CLEANR GRUPA

CONSOLIDATED ANNUAL REPORT 2024

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INTRODUCTION

About CleanR Grupa

CleanR Grupa is a 100 % Latvian capital company that manages the leading and most experienced environmental services companies in Latvia. The Group began operating as a holding company in 2014, establishing its current business model in 2022. However, the origins of its key operating activity – waste management – can be traced back to over 80 years ago.

The largest companies of the Group operate in the areas of waste management, waste recycling, commercial cleaning, road and urban maintenance, as well as extended producer responsibility. By offering innovative, digitized, tailor-made solutions, the Group ensures high-quality products and services, superior customer service, and care for the PEOPLE and the PLANET.

100 %
Latvian capital company

Nasdaq
Riga First North market participant

EUR 15 million
worth of bonds issued

> 61 000
customers

> 40
different services

> 500 000
serviced people in Latvia

> 1 800 employees in more than **120** jobs

CleanR Grupa's guiding principles:

Grow and guide
A sustainable ecosystem for business development

Maintain and develop
Sustainable cities, where the environment serves the people

Take care and preserve
Responsibility for positive climate impact

Educate and reward
A supportive and growth-oriented workplace

About CleanR Grupa (continued)

Waste management – collection, sorting, recycling

SIA Clean R is the Group's largest company, which **handles the collection of sorted and unsorted municipal waste** in Rīga, Jūrmala, Ķekava, Ogre and Ropaži municipalities, rural territories of Inčukalns, Carnikava, Ikšķile, Tīnūži, Ozolnieki, Cena, and Nīca, as well as the territory of Dagda association. CleanR also handles collection of sorted biodegradable waste and textiles, providing the necessary infrastructure for it.

SIA Lautus is **a medical and hazardous waste management company**. It collects, transports, recycles, and disposes of hazardous and medical waste, as well as offers sanitation services, including rehabilitation of polluted sites or depollution services.

SIA CleanR Industry **produces refuse-derived fuel** and ensures **recycling of plastic** at "Gurnicas", its manufacturing plant in Ķekava municipality.

The general partnership Vides pakalpojumi Liepājai provides **waste management services in Liepāja and Dienvidkurzeme municipality**. The general partnership, which has operated under the "Vides pakalpojumu grupa" trademark since 2016, unites partners with longstanding industry expertise – SIA Clean R, SIA Tranzīts L Waste, and SIA EKO joma. The general partnership serves around 8 000 customers.

SIA CleanR Verso **handles and recycles commercial and industrial waste**. The company also sorts and sells for further recycling separately – collected and recoverable materials (packaging) derived from residents and businesses. The company operates a secondary raw materials recovery facility in Riga and an industrial waste sorting and recycling centre "Nomales" in Ropaži municipality.

SIA Vides resursu centrs is **the largest municipal waste sorting facility in Latvia and the Baltics**, with the annual throughput of over 290 000 tons of waste.

SIA Zaļā josta is an Extended Producer Responsibility System provider with the largest market share in Latvia, **managing packaging waste, disposable tableware and cutlery, textiles, products containing plastics, hazardous goods, electrical and electronic equipment waste**, enabling producers to obtain exemption from the Natural Resources Tax.

SIA Eko Terra **provides sludge management services**.

Environmental services

SIA Vizii Urban is **an urban services company with 20 years of experience**. Vizii Urban's services include maintenance of streets, roads, sidewalks, cleaning of beaches, planting of greenery, daily maintenance of territories, cleaning of public spaces, and venues. Its largest customers are the cities of Jūrmala, Rēzekne, Tukums, Liepāja, Alūksne, Bauska, Sigulda, Cēsis, and Rīga, as well as several large commercial companies.

SIA Vizii Urban is represented in the Vidzeme region by its subsidiary SIA KOM-AUTO, which **provides urban services, such as the maintenance of streets, sidewalks, and green spaces**. The company operates in the town of Cēsis, the town and rural territory of Līgatne, and the rural territories of Zaube, Nītaure, Drabeši and Skujene; it also provides its services in Bauska and Rēzekne municipalities.

SIA Vizii delivers **the daily cleaning of premises and general deep cleaning services of various complexity**. The company uses innovative cleaning solutions and environment-friendly cleaning products. Vizii's services are used by public institutions and private companies, and organizations of various sizes and industries, including medical institutions, shopping malls, well-known retail chains, sports centres, and Latvia's largest manufacturers. Vizii services more than 400 sites.

SIA CleanR NĪ **maintains and manages CleanR Grupa's real estate**.

Key milestones and events in 2024

CLEANR GRUPA

Two new subsidiaries formed – **CleanR Industry** and **CleanR NĪ**

Launch of ŠŪNA, **the first environmental education pop-up site**

Launch of **Latvia's first-ever Circular Economy Index for local governments**

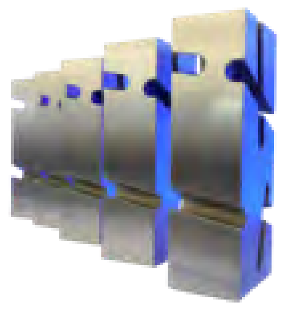
Big leap in the Nasdaq Top 101.lv Corporate Governance Index – from 55 to 91 points (max 100)

Chairman of the Supervisory Council **Guntars Kokorevičs – National Capital Entrepreneur of the Year**

Nasdaq Baltic Awards for the Best Investor Relations in the First North Bond market

Employers' Confederation of Latvia excellence award for investment in brand development

Ministry of Justice, Bank of Latvia, and Advisory Council on Corporate Governance recognition – **The Sustainable Governance Award for stakeholder management**



cleanr

State Environmental Service's Green Excellence award for sustainable environmental policy implementation

Baltic Communication Excellence Award for the public engagement campaign "Tīrmāja"

Launch of a new service – **collection of used cooking oil**

Construction of **67 underground waste container sites** containing **253 containers** in Riga and Jūrmala

Acquisition of **Lautus**, a medical and hazardous waste management business

1 255 tons of non-typical waste collected during the "Tīrmāja" campaign

An average of **80 % of the waste management agreements signed digitally** on the manai.videi.lv platform

cleanr industry

Acquisition of **RecyClass certificate** – attesting to the high quality of the materials produced by the plastic recycling plant

cleanr verso

Installation of a **new construction waste recycling line** at the construction and demolition waste sorting and recycling center "Nomales"

A construction and industrial waste shredder solely powered by electricity put into operation

> 140 000 tons of building refuse and industrial waste sorted

> 90 % of recycled construction and demolition refuse returned to circulation

vizii urban

A tender won on **street maintenance in the Ziemeļi district and Vidzeme suburb of the city of Rīga** until 2029

A tender won by subsidiary company **KOM-AUTO on street and road cleaning in Cēsis and Līgatne**

Acquisition of 49 % of the **Tranzīts L** share capital, a street and park maintenance firm

vizii

Expanded robotized cleaning – **21 cleaning robots**

Bronze category assessment by **EcoVadis, an international sustainability rating**

The number of sites cleaned > 400

ZAĻĀ JOSTA

Extended producer responsibility system for textiles launched

370 schools involved in **the school campaign "Tīrai Latvijai"**, collecting **> 666 000 kg of wastepaper** and **> 34 000 kg of batteries**

VIDES PAKALPOJUMU GRUPA

A new sorted waste collection site opened in Priekule

Customer self-service platform manai.videi.lv launched

Commencement of **serving customers in Liepāja and Dienvidkurzeme municipality**

Key financials 2024

Turnover
€ 121.1 million
2023: + 19 %

Taxes paid
€ > 23.3 million
2023: + 17 %

EBITDA
€ 25.5 million
2023: + 28 %

Investment in development (without M&A)
€ 11.1 million
2023: + 20 %

Return on equity
22 %

Equity ratio
51 %
2023: 51 %

Gross profit margin
20 %

Return on assets
11 %

Keynote from the management

Strategic expansion and sustainable governance

In 2024, CleanR Grupa focused on the strategic reorganization and business expansion, acquiring new companies and strengthening its position in the waste management and environmental services segments. At the same time, the Group implemented new solutions aimed at fostering sustainable development and efficient use of resources, thus significantly decreasing its impact on the environment. Special attention was paid to increasing efficiency, digitization, and integration of sustainable business principles across the Group companies.

This period also witnessed formulation of the CleanR Grupa strategy for 2025–2027, establishing the company's strategic priorities and pinpointing key directions for development to achieve the outlined goals.

As part of the reorganization, the Group continued strengthening its corporate governance model by spinning off two new subsidiaries that previously had been a part of the CleanR structure. CleanR Industry comprises a plastics recycling plant opened in 2023 and an industrial waste recycling facility, while CleanR NĪ manages the Group's real estate. The reorganization, which ended in October, facilitates a more efficient use of resources and allows the group to focus on developing each of its business lines and boosting competitiveness.

Waste management

In the waste management sector, the year began with the expansion of the range of waste subject to mandatory sorting, defining biodegradable waste as recyclable from January 1. Separate collection of BIO waste must be ensured by all waste operators in cooperation with the municipality. This is an important initiative that forms part of the state's long-term strategy to reduce the amount of landfilled waste.

In the reporting period, CleanR won several municipal tenders. The company won the tender organized by the Ogre municipality, acquiring the right to provide services in the town of Ikšķile and Tīnūži parish for the next seven years. The company has also been granted the right to provide waste management services in the Ķekava municipality and the city of Jūrmala. CleanR's subsidiary Vides pakalpojumi Liepājai won part of the Liepāja city tender and had success in the tender of the territory of the Dienvidkurzeme municipality.

In November 2024, CleanR expanded into a new business segment by acquiring Lautus, a company specializing in medical and hazardous waste management, as well as providing sanitation services. The deal not only expands CleanR's scope of competence but is also important to ecological safety and public health.

Also in the reporting period, CleanR continued investing in infrastructure by further developing its underground waste container network. Riga saw 65 sites with 245 containers put into operation, while Jūrmala got 2 sites including 8 containers. As recognition of these efforts, in 2024, CleanR received the Green Excellence award from the State Environmental Service of the Republic of Latvia for establishing an efficient waste management system meeting environmental protection standards.

In the reporting period, CleanR Verso carried out extensive modernization of Nomales, Latvia's largest construction and demolition waste sorting and recycling site. The site was equipped with the most powerful industrial waste shredder in the Baltic region, which significantly improves recycling process efficiency and reduces impact on the environment.

Environmental services

To strengthen its position in the urban services segment, the CleanR Grupa subsidiary Vizii Urban acquired 49 % of Tranzīts L share capital. This deal will boost the company's regional expansion and competence transfer to different parts of Latvia. At the same time, Vizii Urban won the Riga city tenders for maintaining transport infrastructure in the city's Ziemeļi district and the Vidzeme suburb until 2029. The contract, worth EUR 84.4 million, attests to the company's ability to complete large-scale works and provide efficient, high-quality urban services.

At the same time, KOM-AUTO, an urban services company operating under Vizi Urban, expanded its operations in the Vidzeme region, providing services in the territory administered by the Amata municipality. KOM-AUTO also took on road maintenance in the town of Līgatne and its rural territory, as well as Bauska and Rēzekne municipalities. In addition, the company strengthened its position in the town of Cēsis by signing a five-year urban maintenance services contract.

Keynote from the management (continued)

In the meantime, the Group company Vizii was the first 100 % Latvian capital company in the commercial cleaning sector to receive an assessment by EcoVadis, an international corporate sustainability rating. The obtained recognition attests to the company's efforts to seek excellence in sustainability.

Vizii also continued to innovate by expanding its technological capabilities, increasing its number of cleaning robots to 21 units. This machinery improves service quality and efficiency, meeting the higher hygienic standards at various sites. Vizii also introduced an innovative solution – a digital communication and customer service tool – the first mobile quality assurance app, with the help of which the staff of the serviced sites may assess the quality of the cleaning services online.

Extended producer responsibility system

The extended producer responsibility system (EPR) for textiles, which came into force on July 1st last year, imposes the Natural Resource Tax on companies first to sell or use textiles in their economic activity in Latvia. Zaļā josta, the Group's EPR company, carried out preparatory work for the implementation of the EPR in the first half of the year, identifying the companies concerned and raising awareness of responsible sorting and disposal of textiles among businesses and the public.

Sustainability, circular economy, and environmental education

Likewise, good results were achieved in terms of sustainability governance – in the reporting period, CleanR Grupa continued moving toward a greener vehicle fleet, with currently nearly 70 % of its fleet vehicles producing low or zero emissions. More than half of the waste collected by the Group companies is recycled, and the amount of CO_2 emissions avoided is nearly 1.2 times larger than those produced by its operations.

At the beginning of 2024, special attention was paid to promoting environmental education in society, opening ŠŪNA, the first environmental education pop-up site in the centre of Riga near the National Art Museum. It will continue its operation outside the capital city soon.

In the reporting period, CleanR Grupa presented a unique study – Latvian Circular Economy Index – to the general public, Latvian municipalities, policymakers, as well as the Group's stakeholders. This initiative, which involved over 20 Latvian scientists and researchers, is the first scientifically based tool helping Latvian municipalities assess their circularity, identify best practices, and provide recommendations for improvement.

Recognition

Lastly, CleanR Grupa's performance was recognized in several ratings. The Group's Chairman of the Supervisory Council, Guntars Kokorevičs, was named National Capital Entrepreneur of the Year by the business media "Dienas Bizness". Also, the Group received the Bank of Latvia and Corporate Governance Council award for stakeholder engagement, the Latvian Employer Confederation Excellence Award for investment in corporate brand development, and the Platinum rating in the Sustainability Index. The Group also received the Nasdaq Baltic Awards for the Best Investor Relations in the First North Bond list. These recognitions attest to the efficiency of the Group's strategy in pursuing sustainable development and constant efforts in nurturing high corporate governance standards.

Management Board of CleanR Grupa


Juris Gulbis


Inta Liepa


Agita Baltbārde


Guntars Levics

SUSTAINABILITY STATEMENT

This version of the Sustainability Statement is a translation from the original, which was prepared in the Latvian language.
All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the Statement takes precedence over this translation.

General information

General basis for preparation of sustainability statements (BP-1)

The CleanR Grupa Sustainability Statement has been prepared in accordance with the requirements of Directive (EU) 2022/2464 of the European Parliament and of the Council on Corporate Sustainability Reporting (CSRD) and the Law on Disclosure of Sustainability Information of the Republic of Latvia.

The requirement to prepare sustainability statements applies to AS "CleanR Grupa" as a holding as of 2025. Therefore, by continuing the non-financial reporting practice initiated in 2022, the 2024 Sustainability Statement has been prepared by gradually implementing the provisions of the European Sustainability Reporting Standards (ESRS). The reporting period is from January 1, 2024, to December 31, 2024.

The Statement has been prepared based on the information disclosed by AS "CleanR Grupa" holding companies and their business units (hereinafter CleanR Grupa, the Group, or Holding company), as well as data on their operations. The Statement uses reliable, verifiable, and substantiated data. The Statement does not fully reflect the sustainability performance of all companies included in the Group's financial consolidation. The scope of the Consolidated Sustainability Statement applies to the companies directly or indirectly owned by the Group, in which it has operational control.

The companies included in the Consolidated Sustainability Statement are listed in the "About CleanR Grupa" section of the Statement. The data on sustainability performance is primarily attributable to the previously mentioned companies. Where the data refers to only some companies or an additional undertaking, it is specifically stated. With respect to the companies included in the Consolidated Statement, SIA Clean R (Reg. No 40003682818, legal address 5 Vietalvas Street, Riga) is exempt from individual information disclosure pursuant to Article 5 of the Law on Disclosure of Sustainability Information of the Republic of Latvia.

The Sustainability Statement includes impacts, risks, and opportunities that refer not only to the Group's activities but also to the upstream and downstream value chain of the Group or its companies. In the respective sections of the Statement, the limits of the impacts on the respective part of the value chain have been identified and described. It is also explicitly stated when, for certain metrics, the value chain data has been used, also including reference to the cases and circumstances when, after reasonable efforts, acquisition of such data was not possible. In those cases, the metrics comprise estimated value chain data, which has been acquired using indirect and secondary data, for example, for Scope 3 emission calculations.

To ensure comparability of the information with the previous reporting periods, where possible, the data on the previous or two previous periods have been disclosed. If the information had not been gathered or available, it is stated accordingly (information not available or gathered – N/A).

To avoid repetition, an option to incorporate information by reference is used. The Statement mostly includes reference to the following sections: The role of administrative, management and supervisory bodies, Inclusion of sustainability-related targets in incentive schemes, Description of the processes to identify and assess material impacts, risks, and opportunities, Interests and views of stakeholders, as well as Corporate Governance Statement.

The Statement does not utilize the option to omit information on intellectual property, know-how, or results of innovation, yet it does not report on the events expected to happen soon at the Group or its companies, which, at the time of preparing the Statement, are still being discussed.

The Statement has been drawn up based on the materiality assessment carried out at the end of 2022. According to the Group's Sustainability Policy, the Group reviews its material sustainability areas every three years or when significant changes in the Group's business model and/or business lines take place.

In the next reporting period, upon changing the business strategy period, the material sustainability aspects will be reviewed, formulated and assessed according to the ESRS double-materiality approach, in line with the European Financial Reporting Advisory Group (EFRAG) Guidelines, as well – sustainability targets will be updated, and new ones will be set

.

Disclosures in relation to specific circumstances (BP-2)

The Statement does not deviate from the time horizon definitions set by the ESRS. As per ESRS, this Statement uses the following definitions: short-term – 1 year, medium-term – 1 to 5 years, and long-term – over 5 years.

When the metrics or their calculations within the Statement use estimated value chain data, it is specifically stated. The secondary data is used in Scope 3 GHG emission calculations because the acquisition of reliable and accurate data from the value chain participants was not possible. The Group will seek to improve the level of accuracy of the calculations and metrics by engaging with the relevant value chain actors as well as personally approaching its business partners over the next three years, as prescribed by the ESRS phase-in disclosure requirements.

The sustainability information disclosed, compared to the previous year, covers the aspect of Protection of Biodiversity when disclosing information on the resource use and circular economy (see section Circular Economy). This aspect is not addressed separately, pursuant to the ESRS E4 disclosure requirements, as the company does not directly impact the ecosystems and diversity of species; also, its production sites are not located in or close to significant biodiversity or other protected areas. By ensuring separate collection, sorting, and recycling of recoverable waste (paper, cardboard, glass, etc.), CleanR Grupa reduces the need to use natural resources to produce new materials.

In the reporting period, the company continued setting up the Group's GHG emissions accounting system. It reviewed and carried out Scope 3 emission calculations for the rest of the companies fully operated by CleanR Grupa, updating and supplementing the Group's emission results for 2023 and 2024 (see Climate Change E1-6).

Pursuant to the ESRS phase-in disclosure requirements, CleanR Grupa uses the option to commence gradual reporting according to the ESRS Appendix C1 on the datapoints concerning the anticipated financial effects from impacts, risks and opportunities in the material sustainability areas (Climate change E1-9, Pollution E2-6, Resource use and circular economy E5-6). The Group will disclose the above-mentioned information in the form of a qualitative description as of 2025. As for the rest of the datapoints, the Group has collected and disclosed information to the extent possible and available on the end date of the reporting period.

GOVERNANCE

The role of the administrative, management and supervisory bodies (GOV-1)

The composition and diversity of management and supervisory bodies

CleanR Grupa seeks to implement and enforce a comprehensive corporate governance structure in line with best practice. The Group's management (executive) bodies are the boards and board members of the joint-stock company (AS) and Group companies, as they exercise the highest decision-making mandate. The supervisory or non-executive body is the AS "CleanR Grupa" Council.

The CleanR Grupa management and supervisory bodies include a total of 23 individuals. The share of the members of the CleanR Grupa management and supervisory bodies constitutes 1 %. AS "CleanR Grupa" Board maintains a gender balance – it includes two men and two women. Overall, the CleanR Grupa management and supervisory bodies include a total of four women and 19 men.

The CleanR Grupa Supervisory Council has one independent council member.

In the reporting period, neither the board of the joint stock company nor the boards of the Group companies provided for the representation of employees, i.e., the boards did not have any elected members overseeing the implementation of the employee representation system. To ensure representation of employees and their engagement in decision-making in the future, including fostering of social dialogue, it is planned to establish the CleanR Grupa employee representation institution in the next year.

The CleanR Grupa Board and Council members have qualifications and experience compatible with their area of responsibility, as well as it is also relevant to the industry, products, and services.

Composition and diversity of management and supervisory bodies			2023		2024	
Standard	Data point	Description	Count	%	Count	%
GOV-1	21 a	Number of executive members (board members, incl. subsidiaries)	10	77 %	20	87 %
GOV-1	21 a	Number of non-executive members (council members)	3	23 %	3	13 %
GOV-1	21 d	Percentage of members of management, and supervisory bodies (council and board members, incl. subsidiary companies)	13	1 %	23	1 %
GOV-1	21 d	Board gender diversity ratio (including subsidiary companies; women/men)	-	25 %	-	25 %
GOV-1	21 e	Percentage of independent council members	1	33 %	1	33 %

The role and responsibilities of the management and supervisory bodies

CleanR Grupa's governance model is designed to separate strategic and operational management. The Group's corporate governance is ensured by the Shareholders, the Group's Council and Management Board, as well as the boards of the subsidiary companies.

Each of them, according to the Latvian Commercial Law, the Articles of Association, and individual authorisation agreements, has its responsibilities and mandates. The joint-stock company Board members' areas of responsibility and reporting lines are reflected in the company's organizational chart.

The managers and directors of the key operational areas, who are directly subject to the AS "CleanR Grupa" Board, such as the head of human resources, finance, sustainability, process and risk management, procurement, etc., have oversight of the respective areas at the Group level. The policies determine the competent body or the job position in charge of implementation thereof.

Identification of risks, impacts, and opportunities has been integrated into the Group's overall business risk management process. The Group's risk management is run from the parent company to ensure a comprehensive and consistent risk management process across all Group companies. Risk management at the group level is overseen by the CleanR Grupa Council, while it is implemented by the Group Boards. Risk assessment and the implementation of controls across the Group are coordinated in a centralized manner by the Head of Processes and Efficiency, who reports to the Group's Chief Financial Officer. A more detailed description of the process is available in section Description of the processes to identify and assess material impacts, risks, and opportunities.

The Group has set targets for its material impact areas. The sustainability-related material area target implementation is overseen by the Group's Sustainability Manager, while the achievement of the set targets is ensured by the heads of the respective areas. The other material business target-setting and monitoring thereof is ensured by the Group's Target Committee. The targets and their implementation for the Group and its subsidiary companies are approved by the CleanR Grupa Supervisory Council.

The Group's Board regularly informs the Council on the implementation of set targets, including sustainability-related KPIs, as well as the implementation of the policies, processes, and effectiveness of actions.

