ISO 14000:2015. It will be available within the Group in autumn 2021 and will form the basis of the Group's environmental policy to continuously improve environmental and energy efficiency performance, manage its environmental impact, conserve natural resources, control environmental pollution and seek to reduce it, as well as use sustainable and energy-efficient, environmentally friendly products and solutions.

VIRŠI also ensures its operations are in accordance with the category C and B permit of the State Environmental Service for the performance of polluting activities and the requirements specified therein in relation to the environment. Permit C is issued for service stations with a quantity of fuel (the largest total amount of fuel pumped in the last three years) up to 2000 cubic metres per annum, while permit B is issued for 2000 and more cubic metres per annum.

E8 / E9 / E10. Climate Oversight

The Group has purposefully started to implement and expand the offer of alternative energy sources and the network of available infrastructure already in 2019, to ensure a faster transition of the Latvian transport sector to environmentally friendly fleets, especially in the freight and public transport segments.

Other climate-related topics were also discussed in 2020 in the context of the further growth strategy of the Group. It is planned to include environmental and climate issues on the agenda of the Council and Board of the Group in the future, to assess the impact and progress in reducing the environmental burden, as well as to plan the necessary investments to achieve the set goals.

At present, the Group does not yet calculate environmental and climate investments in its financial statements; however, investments are constantly monitored to manage the environmental impact of the Group. EUR 647,265 was invested in action on climate issues in 2020, which included investments in the establishment of CNG infrastructure, introduction of new generation lighting in renovated stations, as well as CO₂ capture by planting trees in the territory of Latvia on an area of several hectares.



Social responsibility (S)

VIRŠI aims not only to succeed in business, but also to create a sustainable and safe work environment for each of our employees, and to promote the well-being of the communities in the cities and regions where the Group companies operate. An open dialogue, respectful and honest relations with internal and external stakeholders – our employees, local communities, industry, partners and suppliers, as well as municipalities and public authorities – play an important role in the culture and daily operations of VIRŠI.

The dynamic growth and strong business results of VIRŠI can be achieved with the help of the professional, responsible and diligent work of our employees. The work invested, initiatives to strengthen the internal culture, employee loyalty and understanding of the Group's common goals and values have ensured the sales volume in 2020 in both the fuel and store retail segment, as well as the achievement of VIRŠI profitability indicators at the historically highest level. We believe that caring for employees, regular communication and information about the Group's plans internally, as well as an inclusive management style with a feedback system, are the basis for our further rapid growth in the coming years.

As the Group continued to grow rapidly, it had an average of 581 employees at the end of 2020, an increase of 6% since

2019. Appreciating the role of employees in the development of the Group companies, VIRŠI continued to invest significant resources in employee training, development, promotion and consolidation of teamwork, raising the competence of managers and developing sales and customer service skills. VIRŠI also continued to evaluate internal talents and promote their career growth within the Group companies, offering to participate in personnel selection processes for the announced vacancies as well as strengthening and supplementing the management team.

We want to involve any talent in our work that can help achieve the Group's goals. We strive to promote the sustainable growth of the Group, full and productive employment and safe work for all our employees. With the growing amount of work, we create and provide jobs not only in the capital of Latvia, Riga, but also in the regions of Latvia, thus contributing to employment in the regions. VIRŠI supports the Universal Declaration of Human Rights and has incorporated these principles into its personnel policy and [Code of Ethics](#), with a view to promoting fair and decent work and the working environment. Each of our employees plays an important role in creating a safe and pleasant work environment.

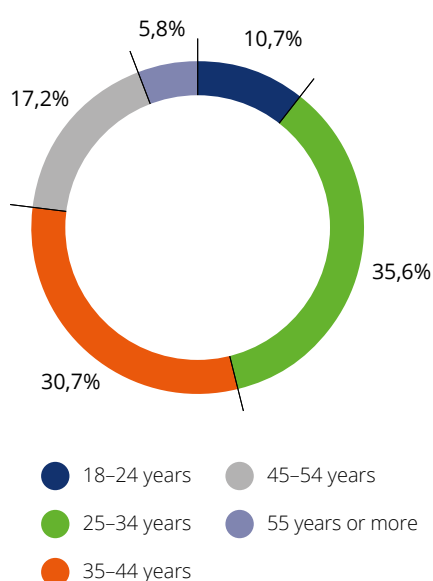
Initiatives for employee involvement, growth and education