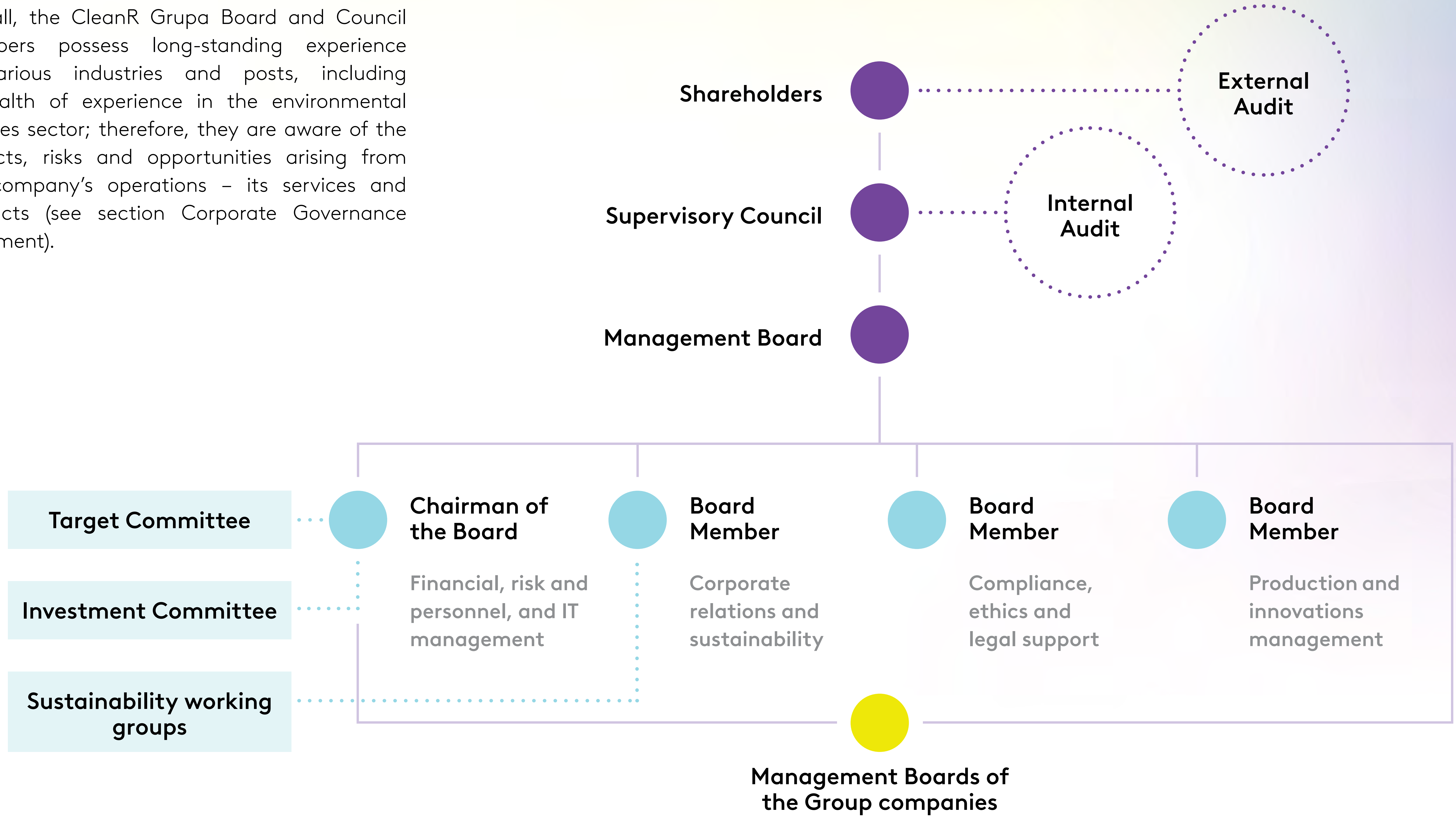
The role of the administrative, management and supervisory bodies (GOV-1) (continued)

The status of the sustainability target integration into the incentives scheme has been reflected in the next section of the Statement: Integration of sustainability-related performance in incentive schemes. The progress achieved toward the set targets in the reporting year is reflected in the thematic sections of the Statement and the Appendix.

The CleanR Grupa Board and the Council have direct access to the sustainability-related special knowledge as well as indirect access to it through the Group's management team. The Group's Board includes a member who is an expert in corporate relations and sustainability matters; thus, at the regular board as well as management team meetings, an expert's opinion on the company operations from the sustainability perspective is ensured.

The management and supervisory bodies are provided with sustainability-related information every month in the form of progress reports. Once a year, the Group's Board and then the Council receive a progress report on the achievement of the Group's sustainability targets. At the same time, no less than twice a year, the Sustainability Manager raises sustainability-related issues at the administrative staff's quarterly meetings. If needed, the Board and the Council members may acquire knowledge and training in sustainability matters from internal and external experts.

Overall, the CleanR Grupa Board and Council members possess long-standing experience in various industries and posts, including a wealth of experience in the environmental services sector; therefore, they are aware of the impacts, risks and opportunities arising from the company's operations – its services and products (see section Corporate Governance Statement).



Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies (GOV-2)

The CleanR Grupa Sustainability Policy lays down the strategic framework, approach, and key sustainability principles at the Group, as well as the governance structure over sustainability matters.

According to the policy, the CleanR Grupa Board is responsible for devising and implementing the sustainability strategy in line with the overall business strategy. The Group Council has oversight of the strategy implementation.

The Group's Board member responsible for corporate relations and sustainability matters regularly updates the Board on sustainability-related issues at the board and council meetings, as well as ensures external communication in relation to the Group's plans and progress towards its sustainability targets.

The Group's Sustainability Manager works out an action plan to implement the strategy and achieve the targets and coordinates its deployment across the Group. To ensure transparent and effective movement towards the set sustainability targets, the Group has set up the following working groups: Services Management, Work Environment and Safety, Environment and Energy Efficiency, and Corporate Governance. These working groups include the managers and specialists of the Group companies with expertise in the respective areas.

In the reporting period, the following meetings took place: three Corporate Governance work group meetings, one Work Environment and Safety work group meeting, and one Environment and Energy Efficiency work group meeting. The groups worked on:

- The implementation of the Group's GHG emissions accounting system and Scope 3 emission calculations;
- The alignment of the financial key performance indicators with the Taxonomy regulation;
- The whistleblowing process review;
- The analysis of the affected human rights;
- The organization of corruption prevention training and the development of a programme on ethical business practice for employees.

In the reporting year, the management bodies received reports on:

- The legal framework of sustainability reporting;
- The progress achieved towards sustainability targets and activities;
- The alignment of the Group's key performance indicators with the Taxonomy regulation;
- Climate impact and risks;
- The implementation of the GHG emissions accounting system and results.

Integration of sustainability-related performance in incentive schemes (GOV-3)

The CleanR Grupa Remuneration and Compensation Policy lays down the general principles governing the pay of the Group employees, including the board members' compensation. The implementation of the Remuneration Policy is overseen by the Target Committee, the Group's Human Resources and Administrative Director, as well as the Internal Audit.

Every year, the Target Committee sets, and the Group Council approves corporate targets for the Group and subsidiary companies, which simultaneously are the individual goals of the board members according to their area of responsibility. The terms of and changes in the incentive schemes of the Group and its subsidiary company management bodies are reviewed and approved by the Group Board and then the Council; the Group Council's incentive scheme is discussed at the Shareholders' Meeting.

In the reporting period, the sustainability target "To increase the share of separately collected and recyclable waste in the total amount of municipal waste collected" has been included in the CleanR board members' incentives scheme and the Group's targets (see section Circular Economy). In terms of its "weight", the target constitutes 15 % of all goals set for the boards of CleanR Grupa and CleanR.

Every month, the CleanR Board updates the Group Council on the progress achieved towards the set target at the Council meetings. This target is important for both – the Group's financial sustainability as well as the European Union (EU) and Latvia's environmental goals, given that the EU has set a target to increase the share of municipal waste prepared for reuse or recycling to at least 55 % of all municipal waste generated by 2025.

In the next reporting period, upon changing the business strategy period, sustainability targets will be updated, and new targets for 2025–2027 will be formulated and set. To foster achievement thereof, the Group's management will seek to integrate them into the incentive schemes.

Statement on due diligence (GOV-4)

Due diligence is an integral part of the Group's business decision-making and risk management process. Due diligence is conducted to identify, prevent, and mitigate any actual and potential adverse impacts on the Group, its employees, customers, and their rights, as well as on the environment.

The Group seeks to follow best practices, including the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, and to base the Group's due diligence process on the steps defined in these Guidelines.

1 Embed responsible business conduct into policies and management systems (governance, strategy, and business model)

The Group aims to align our approach with the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the UN Guiding Principles on Business and Human Rights.

The Group has committed to integrating the respective international standards and principles in its policies and management systems to pursue responsible business conduct.

Pages 11–25

2 Identify and prevent actual and potential adverse impacts related to the company's operations, products, or services

The Group identifies and prevents actual and potential adverse impacts by utilizing the Group's risk management process, carrying out environmental and social impact analysis, including the review of grievance mechanisms, as well as engaging the stakeholders.

Pages 19, 21, 25, 31, 32, 33, 46, 50, 57, 59, 70, 72, 81

3 Cease, prevent and mitigate adverse impacts

The Group seeks to apply appropriate measures to cease, prevent, or mitigate the identified adverse impacts and ensure remediation when appropriate.

These activities include Group projects, ongoing as well as one-time events.

Pages 22–23, 32–33, 35, 45, 47, 48, 51, 52, 54, 60–62, 72–75, 77–78, 85–86

4 Track implementation and results

The Group tracks implementation and results of the mentioned measures by ensuring controls – setting targets and KPIs, analysing them, and conducting internal audits.

Pages 29, 30, 42, 44, 45, 48, 53, 54, 60, 62–63, 66, 67, 72, 76

5 Communicate how impacts are addressed

The Group regularly informs its stakeholders of the completed activities, events, and results.

In external communication: media, social networks, on the company web pages, through Financial and Sustainability Statement, as well as in internal communication, statements, and reports to the management and supervisory bodies

Pages 21–23, 60, 72, 77, 87

6 Provide for or cooperate in remediation when appropriate

In case it has not been possible to avoid the harm, the Group ceases or remedies the negative effects.

Pages 48, 60, 68, 72, 73

Pages in the Statement where the topic is covered.

Risk management and internal controls over sustainability reporting (GOV-5)

CleanR Grupa has an independent internal audit unit reporting to the CleanR Grupa Council, whose task is to provide independent, unbiased advice and assurance, with the aim of improving the Group's operations and increasing its value. The role of the internal audit is to help the Group to achieve its goals by using a systematic and disciplined approach to risk management, assessment, and improvement of controls, including over sustainability reporting.

Internal audits are carried out in line with the principles described in the Internal Audit Policy and according to the CleanR Grupa Annual Audit Plan, which are approved by the Group's Council. Internal audit reports, which contain recommendations and corrective measures to mitigate identified risks, are regularly submitted to the CleanR Grupa Board and the Council.

In the reporting period, the internal audit conducted sustainability target implementation checks, as well as reviewed the devised GHG emissions calculation methodology and the completed calculations, providing advice on data completeness and integrity.

The internal audit identified several risks in sustainability reporting:

- data quality and completeness risk, which may lead to significant errors in the Sustainability Statement if appropriate controls or accurate methodology are not in place;
- GHG emissions calculation accuracy risk, as inaccurate calculations may lead to reporting the carbon footprint incorrectly;
- timely data availability risk: if information from internal or external sources is delayed, it may affect the ability to meet reporting deadlines.

The identified risks are mitigated by a regular review of the methodology and introduction of additional controls (for example, data comparison between business units, stricter deadlines, and appointment of responsible employees). In addition, in order to improve GHG emissions data accuracy and prevent inaccuracies, international standards, such as the GHG Protocol, are used.

STRATEGY

Strategy, business model and value chain (SBM-1)

Strategy

The CleanR Grupa’s target is sustainable development. The CleanR Grupa's general business and development strategy is closely intertwined with sustainability matters. The Group’s **key pillar is efficiency** in every area of its activity.

The strategy pillars are:

- **Process optimization; reducing** costs and **environmental impact**, increasing energy efficiency and productivity;
- **Fostering of circular economy;** use of waste as a resource, increasing the share of sorted, quality, reusable materials, reducing the amount of land-filled waste;
- **Customer satisfaction,** customer service **process digitization**, and **environmental education**;
- **Improvement of employee experience**, fostering engagement, **employee safety and well-being, training**, leadership, and succession development.

Business model description

The CleanR Grupa companies operate in waste management and recycling, commercial cleaning, road and urban maintenance, as well as extended producer responsibility services. The Group offers integrated services, which include full-cycle waste management – collection, sorting, recycling – and a wide range of environmental services.

The Group’s customers are companies and organizations of different sizes and segments – private companies, state and municipal institutions, and state capital companies, as well as private individuals. The companies provide their services only in Latvia, yet the products are also sold abroad.

The main products are sorted packaging materials (e.g., paper, cardboard, glass), plastic pellets and flakes produced in the plastics recycling plant, as well as recycled construction waste and refuse-derived fuel (RDF).

The material recovered in the construction waste recycling process, such as soil, gravel, and wood, is primarily sold to private individuals and companies in the manufacturing and construction segments in Latvia.

The CleanR Verso’s sorted packaging materials are sold both locally and exported to the EU countries. The plastic pellets produced by CleanR Industry are exported to such EU countries as Poland, Germany, Lithuania, Finland, Estonia, the Czech Republic, Sweden, Ireland, and Italy.

The plastic recycling plant specializes in recycling of various types of polymer packaging waste. The plant uses recyclable plastic waste to produce high-quality polyethylene and polypropylene pellets, which are used as raw materials to produce new products. The quality of the produced material (pellets) is attested to by the RecyClass certificate obtained in the reporting period.

The CleanR Industry’s waste recycling facility uses non-recyclable industrial waste and residual sorted waste to produce high-quality RDF. It is used as an alternative fuel in cement manufacturing, as well as at waste-to-energy plants to produce heat and electricity.

The Groups' recycling facilities implement the principles of circular economy, facilitating Latvia’s landfilled waste reduction target.

Overall, the net turnover in the reporting year generated by the services provided and products sold geographically can be broken down as follows: Latvia – 96 %, EU and EEA countries – 4 %, other markets – 0.29 %.

The CleanR Grupa companies do not produce any products and do not provide any services that are banned in any of the markets.

The Group’s average number of staff in the reporting year stood at 1 628 employees. The total revenue amounted to EUR 121.1 million. Net turnover by key segments of operation: 47 % from waste management, 8 % from recycling, 22 % from environmental (cleaning) services.

The sustainability-related targets are closely intertwined with the Group’s key businesses, its products and services, including the customers and other affected stakeholders in Latvia, where the Group companies provide their services. These sustainability targets are reported in the Material sustainability-related metrics section of the Statement, as well as in the Appendix.

Strategy, business model and value chain (SBM-1) (continued)

Description of value chain

In the reporting period, CleanR Grupa conducted its key business line value chain analysis. The Group's key resources for the provision of services and production were assessed, key suppliers identified, the main groups of customers and markets analysed, identifying impacts, risks, and opportunities across the whole value chain.

Two main value chains were identified: one for services, the other for manufacturing, with the main difference lying in the customer segments and markets.

The Group's upstream value chain includes more than 1 800 suppliers and business partners. The Group's downstream value chain comprises more than 61 000 customers in Latvia, including more than 40 receivers of our materials and products in Latvia and abroad.

Human resources and their competence, experience, and knowledge are critical to the Group's business.

The Group's key material resources to run its operations include fuel, electricity, specialized car fleet and equipment, spare parts for vehicles, waste containers, materials for commercial cleaning, as well as purchased plastics (waste) used in plastics recycling, as well as water. Waste is also clearly an important resource for Group companies, as it is used as a raw material – a resource for sorting and further recycling.

IT equipment and systems are significant to support and run key business operations, to plan waste collection and urban maintenance logistics, as well as to automate production processes and customer service.

The sourcing of the key material resources takes place through procurement in line with the Group's established procurement practice by concluding agreements with suppliers.

The collection, sorting, and recycling of waste (as a resource) is conducted responsibly, meeting the requirements of the pollution permits, decreasing the Group's impact on the environment and society.

To promote a value-driven and responsible value chain, the key risks and opportunities have been identified across all value chain links (see the thematic sections of the Statement).

At the same time, the Group companies play a significant role in other actors' value chains both as a client and as a supplier. This binds the Group to act as a reliable business partner. The Group's key principles of business conduct have been defined in the Group's Code of Conduct, the Code of Conduct for Suppliers, as well as other Group policies, procedures, and processes.

The Group seeks to create value across the whole value chain. It strives not only to generate economic value to its shareholders and the state, but also to contribute to all its stakeholders by addressing their needs.

Strategy, business model and value chain (SBM-1) (continued)

Upstream

Incoming resources

Human resources
Competencies, knowledge, and skills

Key material resources
- Specialized vehicles
- Fuels
- Electricity
- Waste
- Waste containers
- Sorting sites
- Production lines
- Cleaning equipment and materials
- IT systems and equipment

Own operations

Service provision and product manufacturing

- Waste collection and transportation
- Sorting sites, construction of underground containers
- Waste sorting and recycling
- Urban maintenance and commercial cleaning
- Extended producer responsibility system services

Product

- Sorted cardboard, paper, plastic packaging, metal, glass
- Processed construction debris – gravel, soil, wood
- Refuse-derived fuel
- Used cooking oils
- Compost
- Plastic flakes and pellets

Downstream

Service users/customers

Customers

End-users
(the society)

End of the service/ product life cycle

- Sorting and processing (in factories)
- Landfill disposal
- Reuse of materials – circular use
- Production of new goods
- Energy recovery (electricity, heat)
- Production of biofuels
- Clean premises
- Clean cities

Created value	Jobs, Taxes paid	Fair competition	Responsible business practices	Waste management infrastructure development	Fostering of Latvian and EU environmental target implementation	Environmental education	Facilitation of sorting and recycling	Clean and tidy environment

Interests and views of stakeholders (SBM-2)

Stakeholder engagement plays an important role in the CleanR Grupa business model. During the materiality assessment and the development of the Group's sustainability strategy at the end of 2022, the Group identified the key stakeholders.

The Group interacts and collaborates with its stakeholders regularly and in various ways – through dialogue, exchange of views, surveys, consultations, partnerships.

CleanR Grupa seeks to find out its stakeholders' views and needs to learn what value it can create for the respective audiences. Therefore, it regularly carries out activities to ascertain its stakeholders' needs and expectations. The Group's stakeholders' views, expectations, and priorities form the basis of the Group's strategy, as well as facilitate improvement of its business model and processes.

The Group's management and supervisory bodies are informed of the stakeholders' views and interests, including their sustainability-related impacts. This takes place by gathering survey, interview, or other measurement data, analysing customer complaints and suggestions, in the weekly and monthly reports to the Group Board and the Council, as well as during the due diligence and risk assessment process, for example, before concluding a new agreement and/or launching new co-projects.

The table on the next page provides an overview of the Group's key stakeholders, type of engagement, frequency, and impact on the company, highlighting the areas in which the stakeholders' views are considered.

In the reporting year, the Group's business model or strategy was not significantly changed because of stakeholder engagement. However, considering the stakeholders' needs, the Group's range of services was expanded. CleanR began collecting used cooking oil. The Group acquired shares in Lautus, a hazardous and medical waste operator, and Tranzīts L, a road and park maintenance firm. These deals will expand the Group's range of services in the medical and hazardous waste management segment, as well as vacuum pumping and sanitation services, increasing the company's capacity to provide urban services in the city of Liepāja.

In the next reporting period, the Group will continue its established practice in stakeholder engagement. CleanR Grupa is planning to continue its new initiative – the Latvian Circular Economy Index, a scientifically based tool that engaged 100 % of Latvian local governments. This tool significantly boosts stakeholder relationships in the circular economy in Latvia – policymakers, local governments, NGOs and the academic sector, environmental services companies, and state economy data managers, increasing understanding and fostering transition to circular economy and responsible use of resources in the country.

Interests and views of stakeholders (SBM-2) (continued)

Affected stakeholders | Users of Sustainability statements

Stakeholder	Group	Engagement type and frequency	Impact on the operations of the Group companies/areas in which the stakeholders' views have been considered
Employees		• Annual employee opinion survey • Regular engagement in the work safety "Drošinātājs" initiative • Weekly and quarterly employee meetings (forum) • Internal communication activities and contests • Working groups (for energy efficiency, strategy development, etc.) • Annual corporate events for employees and their families	• Work environment improvements, modernisation of vehicle fleet, premises improvements, refurbishment, etc. • Work safety plan development and implementation • Participation in the Figures compensation surveys • Remuneration regulation development and review • Replenishment of the benefits package • Training plans, access to, and provision of training • Establishment of new traditions (e.g., Employee of the Year Award, New Employee Day) • Development of an employee representation institution
Customers – private entities and other service users (end-users)		• Annual customer satisfaction surveys and interviews • Biannual waste sorting habits survey • Communication at the customer service centre and on the self-service platform (on the website and app) • Annual waste collection campaigns in the areas serviced by the Group companies • Environmental education activities	• Development of digital self-service channels • Implementation of new services – new campaigns and solutions • Innovative solutions, ensuring access to services, e.g., development and construction of waste sorting sites, construction of underground waste container sites, operation of an exchange point, creation of a mobile refuse collectors brigade for the collection of the specific type of waste ("Tīrmāja" campaign) • Environmental education activities in person and through communication in the media and on social networks
Customers – legal entities, state institutions, local governments, private businesses		• Annual customer satisfaction surveys and interviews • Annual customer/stakeholder events • In-person and remote meetings • Annual industry conference • Communication during the due diligence process before cooperation • Survey on the Group's material sustainability aspects every three years • Long-term research tool – the Latvian Circular Economy Index for local governments	• Innovative, tailor-made technological solutions – construction of underground waste container sites, robotized commercial cleaning solutions • Innovative digital quality management solutions – launch of ViziiApp • Systematic vehicle fleet development – low-emission vehicle fleet • Fostering of industrial symbiosis – collaboration with manufacturers, using waste as a resource to create new products • In the reporting year – the Latvian Circular Economy Index for local governments
Suppliers, business partners		• Communication during the due diligence process before entering cooperation • Survey on the Group's material sustainability aspects every three years • Experience exchange visits	• Integrated Group supplier management and sustainable procurement system (planned in 2025) • Raising suppliers' interest in meeting sustainability requirements, making sure they comply with the Code of Conduct for Suppliers
Investors		• Regular financial and non-financial statements, in line with the annual calendar • Investor online webinars	• Development and implementation of the Group's medium-term business and sustainability strategy • Regular investor webinars commenced in the reporting year to report on half-year and yearly financial results

Interests and views of stakeholders (SBM-2) (continued)

● Affected stakeholders ● Users of Sustainability statements

Stakeholder	Group	Engagement type and frequency	Impact on the operations of the Group companies/areas in which the stakeholders' views have been considered
Banks, financiers, insurers	Users of Sustainability statements	• Regular financial statements and reports • Survey on the Group's material sustainability aspects every three years	• Efficient management of the Group's financial and non-financial data • Risk and impact management • Investments in EU Taxonomy-aligned activities
Shareholders	Affected stakeholders; Users of Sustainability statements	• Shareholders' meeting • Shareholders' decisions and letters of expectations • Regular dialogue • Survey on the Group's material sustainability aspects every three years	• Development and implementation of the Group's medium-term business and sustainability strategy • Achievement of corporate (incl. sustainability) goals
Policy makers and supervisory institutions	Affected stakeholders; Users of Sustainability statements	• Regular dialogue • Participation in ministry work groups and Saeima commission meeting • Letters revealing views and positions • Annual reviews of operating permits and audits • Survey on the Group's material sustainability aspects every three years	• Representation of the Group and the industry's interests • Stating position on the legal framework relevant to the Group • Agreement and permit requirement compliance assurance • Implementation of environmental protection requirements (pollution control) • Quality management (ISO) system maintenance • Reporting system improvements • In the reporting year: Environmental industry forum on industry topicalities and honouring of the Circular Economy Index winners
Industry and lobbying associations	Users of Sustainability statements	• Regular dialogue • Participation in work groups, best practice exchange at seminars and public events, conferences • Survey on the Group's material sustainability aspects every three years • Latvian Circular Economy Index for local governments	• Transparent engagement in industry policy making, representation of interests • Corporate culture promoting ethical behaviour • Development of the business environment and promotion of competition • Fostering of the circular economy • Implementations of state circularity, environmental, and climate goals – increase in sorting and recycling • Development of the producer extended responsibility system
NGOs, Industry experts	Users of Sustainability statements	• Regular dialogue, cooperation projects (e.g., research) • Participation in work groups, best practice exchange at seminars and public events, conferences • Experience exchange visits • Survey on the Group's material sustainability aspects every three years • Latvian Circular Economy Index for local governments	• Public support, sponsorship projects – support for innovation and research • Attraction of EU co-funding – participation in EU LIFE and similar programs • Implementation of the circular economy principles in own operations • In the reporting year: Latvian Circular Economy Index for local governments • In the reporting year: a cooperation project with "Zaļā Brīvība", the leading environmental NGO, – a circular economy school for pupils, environmental education and community engagement project in Rīga and Cēsis

*Affected stakeholders: individuals or groups whose interests are affected or could be affected positively or negatively by the undertaking's activities and its direct and indirect business relationships across its value chain. Users of sustainability statements: primary users of general-purpose financial reporting. Some, but not all, stakeholders may belong to the two groups.

IMPACT, RISK AND OPPORTUNITY MANAGEMENT

Material impacts, risks and opportunities and their interaction with strategy and business model (SBM-3)

The Group's material impacts, risks and opportunities (IRO) are closely intertwined with and originate from the Group's strategy, business model, and areas of its operation. Material impacts arise from both the Group's own activities and the upstream and downstream value chain. IROs are directly linked with the current or anticipated negative or positive impacts on the environment and society, and vice versa, in the short- to medium-term. All material opportunities are used, constituting part of the Group's business strategy.

Material impacts on the environment

The CleanR Grupa companies have a substantial positive impact on the state's transition to the circular economy, using waste as a resource and returning materials to circulation. Big impact on climate change in terms of GHG emissions arises from own activities; it is related to the use of specialized vehicles in waste collection and the provision of urban maintenance services. However, the greatest impact has been identified in Scope 3 emissions, arising from the need to use services or obtain resources for running the company's operations.

The Group ensures responsible prevention of pollution, implementing proper waste collection, sorting, and recycling, and ensuring pollution monitoring. Its areas of activity already render and, within the next five years, are likely to render opportunities to develop new services or modify the existing ones due to the pursuit of the EU's Green Deal objectives. To seize the opportunities, resources to develop innovative and efficiency-driving solutions have been planned in the Group's strategy and business plan.

Material impacts on society

CleanR Grupa largely depends on human resources and the availability of the workforce. By operating throughout Latvia, in the territories of more than 15 towns and municipalities, the Group has a positive impact on the employment levels in these areas. Also, due to the specifics of the areas of activity, the Group companies have an opportunity to offer workers different types of employment, including full- and part-time work, regular hours, and shift work.

More than 85 % of employees are engaged in physical work – logistics, indoor and outdoor cleaning, waste sorting – working conditions with a high accident risk. Therefore, the Group companies allocate the necessary resources and run a number of activities which ensure proper training and foster a safe and enabling work environment and working conditions, including regularly revising and improving the benefits package. The Group seeks to educate its employees and boost their competence to ensure high performance and service quality.

Material impacts and opportunities in the downstream value chain arise from the digital and physical access to services and their safety, as well as honest, open, and clear communication about services. The Group is aware of its ability to drive change in people's habits, which is especially important to implement the principles of the circular economy in waste management. To that end, the Group ensures continued stakeholder education in environmental matters.

Material impacts on business conduct

CleanR Grupa has a positive impact on the development of a competitive, ethical, fair, and transparent business environment. Thanks to the Group companies' long-standing experience in the environmental services sector, the Group has exerted a substantial influence on devising an efficient and competitive legal framework for the industry and business environment. Consistent and active engagement in industry policy making, therefore, has always been one of the Group's priorities.

The Group companies work with suppliers and business partners in Latvia and abroad. When concluding contracts and organizing procurements, it has an opportunity to embed sustainable principles and promote a responsible approach to business, therefore, the Group has placed the implementation of a sustainable procurement and supplier due diligence process at the focal centre of its medium-term strategy.

The Group has conducted a general assessment of the impacts of the identified risks on its financial position, financial results, and short- and medium-term cash flows. At this point, there is no reason to anticipate that, because of the impact of any of the identified risks, major corrections will have to be made in the assets and liabilities values in the financial statements in the next reporting period.

In the management's opinion, the Group's strategy, business model, and methods of operation ensure resilience against external and internal risks, emphasizing the Group's ability to adapt, prevent material impacts of the identified risks, and seize opportunities. In the next years, to implement the Group's strategy, it is planning to invest in process improvements and digitization, vehicle fleet, production automation, infrastructure development, premises, and working conditions improvements. The Group is expecting to increase its capacity by concluding mergers and acquisitions. It is also exploring bond redemption or refinancing scenarios.

Compared to the previous, this Statement does not contain any additional sustainability IROs. Material IROs and their management have been described in the thematic sections of the Statement. The identified financial risks for the Group have been addressed in the Consolidated Financial Statements.

Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1)

The identification and management of the risks and opportunities of the CleanR Grupa companies lies at the basis of the strategic planning, as well as daily operations and processes. Risk management is conducted centrally at the parent company to ensure a consistent and comprehensive approach to risk management at all Group companies. The approach to risk and opportunity management is defined in the Group's Risk Management Policy and Risk Assessment Guidelines. The risk management process is conducted according to the COSO Enterprise Risk Management methodology and the basic principles of the due diligence process.

The sustainability-related material impacts, risks and opportunities are identified during the Group's general business risk management process, following its basic principles and methodology. The general aim of the process is to identify and assess risks, threats, and opportunities that are significant to maintain and increase the company's value, as well as implement the Group's strategy and goals. At the same time, it is important for the Group to identify and assess its actual and potential impact on people and the environment, and vice versa.

The sustainability-related impact, risk and opportunity identification and assessment have been carried out across the whole value chain – the impact from own activities as well as from business relationships was considered. The sustainability-related impact and risk assessment process inevitably includes consultations with the key stakeholders to understand how they may be affected, also by involving external experts (see section Interests and views of stakeholders).

Risks are divided into risk categories. During the risk assessment process, potential risk types are identified, and their materiality is determined. The risks that cause increased negative impact, based on their likelihood and materiality, including their actual or potential financial impact, are rated as crucial or high. For those risks, controls and measures are planned and implemented to ensure monitoring and mitigation thereof. Certain risks have zero tolerance, for example, corruption, fraud, or human rights violations. Simultaneously, opportunities and advantages for the Group arising from risk mitigation are also analysed.

Risk management at the Group level is overseen by the Group's Council, with the Group's Board overseeing its implementation. The boards of the CleanR Grupa companies determine a risk owner for a risk or risk type, who makes sure that all the planned risk management measures are efficient and successful. Risk reporting is done by any CleanR Grupa employee within their mandate. The reported risks are registered in the incident register.

At least once every six months, the CleanR Grupa board reviews the report submitted by the Process Management and Efficiency Manager on the Group's material risks, including sustainability-related impacts, their controls, and the implementation of the risk management plan. Once a year, the Group's Board reports to the Group's Council on the implementation of the risk management plan. The internal audit ensures an independent assessment of the management of the key material impacts and risks, their assessment according to the approved methodology, and the results of risk mitigation and control measures.

The process of identifying, assessing, and managing key impacts, risks and opportunities has not changed, compared to the previous reporting period.

In the next reporting year, it is planned to revise the Group's risk management process and carry out a new double materiality assessment to determine the sustainability aspects material to the Group in the next strategy period of 2025–2027. The qualitative and quantitative impact and risk threshold values for the Group impacts and risks will be revised and defined in accordance with the ESRS double materiality approach and EFRAG guidelines.

The current sustainability-related impact materiality assessment at CleanR Grupa was conducted at the end of 2022. The Group's material impacts were determined for the CleanR Grupa key business lines – the companies in which it is directly or indirectly the majority stakeholder and thus exercises full operational and financial control.

Description of the processes to identify and assess material impacts, risks and opportunities (IRO-1) (continued)

The different sectors represented by the companies, employee count, and their share in the Group's turnover were considered.

The Group's priorities were also set based on:

- The impacts and risks arising from the Group's risk analysis at the time;
- The trends observed in the comparative analysis within the industry;
- The requirement prescribed by the EU sustainability regulation;
- Stakeholders' views (online survey and 1:1 interviews);
- The views of the Group's management team (discussions and workshops).

As a result of this assessment, the Group identified its initial range of sustainability-related priority topics, which were discussed with the management of the Group and thereafter specified and supplemented with additional material aspects.

In addition, a stakeholder survey was carried out, where the stakeholders expressed their views on the existing performance of the Group companies, as well as their expectations and suggestions towards the management of social, environmental, and governance impacts. Several of the key external stakeholders were invited for in-depth interviews, which rendered a more concrete insight into their views on the existing performance and necessary improvements.

The conversations also revealed several practical suggestions and proposals, which were discussed with the Group's management team in conversations and at a workshop.

As a result, the CleanR Grupa's list of material impacts and the materiality matrix were prepared, reflecting the Group's key sustainability aspects.

For the CleanR Grupa 2023–2025 sustainability strategy, nine of the identified topics were prioritised, rendering four key sustainability areas for the Group:

- Climate impact mitigation, energy efficiency, circular solutions,
- Employee well-being and development,
- Access to services (innovation, digitization), incl. environmental education,
- Sustainable procurements and a responsible supply chain.

Within each of these areas, definite commitments have been made, and they are paid special attention to across the Group by setting targets and metrics, devising or supplementing respective policies, improving processes, and developing action plans.

Disclosure Requirements in ESRS covered by the undertaking's sustainability statement (IRO-2)

In accordance with the materiality assessment and the ESRS information disclosure requirements, the Sustainability Statement covers the following topics:

	ESRS standard	Group's material sustainability aspect	Page
Environment			**29**
E1	**Climate change**	Climate impact mitigation and energy efficiency	30
E2	**Pollution prevention**	Pollution (air, soil, water) prevention	46
E5	**Use of resources and circular economy**	Circular economy and circular solutions	50
Social information			**55**
SI	**Own workforce**	Employee health and safety	67
		Inclusive and fair treatment toward employees	61
		Employee development, education	66
S4	**Customers and end-users**	Access to services	74
		Safety of services (impact on customers and public health)	73
		Introduction of new, innovative technology, digitization	74
		Responsible, open and clear communication about services	70
		Data safety and protection of privacy	73
		Environmental education opportunities, promotion of the use of sustainable solutions	77
		Contribution to the local community	78
Governance			**79**
G1	**Business conduct**	Business ethics and compliance	82
		Responsible supply chain and sustainable supply chain	83
		Open communication and active stakeholder engagement	21, 85
		Active and transparent engagement in industry policy making	85

The topics that were not included in the materiality assessment or, as a result, were deemed immaterial are: Water and sea resources, Biodiversity and ecosystems, Workers in the value chain, Affected communities. The aspects will be repeatedly revised in 2025 when the new double materiality assessment will be conducted.

A table with the data points that derive from other EU legislation listed in ESRS 2 Appendix B can be found in the Appendix of the Statement.

Metrics in relation to material sustainability matters (MDR-M)

For each material sustainability area, concrete commitments have been made, and they are paid special attention to within the Group by setting targets and metrics. By running its daily operations and pursuing its sustainability targets, CleanR Grupa also contributes to the achievement of the United Nations (UN) Sustainable Development Goals (SDGs).

The progress made on the Group's targets is described in the respective thematic sections of the Statement; a summary can be found in the Appendix. The Group's external stakeholders were not involved in the target setting. The information according to the MDR-P and MDR-A reporting requirements on the Group's policies adopted and implemented to manage material sustainability matters, the completed and planned activities, and the allocated resources is provided in the respective thematic sections of the Statement.

Sustainability targets for 2023–2025

Environment

- To devise and introduce a greenhouse gas emission and avoided emissions accounting system by 2025.
- To increase the proportion of separately collected reusable and recyclable waste to 50 % of all the municipal waste collected by CleanR Grupa by 2025.

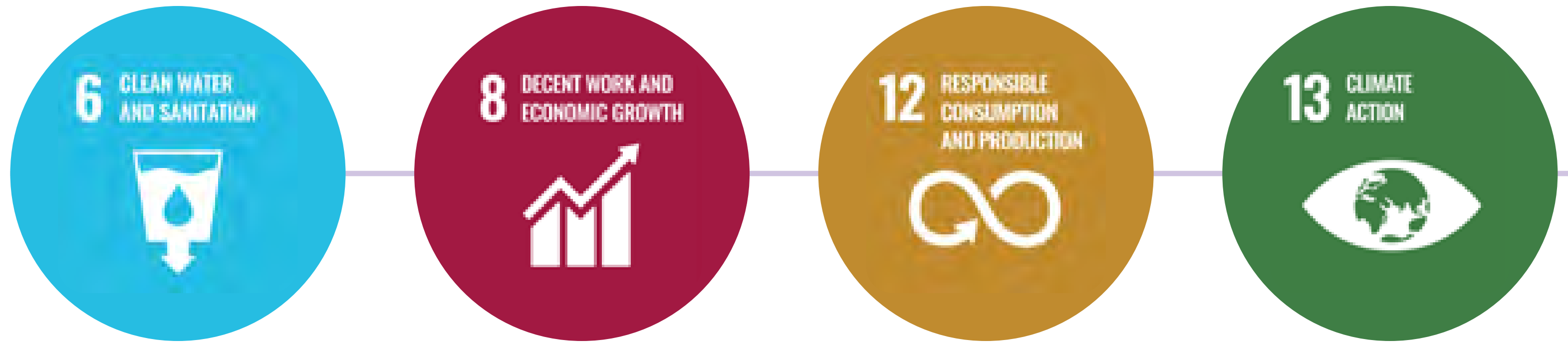
Society

- Zero work-related accidents.
- To reduce voluntary turnover by 3 % by 2025.
- To increase employee satisfaction by 5 points annually, reaching a 10-point eNPS by 2025.
- To provide an average of 16 hours of training per administrative staff member annually.
- By 2025 to increase the share of active e-services and app users to 75 % of all the Group's customers.
- To increase the share of customer requests received in e-services and the app to 60 % by 2025.
- In 2025, to reach customer satisfaction score (NPS) of 50.
- To increase the reached audience by informative and environmental education activities by 5 % annually.

Governance

- By 2025, all the Group's suppliers will be acquainted with and have agreed to the Group's Code of Conduct for Suppliers.
- By 2025, CleanR Grupa will have introduced a sustainable procurement system.

Significant impact on the UN SDGs



Environmental information

CLIMATE CHANGE

Strategy

We are committed to measuring, monitoring, and mitigating our impact on the environment in the long term, reviewing our habits and efficiency, as well as implementing new environment-friendly solutions. We seek to promote circularity by both creating new services and supporting initiatives fostering climate neutrality.

Integration of sustainability-related performance in incentive schemes (ESRS 2 GOV-3)

In the reporting period, CleanR Grupa continued implementing its GHG emission accounting system; therefore, at the time of preparing this Statement, GHG emission reduction targets have not been set. GHG emission targets are planned to be set by the end of 2025, at which point specific, science-based targets will be set and potentially included in the management incentive scheme.

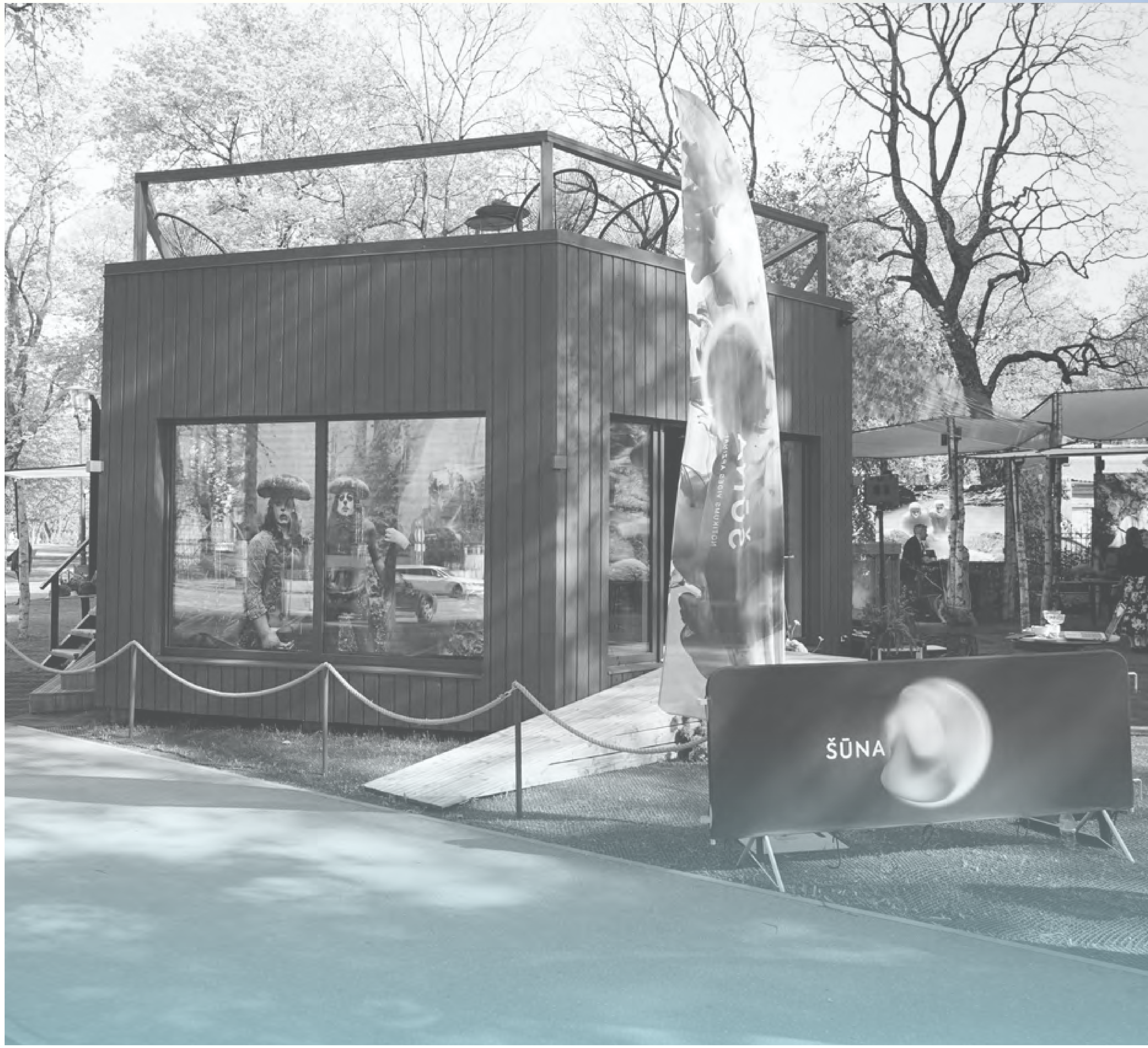
Regarding climate impact mitigation, **the Group has set a target to increase the proportion of separately collected, reusable, and recyclable waste to 50 % of all the municipal waste collected by the Group by 2025**.

By promoting and ensuring separate collection of waste and recycling, we reduce the amount of landfilled waste, thus decreasing the country's generated GHG emissions.

The implementation of this goal fosters achievement of two major environmental targets of the country:

1. to increase the share of municipal waste prepared for reuse or recycled to at least 55 % of all municipal waste generated (by volume) by 2025;
2. to reduce the amount of land-filled waste to just 10 % of all municipal waste generated (by weight) by 2035.

The target to increase the share of separately collected and recyclable waste has been integrated into the CleanR Board members' incentives scheme and the overall targets of the holding company; this target constitutes 15 % of the total targets of AS "CleanR Grupa".



Transition plan for climate change mitigation (E1-1)

In March 2024, the Group Board and the Council reviewed a report on the Group's climate risks and noted the prepared high-level Climate Change Mitigation and Transition Plan for the Group (hereinafter Climate Plan).

The Group's Climate Plan includes the key planned climate impact mitigation and climate adaptation actions for the next three years. These actions have been integrated into the Group's medium-term business strategy and budget.

The Group companies seek to adapt their strategies and business models to reduce impact on the environment and ensure the transition to a sustainable economy, to limit global warming, and foster the achievement of Latvia's GHG emissions reduction targets by 2030[1].

The key actions or decarbonisation measures include:

- electrification and modernization of the vehicle fleet;
- change of energy sources by gradually shifting to renewable energy sources and potentially sustainable fuels;
- reducing the environmental impact of services – by introducing sustainable solutions and ensuring production process optimization;
- efficient use of resources and improvement of energy efficiency.

The potential locked-in GHG emissions from the Group's key assets are primarily related to production sites – sorting and recycling facilities, as well as specialised vehicles.

The Group's main products – plastic pellets and flakes, sorted secondary materials, recycled construction refuse, and RDF – are produced using electricity. By increasing production capacity, electricity consumption will go up.

The use of transport run on fossil fuels is related to the Group companies' financial and technological possibilities – i.e., the option to use specialised vehicles which ensure efficient waste collection and loading processes, as well as urban maintenance works outside cities or in remote areas of the Latvian countryside, as well as the possibility to use the machinery all year round.

The above circumstances may affect the ability to reduce GHG emissions and increase transition risks in the future. Therefore, the Group companies will consider gradually shifting to the use of green or self-produced electricity in production facilities. Regarding transport, the Group is planning to transition to zero or low-emission vehicles or the use of renewable diesel. Currently, the Group does not plan to fully give up using petrol- or diesel-powered vehicles.

In the reporting year, the Group's subsidiary company CleanR tested an electric garbage truck, concluding that the use of such machinery in waste collection would be feasible and would significantly reduce GHG emissions at least by 39 % CO_2eq per truck annually. The company has applied for EU co-funding to purchase an electric waste hauler. The project might be implemented in 2026.

Last year, the Group assessed its economic activities according to the Taxonomy regulation (see Section EU Taxonomy statement) and is planning to retain the share of Taxonomy-aligned key performance indicators in the future, as well as seek to align its economic activities with the regulation criteria.

The economic activities of the CleanR Grupa companies are not connected with coal, oil, or gas. The company has not been excluded from the EU Paris-aligned benchmarks.

Progress on the Climate Plan will be assessed with the completion of the GHG accounting system and the setting of GHG targets in 2025. The key actions carried out in the reporting period have been addressed in the following subsection of this Statement – Actions and resources in relation to climate change (E1-3).

[1] Latvia's GHG emissions reduction target within the sectors uncovered by the EU's emissions trading scheme, such as energy, transport, production processes and product manufacturing, agriculture, and waste management, for 2030 is 17 %, compared to 2005. Source: https://www.europarl.europa.eu/topics/lv/article/20180208STO97442/siltumnicefekta-gazu-emisiju-samazinasana-es-valstu-merki-lidz-2030-gadam

Description of the processes to identify and assess material climate-related impacts, risks and opportunities (ESRS 2 IRO-1)

The Group's overall approach to risk and opportunity identification and the interaction of the identified aspects with its strategy and business model has been described in the section Impact, risk and opportunity management.

The Group assessed its material climate-related impacts, risks, and opportunities at the beginning of 2024. The climate-related risks were assessed in line with the Group's overall risk assessment methodology in the Group's main business areas – waste collection, sorting, and recycling, urban and road maintenance, and commercial cleaning.

During the risk assessment process, the Group also considered the scenarios and forecasts prepared by the UN Intergovernmental Panel on Climate Change (IPCC), European Environment Agency, and Latvian Environment, Geology and Meteorology Centre.

The forecasts show that the physical expression of climate change in Latvia will be limited to certain weather conditions, whose severity and frequency will gradually grow, however, no critical changes in the weather conditions are anticipated in the short or medium term that would have a material impact on the operations of the Group companies. The climate risks were assessed according to the methodology devised by the Task Force on Climate-Related Financial Disclosures, distinguishing between physical and transition risks. An analysis of climate risk resilience was primarily conducted on the Group companies' activities, to the extent possible, looking also at the upstream and downstream value chain.

Impact, risk and opportunity management

In the reporting year, a mapping and resilience analysis of actual and potential climate risks was carried out, and a summary of the most significant risks to the Group's business and assets (including locations of production facilities), that may affect the Group's operations in the short to medium term, was prepared. At the same time, the opportunities that climate change can bring were also evaluated. Based on the assessment, a proposal for short-term and mid-term climate adaptation and transition activities was devised.

The results of the climate risk and resilience assessment show that climate impacts are identifiable in the short- and medium-term in each of the Group's current areas of activity. Potentially, the Group's business areas see more opportunities than risks in the context of climate change, but their successful exploitation depends on forward-looking decision-making in each business line and the ability to adapt the business model.

Transition risks are most often related to opportunities to develop additional activities by expanding the range of services provided, while in the short term, additional revenues may be generated by weather-related emergencies at customer sites and the need to deal promptly with the consequences of these situations.

The Group will continue to monitor technological as well as regulatory developments, both globally and locally, to be able to respond promptly to our stakeholders' urgent needs.

Alongside monitoring the business opportunities created by climate change and technological advances, the Group will also keep track of its employee' well-being and their ability to perform their duties efficiently in the given circumstances.

At the same time, while conducting mitigation activities of the physical and transition risks caused by climate change and pursuing opportunities thereof, the Group also seeks to reduce its climate impact. The Group's impact on the climate is assessed every year by providing the Group's GHG emission calculations. Upon beginning the GHG emission calculations, the Group analysed its key processes and identified the key impact areas. Climate impacts, risks, and opportunities are reviewed once a year, together with the business risks assessment.