Employee satisfaction survey

VIRŠI conducts employee satisfaction surveys all over the Group companies on a regular basis, assessing issues such as employee awareness and understanding of the Group's and its employees' individual goals, work environment, relationships in the team and cooperation with the line manager. VIRŠI also regularly evaluates employee satisfaction with the remuneration, bonus and additional pay system as well as various motivational measures and initiatives. One of the important factors for building a cohesive and result-orientated team is the awareness, respect and implementation of VIRŠI values in everyday work. Therefore, internal communication projects are regularly implemented to strengthen the values, with employees as the central focus.

As can be seen in the age diversity chart, more than half of the employees of the Group companies are older than 35, and over 45% are between the age of 18 to 34. This helps us to ensure both the contribution of experienced professionals and access to innovation for the successful development of the Group.

What is your age?



VIRŠI school

In recent years, the engine for knowledge and VIRŠI services quality has been VIRŠI School. It is a training course for both new and existing VIRŠI employees to acquire the necessary knowledge, skills and good practices in working with the clients. VIRŠI School has also gained recognition from the Latvian Personnel Management Association. Due to gathering restrictions during the pandemic, the Group invested time and resources in developing VIRŠI School in digital format in order to ensure the continuity of quality training of employees in remote mode.

Employee motivation system

The Group has also introduced various motivational tools:

- **Social guarantees** and additional benefits enjoyed by the employees of the Group companies include performance-based, competitive remuneration, bonuses, gifts for special events and celebrations, discounts on purchases at our stations, transport compensation, bonuses for attracting new employees, travel payments for station employees when successfully attaining the proposed goals, as well as rewarding the best staff and the best project team.
- **Taking care of the health** and well-being of employees, VIRŠI prioritizes safe and good working conditions, provides health insurance, accident insurance, as well as promotes the healthy lifestyle of employees, for example, by paying employees for participation in the annual marathon.
- **Growth opportunities and training.** Each new employee in the service stations is introduced to his work by a knowledgeable colleague – a mentor. Both new and existing employees acquire the necessary knowledge for work at VIRŠI School. VIRŠI also provides all employees with professional development opportunities, including participation in local and international industry events.
- **Care for families.** Every parent with children in the school age between 1st and 4th grade, receives a day off on 1 September. Children of parents of first-graders receive a gift as soon as the child starts school. VIRŠI also provides gifts for children at Christmas. Employees also receive a gift with the birth of a child.

Nearly **93 %**

of employees answered in the affirmative to the survey question "Are you satisfied working at VIRŠI?"

93,6 %

of employees confirm that they are aware of the Group's goals for 2021 and 94.8% acknowledge that they understand them.

89,9 %

of employees would recommend VIRŠI as an employer to others.

85,9 %

of employees know and are able to name the values of VIRŠI.

Employee privilege card

VIRŠI grants each employee a special Employee Privilege Card, which provides significant discounts on the purchase and use of products and services of Group companies. These include discounts on food and beverages, car maintenance goods and services, discounts on fuel and household goods in VIRŠI station retail stores throughout Latvia.

Action calendar

At the beginning of 2020 we involved all employees of the Group companies to define principles of behaviour and action. It helped in bringing to life and integrating the Group's values in the daily communication of employees, in their attitude towards each other and in work with customers. As a result of the activity, the first VIRŠI employee calendar was made, with more than 160 employees participating in the photo session. The visual idea of the calendar is to reflect the principles of action and the team unity in a visually appealing way. The calendar is available in the administration building and in each VIRŠI station. The creation of it is intended as an annual tradition.

Bank of ideas

The Bank of Ideas is an internal communication tool of the Group – each employee can submit a variety of ideas for improving the processes, products or services of the Group companies or make a proposal for the implementation of new initiatives. The ideas are evaluated every three months by the VIRŠI management; they are implemented in practice and the author of the idea is awarded for the initiative.