CleanR Grupa key climate risks and opportunities

Climate IRO	Impact time horizon*	Impact nature (+) or (-)	Value chain impact*	IRO description	Risk management/potential and actual adaptation activities
Physical risks					
Extreme temporary (acute) **or lasting** (chronic) **heat or cold and**	1	(-)	U, O, D	• Extreme temporary or lasting heat/cold may hinder the smooth operation of vehicles, machinery, and production lines. • Lasting draughts may cause dust, ignition of waste, and other materials at the maintained properties or sorting sites.	• Update business continuity plan preparation, including preventative measures. • Updated the Procedure for Reducing Environmental Impact in Emergency Situations.
	1	(-)	U, O, D	• Lasting heatwaves and gradual temperature increases may make waste degrade faster, thus causing unpleasant odours, spread of pests, rodents, etc. in areas where waste is collected, stored, and processed (especially relevant regarding biodegradable waste). • May cause customer dissatisfaction, increase the complaint count.	• Proactive dialogue with the stakeholders, including local governments, about adapting waste management practices and requirements to climate change caused circumstances. • Promotion of underground waste container solutions and expansion of the network of sites.
	1	(-)	O	• May prevent workers from getting to/from work or cause inappropriate working conditions.	• Adaptation of work schedules and work safety measures to the actual climatic conditions.
Storms, hail, floods, blizzards (acute)	1; 1–5	(-)	O	• May directly affect concrete operational sites and areas. • May damage company assets and property, including buildings, machinery, vehicles, waste sorting sites, etc.	• Making sure all crucial equipment and sites are protected against extreme weather. • Update business continuity plans and include preventative measures. • Updated the Procedure for Reducing Environmental Impact in Emergency Situations
	1; 1–5	(-)	U, O, D	• May cause traffic interruptions or road damage which may result in inability to provide services, causing reputational risks. • May hinder urban and road maintenance because of scattered waste, fallen trees, etc.	• Proactive dialogue with the stakeholders. • Work planning and flexible change of routes. • Strengthened ability to react promptly to emergencies and urgent customer needs.
	1	(-)	O	• May cause power outages at production facilities, leading to downtime.	• Update business continuity plans by including preventative measures, e.g., independent energy sources.
	1	(-)	U, O, D	• May hinder the delivery of essential resources and materials. • May hinder the delivery of produced materials to customers.	• Supplier mapping, identification of alternative products and alternative suppliers, regular updating of information. • Product market and channel monitoring.
Sharp and frequent changes in weather conditions in winter	1	(-)	O	• May require prompt changes in work schedules and workload, posing the risk of not fulfilling contracted work volumes, causing reputational risks.	• Planning of workload and prompt route adaptation. • Proactive dialogue with stakeholders on the impact of weather conditions.
Opportunities					
Increased demand for services	1	(+)	O, D	• Potential increase in the demand for urban cleaning and industrial waste management services.	• Planning of workload and prompt route adaptation. • Strengthened ability to react promptly to emergencies and urgent customer needs.

*Short-term time horizon, years – 1; Short-term, years: 1-5; Value chain impact: Upstream – U, Downstream – D, or Group processes/own operations – O.

CleanR Grupa key climate risks and opportunities (continued)

Climate IRO	Impact time horizon*	Impact nature (+) or (-)	Value chain impact*	IRO description	Risk management/potential and actual adaptation activities
Transition risks					
Requirement to reduce GHG emissions both in own operations and the value chain	1; 1–5	(-)	U, O, D	• Stricter requirements for low-emission vehicles may cause significant increases in costs. • The requirement to reduce GHG emissions in own activities may cause additional costs arising from the transition to a low-carbon economy, and renewable energy resources. • Inability to adapt to these requirements, achieve set aims.	• Vehicle fleet modernization and electrification. • Transition to more energy-efficient, robotized commercial cleaning solutions. • Improvement of employee skill set - ability to handle new technological solutions. • Management of own climate impact, setting and implementation of GHG emission targets, development of a climate plan.
Increased requirements and the need to improve energy efficiency in buildings	1; 1–5	(-)	O	• May affect the company's assets and create the need for additional investments, for example, in heat loss prevention, installation of ventilation/cooling systems due to global warming.	• Strengthening of the physical resilience and energy efficiency of the Group's sites, and ensuring alternative sources of energy. • Attraction of EU funds, Altum, etc.
Regulatory changes in the waste management industry, requirement for a more rapid increase in the volumes of separately collected and recycled waste	1; 1–5	(-)	U, O, D	• May cause significant increases in costs related to the expansion of waste collection infrastructure, including waste transportation costs. • May cause the need for additional investments in new production or recycling solutions, posing the risk of unsuccessful investments.	• Active engagement in industry policy making, following regulatory, innovation, and technological advances locally and globally. • Effective route planning. • Implementation of innovative IT and technological solutions. • Attraction of EU funds.
Opportunities					
Competitiveness and cost efficiency	1–5	(+)	O	• Strategic and gradual vehicle fleet modernisation and implementation of robotised cleaning solutions may give a competitive edge, as well as the chance to attract workers. • Wider implementation of energy-efficient solutions in the key impact areas may cut costs.	• Active engagement with the stakeholders; keeping track of the changes in the state and local government requirements regarding vehicle fleet. • Informing the stakeholders of the principles governing the work environment, service provision, and the possibility to work with modern equipment and technology. • Management of own climate impact, setting and implementation of GHG emission reduction targets, development of a detailed climate plan.
Climate impact mitigation	1; 1–5	(+)	U, O, D	• By increasing the amount of separately collected waste, by sorting and returning materials in circulation, carbon emissions are avoided.	• Separate collection of waste; implementation of an avoided emissions accounting system, informing the stakeholders of the positive impact.
Business development	1; 1–5	(+)	O	• Active engagement in industry policy making, following regulatory, innovation, and technological advances locally and globally.	• Stakeholder representation at organizations. • Introduction of potentially new service, infrastructure, waste recycling solutions.

*Short-term time horizon, years – 1; Short-term, years: 1-5; Value chain impact: Upstream – U, Downstream – D, or Group processes/own operations – O.

Policies related to climate change mitigation and adaptation (E1-2)

To manage its material impacts, risks and opportunities related to climate change mitigation and adaptation, the Group has adopted the Sustainability Policy and the Environmental and Energy Management Policy.

The policies are published and available for the stakeholders on the CleanR Grupa website. The implementation of the Group's Environmental policy and the area itself is overseen by one of the board members (see Section Corporate governance statement).

Sustainability matters addressed in these policies include responsibility of own actions related to climate by ensuring compliance with the requirements of agreements, permits, and environmental legislation, ongoing monitoring of own climate impact and prevention, efficient use of resources and energy efficiency, stakeholder engagement and education on industry climate impact and environmental protection, ongoing improvement of the environmental and energy management system.

The environmental and energy management system of the Group's largest companies – SIA "Clean R", SIA "CleanR Industry", SIA "Vides resursu centrs", SIA "Vizii" have been certified according to ISO standards: ISO 14001:2015 and ISO 50001:2018. The environmental management system of SIA "Vizii Urban" and SIA "Lautus" has been certified according to ISO 14001:2015.

In each of the business lines, specific environmental aspects and risks are monitored, targets are set, and specific activities and operations are planned for their implementation. a system for environmental target monitoring has been introduced.

ISO 14001:2015
ISO 50001:2018

ISO 14001:2015

Actions and resources in relation to climate change policies (E1-3)

In the reporting year, the Group continued implementing its GHG emissions accounting system and performed specific climate impact mitigation actions within the Group companies' own activities.

Vehicle fleet modernization and introduction of innovative technological solutions

As part of its climate impact mitigation and adaptation activities, in 2023, CleanR Grupa purchased a total of 14, but in 2024, nine specialized vehicles meeting the highest ecological standards.

CleanR purchased new trucks for waste management services. They include new underground container garbage trucks, waste haulers, as well as specialized trucks for the collection of bulky waste, electrical appliances, and textiles.

SIA "Vizii Urban" used an electric vacuum street sweeper, which is the first of its kind in Latvia; the equipment has received an Association for work machinery and municipal technology in Germany (VAK) innovations award.

In the reporting year, CleanR Verso purchased an electric building refuse and industrial waste shredder, replacing the machinery powered by fossil fuel.

The commercial cleaning firm Vizii began utilising 21 cleaning robots. The use of this machinery reduces environmental impact, optimizes cleaning processes, reduces electricity and water consumption, and ensures high cleaning standards.

Energy efficiency, resource efficiency and process optimization

In 2024, the Group continued improving its energy efficiency, completing heat insulation of the vehicle repair workshop. We also continued lighting improvements at the production sites of the Group companies as well as the office building, including the installation of light sensors.

To reduce fuel consumption in waste collection processes, we continuously review our waste collection routes and optimize them. The calculations reveal that, by introducing underground waste container solutions, savings made on fuel consumption along these routes reach an average of 20 %, as these containers need to be emptied less frequently.

Next year, Vizii Urban is planning to start working on a Task Management System, which will ensure more accurate recording of the resources (fuel, etc.) consumed for each urban maintenance-related job and facilitate resource optimization. Also, every year before the winter season, we run checks and perform calibration of our spreading machinery to ensure the optimum amount of anti-slip material on roads.

At the end of the reporting period, the Group's commercial cleaning company Vizii introduced "Vizii e-warehouse", an IT solution allowing the company to manage cleaning detergent and product orders, keep track of the products in stock, and their usage at sites.

The total amount of investments (CapEx) made in the reporting period towards the implementation of the Group's Climate Plan amounts to EUR 4.1 million. The amount is included in the key performance indicators, which have been calculated according to the Commission Delegated Regulation (EU) 2021/2178 and are included in the EU Taxonomy statement – the next chapter of this Statement.

In the next reporting period, the Group is planning to continue decarbonizing its operations and introducing climate impact mitigation and adaptation measures. We will continue vehicle fleet modernization, development of underground waste container infrastructure, as well as we plan to gradually transition to the use of renewable energy at one of our largest production facilities-municipal waste sorting centre SIA "Vides resursu centrs".

Total investments next year are expected to constitute the same amount as in the previous year. Yet, the implementation of the aforementioned plans is directly linked to the market situation (prices), availability of own financial resources, and their allocation in the respective fiscal year.

EU Taxonomy statement

To foster the implementation of the European Green Deal targets and sustainable investments, in 2020, the EU adopted Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (hereinafter Taxonomy regulation/Taxonomy). It is an economic activities classification system that determines the types of economic activities that are deemed environmentally sustainable.

The Taxonomy Regulation identifies six environmental objectives:

a) climate change mitigation;

b) climate change adaptation;

c) the sustainable use and protection of water and marine resources;

d) the transition to a circular economy;

e) pollution prevention and control;

f) the protection and restoration of biodiversity and ecosystems.

The Commission Delegated Regulations (EU) 2021/2139 and (EU) 2023/2486 lay down the criteria companies must use to assess whether a particular economic activity fosters the implementation of any of the above-mentioned objectives while causing no harm to the other objectives.

According to the Taxonomy regulation and the requirements of the European sustainability reporting E1 Climate Change standard, companies in their annual sustainability statement must disclose the share in their key performance indicators – turnover, capital investments, operational expenses, operational expenses derived from Taxonomy-eligible and Taxonomy-aligned economic activities.

In 2024, CleanR Grupa assessed the eligibility and alignment of the types of economic activities of the companies under its full financial and operational control with the Taxonomy regulation and carried out calculations accordingly, which are provided on the next pages of this Statement.

Taxonomy non-eligible activities include the operations of the Group companies which provide commercial cleaning, urban maintenance services, and holding company management – those companies being SIA "Vizii", SIA "Vizii Urban", SIA "KOM-AUTO", SIA "Vizii Management", and AS "CleanR Grupa". The calculations and assessment do not include SIA "Lautus", a company acquired in November 2024.

CleanR Grupa Taxonomy-eligible activities include:

Group subsidiary company and its economic activity according to NACE 2.1.	Activity type according to Taxonomy regulation
SIA "Clean R" 38.11. Collection of non-hazardous waste	5.5. Collection and transport of non-hazardous waste in source segregated fractions; 5.9. Material recovery from non-hazardous waste;
SIA "CleanR Industry" 38.21. Materials recovery	5.9. Material recovery from non-hazardous waste;
SIA "CleanR Verso" 38.11. Collection of non-hazardous waste	5.5. Collection and transport of non-hazardous waste in source segregated fractions; 5.9. Material recovery from non-hazardous waste;
SIA "CleanR NĪ" 68.20. Rental and operating of own or leased real estate	7.7. Acquisition and ownership of buildings;
SIA "Eko Terra" 38.11. Collection of non-hazardous waste	5.5. Collection and transport of non-hazardous waste in source segregated fractions; 5.6. Anaerobic digestion of sewage sludge;
PS "Vides pakalpojumi Liepājai" 38.11. Collection of non-hazardous waste	5.5. Collection and transport of non-hazardous waste in source segregated fractions;
SIA "Vides resursu centrs" 38.21. Materials recovery	5.9. Material recovery from non-hazardous waste;
SIA "Zaļā josta" 38.21. Materials recovery	5.9. Material recovery from non-hazardous waste.

EU Taxonomy statement (continued)

Assessment process

To assess the alignment of the Groups' activities, we analysed their contribution towards the Taxonomy **climate change mitigation target**. We assessed compliance with the "do no significant harm" (DNSH) principle, as well as compliance with the minimum social safeguards as prescribed by Article 18 of the Taxonomy regulation.

In the first assessment step, the economic activities of SIA "CleanR NĪ" (7.7. Acquisition and ownership of buildings) and SIA "Eko Terra" (5.6. Anaerobic digestion of sewage sludge) were deemed Taxonomy non-eligible as they did not fully meet the set basic criteria.

The rest of the operations of the CleanR Grupa companies, which are related to **waste transportation** (5.5. Collection and transport of non-hazardous waste in source segregated fractions) and **waste sorting and recycling** (5.9. Material recovery from non-hazardous waste) – **foster the implementation of the climate change mitigation target and adhere to the DNSH principles**:

- The CleanR Grupa companies ensure the collection and transportation of all separately collected non-hazardous waste and hand it over for recycling or reuse. Separately collected fractions of waste are not mixed with other waste or materials of different properties. The activity-related climate risks have been assessed and risk mitigation measures applied.
- The CleanR Grupa waste sorting and recycling companies foster climate change mitigation as they ensure that more than 50 % of separately collected, recycled non-hazardous waste (by volume) is turned into recycled raw materials, which may replace virgin materials in production processes. The activity-related climate risks have been assessed and risk mitigation measures applied. Also, environmental impact assessment has been carried out and the appropriate impact mitigation activities regarding environmental protection are conducted.

In the view of the CleanR Grupa management, **all economic activities of the Group companies comply with the minimum safeguards in the fields of social security and governance**. The company implements policies and processes that foster observance of human rights, conflict-of-interest prevention, payment of taxes, and fair competition. The Group has introduced a work-related accident prevention and management system. The Group makes sure its companies operate in accordance with the relevant laws and regulations. In the reporting period, no incidents have been detected or reported in any of the above-mentioned areas, thus, it has been concluded that the Group companies comply with the minimum safeguards in the fields of social security and governance.

Approach to key performance indicator calculations

The calculations have been made according to the Taxonomy regulation, Commission Delegated Regulations (EU) 2021/2178, and related documents. They are based on the considerations and assumptions described below. We have made sure that the mentioned indicators are not simultaneously applied to several Taxonomy-mentioned activities.

Turnover

The proportion of Taxonomy-eligible and Taxonomy-aligned activities in the Group revenue has been determined, considering the aforementioned assessment, the Group's accountancy policy and approach, the activity type, product and services revenue analysis, for example, revenues from waste management, container rental, transportation services, and product sales.

Operating expenses

The proportion of Taxonomy-eligible and Taxonomy-aligned activities in the Group expenses has been determined, considering the aforementioned assessment and assessing expenses according to the activity type. Operating expenses (OpEx) include expenses related to running the company's daily operations, for example, personnel expenses, depreciation of equipment, stock adjustments, utilities, transport maintenance costs, and other operating costs. The cost analysis does not consider the costs of the mutual services provided between the Group companies.

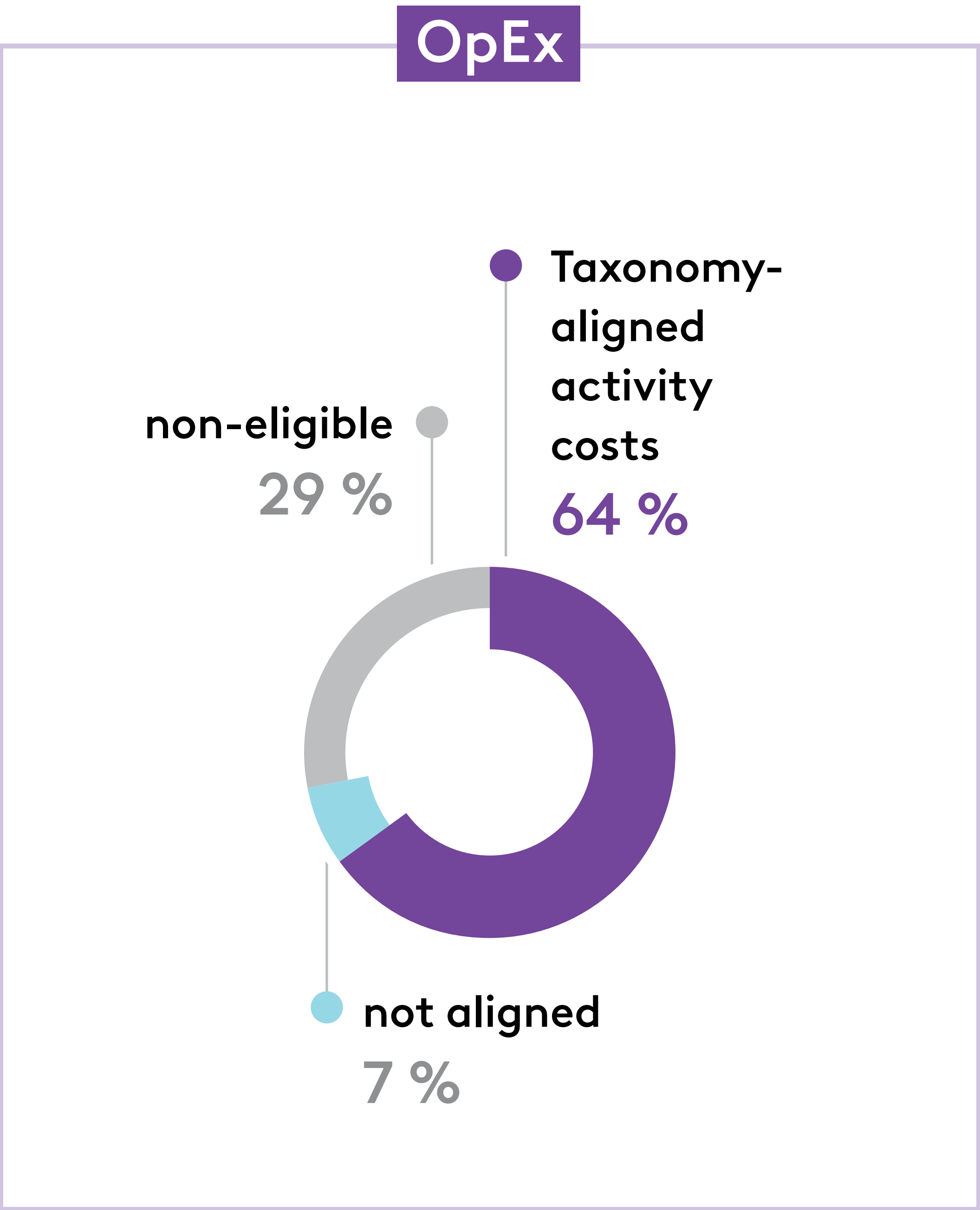
Capital investments

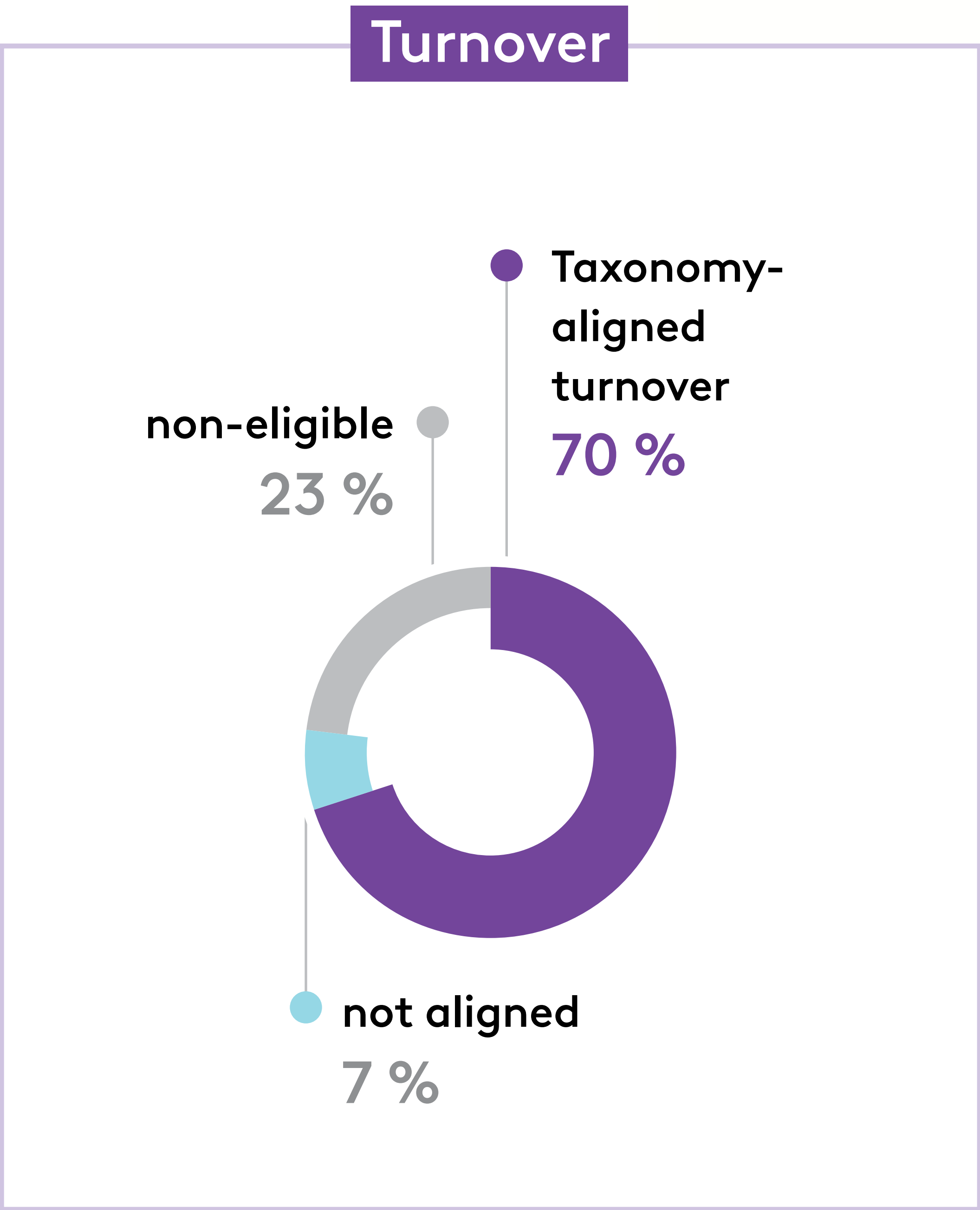
The capital investments (CapEx) analysis was conducted by looking at each capital investment position individually to determine whether each concrete position was Taxonomy-eligible. This analysis also included subsidiary companies whose basic operations are not Taxonomy-eligible. This approach ensured that the Statement includes all those Group-made capital investments which foster sustainable development and contribute to the environmental objectives set by the Taxonomy regulation.

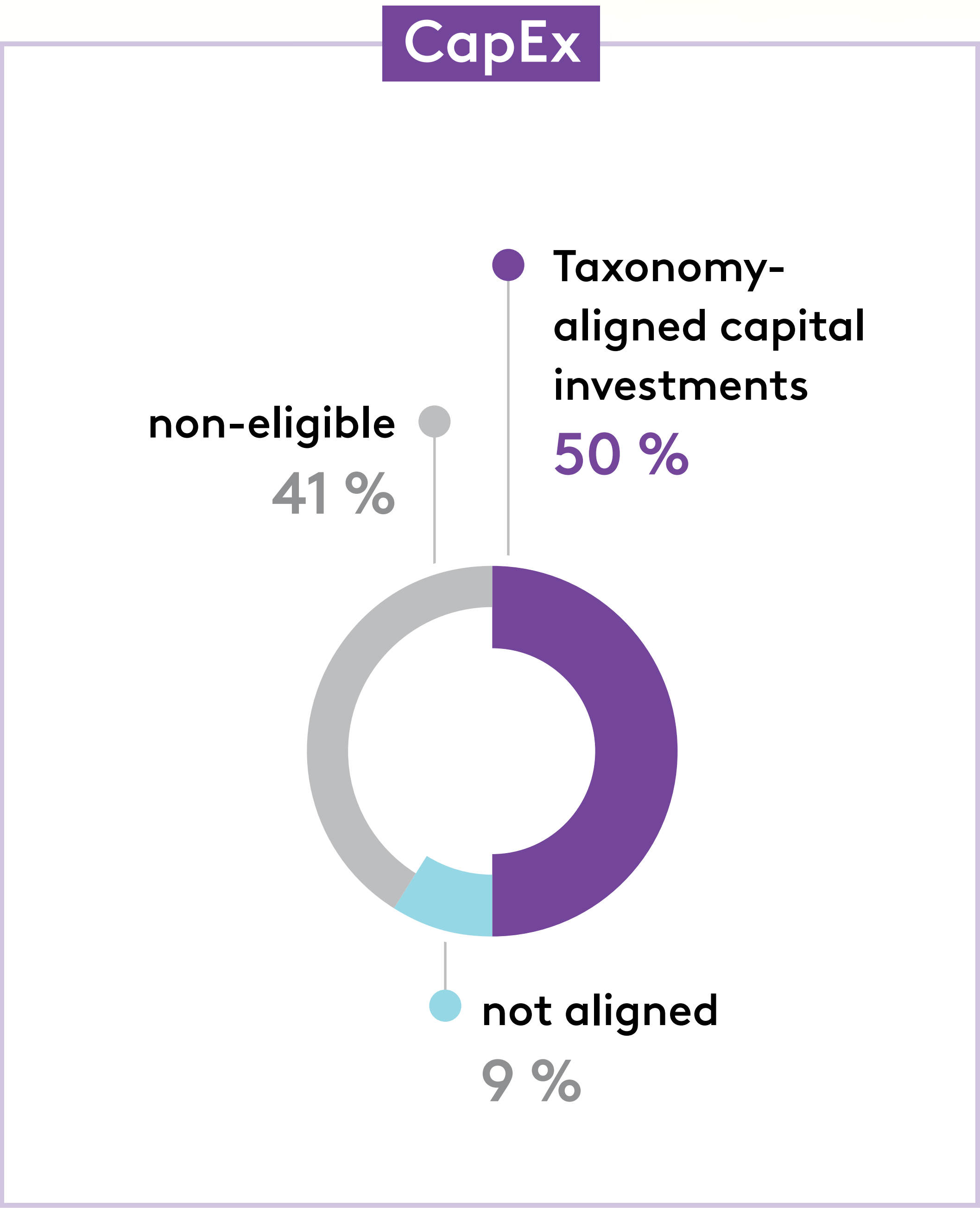
CleanR Grupa significantly fosters several of the environmental objectives of the Taxonomy regulation; therefore, in the future, it will assess compliance with the rest of the eligible objective criteria, improve the accounting principles and approach to calculations.

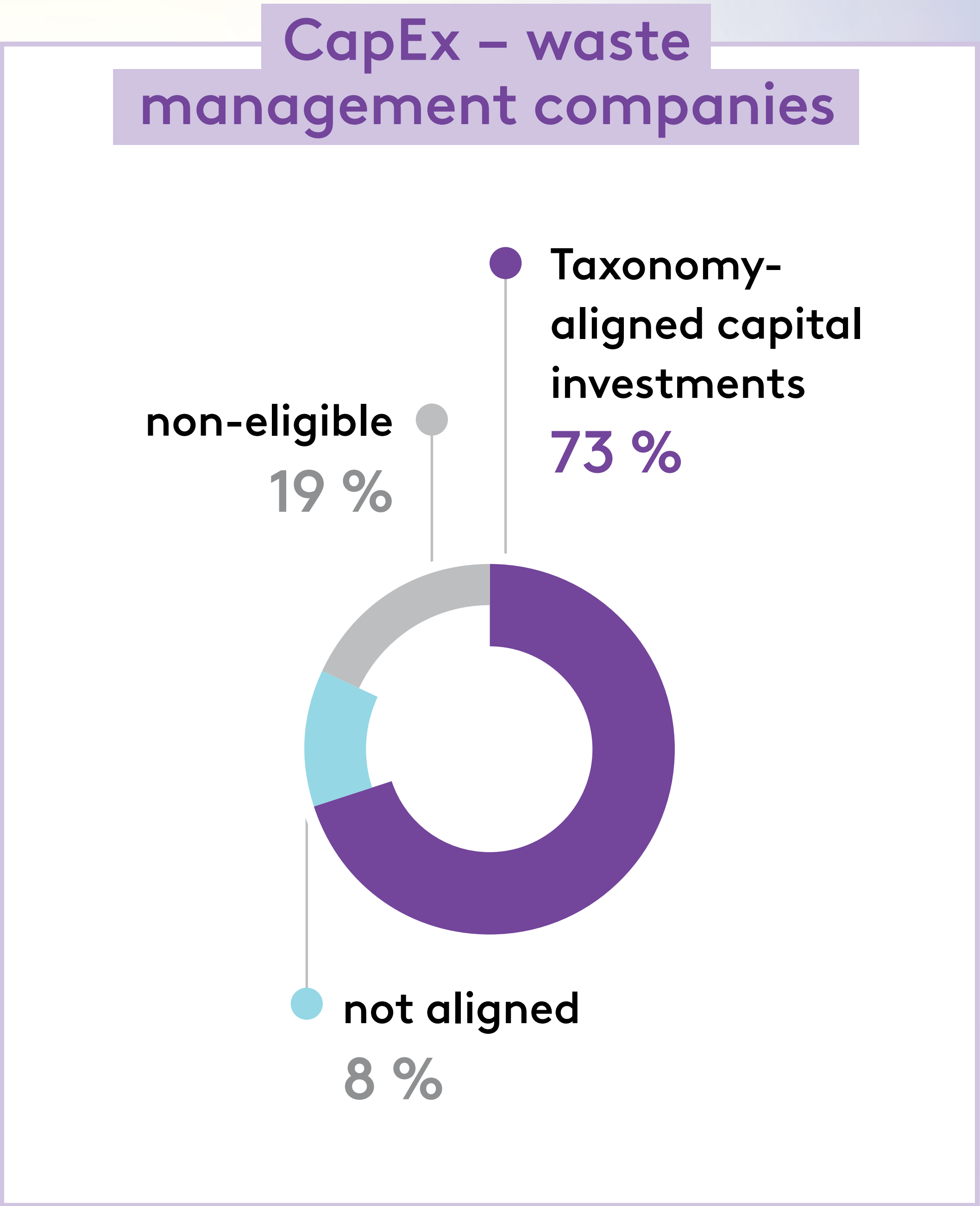
EU Taxonomy statement (continued)

Calculation results









In the reporting period, the Taxonomy-aligned activity costs amounted to 64 %, non-compliant – 7 %, and non-eligible – 29 %. The Taxonomy-aligned turnover constituted 70 %, not aligned – 7 %, and non-eligible 23 %, while the Taxonomy-aligned capital investments constituted 50 %, not aligned – 9 %, and non-eligible – 41%.

By looking separately at the capital investments position for waste management companies only, we were able to conclude that, in the reporting period, the Taxonomy-aligned capital investments constituted 73 %, not aligned 8 %, and non-eligible 19 %.

In the future, by balancing out its business growth with the Taxonomy objectives, the Group will seek to retain the share of the Taxonomy-aligned key performance indicators, especially investments, and will seek to align its economic activities with the criteria set in the regulation.

EU Taxonomy statement (continued)

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

Financial year 2024	Year 2024			Substantial contribution criteria						DNSH criteria ("Do No Significant Harm")									
Economic Activities (1)	Code (2)	Turnover (3)	Proportion of Turnover, year N (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned or -eligible turnover, year 2023	Category enabling activity (19)	Category transitional activity (20)
		mil. EUR	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5.	48.10	41 %	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		
Anaerobic digestion of sewage sludge	CCM 5.6.	0.00	0 %	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		
Material recovery from non-hazardous waste	CCM 5.9.	33.20	29 %	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		
Acquisition and ownership of buildings	CCM 7.7.	0.00	0 %	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**81.30**	**70 %**	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5.	7.75	7 %																
Anaerobic digestion of sewage sludge	CCM 5.6.	0.70	1 %																
Material recovery from non-hazardous waste	CCM 5.9.	0.00	0 %																
Acquisition and ownership of buildings	CCM 7.7.	0.00	0 %																
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**8.45**	**7 %**																
Turnover of Taxonomy-eligible activities (A.1+A.2)		**89.75**	**77 %**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		26.19	23 %																
TOTAL		**115.93**	**100 %**																

*CCM – Climate changes mitigation
N/A – Not applicable

EU Taxonomy statement (continued)

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

Financial year 2024	Year 2024			Substantial contribution criteria						DNSH criteria ("Do No Significant Harm")										
Economic Activities (1)	Code (2)	CapEx (3)	Proportion of CapEx, year 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned or -eligible CapEx, year 2023	Category enabling activity (19)	Category transitional activity (20)
		mil. EUR	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5.	2.92	27 %	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		
Material recovery from non-hazardous waste	CCM 5.9.	2.27	21 %	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		
Freight transport services by road	CCM 6.6.	0.00	0 %	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		T
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3.	0.14	1 %	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A	E	
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**5.33**	**50 %**	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5.	0.49	5 %																
Material recovery from non-hazardous waste	CCM 5.9.	0.00	0 %																
Freight transport services by road	CCM 6.6.	0.50	5 %																
Installation, maintenance and repair of energy efficiency equipment	CCM 7.3.	0.00	0 %																
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**0.99**	**9 %**																
CapEx of Taxonomy-eligible activities (A.1+A.2)		**6.33**	**60 %**																
B.TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		4.31	40 %																
TOTAL		**10.63**	**100 %**																

*CCM – Climate changes mitigation
N/A – Not applicable

EU Taxonomy statement (continued)

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

Financial year 2024	Year 2024			Substantial contribution criteria						DNSH criteria ("Do No Significant Harm")									
Economic Activities (1)	Code (2)	OpEx (3)	Proportion of OpEx, year 2024 (4)	Climate Change Mitigation (5)	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)	Minimum Safeguards (17)	Proportion of Taxonomy-aligned or -eligible OpEx, year 2023	Category enabling activity (19)	Category transitional activity (20)
		mil. EUR	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5.	35.26	35 %	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		
Anaerobic digestion of sewage sludge	CCM 5.6.	0.00	0 %	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		
Material recovery from non-hazardous waste	CCM 5.9.	29.25	29 %	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		
Acquisition and ownership of buildings	CCM 7.7.	0.00	0 %	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**64.51**	**64 %**	100 %	0 %	0 %	0 %	0 %	0 %		Yes	Yes	Yes	Yes	Yes	Yes	N/A		
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Collection and transport of non-hazardous waste in source segregated fractions	CCM 5.5.	5.62	6 %																
Anaerobic digestion of sewage sludge	CCM 5.6.	0.73	1 %																
Material recovery from non-hazardous waste	CCM 5.9.	0.00	0 %																
Acquisition and ownership of buildings	CCM 7.7.	0.21	0 %																
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**6.56**	**7 %**																
OpEx of Taxonomy eligible activities (A.1+A.2)		**71.07**	**70 %**																
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		29.75	30 %																
TOTAL		**100.82**	**100 %**																

*CCM – Climate changes mitigation
N/A – Not applicable

Targets related to climate change mitigation and adaptation (E1-4)

The Group's Sustainability Policy and the Environment and Energy Management Policy state that the Group monitors its climate impact by keeping track of its resource consumption and carbon footprint, and based on the data, it plans and implements targeted and practical activities to reduce its emissions and increase energy efficiency.

In the reporting year implementation of the Group's greenhouse gas (GHG) emissions calculation and accounting system was continued. GHG reduction targets are currently not set. It is planned to set them in 2025, after two years of full emissions calculations have been carried out, so that reasonable forecasts and assumptions can be made accordingly. Consequently, the exact GHG emission reductions achieved and expected from decarbonisation actions will also be calculated in the following reporting year.

To determine the environment-, society-, technology-, and market-related developments, and decarbonisation levers, different climate scenarios were considered. The assessment process has been described in the section Description of the process to identify and assess material climate-related impacts, risks and opportunities.

The other target linked to the management of climate-related impacts, risks, and opportunities has been described in the following sections: Inclusion of sustainability-related performance in incentive schemes and Circular economy.

Energy consumption and energy resource structure (E1-5)

According to the sustainability information disclosure requirements, companies with operations in high climate impact sectors must report on energy intensity and energy consumption in absolute value, including the share of renewable energy in their overall energy mix.

Pursuant to Commission Delegated Regulation (EU) 2022/1288, companies with operations in high climate impact sectors conduct economic activities indicated in the NACE classification sections A to H, as well as L; that includes the Group's waste management and recycling businesses – SIA "Clean R", SIA "CleanR Industry", SIA "CleanR Verso", PS "Vides pakalpojumi Liepājai" and SIA "Vides resursu centrs", SIA "Eko Terra", SIA "Zaļa josta" and SIA "Lautus".

In the reporting period, the Group's overall energy consumption arising from the activities in high climate impact sectors reached 34 891 MWh; energy consumption from fossil sources accounted for 32 668 MWh, with the largest share made up of transport fuel. Compared to the previous reporting period, the Group's overall energy consumption arising from the activities in high climate impact sectors has grown by one per cent. The share of renewable energy in the Group's overall energy consumption amounted to 6 %, which is 40 % less than in the previous period due to reduced biogas consumption at the municipal waste sorting plant. Meanwhile, energy intensity per net revenue has decreased by 20 % and stands at 0.00038 MWh/EUR.

Energy consumption and energy resource structure	2023	2024	Changes %
(1) Fuel consumption from coal and coal products (MWh)	0	0	N/A
(2) Fuel consumption from crude oil and petroleum products (MWh)	17 133	17 272	1 %
(3) Fuel consumption from natural gas (MWh)	78	1	-99 %
(4) Fuel consumption from other fossil sources (MWh)	4 111	4 152	1 %
(5) Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources (MWh)	9 598	11 244	17 %
(6) Total fossil energy consumption (MWh)	**30 920**	**32 669**	**6 %**
Share of fossil sources in total energy consumption (%)	**89 %**	**94 %**	**5 %**
(7) Consumption from nuclear sources (MWh)	**0**	**0**	**N/A**
Share of consumption from nuclear sources in total energy consumption (%)	0	0	N/A
(8) Fuel consumption for renewable sources, including biomass (MWh)	3 652	2 139	-41 %
(9) Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources (MWh)	0	0	N/A
(10) The consumption of self-generated non-fuel renewable energy (MWh)	0	85	N/A
(11) Total renewable energy consumption (MWh)	**3 652**	**2 223**	**-39 %**
Share of renewable sources in total energy consumption (%)	**11 %**	**6 %**	**-40 %**
Total energy consumption (MWh)	**34 571**	**34 892**	**1 %**

Energy intensity per net revenue

Energy intensity per net revenue	2023	2024	Changes %
Total energy consumption from activities in high climate impact sectors per net revenue from activities in high climate impact sectors (MWh/EUR)	0.00048	0.00038	-20 %

In the reporting year, the Group's total net revenue amounted to EUR 121 101 456. Of this, EUR 91 262 195 was used for the energy intensity calculation, while EUR 29 839 261 was excluded. The net revenue from activities in high climate impact sectors is aligned with the financial statements and included in the total consolidated amount reported under the "Net Revenue" line item in the financial report.

Gross Scopes 1, 2, 3 and Total GHG emissions (E1-6)

In the reporting period, the Group continued making an inventory of its GHG emission sources in its key business lines and made respective calculations according to the GHG Protocol Corporate Standard, GHG Protocol Scope 2 Guidance, and The Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011 edition).

The GHG emission calculation includes only those companies where CleanR Grupa exercises full financial and operational control; the companies have been listed in the About CleanR Grupa section of this Statement. The GHG calculation time horizon coincides with the fiscal year.

The Group's value chain assessment was completed in 2024 and, for the first time, has been included in this Sustainability Statement. The assessment revealed that the Group's upstream and downstream value chain definitions and limits have not changed compared to the previous reporting period (see Section Strategy, business model, and value chain).

In the previous annual report, the GHG emissions statement included information about the first three categories in the upstream value chain of two Group companies. In this reporting period, we continued Scope 3 emission calculations in the rest of the identified significant categories and updated the previously performed calculations for 2023, for all companies falling within the scope of the Statement.

Approach to GHG emissions calculation

The emission calculations were based on the respective year's emission factors found of such international databases as DEFRA, Ecoinvent, and EXIOBASE, as well as local data sources – the information available on the internet site of Augstsprieguma tīkls on the energy origin and the emission factors published on internet site of the Ministry of Climate and Energy for the district heat produced in Latvia.

Scope 1 GHG emissions include emissions caused by stationary and mobile combustion sources – use of transport fuel, and own heating.

Scope 2 GHG emissions include emissions from purchased electricity and heat. Biogenic CO_2 emissions from the burning of biomass or biodegrading have been included in Scope 1 or Scope 2 GHG emissions, depending on whether it is burnt at own facility or purchased.

Significant Scope 3 GHG emission category calculations were made, using the average data method and only secondary data sources – emissions factors available on the above-mentioned international databases. In the future, we will seek to make the calculations more accurate by striving to obtain emission data from suppliers and customers.

The emission calculations for the purchasing of services, as well as most goods and capital assets – **category 1 and 2**, respectively – were made using the spend-based method – the EXIOBASE emission factors and Sustinere's, a consulting firm, competence in their application. Where possible, the data on the volume of the purchased goods (kg, litres, tons) and the material type were used, multiplying them by the respective emission, the average quantity of emissions caused by producing one unit of the respective material and item. For services, a spend limit was set at 2 % of the turnover of each company (EBIDTA, minus staff and landfill costs). Intra-group services were excluded from the calculations. To calculate the material impact from the goods purchased, the goods that exceed 80 % of the Group's goods and raw material expenditure were included in the calculation.

For fuel and energy-related activity – **category 3 emission** calculations, the average data method was used: the emission factors from the DEFRA database. The company's consumed quantities multiplied by the fuel, electricity, heat extraction, and delivery (Well-to-Tank) emission factors per unit of consumption (t or kWh).

Category 4 – to calculate emissions from the transportation of the goods purchased by the company, the average data method was used. As the actual transportation distance of the goods delivered was not known to the company, plus the Group purchases goods and services from various countries, we used the official statistical data available in Latvia on the average goods transportation distances outside and within Latvia. The actual or estimated weight of the goods purchased was multiplied by the average distance and then multiplied by the emission factors of the respective transport (kg CO_2eq/tkm).

To calculate **category 7 emissions** arising from employee commuting, an employee survey was carried out, in which employees indicated the frequency, distance, and transport types of their commutes. Calculations were based on the representative data sample.

To calculate **category 9 emissions** from downstream transportation of the Group's products (sorted cardboard, glass, produced plastic pellets, etc.), Latvia's official statistical data on average transport distances within and outside Latvia were used, taking into account product weight and road freight transport emissions (kg CO_2eq/tkm).

The **category 10** emission calculations are based on the assumption that 100 % of the products sold are further recycled into new materials or goods. The sold volume was multiplied by the respective recycling emission factors (DEFRA, Ecoinvent). According to the GHG Protocol, the emissions from further processing of refuse-derived fuel (RDF) are not attributed to the Group's GHG emissions as RDF is used as fuel and included in the customers' Scope 1 emissions.

Gross Scopes 1, 2, 3 and Total GHG emissions (E1-6) (continued)

In 2023, **an inventory of Scope 3 emission categories** was carried out, **based on GHG emission estimates**, assessing the relevance and impact of each category on the total emission amounts. As a result of the assessment, the following Scope 3 emissions were excluded from the calculation:

Category	Justification for exclusion
5. Waste generated in operations	The estimated emissions from the waste generated in operations constitute less than 1 % of total emissions. The recycling of the municipal and sorted waste generated is performed at the Group's own facilities, so the caused emissions are included in Scope 1 and 2 emissions.
6. Business travel	Based on the emission inventory, the estimated emissions from the average number of business trips per year constitute less than 1 % of total emissions.
8. Upstream leased assets	The Group companies lease premises and means of transport, containers, and other types of equipment from third parties; their impact has been considered in Scope 1, Scope 2, or Scope 3 category 2.
12. End-of-life treatment of sold products	The products made by the Group companies are intermediate products that are recycled into other products.
13. Downstream leased assets	The Group's key leased assets are within the Group, therefore, they are included in mutual payments and excluded from the calculation to avoid double counting.
14. Franchises	Not applicable. The Group company products are not sold or distributed by other companies.
15. Investments	Not applicable. The Group does not offer financial services. The parent company's investments are included in the capital goods category.

At least once in three years, as well as in case of significant events or change of circumstances, the Group will reassess and update the overview of its Scope 3 GHG emission inventory.

The Group companies do not participate in the EU Emissions Trading Scheme, and the Group's emissions are not offset.

CleanR Grupa GHG emission statement

GHG emissions scope/year	2023	2024	Changes %
Scope 1 GHG emissions			
Gross Scope 1 GHG emissions (tCO_2eq)	**6 302**	**6 590**	**5 %**
Percentage of Scope 1 GHG emissions from regulated emission trading schemes (%)	0	0	0 %
incl. biogenic emissions	6.54	10	60 %
Scope 2 GHG emissions			
Gross location-based Scope 2 GHG emissions (tCO_2eq)	**4 938**	**6 213**	**26 %**
Gross market-based Scope 2 GHG emissions (tCO_2eq)	**4 454**	**5 469**	**23 %**
incl. biogenic emissions	0.99	0	-65 %
Significant scope 3 GHG emissions			
Total Gross indirect (Scope 3) GHG emissions (tCO_2eq)	**76 235**	**99 354**	**30 %**
1. Purchased goods and services	28 892	39 839	38 %
2. Capital goods	6 567	7 488	14 %
3. Fuel and energy-related activities	1 909	1 999	5 %
4. Upstream transportation and distribution	1 227	1 183	-4 %
5. Waste generated in operations	N/A	N/A	N/A
6. Business traveling	N/A	N/A	N/A
7. Employee commuting	1 191	1 397	17 %
8. Upstream leased assets	N/A	N/A	N/A
9. Downstream transportation	811	925	14 %
10. Processing of sold products	35 639	46 524	31 %
11. Use of sold products	N/A	N/A	N/A
12. End-of-life treatment of sold products	N/A	N/A	N/A
13. Downstream leased assets	N/A	N/A	N/A
14. Franchises	N/A	N/A	N/A
15. Investments	N/A	N/A	N/A
Total GHG emissions			
Total GHG emissions (location-based) (tCO_2eq)	**87 474**	**112 157**	**28 %**
Total GHG emissions (market-based) (tCO_2eq)	**86 991**	**111 413**	**28 %**

Gross Scopes 1, 2, 3 and Total GHG emissions (E1-6) (continued)

In the reporting period, the Group's total amount of GHG emissions has increased by 28 %. The increase in Scope 1 emissions can be explained by the rise in transport fuel consumption as the Group has expanded its territories serviced in the waste management and urban services business segments. Business expansion has also driven the rise in Scope 3 emissions because of the goods, services, and capital goods purchased. For example, in the reporting year, the Group companies purchased new waste containers, upgraded production lines, purchased new means of transport, and machinery.

Scope 2 emissions have risen by 26 %, compared to the previous reporting period, where the largest impact comes from electricity consumption. The increase in electricity consumption is also reflected in the increased amount of waste sorted and recycled in the year under review, which in turn has an impact on Scope 3 category 10 – emissions from further recycling of the products produced.

Avoided emissions

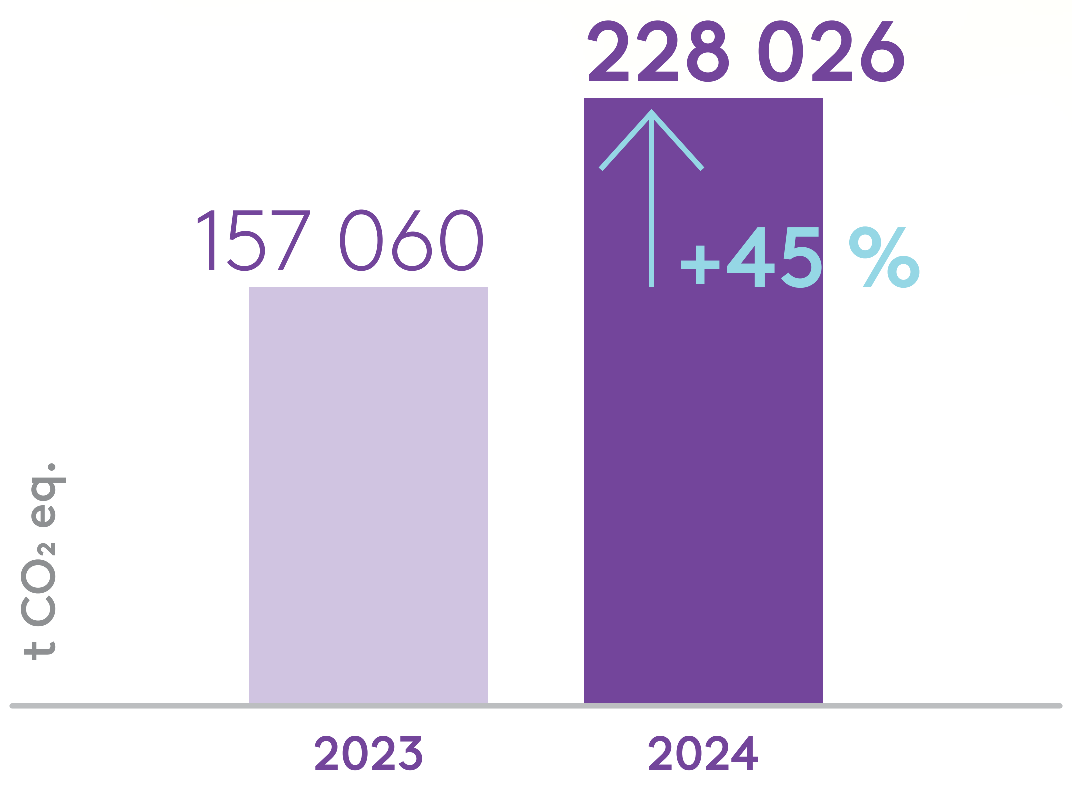
The Group companies not only generate emissions but also, by separately collecting, sorting, and recycling waste, reduce GHG emissions both in their own operations and the downstream value chain (at the customer and the state level). To demonstrate the positive impact in numerical terms – CO_2 equivalents – the Group has devised its avoided emissions calculation methodology.