VIRŠI TV

An internal informative TV channel VIRŠI TV has been created, to provide every employee with an opportunity to learn about the latest news, made decisions, future intentions and common achievements in the Group companies. It also helps to resolve differences in the work environment (administration, stations). VIRŠI TV offers informative, educational and entertaining content in video format that reaches every employee. Once a quarter, the Chairman of the Board, Jānis Vība, together with the heads of the structural units of the Group companies, talk about what has been done, current events and news.

Initiatives to support local communities and public institutions

Support for national emergency services during the Covid-19 outbreak

During the Covid-19 outbreak, from April to May, 2020 VIRŠI provided free hot beverages to employees of the Latvian State Emergency Medical Service, State Police, State Border Guard, State Fire and Rescue Service at each VIRŠI station. Tens of thousands of portions of hot beverages have been issued in total to employees of Latvian medical sector and public institutions.

Support to the state blood donor centre

The high prevalence of the Covid-19 virus and the announced restrictions in the country significantly reduced the activity of Latvian blood donors. Therefore VIRŠI started long-term cooperation with the State Blood Donor Centre at the end of 2020 to promote public awareness of the need and opportunities for blood donation. By jointly developing an information campaign emphasising that one donor can help at least three people, VIRŠI helped the Blood Donor Centre to reach and address the donor audience.

Support for public health promotion initiatives

Since 2015, VIRŠI has been a long-term supporter of the charity organisation Taureņa efekts which has been granted the status of a public benefit organisation. VIRŠI supports the public health promotion projects implemented by Taureņa efekts both

informatively and practically. They are aimed at solving infertility problems in Latvian families, as well as promoting health and sports activities among children and youth in Latvian orphanages. Donation boxes of the charity organisation are placed in all VIRŠI stations, thus promoting the visibility of the organisation's projects and public participation.

Support for families

Since 2017, VIRŠI has been a supporter of the Latvian state support programme, which is targeted at families with three or more children, adults under the age of 24 and families caring for a disabled child or an adult with Group I or II disability. VIRŠI provides the holders of the Latvian Honorary Family Certificate 3+ Family Card with the opportunity to use special benefits and special offers for the more advantageous purchase of products and services at all VIRŠI stations in the territory of Latvia.

Support for the initiative of the Ministry of Defence of Latvia

In supporting the Ministry of Defence of Latvia, VIRŠI became an ambassador of the information campaign of the Ministry in 2020. The aim of the campaign was to inform the public about the availability of the booklet "What to do in case of a crisis" developed by the Ministry and to promote practical knowledge of every resident of Latvia about actions and preparation for any crisis situation. As part of the campaign, VIRŠI helped to raise

public awareness by placing information in all its information channels and service stations.

Support for local enterprises

VIRŠI, as a group of companies with 100% Latvian capital, supports local product manufacturers by giving preference to locally sourced products in their retail stores in service stations. It helps in providing maximally fresh and locally produced products to customers, reducing the environmental impact of supply chains, and promoting the growth of local business and the Latvian economy. Goods made in Latvia are offered to the buyer in each product group, and in monthly and annual sales promotions, preference is given to goods of local producers. Local vegetables are procured seasonally

for locally prepared dishes, while most of the raw materials for meat, vegetarian and vegan products are purchased from Latvian producers.

Support for the Latvian musicians' community

The spread of the Covid-19 pandemic, the introduction of a state of emergency, imposed restrictions on gatherings and cultural life by the government also affected the ability of Latvian musicians to reach their audiences and the Latvian population from enjoying live concerts and performances. So in solidarity with the Latvian music community, VIRŠI joined the call of the Latvian Performers' and Producers' Association and played only music created by Latvian artists in all its stations.

Social responsibility assessment according to Nasdaq ESG reporting guidelines

S1. CEO Pay Ratio

The total pay ratio of the VIRŠI Chairman of the Board versus median pay of other full-time employees was 7.95:1 in 2020.

S2. Gender Pay Ratio

A significant indicator of gender equality in the Group is the comparison between the medians of the total pay paid to men versus women.

The average salary of women at senior management level is 1.08 times higher than that of men. The average salary of a woman working in the administration of Group companies is 0.92 times lower than the salary of men. The discrepancy in the average remuneration paid to men and women is caused by the differences in the positions they hold in the Group.