The calculation is indicative, based on the life cycle end-phase of the respective material (cardboard, plastic, glass, etc.) – it compares emissions that would be caused if the materials were landfilled relative to the emissions caused by the materials being collected and handed over for recycling. In the reporting year, the avoided emissions calculation was supplemented with new types of materials (waste) – textiles and biowaste. The calculation for avoided emissions in 2023 was updated. To make the calculations, we used the DEFRA database for the emission factors and the data from the reports (A3) submitted to the State Environmental Service on the sorted, recycled, and handed-over-for-recycling waste volumes by the Group companies.

GHG intensity per net revenue	2023	2024	Changes %
Total GHG emissions (location-based) per net revenue (tCO_2eq/EUR)	0.00092	0.00095	4 %
Total GHG emissions (market-based) per net revenue (tCO_2eq/EUR)	0.00091	0.00095	3 %

For the intensity calculation, the net revenue figure was used, comprising the revenue generated by the companies under the Group's full financial and operational control. In the reporting year, the Group's total net revenue amounted to EUR 121 101 456. Of this, EUR 117 885 836 was used for the GHG emissions intensity calculation, while EUR 3 215 602 was excluded. The net revenue figure is aligned with the financial statements and included in the total consolidated amount reported under the "Net Revenue" line item in the financial report.

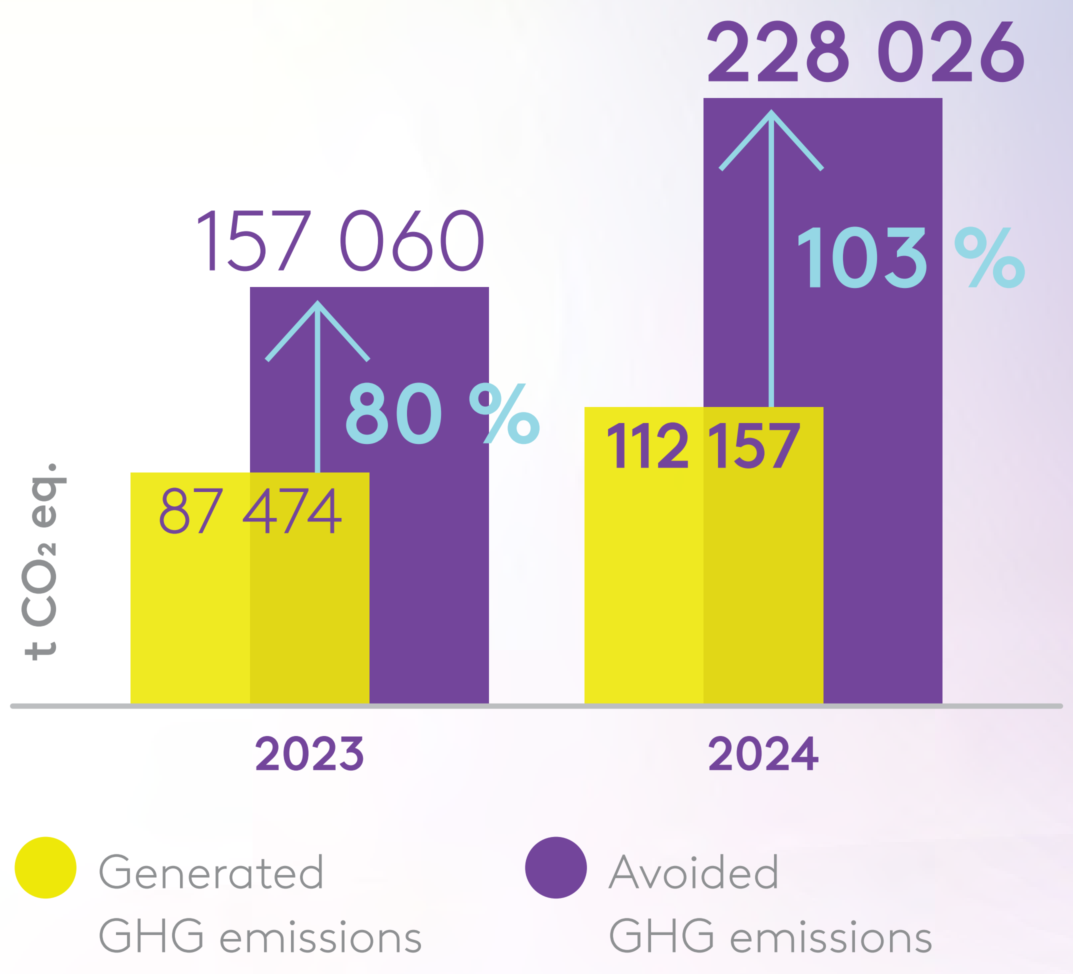
GHG emissions avoided in 2023/2024



In the reporting year, thanks to the activities of the Group, 228 026 tonnes of CO_2 equivalent emissions were avoided. Compared to 2023, the volume of avoided emissions has increased by 45 %.

In 2024, CleanR Grupa companies avoided 103 % more emissions than generated through their operations. Compared to 2023, this amount increased by 23 percentage points.

GHG emissions generated and avoided in 2023/2024



The Group companies do not participate in projects financed through carbon credits (E1-7), as well as do not apply internal carbon pricing (E1-8).

According to the phase-in provisions of the sustainability reporting standards, the information required by ESRS E1-9 (Anticipated financial effects from material physical and transition risks and potential climate-related opportunities), in the form of a qualitative description, will be provided as of the next reporting year.

POLLUTION PREVENTION

Description of the processes to identify and assess material climate-related impacts, risks and opportunities (ESRS 2 IRO-1)

The largest CleanR Grupa companies provide waste collection, transportation, sorting, recycling, hazardous and healthcare waste management, as well as urban cleaning services, which, among other things, include the collection of waste (e.g. at bus stops etc.).

The companies ensure responsible pollution prevention, collecting, sorting, and properly recycling waste, and monitoring pollution in their operations.

According to legislation, any waste handling activities qualify as polluting activities and can be performed upon the receipt of an appropriate permit under the Waste Management Law, the Pollution Law, and the Cabinet of Ministers regulations.

Pollution-related impacts and risks are identified during the permit acquisition process, which also includes an environmental impact assessment, if applicable.

The polluting activity permits are issued by the State Environmental Service of Latvia. The permits include terms a waste operator must fulfil – polluting activity limits (for example, allowed waste flow and amount, waste handling activities, and pollutant emission limits into the air, soil, or water) as well as reporting procedures – with an aim to minimise adverse impacts on the environment and human health as much as possible.

A total of 32 pollution permits have been issued to the Group companies for: waste collection and transportation, waste trade, sorted waste collection and storage sites, separately collected waste sorting and transfer stations, and waste recycling facilities. Significant pollution-related impacts from our operations arise from five Group company sites. They are listed in the following subsection: Pollution of air, water and soil (E2-4).

The Group regularly engages in the necessary consultations and communication with the stakeholders, including industry controlling institutions – the State Environmental Service (SES), the State Environmental Monitoring Bureau, and others, as well as local government representatives, to identify and monitor the key impacts related to pollution mitigation.

By 1 April of each year, the Group companies that have received polluting activity permits file a report with the SES on the fulfilment of the terms of the polluting permits in the previous year, including environmental monitoring results.

Pollution-related material impacts, risks and opportunities

IRO	Description	Impact nature (+) or (-)	Time horizon*	Value chain impact*	IRO management/impact on the business model, strategy
Impact	Pollution prevention	Actual and potential (+) impact	1; 1–5; > 5	U, O, D	CleanR Group provides access to sanitation - the prevention of pollution associated with waste produced by people and organisations. The companies ensure that waste is managed in an environmentally sound manner, minimising adverse impacts on human health and the environment.
Risk	Polluting activity permit violations	Potential (-) impact	1; 1–5	U, O, D	Significant breaches of waste management requirements (transport, storage, etc.), exceedances of pollution emission limits – in air, wastewater or soil – may pose risks to the environment and to people, as well as reputational and financial risks to the Group, which may include the prevention of potential pollution incidents – remediation measures or fines. The Group conducts preventative assessment of its operations, environmental measurement monitoring, incident analysis, process review, and improvement.
Risk	Environmental incidents	Potential (-) impact	1	U, O, D	During waste transportation, there may be a risk of the waste load scattering or catching fire due to inappropriate waste content, e.g., because of the addition of hazardous waste. Damage to vehicle engines, machinery, or hydro systems may result in fuel/oil leaks, causing pollution. Waste handling or recycling sites face an ignition risk due to improper waste content and/or hot weather conditions. During waste recycling, because of equipment failure, there may occur uncontrolled entry of polluting and chemical substances into the soil, unrefined wastewater leakage, or excessive emissions of substances into the air. The risks are prevented by regular vehicle and production machinery checks, pollution monitoring, ongoing employee training on work safety, and conduct in case of emergencies.

*Short-term time horizon, years – 1, mid-term: 1-5 years, long-term over 5 years.
Value chain impact: upstream – U; downstream – D; Group processes/own operations – O.

Policies related to pollution (E2-1)

The Group's approach to pollution mitigation has been defined in the Group's Sustainability Policy and the Environmental and Energy Management Policy. CleanR Grupa and its subsidiary companies are committed to operating in line with the relevant laws and regulations, agreements and standards, polluting activity permit terms, and best business practice. According to the Environmental and Energy Management Policy, the Group companies ensure ongoing air, water, and soil pollution monitoring in line with the approved environmental programmes, and plan and implement measures to reduce environmental impact. When providing services and implementing projects, the Group assesses the risks and applies preventative measures to prevent or mitigate its impact on the environment and people.

CleanR Grupa has approved the Procedure for Reducing Environmental Impact in Emergency Situations. It defines situations which qualify as environmental emergencies, lays down the procedure for incident reporting as well as actions employees must take to control the situation and limit adverse impact.

The boards of the Group companies are responsible for compliance with the provisions of the issued permits, signed agreements, and relevant laws and regulations. At the Group level, the permit-related matters are overseen by an advisor to the Group's Board on environmental issues.

CleanR, CleanR Industry, CleanR Verso, and Vides resursu centrs have implemented environmental, health, and safety risk management systems in line with international standards: ISO 14001:2015 and ISO 45001:2018.

ISO 14001:2015
ISO 45001:2018

ISO 14001:2015

In the area of bio-based raw material sourcing, company Clean R for the collection of used cooking oils and company Lautus for fat, used cooking oil, and food waste management, have obtained the International Sustainability and Carbon Certification (ISCC) certificate. ISCC is a recognized, voluntary certification system that ensures raw material traceability along the supply chain and attests to stringent quality control processes, social and environmental standards, including reducing carbon emissions in the company's operations.

Actions and resources related to pollution (E2-2)

The Group has allocated the necessary technological, human, and financial resources for pollution monitoring and mitigation; the Group plans activities to mitigate its adverse impact every year.

The Group's guiding principle in pollution monitoring is to reduce the negative, pollution-related impact to a minimum, ensuring pollution monitoring and appropriate preventative measures.

The polluting activity permits are regularly reviewed to make sure their terms are implemented, and the waste amounts and handling operations always comply with the permit provisions; as a result, the permits are revised and refined, if necessary, in line with the actual circumstances, actual waste amounts, and waste handling operations. The State Environmental Service, on the other hand, conducts regular documentation as well as on-site checks to make sure the set requirements are met.

At the Group's waste management sites, according to the issued permit provisions and in line with the frequency commensurate with the respective environmental aspect, soil, wastewater, or groundwater, and air quality measurements are performed. The pollutant emission limits have been set by the polluting activity permits. The responsible environmental specialist keeps track of the measurements and results, making sure the pollutant emission limit values set by the permits are not exceeded.

The Group companies assess and ensure the operations of the waste recycling facilities and machinery according to the Best Available Techniques (BAT) in the industry. The Group keeps up to date with new technologies in waste management, implementing them in its operations as necessary and possible.

Action plans implemented at particular sites

The Group companies make investments in their vehicle fleet update every year. In the reporting period, CleanR and Vides pakalpojumi Liepājai together purchased nine new CNG-powered garbage trucks. CNG is a cleaner fuel, as, during combustion, it produces fewer emissions and exhaust fumes – fine dust, and nitric oxide (NOx) particles. A CNG-powered engine is much quieter; it practically does not cause noise pollution.

In autumn 2024, changes were made to the sewage construction project at the CleanR territory at 5 Vietalvas Street, Riga, and a contract was signed with a company to carry out the wastewater system reconstruction in several phases to improve wastewater quality.

In the reporting period, modernisation works were completed at CleanR Verso's construction waste sorting and recycling centre "Nomales", and a new sorting line was put into operation. To prevent dust particle pollution in the air, the production line is operated in a closed hangar, and it has been equipped with a water sprinkling system, which prevents dust from spreading during building refuse handling and recycling. Furthermore, in the reporting period, the company purchased the most powerful electric shredder in the Baltics for construction and industrial waste, replacing fossil-fuel-powered equipment, significantly reducing environmental impact.

Targets related to pollution (E2-3)

CleanR Grupa has not set a specific target related to pollution. The Group acts as a responsible and careful owner, ensuring compliance with the relevant laws and regulations, agreements, and polluting activity permit terms, pursuing zero cases of non-conformity.

By doing so, the Group companies contribute to the target of UN SDG "Ensure sustainable consumption and production patterns", namely its fourth sub-target – ensuring the environmentally sound management of chemicals and all types of waste, significantly reducing their release into air, water, and soil, thereby minimizing their adverse effects on human health and the environment.

Pollution of air, water and soil (E2-4)

According to the ERSS E2 requirements, an undertaking must disclose the amount of each pollutant if it exceeds the threshold values specified in the European Pollutant Release and Transfer Register and (Regulation (EC) 166/2006 Annex II). In the reporting year, the threshold values specified in the register were not exceeded at any of the CleanR Grupa facilities.

The annual emission limits for dispersed hard particles, PM10, and PM2.5 in the air, as specified in the polluting activity permits, were exceeded at two facilities, and the propene (propylene) emission limit was exceeded at one. The reasons for the exceedances are attributed to weather factors, such as temperature and precipitation fluctuations, which have an impact on waste, leading to additional emissions.

According to CleanR Grupa's internal procedure and the procedure specified in the permits, the reasons for the emission limit exceedance will be evaluated in detail, appropriate technical improvements will be made, such as replacing filters or performing equipment maintenance.

Subsequently, repeated measurements will be conducted to verify whether, after the improvements, the emission limits from the respective sources are still being exceeded. If necessary, the companies will inform the State Environmental Service and initiate a revision of the emission limit project.

Compared to the previous year, the pollutant emission limits in water and soil have not been changed at the Group companies. The frequency of groundwater testing has been reduced to once a year at the CleanR polluting activity site at 5 Vietalvas Street, Riga. At CleanR Verso, air pollutant emission limits have been amended at the construction waste sorting and recycling centre "Nomales" due to production expansion.

In the reporting year, no incidents causing a significant impact on the environment (pollution) have occurred.

Pollution of air, water and soil (E2-4) (continued)

Company/Site	Air	Water	Soil	EC specified annual emission limit Not exceeded/Exceeded	Facility subject to EU BAT conclusions (yes +/no -)
CleanR					
Sorted waste collection and storage area, waste storage and treatment facility, including transport base/refuelling site	●	●	●	Not exceeded	-
CleanR Industry					
Plastic waste processing facility	●	●	-	Not exceeded	-
CleanR Verso					
Construction waste sorting and recycling centre	●	●	●	Not exceeded	-
Vides resursu centrs					
Municipal waste recycling plant	●	●	-	Not exceeded	+
Lautus					
Sorting and handling station, waste collection, storage, and regeneration site	-	●	-	Not exceeded	-

● – being monitored

Accounting methodology

Data gathering for pollution-related accounting and reporting is overseen by the environmental manager of the respective company. Emission measurements and calculations are outsourced.

The air pollutant emission calculations are conducted according to the Cabinet of Ministers regulations on the development of Stationary Pollution Emission Sources Limit Projects. The air emission calculation results are registered in the emission logbook. The logbook should also contain the initial data, based on which emission calculations are made – raw material consumption, and the length of the machinery process.

The soil and groundwater quality are tested by testing separate parameters according to an industry-specific, lab-accredited method. Wastewaters are tested at an accredited lab according to the standards set by the Republic of Latvia or international (ISO) standards.

Substances of concern (E2-5)

During the waste transportation and recycling processes, the Group companies use various chemical substances, including hazardous chemical substances. They are handled according to the terms of the permits; allowed amounts are not exceeded, appropriate storage, labelling, and consumption recording are ensured. The Group will provide detailed information on concrete substances and their use as of the next reporting period.

Anticipated financial effects (E2-6)

According to the phase-in provisions of the sustainability reporting standards, the information on the anticipated financial effect arising from pollution impacts and risks, in the form of a qualitative description, will be given as of the next reporting period.

CIRCULAR ECONOMY

Strategy

CleanR Grupa views the circular economy as a smart economic model that facilitates the efficient use of resources. Turning waste into a resource by sorting and recycling it, thus reducing landfilled waste, underpins the Group's strategy. By increasing the share of separately collected and recycled waste, CleanR Grupa is leading the way in implementing the principles of the circular economy in Latvia. At the same time, CleanR Grupa makes a significant contribution to educating the Latvian public in environmental matters, fostering the country's transition to a circular economy.

Description of the processes to identify and assess material impacts, risks and opportunities (ESRS 2 IRO-1)

The CleanR Grupa business model and operations are embedded in the circular economy. The Group's waste management and recycling companies and the extended producer responsibility system provider – are closely intertwined with the circular economy and significantly foster its implementation.

The IROs related to the circular economy have been identified in the materiality assessment – see section Description of the processes to identify and assess material impacts, risks and opportunities.

Material impacts, risks and opportunities related to the circular economy

IRO	Description	Impact nature (+) or (–)	Time horizon*	Value chain impact*	IRO management/impact on the business model, strategy
Impact/ opportunity	**Fostering the circular economy**	Actual and potential (+) impact	(+) or (–)	U, O, D	The Group actively promotes waste sorting, ensures separate collection and recycling of waste, thus significantly reducing the amount of landfilled waste, returning resources into the economy, and reducing the need for virgin raw materials. The reuse of materials decreases energy and water consumption, greenhouse gas emissions, and other types of pollution, and has an indirect positive impact on biodiversity.
Risk	**Insufficient amount of separately collected and recyclable waste, low quality**	Actual and potential (–) impact	1; 1–5	U, O, D	Insufficient amount of separately collected waste, and low-quality waste for sorting or recycling may prevent the implementation of the environmental targets set by the state and the Group, leading to the inability to fulfil contractual duties, thus decreasing the return on investment and revenues. One of the risk mitigation tools is to provide continuous education of our customers and the public on the circular economy, which is an integral part of the Group's strategy. Also, the Group implements alternative services and solutions, for example, the production of refuse-derived fuel, positioning waste-to-energy options as circular as well as climate mitigation solutions, as well as an opportunity to reduce emissions caused by landfilled waste and the use of fossil fuels.

*Short-term time horizon, years – 1, mid-term: 1-5 years, long-term over 5 years. Value chain impact: upstream – U; downstream – D; Group processes/own operations – O.

Policies related to circular economy (E5-1)

The CleanR Grupa operations are determined by the relevant national and EU legislation and industry-related planning documents, including the EU's Circular Economy Action Plan, Waste Framework Directive (2008/98/EK), the Latvian Waste Management Law, the National Waste Management Plan for 2021–2028, and the Action Plan on Transition to Circular Economy 2020–2027. The principles and national targets set in these policy documents are binding on the CleanR Grupa companies.

The circular economy principles are also embedded in the Group's Environmental and Energy Management Policy – both related to the responsible actions of the Group companies toward the environment, following the law, and an efficient use of resources in own operations, actively engaging with the stakeholders and helping them to put the circular solutions into practice.

The CleanR Grupa companies pursue responsible and circular commercial practice in own operations by using resources efficiently, seeking to reduce the waste generated by own operations to the extent possible, ensuring waste sorting, and handing over materials for reuse or recycling. The water used in the production processes is recycled and reused.

The basic principles entailed in the policy are implemented by pursuing the Group's business strategy and its aims, fulfilling the responsibilities set by the polluting permits, following internal instructions and quality control processes related to waste collection, sorting and recycling, as well as the requirements of ISO 14001, the environmental management system (where implemented). The boards of each subsidiary company are responsible for the implementation of the approach defined by the policy in the company's everyday operations. At the Group level, it is one of the CleanR Grupa board members who oversees the promotion of the circular economy.

Actions and resources related to resource use and circular economy (E5-2)

Every year, CleanR Grupa allocates the necessary technological, human, and financial resources as well as plans activities that promote the circular economy to increase the amount of separately collected waste and waste recycling.

To foster the circular economy, in the reporting period, the Group made **significant investments** in the development of the separately collected **waste infrastructure**, new technological waste **recycling solutions**, and **environmental education**.

Investments

In 2024, two new sorted waste collection sites were set up in Priekule in Liepāja municipality and the town of Baldone in Ķekava municipality. In Riga, 65 underground waste container sites with 245 containers were put into operation, while in Jūrmala, we set up two sites with eight containers.

CleanR Verso put up a new construction waste sorting line. By automating and thus increasing the speed of the recycling process, we may significantly increase the recycled volumes of building refuse and improve material quality.

In the reporting period, the CleanR Industry plastic recycling plant continued work; we invested in improving its performance. A new production line to produce refuse-derived fuel has been installed.

At the same time, CleanR began collecting used cooking oil from corporate clients, arranged an appropriate production area, and acquired the necessary certificates for its operations within the International Sustainability and Carbon Certification system.

The information about the key awareness-raising activities can be found in the Environmental Education section of this Statement.

Actions related to the circular economy

Last year, at the Group's CleanR Verso recyclable materials sorting centre, 70 % of all incoming packaging material was sent for recycling, while approximately 30 % of the packaging material that was not usable for further recycling was sent for preparation of refuse-derived fuel or energy recovery – production of heat and electricity. At the construction waste sorting and recycling centre, more than 90 % of all incoming material was recycled and returned to the economy.

The building refuse is turned into various types of gravel, crushed stone and soil fractions used in road reinforcement, with the larger fractions used in gabion construction. Wood is handed over to produce furniture boards and building materials, as well as used as fuel.

The biodegradable waste collected by CleanR and Vides pakalpojumi Liepājai ends at landfill recycling complexes and is turned into biogas. At the same time, the collected used cooking oil is handed over to refineries to produce biofuel. Textiles are handed over for reuse or energy production. Used tires are recycled into, for example, surfacing materials for sports grounds or children's playgrounds, new tires, as well as to produce bitumen plasticizers.

At the CleanR Industry plastic recycling plant, more than 3 900 tons of recycled plastic pellets were produced, then used to make new goods. In the reporting period, the plant received the RecyClass certificate, Europe's first and only plastic packaging recycling assessment organization. The certificate attests to the high quality of the plastic recycling process and compliance with the EU norms, as well as the origin of the plastic pellets, i.e., according to the principles of the circular economy, the plant produces pellets from separately collected plastic waste. This certificate is issued not only to the plastics recycler but also submitted to the manufacturer of the end-product. Thus, consumers may check on the products' production cycle, from waste to a new product.

In 2024, we continued operating **Latvia's first building refuse, building material and repair tool exchange point**. The point is located at the construction and demolition waste sorting and recycling centre Nomales, in 11 Brīvnieku Street in Stopiņi municipality, where anyone may dispose of, pick up, or exchange free of charge reusable building materials, repair tools, interior items, and working electronics. Also, certain quality building refuse may be exchanged for recycled soil or crushed stone.

To facilitate the exchange of the disposed-of items and make the collection of the materials more convenient for the residents, Zero Waste Latvija, a "LIFE Waste to Resourses IP" project and CleanR partner, has set up the digital platform www.lietovelreiz.lv, which has all the information about the materials available at the exchange point.

Over the year, the exchange point was used by 444 people to dispose of, pick up, or exchange materials. The exchange point accepted **more than 430 different types of materials and repair items**.

Actions and resources related to resource use and circular economy (E5-2) (continued)

In the reporting year, we started **two new initiatives promoting the circular economy** at the state and international level.