The pay ratio of men and women working in the service station network is 1:1, i.e., the remuneration of employees holding a position of the same level does not differ by gender.

S3. Employee Turnover

More than half of the employees work in the Group for more than three years. Based on 2020 data 22.1% had worked for 3-4 years, while 35% of employees had worked for five or more years in the Group.

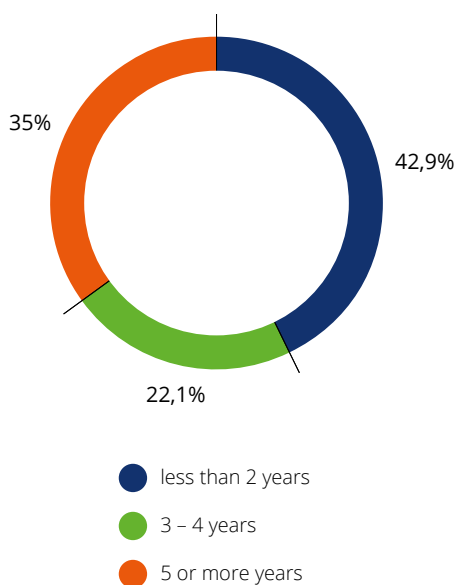
The labour rotation at the Group level was 33.7% in 2020. It is due to the change of employees in the network of service stations, which is 30.5%. The turnover of administration staff is 3.3%.

S4. Gender Diversity

Of all employees in the administration and Group in 2020, 53% were women and 47% were men, while 89% of all employees at service stations were women and 11% were men.

Among the top managers, 66% of employees were men and 34% were women. The proportion of men and women at starting or lower-level positions in administration is 38% and 62% respectively, while among service station staff in 2020, 89% of these positions were held by women and 11% by men.

For how long have you been working at VIRŠI?



S5. Temporary employee ratio

VIRŠI hired 14 part-time employees in 2020 – 12 station employees and two cleaners.

S6. Non-discrimination principle

VIRŠI prohibits any kind of discrimination in its operation in line with the applicable laws and regulations of the Republic of Latvia. The Group is guided by the principle of equal opportunities in treatment of all employees. VIRŠI does not and will not discriminate against people based on a person's gender, age, race, skin colour, disability, religious, political, ethnic, social or other background, financial or family status, sexual orientation or other circumstances. The Group prevents any other circumstances and actions that are illegal or violate the generally accepted moral and ethical principles.

VIRŠI also observes the prohibition of different treatment specified in the laws and regulations governing labour law, when establishing legal relationships of employment, during career planning, and when determining remuneration. All employees are provided with equal and fair ability to use the opportunities and benefits offered at the Group companies. VIRŠI complies with the right of its employees to freely unite in organisations and join them without any direct or indirect discrimination.

S7. Injury Rate

VIRŠI believes that employees have the right to a safe and healthy work environment. Safety is always our top priority. The goal of VIRŠI is to ensure that all employees return home safely at the end of the workday. Violations of labour safety norms specified in laws and regulations shall not be permitted at workplaces. Creating a safe work environment and taking care of the safety and health of employees is an important focus of the Group's human resource management. There were no accidents or injuries in 2020. Total number of injuries and deaths against the total workforce is 0.

S8. Health and Safety

VIRŠI provides employees with a safe and modern work environment and workplace equipment that meet the work safety requirements, observing all laws and regulations in force in the Republic of Latvia regarding work safety requirements. Every employee who starts working in the Group is introduced to and confirms with his/her signature that he/she has researched the internal procedure as well as work safety regulations. Every year, VIRŠI conducts fire safety training for its employees. VIRŠI also takes care of employees' health – every employee of the Group has access to health insurance.