Latvian Circular Economy Index

APRITES EKONOMIKAS INDEKSS

In the reporting year, we launched a new CleanR Grupa initiative – the **Latvian Circular Economy Index**, a scientifically-based assessment tool.

The Index was initiated by Agita Baltbārde, Member of the Board at CleanR Grupa. The index methodology was devised by a group of Latvian scientists led by the economics and sustainable development expert Dzintra Atstāja, Dr. sc. soc. The resident survey, which included more than 3 000 completed questionnaires, and data analytics was overseen by Andris Saulītis. The local government engagement was facilitated by the Latvian Association of Local and Regional Governments. In total, the Latvian Circular Economy Index brought together more than 20 Latvian scientists and experts.

The index seeks to provide a general assessment of the implementation of the circular economy principles all over the country. The assessment was based on the local government self-assessment – a questionnaire completed by all Latvian local governments and a representative resident survey, which revealed their awareness of the circular economy, its implementation in their daily lives, as well as their engagement with the local governments.

In the autumn of 2024, during CleanR Grupa's forum "Transformation of Environmental Services and Circular Economy – a Response to Climate Change", the Latvian Circular Economy Index winners were celebrated. The results can be found here.

Baltic Circular Economy Hotspot

Baltic Circular Hotspot

To advance the awareness of the circular economy and the implementation of its principles on a larger scale, in November 2024, CleanR Grupa became a co-founder of the **Baltic Circular Economy Hotspot**.

The hotspot founders include the corporate social responsibility platforms CSR Latvia and CSR Estonia, Riga Technical University, BA School of Business and Finance, Kaunas Technological University, and Tallinn Technological University. The co-founders include Nordic Circular Hotspot, Natural State, CleanR Grupa, and Rimi Baltic. All parties have signed a Memorandum of Understanding and have begun working on an action plan.

The Baltic Circular Economy Hotspot is a platform for the countries in Northern Europe that seek to strengthen cooperation between the Nordics and the Baltics in the field of circular economy. Its mission is to raise awareness of the potential of the circular economy, share information, launch international projects, as well as develop policies and legal frameworks, utilising best practice.

Targets related to circular economy (E5-3)

CleanR Grupa has set a target to increase the share of separately collected, reusable, and recyclable waste of all municipal waste collected to 50 % by 2025.

Compared to the previous period, the target was not implemented to the extent anticipated. It is related to the overoptimistic forecasts regarding separately collected waste volumes of certain waste types, for example, biodegradable waste and textiles.

It may also be attributed to the relatively low customer engagement and waste sorting skills, especially when it comes to biodegradable waste. As a result, separately collected waste oftentimes had to be classified as municipal waste. and, due to the low quality (large proportion of other waste), could not be handed over for further sorting and recycling.

Given the above, the Group will continue actively working toward raising awareness in the public about waste sorting and chances to not only decrease their individual impact on the environment and foster a circular economy but also reduce their waste management bills.

The implementation of the aforementioned Group target advances the implementation of two key national environmental targets:

1. to increase the share of municipal waste prepared for reuse and recycled municipal waste to at least 55 % by volume by 2025;
2. to landfill only 10 % of all municipal waste generated (by weight) by 2035.

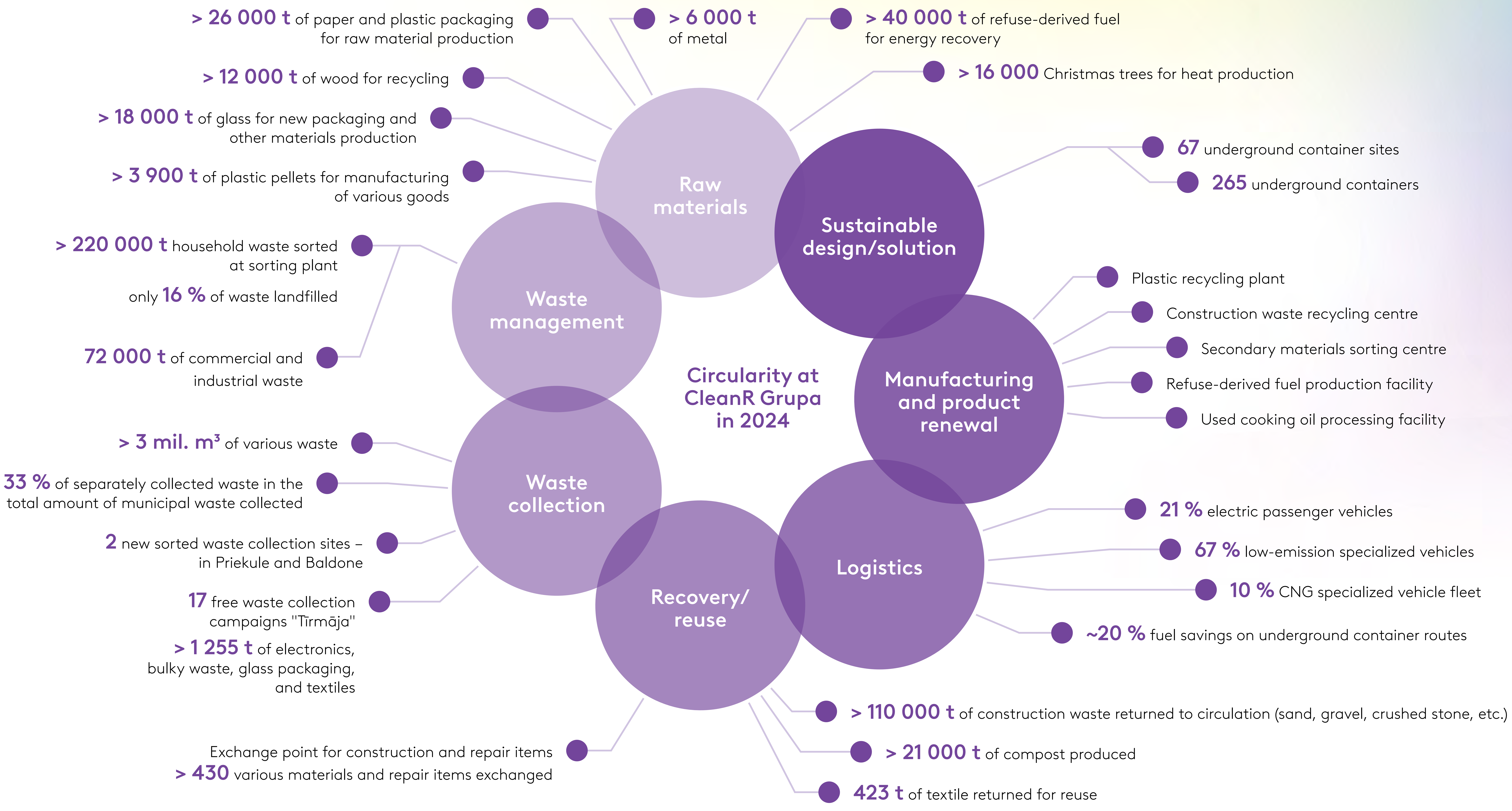
The Group also contributes to the implementation of the targets of the UN SDG "Ensure sustainable consumption and production patterns", to significantly decrease the amount of waste generated by 2030, implementing waste prevention, reduction, recycling and reuse activities.

Target	BASE 2022	TARGET 2023	RESULTS 2023	TARGET 2024	RESULTS 2024	TARGET 2025
The share of separately collected, reusable, and recyclable waste of all municipal waste collected by the Group, %	23 %	27 %	30 %	40 %	33 %	50 %

Resource inflows and Resource outflows (E5-4,E5-5)

Material inflows and outflows directly related to the Group companies' own operations are relatively small. Examples of such incoming material flows are purchased goods and equipment, while outgoing flows directly related to the Group's own operations are waste generated by the company.

CleanR Grupa treats any waste as a resource, sorting and recycling it, returning it to the economy as new materials to the extent possible. In total, in the reporting period, the Group put back into the economy more than 240 000 t of secondary and raw materials.


Circularity at CleanR Grupa in 2024
Raw materials
> 26 000 t of paper and plastic packaging for raw material production
> 6 000 t of metal
> 40 000 t of refuse-derived fuel for energy recovery
> 16 000 Christmas trees for heat production
> 12 000 t of wood for recycling
> 18 000 t of glass for new packaging and other materials production
> 3 900 t of plastic pellets for manufacturing of various goods
Sustainable design/solution
67 underground container sites
265 underground containers
Waste management
> 220 000 t household waste sorted at sorting plant
only 16 % of waste landfilled
72 000 t of commercial and industrial waste
Manufacturing and product renewal
Plastic recycling plant
Construction waste recycling centre
Secondary materials sorting centre
Refuse-derived fuel production facility
Used cooking oil processing facility
Waste collection
> 3 mil. m³ of various waste
33 % of separately collected waste in the total amount of municipal waste collected
2 new sorted waste collection sites – in Priekule and Baldone
17 free waste collection campaigns "Tīrmāja"
> 1 255 t of electronics, bulky waste, glass packaging, and textiles
Logistics
21 % electric passenger vehicles
67 % low-emission specialized vehicles
10 % CNG specialized vehicle fleet
~20 % fuel savings on underground container routes
Recovery/ reuse
> 110 000 t of construction waste returned to circulation (sand, gravel, crushed stone, etc.)
> 21 000 t of compost produced
423 t of textile returned for reuse
Exchange point for construction and repair items
> 430 various materials and repair items exchanged

Social information

OWN WORKFORCE

Strategy

Employees are our most valuable asset. They represent both the Group and the services we provide. One of our values and top priorities is employee well-being – their health and safety. We strive to build an inclusive and growth-oriented workplace where everyone feels recognized and can realize their potential.

The CleanR Grupa employees are our key stakeholders. The CleanR Grupa personnel's interests, views, and rights directly affect and are considered when we develop the Group's strategy, manage business processes, and make improvements (see Section Stakeholder views and interests).

Material impacts, risks and opportunities and their interaction with strategy and business model (S1-SBM3)

The scope of the information contained in this Statement includes all people in the Group's own workforce who can be significantly affected by the company. The Group's Personnel Policy and all actions carried out in the reporting year apply to all people in our own workforce.

The Group's material impacts are closely related to and arise from the Group's business lines and service specifics, including dependency on employees.

In the reporting year, there have not been any cases of material negative impact. The Group has implemented a number of activities to advance a positive impact on employees (see Section S1-4).

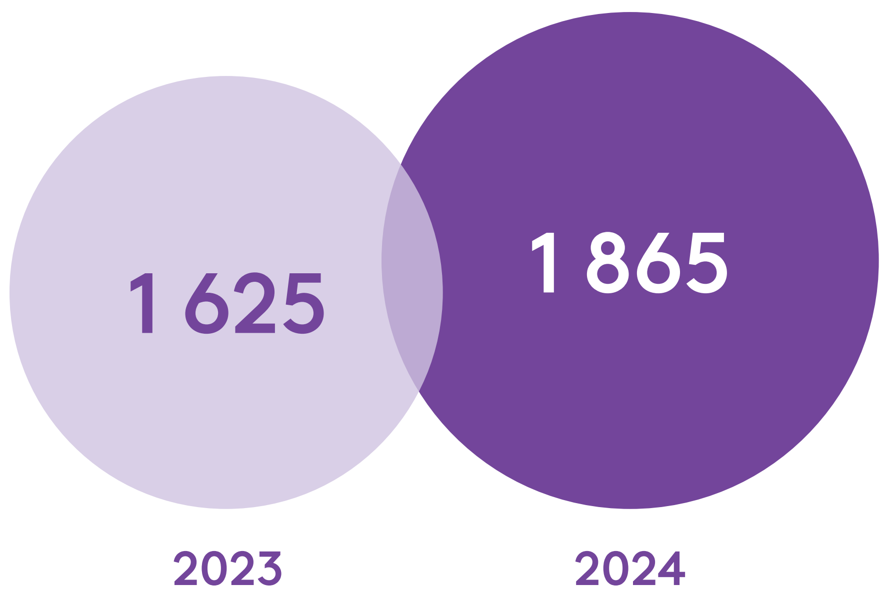
The Group has identified the opportunities and risks related to own workforce and regularly monitors them. More than 85% of the Group's workforce are employed in physical work – waste collection and recycling, commercial and urban cleaning – working conditions with a high accident risk; additionally, these are the areas of activity where the availability of workforce is a topical issue. In these businesses, employees can work full- or part-time, as well as do shifts. In summer, the youth take the opportunity to work in commercial premises cleaning.

CleanR Grupa ensures that its work processes prevent any risk of human rights violations, including incidents of forced labour or illegal child labour.

In all areas of activity, employee training and competence development are important to ensure service quality and performance. The Group companies increasingly utilize new IT, technological, and technical solutions. The implementation of these solutions is closely linked to the target of running greener and climate-neutral operations. The Group gives an opportunity to acquire new skills for workers of different ages – for example, to drive the newest waste haulers, to use logistics and work planning/management apps, to navigate and monitor robots in commercial cleaning.

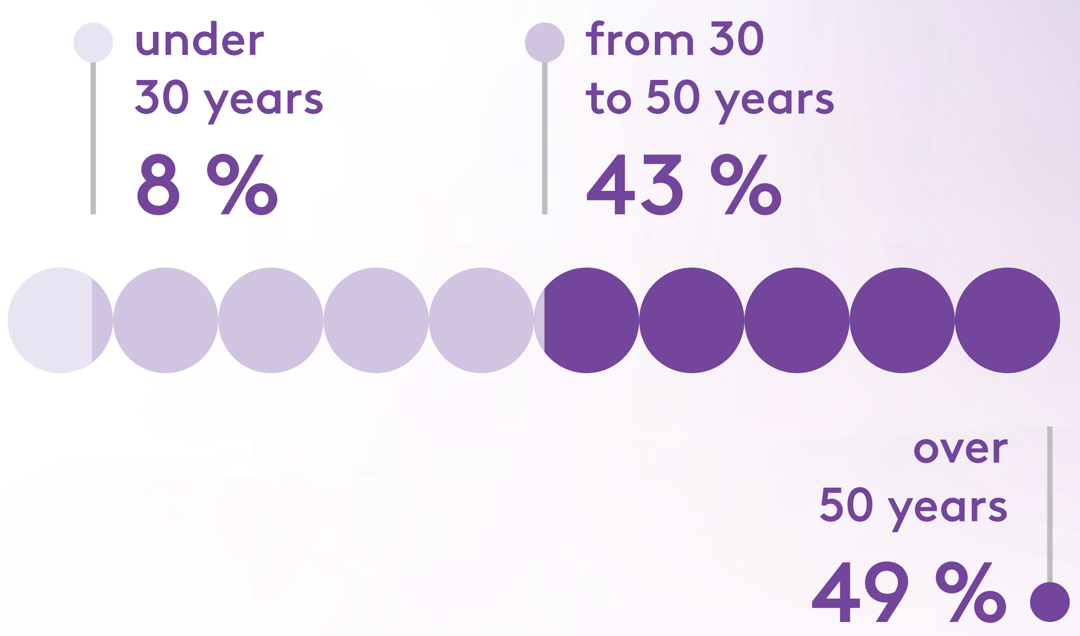
The Group is committed to maintaining a team of professional employees with low turnover. Therefore, one of the Group's strategic targets is to improve employee experience. The Group seeks to build a workplace where people would want to work.

The number of employees (at the end of the reporting year)

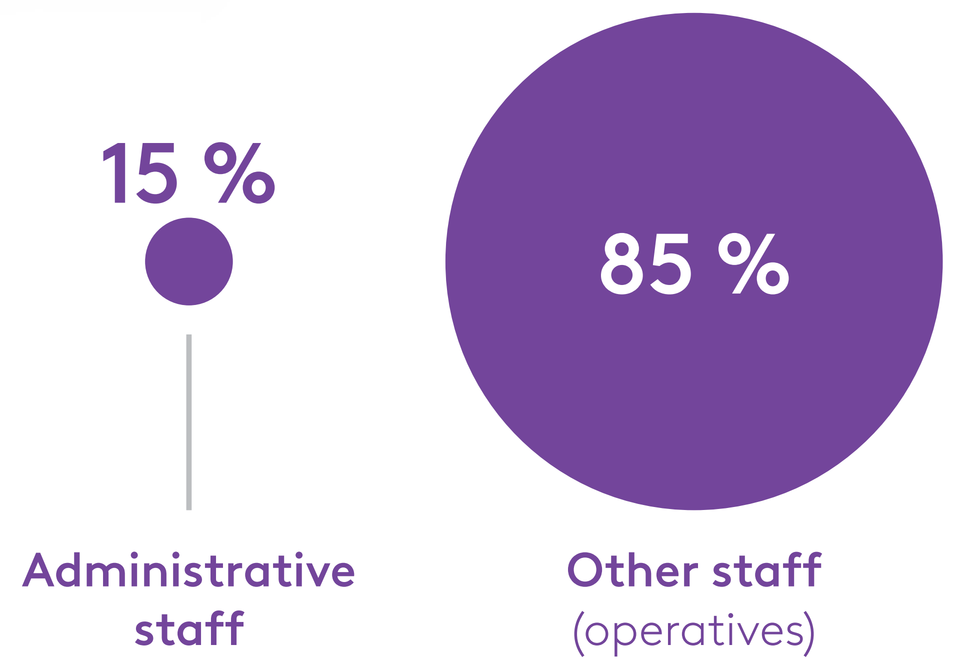


Diversity (2024)

Employee age structure (2024)



Employee distribution by categories (2024)



Material impacts, risks and opportunities and their interaction with strategy and business model (S1-SBM3) (continued)

Material impacts, risks and opportunities (IROs) in relation to own workforce

IRO	Description	Impact nature (+) or (-)	Time horizon*	Value chain impact*	IRO management/impact on the business model, strategy
Impact	**Impact on employment and human rights in work relationships**	Actual positive (+); potential negative impact (-)	1; 1–5	U, O	The CleanR Grupa companies run operations all over Latvia, providing jobs. CleanR Grupa observes human rights. Potential negative impacts may only be accidental, impacts are not systemic. To prevent the negative impacts, the Group ensures human rights due diligence, identifying the material human rights and related risks in the Group's own processes and value chain. Human rights violations are more likely to occur in the upstream value chain.
Risk	**Labour rights violations**	Potential negative impact (-)	1; 1–5	O	Labour rights violations may cause both financial and reputational risks. To ensure compliance with labour and human rights legislation, the Group ensures that appropriate processes and mechanisms are in place to monitor such compliance. It regularly monitors the application and compliance with the latest developments in labour laws and regulations in the Group's HR processes - recruitment, contracting, safety, workload and shift planning, remuneration calculations, etc. Reviewing the validity of documents at least every two years, conducting process audits, including involving employees, and providing the opportunity to comment on amendments to, for example, pay regulations. Compliance with labour laws and regulations also has a positive impact on and respects the human rights of employees.
Risk	**Lack of workforce/ inability to attract workers**	Potential negative impact (-)	1	O	Any difficulties in attracting sufficiently qualified staff to meet the Group's needs and corporate culture and/or retaining existing staff may have a material adverse effect on the quality of services and company reputation, financial and operational results. To attract, retain, and motivate employees, the Group ensures a range of measures: onboarding, training, career development opportunities, an attractive benefits package, flexible working hours, and remote working opportunities for office staff. The Group strives to provide an inclusive working environment, attracting employees from diverse backgrounds, including immigrants, refugees, and people with disabilities.
Risk	**Work safety violations, impact on employee health**	Potential negative impact (-)	1; 1–5	O	Maintaining an ISO-certified occupational safety management system in the largest companies, and regular monitoring of occupational risks. Employee engagement in risk identification. Instructing employees and training managers in occupational safety management, especially in production and service provision. Strict control and organisation of compulsory health checks in the office and major facilities. Appropriate work tools, personal protective equipment, including appropriate workwear, are additional elements to ensure a safe working environment. Health insurance, open policy, and additional holidays in the benefits package to facilitate work-life balance.
Opportunity	**Training and competence development**	Actual (+), potential (+) impact	1; 1–5	O	Knowledgeable employees are better performing, more productive, raise their value in the labour market, and are more satisfied with work. The Group's strategic focus lies on providing its employees with the necessary knowledge and skills to perform their duties, manager training, the development of a competency model for managers and the introduction of an appraisal process for managers at all levels.

*Short-term time horizon, years – 1, mid-term: 1-5 years, long-term over 5 years. Value chain impact: upstream – U; downstream – D; Group processes/own operations – O.

Policies related to own workforce (S1-1)

The CleanR Grupa Personnel Policy lays down the basic principles of sustainable human resources management. Its key aim is to implement joint, modern, and efficient human resources management across the Group to attract qualified, professional, and motivated employees who will facilitate strong performance of the company. Also, the policy upholds the rights of the Group and its employees in employment relations, work organization improvements, and employee development and loyalty. The Group's Personnel Policy applies to all people in own workforce. The implementation of the policy across the Group companies is overseen by the Group's Human Resources and Administration Director.

CleanR Grupa has implemented an Occupational Health and Safety Management System, in accordance with the legislation of the Republic of Latvia and the requirements of ISO 45001 Occupational Health and Safety Management Systems (see Section Occupational health and safety).

The Group's Code of Conduct lays down the principles of professional ethics for employees and the key values of ethical business conduct underpinning the Group's operations. The code stipulates that the Group pursues a working environment free from discrimination, prejudice, disrespectful attitude, intimidation, and any type of violence.

The CleanR Grupa Working Regulations ensure a uniform understanding of employment relations between the company and employees, a rational use of work time, increasing of work efficiency, and favourable working conditions. In the reporting period, the Group's Working Regulations were supplemented regarding the nondisclosure duty and public communication, personal data processing, acceptance of gifts, and prevention of a conflict of interest.

The Group runs its operations and engages with its staff according to the Constitution of the Republic of Latvia, labour laws and regulations, including international legal frameworks on human rights and fundamental rights at work: UN Guiding Principles of Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work, OECD Guidelines for Multinational Enterprises, as well as the UN Universal Declaration of Human Rights and the Ten Principles of the UN Global Compact.

CleanR Grupa adheres to all relevant human rights:

- the prohibition of forced and mandatory work;
- employment predictability;
- compliance with restrictions on child labour;
- fair pay and social protection for employees;
- a safe working environment and equality in treatment and opportunities;
- a prohibition on discrimination, violence, and harassment, as well as the protection of privacy and personal data;
- the development of competencies (the right to education);
- the promotion of work-life balance;
- respect for freedom of thought and expression and the right to organize for the defence of one's interests.

The CleanR Grupa overall approach to the engagement of its own workforce has been described in the next chapter of this Statement.

In the reporting year, **the Group Remuneration and Compensation Policy** was developed and approved. It lays down the key principles of determining pay. The Group makes sure that each employee gets paid and recognized based on their performance and the market situation. Our remuneration system stipulates equal pay for equal work to both men and women, regardless of their age.

The CleanR Grupa Personnel Policy addresses the root causes of discrimination. The Group maintains an inclusive work environment which encourages diversity and precludes discrimination based on ethnicity, age, gender, disability, sexual orientation, religious beliefs, political opinions, marital status, social background, and the like. These values have been enshrined in the Group's Code of Conduct. The Group ensures that employee selection, pay, assessment and career opportunities are based on a person's knowledge, experience, professionalism, and performance, as well as decent attitude towards work and the Group's values.

The CleanR Grupa Whistleblowing Policy provides every employee as well as a third party with a chance to report on possible labour rights, ethics, or human rights violations via the "Trust Line", the Group's whistleblowing system.

Processes for engaging with own workers and workers' representatives about impacts (S1-2)

To ensure the due diligence process in impact areas, the company pursues consistent dialogue with its own workforce. In the reporting period, employee engagement has taken place both directly and indirectly via supervisors and the heads of business units. At the highest managerial level, employee engagement is overseen by AS "CleanR Grupa" Chairman of the Board. The Group's Human Resources and Administrative Director implements the employee engagement process and ensures that its results are used in the company's approach – improving the working environment and processes.

Employee views have a direct impact on the Group's decisions and actions, with the aim to manage the actual and potential impacts. Employee engagement, depending on the activity, is pursued via regular and annual surveys or during, for example, work group meetings or quarterly employee forums.

Consultations, communication and inquiries take place both before and after concrete events and activities, validating the company's choices, listening to arguments, drawing conclusions, and, where appropriate, implementing changes in the processes.