S9. Child and forced labour

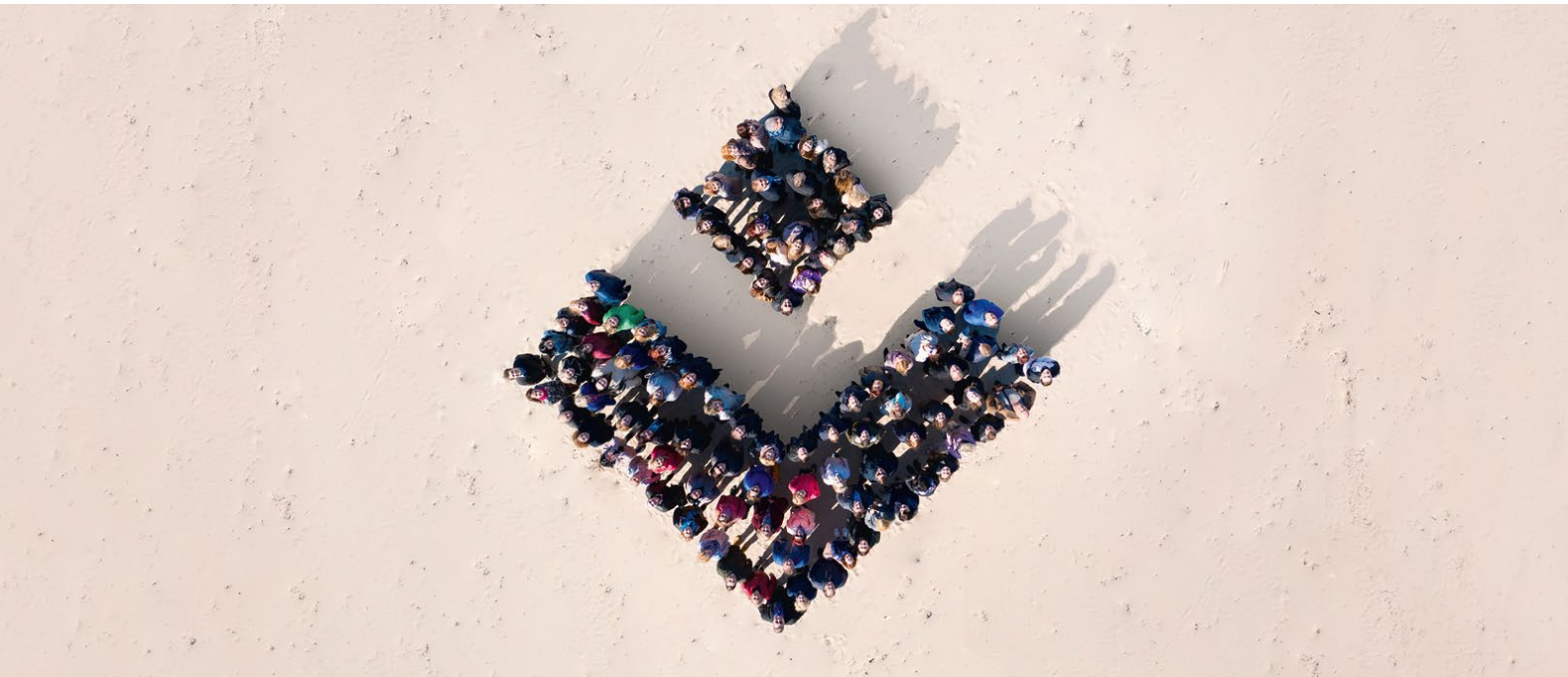
VIRŠI complies with all the restrictions pertaining to child labour established by the applicable laws and regulations of the Republic of Latvia and does not practice forced labour.

S10. Human rights

Respecting human rights is an integral part of VIRŠI values. The Group respects the basic human rights in all its activities as established in the Latvian Constitution, the European Convention on Human Rights, the European Social Charter and other laws and regulations in force in the Republic of Latvia. The Group ensures that the Group is not involved in any violations of human rights and guarantees that VIRŠI has not and will not be involved in any violations of human rights.

There were no cases of violations of employees' rights or conflicts at work in 2020. Employees are encouraged to contact their line manager if they encounter human rights violations.

Persons who have noticed unlawful activities may raise concern using the internal whistleblowing mechanism established in the Group. It helps to reduce reputational, security and other risks associated with unlawful activities established within the Group companies.



Corporate governance (G)

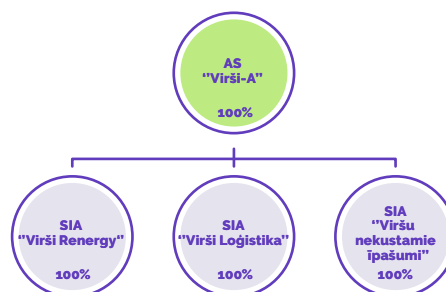
We are aware that good corporate governance increases the value of the company and creates a favourable environment for the long-term growth of the company; therefore, we promote the implementation of effective and transparent corporate governance. We aim at ensuring compliance with the principles of good corporate governance that contributes to sustainability of the Group operations, modern and efficient management, the rational and economically sound use of resources.

The Group has developed a Corporate Governance Code, to be followed at all levels of its governance, thus creating a successful and balanced system of mutual relations. Certain principles of corporate governance are detailed in the policies, by-laws and other internal regulations of the Group companies. We believe that corporate governance is a living and changing system that does not exist outside the daily work environment; therefore, we pay great attention to employee involvement, awareness and understanding of how to implement the principles of corporate governance in everyday work.

Structure

The Group currently consists of four companies. As a parent company, AS VIRŠI-A manages three subsidiaries, the activities of which are closely related to the core business of the parent company. SIA Viršu nekustamie īpašumi manages real estate, SIA VIRŠI loģistika (formerly SIA AKA) provides for fuel supplies, while SIA VIRŠI Renergy trades natural gas, and from June 2021, also electricity.

Significant changes were made in the structure of AS VIRŠI-A and its related companies in the autumn of 2020 and as a result of which the Group was established. In the process of reorganisation, the shares of SIA Viršu nekustamie īpašumi and SIA VIRŠI loģistika were invested in the capital stock of AS VIRŠI-A. In addition, a new subsidiary, SIA VIRŠI Renergy, was established. The new structure ensures effective corporate governance standards and risk management.



Corporate governance assessment according to Nasdaq ESG reporting guidelines

The institutional system of the Group's management consists of shareholders, the Council and the Board. Shareholders are the owners of the Company, competent to make decisions related to the most significant issues of the operations and existence of the Group. The Council is the supervisory body of the Group, which represents the interests of shareholders and supervises the activities of the Board. The executive body of the Group is the Board, which manages the day-to-day business of the Group. The Group statutes set forth a number of issues, for which the Board must obtain the approval of the Council, thus ensuring that the Council as a supervisory and advisory body is also involved in deciding the most important issues.

G1. Board Diversity

The Board operates in accordance with the approved provisions of the Board. The Board is responsible for the strategic management of the Group, for the implementation of the set strategic and tactical goals as well as the results of their achievement. The Board is responsible for compliance with all applicable laws and regulations, the Group's risk management and financial performance.

According to the Corporate Governance Code, Board Member candidates are nominated on the basis of professionalism and competence criteria. A persons may be elected as the Board Member if their work experience, education, qualification and reputation ensures the professional performance of the duties in the best interests of the Group. The Group adheres to the principle of gender equality with regard to the appointment of qualified persons to senior positions in the Group companies.

Board members



JĀNIS VĪBA,
Chairman of the Board

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



LINDA PRŪSE,
Board Member and
Head of Retail

Linda Prūse has a higher education in sports pedagogy from the Latvian Academy of Sports Pedagogy. Her work experience includes 25 years in management positions across three companies in the fuel sector. She has been working in VIRŠI since 2014. As of 2019 Linda is responsible for the development strategy for the retail network stores of the Group, ensuring efficient operation, as well as managing, motivating, and organising the retail team.



VITA ČIRJEVSKĀ,
Board Member and
Chief Financial Officer

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

G2. Independence of the Council

Council members

The functions of the Board and the Council of the Group are separated in accordance with the requirements of laws and regulations and good corporate governance practice. The Council operates in accordance with the approved by-laws of the Council. None of the Council Members holds an active position in the Group.

The Corporate Governance Code of the Group sets forth the procedure for the selection and appointment of Council Members. The shareholders must seek to ensure the diver-

sity of the gender and experience of the candidates in the process of selecting and appointing the Council Members to facilitate comprehensive discussions and carefully assess decision-making.

The Council includes one or more independent Council Members who meet all the criteria defined in the Corporate Governance Code to ensure the decisions of the Council are objective and professional. The Council currently has one independent Council Member.

Given name, surname	Role	Time period	Involvement in daily management of the Group companies ⁵
Jānis Riekstiņš	Chairman of the Council	Since 13.04.2021	No
Jānis Rušmanis	Deputy Chairman of the Council	Since 13.04.2021	No
Ilgvars Zuzulis	Council Member	Since 13.04.2021	No
Andris Priedītis	Council Member	Since 13.04.2021	No
Ivars Blumbergs	Council Member	Since 13.04.2021	No
Silva Skudra	Council Member	Since 13.04.2021	No
Madara Volksonē	Chairperson of the Council	Until 13.04.2021	No
Ausma Rušmane	Deputy Chairman of the Council	Until 13.04.2021	No

G3. Incentivised Pay

The Group has not developed a specific financial motivation system for employees, Board and Council Members to implement a long-term environmental, social and corporate strategy, but these aspects are taken into account in daily work and employee evaluation. The goals set for the Board also include indicators that envisage the implementation and improvement of the principles of environment, social responsibility and good corporate governance. The internal communication tool "Ideju banka" also provides for the submission of ideas that promote the sustainable development of the Group. The best ideas are implemented and their authors receive bonuses.

G4. Collective Bargaining

Management team is open and supportive of such employee rights. Employees are free to join selected trade unions, while the Group ensures that work in each Group company meets the requirements and regulations of a modern work environment, it is physically safe and emotionally enjoyable, therefore promoting employee motivation and productivity.

G5. Supplier Code of Conduct

Responsible behaviour towards the employees, customers, suppliers, partners of the company and the local community is a self-evident value of the Group. We also expect such responsibility from our suppliers and cooperation partners, with whom we implement every cooperation project. The Group has implemented an Internal Control System for the Prevention of Money Laundering and Terrorist Financing, which provides the criteria for the identification, investigation and assessment of transactions and counterparties to preventively identify signs of unusual or suspicious transactions and established the procedures for actions in the case of detecting such signs. In addition to it, a Partner Crediting Policy of the Group has been approved, which sets out detailed procedures for the Group to assess the creditworthiness of an existing or potential cooperation partner in order to minimise its credit risks.

G6. Ethics and Anti-corruption

The Group has developed and implemented the employee [Code of Ethics](#) that defines ethical and unethical activities, the

⁵ Involvement in the management of the Group at the time of publication of this ESG report.

basic principles of work and behavioural culture. It strengthens professional ethics in communication with the Group management, between each other, in work with the Group clients, partners and other stakeholders. Every employee of the Group agrees to comply with the Code of Ethics when entering into an employment relationship.

The Group has developed and approved an anti-corruption and conflict of interest policy, which includes the prohibition of fraud, personal gain and corruption. It also defines the conflict of interest and requirements for employees to act in the event of such activities being detected. VIRŠI adheres to a policy of zero tolerance for corruption and other illegal activities in its work.

G7. Data Privacy

The Group closely monitors compliance with personal data protection laws, focusing on data protection and security, including the training of employees in their everyday work. The Group has implemented a personal data protection system compliant with the General Data Protection Regulation. This system consists of personal data processing policies, internal procedures and arrangements, the implementation and updating of which is ensured by the personal data protection officer.

G8. ESG Reporting

This is the first non-financial report of the Group on the implementation of the principles of environmental, social responsibility and corporate governance. It is prepared in accordance with the Nasdaq ESG Reporting Guide intended for the Nordic and Baltic markets. The ESG report will be an integral part of the evaluation of the Group's operations in the future.

G9. Disclosure Practices

The transparency of financial and non-financial results of VIRŠI is ensured by publishing various financial and non-financial information on the Group's website. The annual financial report is published once a year, including the opinion of an independent auditor. VIRŠI undertakes to publish an annual non-financial or ESG report starting from 2020 in accordance with the Nasdaq ESG reporting guidelines or any other binding guidelines, as well as publish any other report in accordance with the requirements of Latvian laws and regulatory authorities.

G10. External Assurance

The information contained in this ESG report has not been validated by an independent auditor; however, the measurement of GHG emissions was performed by an external consultant Not Hot Environmental Solutions engaged by the Group. VIRŠI will seek validation by independent experts in other areas of the ESG in the future.

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