Key employee engagement activities in the reporting period:

- Work safety risk identification via Drošinātājs initiative all year round (see Section S1-4);
- Employee opinion survey in autumn on the activities and processes carried out at the Group companies. Employee suggestions and comments were carefully reviewed to identify the potential risks and opportunities for improvements in the work environment and processes. Considering employees' opinions and wishes, the 2025 health insurance policy offer will be improved;
- Waste collection and recycling business employees were involved in testing a new pay scheme and provided their suggestions;
- In addition to the annual survey, several other surveys were carried out, for example, on office repairs and improvements, as well as the choice of the film for the company's Christmas event for the employees' kids;
- Throughout the year, employees were invited to contribute to the Group's social media content by participating in videos with tips for customers on how to use the services;
- End-of-year Best Employee and Best Team nominations;
- Every year, CleanR Grupa motivates employees to participate in new employee recruitment, efficiency improvements, and the development of new business ideas through relevant incentives in the Group's benefits package;
- From October, every week, the office staff receive the Group's latest news – a special internal newsletter.

CleanR Grupa continuously seeks to increase employee engagement and satisfaction. To send out CleanR Group's newsletters for employees a tool is used, allowing us to track statistics – to see what content employees are responding to best. This helps to understand which news items are of more interest to the employees. We measure the effectiveness of engagement, for example, by analysing the number of employees who have opened newsletters (open rate) and the number of responses received (response rate) to employee surveys. We have set a 30 % response rate, which is a widely accepted survey benchmark. In the reporting period, our response rate reached an average of 50 %.

To further improve employee engagement and scope, the CleanR Grupa Council has green-lighted the creation of an employee representation institution, which will be implemented in 2025. The institution will include representatives of each Group company proportionate to the number of employees at the respective company.

Processes to remediate negative impacts and channels for own workers to raise concerns (S1-3)

The CleanR Grupa internal company culture is aimed toward transparency and cooperation. The CleanR Grupa objective is to manage its impacts and risks, as well as cooperation with its own workforce, in a way that does not require remediation, which may include financial or non-financial compensation, apology, a fine, damage control, etc.

To ensure management of the company-related potential negative impacts on own workforce, the Group has established and made available several channels which employees may use to raise their concerns, communicate their needs, and make suggestions.

CleanR Grupa seeks to ensure that its grievance mechanisms comply with Principle 31 of the United Nations Guiding Principles on Business and Human Rights – ensuring accountability for their fair operation, building stakeholder trust, promoting transparency and access, and enhancing awareness of procedures and deadlines, as well as by taking notice of the lessons learnt and encouraging continuous improvements to prevent negative future impacts.

CleanR Grupa employee grievance channels to raise needs and concerns:

- Regular department and unit meetings;
- Annual employee opinion survey;
- A chance to turn to the direct manager or human resources specialist during the office hours to address topical issues;
- "Drošinātājs" initiative, which lets employees report work safety risks and suggestions for workplace improvements;
- "Trust Line" or the whistleblowing channel on the Group's homepage. Employees may also report concerns to trauksme@cleanrgrupa.lv or by completing a paper form and using the designated mailbox located at the Group's office.

The employee grievances received in written form, as well as third-party requests, are reviewed according to the general procedure, providing an immediate confirmation of their receipt (if personalized). The issues are resolved through dialogue, and in certain cases, written responses are prepared. Grievances expressed orally are dealt with immediately.

Depending on the issue, as well as whether the grievance/suggestion has been filed anonymously or in a personalized form, the feedback is provided through internal channels:

- For office staff, via the Group's weekly electronic newsletter;
- On administrative staff forums;
- On TV screens in offices and at relaxation areas of production sites or news boards.

For employees working in service provision – for example, in waste collection, commercial cleaning, and urban maintenance – information is communicated at meetings, through a WhatsApp channel or SMS, via direct managers, or by contacting the individual who submitted the grievance/suggestion personally.

An overview of the issues solved through the whistleblowing channel is included in the Annual Sustainability Statement. The company ensures confidentiality and whistleblower protection. Personal data is protected and pseudonymized in line with the relevant laws and regulations.

During onboarding, employees are informed of the internal regulations, including the above-mentioned channels and the "Trust line". The information is also included in the presentation materials of The New Employee Day. Also, once a year the staff are reminded of the channels on employee forums.

So far, the company has not assessed employee awareness of all the reporting channels and their level of trust.

One of the most effective channels has been the "Drošinātājs" initiative. In the reporting period, we received **29 risk cards** identifying workplace risks and containing suggestions for improvements. That is by seven cards more than the year before, which attests to the employee awareness and the channel's efficiency.

Taking action on material impacts on own workforce, and effectiveness of those actions (S1-4)

At the Group companies, we have allocated the necessary resources and introduced a number of measures to mitigate the negative and foster the positive impacts on own workforce.

Last year, the Group carried on its best practice initiated in the previous reporting periods regarding the work environment and working condition improvements, training opportunities, benefits package, internal communication, events for employees and their families.

The effectiveness and relevance to employees of those activities are regularly assessed to make sure the activities are effective, suitable, and valuable to employees. Employees themselves are also involved in the process. The company conducts surveys on, for example, the contents of the benefits package or staff events.

The impact of the activities and the effectiveness of actions may also be assessed through the internal and external audits (ISO), as well as by carrying out external assessments, such as EcoVadis, Sustainability Index, Society Integration Foundation's Diversity management assessment, which also provide recommendations for improvement.

All the key programmes, initiatives, and actions described further are aimed at fostering positive impacts and preventing and mitigating negative impacts on own workforce, promoting the achievement of the targets and the objectives of the Group's Personnel Policy.

Benefits package

To take care of its employees and support them in various life situations, **foster work-life balance**, as well as **motivate and retain staff**, CleanR Grupa provides its employees with a generous benefits package:

A gift on employee wedding or on the birth of a child

Support upon a first-degree relative's death or support to the family upon the death of a Group employee

Accident insurance (as of day 1, 24/7)

Flexitime and remote work for office staff

Referral bonus

A bonus on employee suggestions boosting productivity and ensuring financial gain for the company

A gift on work anniversary

Compensation for vision correction devices for employees whose positions involve computer work recognized as an occupational risk (displays and workstations)

Health insurance after trial period, a chance to use an open health insurance policy

Extra holidays on important life events:

- Employee birthday if on a weekday
- September 1 if an employee has a child learning in the 1st to 3rd grade (including)
- Children's graduation days (kindergarten, 9th grade, 12th grade, college, vocational school, university)
- Children's wedding day

To boost office staff well-being, we also provide employees with drinking water, tea, coffee, and fruit twice a week. At the production sites, the staff are provided with drinking water, tea or coffee, and warm lunch.

Staff events

To increase awareness and the sense of belonging, the following staff events were organized in the reporting period:

- Employee-of-the-Year awards and Team of the Year awards;
- Three administrative staff forums and quarterly regional meetings;
- A summer team-building event for waste collection teams;
- A summer event for employees and their families at Riga Zoo;
- Christmas events for employees at the Group companies;
- Christmas movie event for employees' children;
- Two New Employee Days.

Taking action on material impacts on own workforce, and effectiveness of those actions (S1-4) (continued)

Workplace and work safety improvements

To identify workplace risks as timely as possible, as well as engage employees in the implementation of the work safety system, the Group continued running the “Drošinātājs” initiative. It gives every employee a chance (also anonymously) to report on workplace risks and on necessary improvements in the work environment.

Last year, employees submitted **29 reports or risk cards**. The most significant risks were dealt with immediately; **65 %** of the submitted reports were sorted out, with the rest scheduled for implementation in the following period.

To ensure better access to personal protective equipment (PPE), in the reporting period, at the production site in Vietalvas Street, two PPE lockers were installed. Workers may receive the necessary PPE – protective glasses, gloves, or a reflective vest – using their employee card.

Also, production premises were refurbished, and improvements on the outside territory were made. A new, insulated module was built on the sorting line for workers to sort materials in much better working conditions. Also, new installed cloakroom lockers and shoe driers were installed.

Taking into account the employee reports received within “Drošinātājs” initiative, a series of work safety improvements have been made:

- Door unlock system during the fire alarm was checked and improved;
- At the secondary material sorting centre, electric wires were moved to avoid disturbing the material unloading process, and ventilation was improved to decrease indoor dust concentration. To check effectiveness, additional lab tests will be carried out;
- Faulty light switches were promptly detected and fixed, and additional light sensors in corridors were installed;
- Steps were repaired;
- First aid kits in the office were placed at a height accessible to everyone;
- Additional reminders on the use of reflective vests around production areas were placed;
- Following employee suggestions, better work footwear for waste truck loaders was purchased.

In the reporting period, a special focus was placed on employee health, i.e., mandatory health check (MHC). During the year, at least once every two months, we offered our staff a chance to perform health check-ups at the office or production sites. Furthermore, the Group pays for the first-time MHC of new employees immediately rather that after the trial period.

To ensure more effective staff instruction and access to work safety documentation electronically, the Group continued implementing its work safety system Meemo.

Provision of training and skills development

To read more about the training offered in the reporting period, see Subsection Training and skills development metrics further in this section.

Resources for material impacts management

All the previously mentioned activities require human as well as financial resources. These resources the Group companies allocate in their annual budgets in line with their strategic priorities for that period.

In the reporting period, the Group expanded its human resources management team. The allocated financial resources reached over half a million euros; in the next reporting period, a similar amount is foreseen. The allocation of these resources to activities and initiatives (employee training, catering, mobility, etc.) depends on a company’s financial abilities, which in turn is related to the state’s taxation policy-tax breaks granted to employers.

Short-term employee benefits are included in current expenditure in the period; the costs for the above activities are included in the financial statements under Personnel expenses and headcount under other personnel costs.

The previously mentioned processes and initiatives contribute toward UN SDG “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”:

- By modernizing technology and innovating across all business lines, we seek to reach a higher level of economic productivity;
- By protecting employees’ rights and building a safe workplace, ensuring equal pay for equal work, encouraging respectful attitude, and a work environment encouraging growth and skill development, we ensure decent work for men and women, the youth, and people with disabilities.

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (S1-5)

To measure the implementation of the Group's policies, at the end of 2022, CleanR Grupa set its three-year targets. Since last year, the target definitions and calculation methodology have not changed. The information on the achievement of targets and on the insights gained as a result of the activities is provided to the Group's Board, Council and at the staff forum.

One of the Group's impact areas is employee well-being – their health and safety. Consequently, the Group has set a target to have zero work-related accidents. In 2024, the trend remained upward, which may be explained by a significant increase of the number of workers employed in production and service provision, as well as improved access to the Group's work safety officers, and the chance to report incidents. Consequently, the frequency of the number of recordable work-related incidents also grew, reaching 2.8 (per 100 full-time employees).

Employee well-being and job satisfaction is reflected in the voluntary turnover metric; therefore, we have set a target to decrease the metric by at least 1 % annually. In the reporting year, the voluntary turnover metric decreased by 2 %, reaching 23 %. At the same time, the Group's employee satisfaction score (eNPS) has returned nearly to the base year level, which may be explained by the Group's rapid growth, development of new business lines, increase in employee numbers, and changes in the Group's processes. The Group aim to reach an eNPS of 10, which, according to the research firm ERDA data, is a satisfactory eNPS at production companies.

CleanR Grupa highly values knowledgeable and competent employees, therefore one of its targets is to make sure that one administrative employee spends an average of two full working days a year acquiring new knowledge. In the reporting period, the average number of learning hours decreased to 11 hours per employee. The outcome was affected by the substantial increase in the number of administrative staff from 180 to 277 employees.

Work environment/Own workforce						
Targets	**BASE 2022**	**TARGET 2023**	**RESULT 2023**	**TARGET 2024**	**RESULT 2024**	**TARGET 2025**
1. Number of work-related accidents	8	0	22	0	31	0
Accident frequency – TRIR index*	0.8	0	2	0	2.8	0
2. Reduced voluntary turnover by at least 1 % annually** (excluding commercial cleaning business)	1 %	1 %	5 %	1 %	3 %	1 %
Voluntary turnover (excluding commercial cleaning business)	31 %	30 %	26 %	25 %	23 %	22 %
3. Increase in employee satisfaction (eNPS) compared to base year	-9.7	9.8	16.5	16.5	-9.3	19.7
4. The average number of learning hours per administrative employee annually	13	15	15	16	11	16

*TRIR = total recordable incident rate * 200 000 h/total number of hours worked. According to the U.S. Bureau of Labor Statistics, best practice TRIR benchmark stands at 3 points.

**According to the Payscale 2023 study, 34 % is the average total staff turnover rate at European organizations, and 43 % is the average voluntary turnover rate. (See https://shorturl.at/JtDMM).

Characteristics of the undertaking's employees, diversity, persons with disabilities (S1-6, S1-7, S1-9, S1-12)

At the end of the reporting period, CleanR Grupa employed 1865 employees. The Group maintains a healthy gender balance, and its workforce includes people of various age groups. The mean employee age at the Group is 49 years.

The Group's employees are employed in more than 120 job positions. 85 % of the personnel work in production and service provision, while the administrative staff constitutes 15 %.

S1-6 Characteristics of undertaking's employees			2023		2024	
Standard	**Data point**	**Description**	**Count**	**%**	**Count**	**%**
S1-6, SBM-1	**40a, 50a, 50b**	**Number of employees at the end of the year***	**1 625**	**-**	**1 865**	**-**
S1-6	50a, 52	Women	852	52 %	1 006	54 %
S1-6	50a, 52	Men	773	48 %	859	46 %
S1-6	50a, 52	Other	0	0 %	0	0 %
S1-6	50a, 52	Information not provided	0	0 %	0	0 %
S1-6		**Number of employees by employee category**	**-**	**-**	**-**	**-**
S1-6		Number of administrative employees	180	11 %	277	15 %
S1-6		Other employees (worker positions)	1 445	89 %	1 588	85 %
S1-6, SBM-1	**40a, 50a, 50b**	**Average number of employees**	**1 561**	**-**	**1 628**	**-**
S1-6	**50b**	**Information on employees by contract type**	**-**	**-**	**-**	**-**
S1-6	**50b(i), 2a**	**Full-time employees**	**1 614**	**99 %**	**1 830**	**98 %**
S1-6	50b(i)	Women	843	-	1 007	-
S1-6	50b(i)	Men	771	-	823	-
S1-6	**50b(ii)**	**Part-time employees**	**11**	**1 %**	**35**	**2 %**
S1-6	50b(ii)	Women	9	-	3	-
S1-6	50b(ii)	Men	2	-	32	-
S1-6	**50b(iii)**	**Non-guaranteed hours employees**	**0**	**0 %**	**0**	**0 %**
S1-6	50b(iii)	Women	0	-	0	-
S1-6	50b(iii)	Men	0	-	0	-

S1-6 Characteristics of undertaking's employees			2023		2024	
Standard	**Data point**	**Description**	**Count**	**%**	**Count**	**%**
S1-6	**50c**	**Total number of employees who have left the undertaking (employee turnover)**	**1 558**	**103 %**	**1 569**	**96 %**
S1-6	50c	Employee turnover without commercial cleaning business	650	91 %	606	71 %
S1-6	**50c**	**Number of employees who have voluntarily left the undertaking (voluntary employee turnover)**	**622**	**40 %**	**567**	**35 %**
S1-6	50c	Voluntary turnover without a commercial cleaning business	185	26 %	194	23 %
S1-7	55a	Number of non-employee workers in the undertaking's own workforce	N/A	N/A	N/A	N/A
S1-8 Collective bargaining coverage and social dialogue						
S1-8	**60**	**Number of total employees covered by collective bargaining agreements**	**N/A**	**N/A**	**N/A**	**N/A**
S1-9 Diversity metrics						
S1-9	**66a**	**Number of employees at top management level (council, boards)**	**13**	**-**	**23**	**-**
S1-9	66a	Women	2	15 %	4	17 %
S1-9	66a	Men	11	85 %	19	83 %
S1-9	**66b**	**Employees by age group**	**-**	**-**	**-**	**-**
S1-9	66b	Under 30 years	112	7 %	156	8 %
S1-9	66b	Between 30 and 50 years	715	44 %	803	43 %
S1-9	66b	Over 50 years	798	49 %	907	49 %
S1-12 Employees with disabilities in own workforce						
S1-12	**79**	**Employees with disabilities in own workforce****	**95**	**6 %**	**105**	**6 %**

*The number of employees includes only companies under the full operational and financial control of CleanR Grupa, as listed in the section About CleanR Grupa.

**Data on employees with disabilities is provided in compliance with the legal restrictions on data collection. The employee has provided the data so that the employer has a basis for applying the appropriate tax relief when calculating personal income tax, as provided for by regulatory enactments. In certain cases, the employer needs to receive this information to adjust workloads or to ensure appropriate working conditions.

N/A – the information is not available or collected, or the indicator is not relevant.

Adequate wages, compensation metrics (S1-10, S1-16)

The Group seeks to provide each of its employees with competitive pay and recognition commensurate with their job and performance. Our remuneration system stipulates equal pay for equal work to both men and women, regardless of their age.

The Group's remuneration system comprises compensation for work and various financial and non-financial benefits. The procedure for granting fringe benefits and the remuneration criteria are described in the company's internal normative documents (employee fringe benefits order, pay and bonus regulations) in accordance with the laws and regulations governing employment relationships.

To ensure competitive salaries in line with the company's financial abilities, we use qualitative data on pay in the market and remuneration studies. At least once in two years, we participate in the Figure Baltic Advisory salary survey to assess our employee pay against the market rates.

At CleanR Grupa, the adequate wage criterion complies with the minimum wage determined in the Republic of Latvia. According to this criterion, 100 % of the Group's employees receive an adequate wage.

In the reporting period, men were paid 6 % higher than women, which may be explained by the large number of women employed in low-skilled positions in the commercial cleaning business.

Standard	Data point	Description	2023	2024
S1-10	70	All employees are paid adequate wage, in line with the minimum wage criterion	N/A	100 %
S1-16	97a	Gender pay gap*	4 %	6 %
S1-16	97b	Annual total remuneration ratio (the annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees)	N/A	6.34

*Given the very different nature of the Group's businesses, the calculations were made separately for each company, the overall Group gap is measured as a weighted average. The calculations use the 2024 data (and dynamics) on wages and pay – paid wages, bonus, allowances, additional payments.

Social protection (S1-11)

All CleanR Grupa employees are covered by social protection. The Group companies ensure 100 % social protection for all people in own workforce in the event of sickness, unemployment, employment injury, acquired disability, parental leave, and retirement.

Standard	Data point	Description	2023	2024
S1-11	74	All employees in own workforce are covered by social protection, through public programs or through benefits offered, against income loss due to significant life events	100 %	100 %

Training and skills development metrics (S1-13)

The CleanR Grupa Personnel Policy puts forth a target to ensure qualified, professional, and motivated employees who would drive the company's efficiency; therefore, the Group promotes a learning and knowledge exchange culture aimed at employee growth and competence development.

The Group ensures internal and external training, organized individually and in groups. The employees may develop their skills and knowledge on their own or manager's initiative. The training is aimed at developing varied skills and competencies and raising qualifications.

For employees working in production and service provision, a special focus is placed on work and fire safety trainings, development of knowledge and skills needed to perform their everyday duties, as well as qualification raising or acquisition, for example, to operate vehicles or machinery.

All these employees undergo induction training and repeated instruction. Depending on the job, they are provided with access to instructions (e.g., on an app), process descriptions, and manuals. In certain areas, acquired knowledge checks are performed, for example, in commercial cleaning the supervisor or quality control specialist inspects the work process and work quality on the site, documenting the inspection in the check protocols.

The Group also pays special attention to improving the communication and managerial skills of managers at all levels. One of the next year's objectives to develop a training programme for work supervisors and a competence model for heads of business units, as well as implement a calibration and assessment process of all managers across the Group companies.

Next year, we are also planning to devise and implement a training course on business ethics and the prevention of corruption.

Last year, one administrative employee devoted an average of **11 hours** to learning and development. The Group's employees participated in **over 90 different training events, both internal and external seminars and conferences. These trainings covered a wide range of themes:**

- Business and risk management, human resources management and labour rights;
- Accounting and taxes, public tenders;
- Innovation and use of artificial intelligence;
- Circular economy, taxonomy and sustainability;
- Additional training on work and fire safety.

Standard	Data point	Description	2022	2023	2024
S1-13	83b	Average number of training hours per person (administration)	13	15	11
S1-13	83a, b	Average number of training hours by gender Women/Men	N/A	N/A	N/A
S1-13	83a	Percentage of employees that participated in regular performance and career development reviews	N/A	N/A	N/A

*Data obtained from company financial accounting systems (invoices) and training registers in individual companies. To improve training record keeping and ensure more complete data quality, next reporting year the Group plans to implement a unified approach to training record keeping.

Health and safety at work (S1-14)

The Occupational Health and Safety System (OHSS) at the CleanR Grupa companies complies with the provisions of the relevant laws and regulations and ISO 45001:2018 standard. The OHSS applies to the entire own workforce. The Group's Human Resources and Administrative Director makes sure the Group implements a consistent health and safety system across the Group.

At the following Group companies: CleanR, CleanR Industry, Vizii, Vizii Urban, Vides resursu centrs, the OHSS is certified according to ISO. The system is audited externally and certified accordingly. At the rest of the Group companies, although the OHSS is not certified, it is controlled internally. In the view of the management, all the consolidated companies where CleanR Grupa exercises full operational control, fall within the scope of the certified system, given that the certified system is maintained by the specialists of the parent company following common principles. During the monitoring audits and recertification carried out in 2024, no non-compliance was detected.

Employees are regularly informed of work safety requirements and the respective job-related workplace risks. We provide induction training, initial workplace briefings, repeated and ad-hoc instructions, as well as purpose-based and thematic training. The Group's companies carry out workplace risk assessment and devise an Occupational Health and Safety Action Plan, setting out specific actions to be taken to improve the working environment and conditions.

Our employees receive personal protective equipment, and we make sure our equipment, devices, and tools are safe by performing the necessary maintenance checks and replacements. During the reporting period, the Group companies have undergone more than 70 monitoring visits.

In line with the job duties, workplace risk assessment, and relevant legislation, employees must undergo mandatory health checks. At least once every two months, the Group offered its employees a chance to undergo these health checks in the office or at production facilities.

To identify workplace safety risks as soon as possible and encourage employee engagement in the implementation of the Group's OHSS, it continued running the "Drošinātājs" initiative (see section S1-4).

Work-related accidents

Accidents at work are recorded and investigated according to the procedure set forth by legislation. In 2024, there were **31** accidents recorded at the Group companies, of which two were classified as serious. The Group's total recordable incident rate or TRIR in 2024 stood at **2.8** (per 100 FTE employees).

The accidents at work mostly arise from employee negligence while getting around, as well as violating safety requirements. The incident rate in the reporting period was also affected by the increase in the number of employees working in production and service provision.

Standard	Data point	Description	2022	2023	2024
S1-14	88a	Percentage of people in its own workforce who are covered by **health and safety management system based on legal requirements and (or) recognised standards or guidelines (ISO)**	100 %	100 %	100 %
S1-14	88b	Number of fatalities in own workforce as result of work-related injuries and work-related ill health	0	0	0
S1-14	88c	Number of **recordable work-related accidents** for own workforce	8	22	31
S1-14	88c	**Rate of recordable work-related accidents** for own workforce*	0.8	2	2.8
	88c	**Rate of recordable work-related accidents** for own workforce (in accordance with ESRS**)	4	10	14
S1-14	88d	Number of **cases of recordable work-related ill health** of employees (acquired during the reporting year)	N/A	N/A	N/A
S1-14	88e	Number of days lost due to work-related injuries and accidents	275	455	1 236

*TRIR number of accidents x 200 000 h/total working hours.

**Number of relevant incidents/total working hours of own workforce x 1 000 000 h.

Work-life balance metrics (S1-15)

According to the state legislation and the Group's policy, all employees are entitled to family-related leave. In 2024, the family-related leave was taken by 15 % of the workforce – 8 % men and 7 % women.

The business directions pursued by the Group companies allow offering employees full-time and part-time work, regular working hours and shift work. The office staff may do flexitime and work remotely. To foster employee work-life balance, the Group offers extra holidays in its benefits package (see section S1-4).

Standard	Data point	Description	2023	2024
S1-15	93a	Percentage of employees entitled to take family-related leave	100 %	100 %
S1-15	93b	Percentage of employees that took family-related leave	15 %	15 %
S1-15	93b	Women	7 %	7 %
S1-15	93b	Men	8 %	8 %

Incidents, complaints and severe human rights impacts (S1-17)

In the reporting period, no serious human rights impacts or incidents related to own workforce were recorded across the Group. Two reports were received through the Group's whistleblowing channel which could not be classified as whistleblowing according to the law. These reports included grievances about pay and the scope of duties, and they were settled through dialogue. The Group companies have not faced fines, sanctions or severe damages payments in relation to the social and human rights matters.

Standard	Data point	Description	2023	2024
S1-17	**103a**	**Number of incidents of discrimination**	**0**	**0**
S1-17	**103b**	**Number of complaints filed through channels for people in own workforce to raise concerns**	**2**	**2**
S1-17	103b	Number of complaints filed to National Contact Points for OECD Multinational Enterprises	0	0
S1-17	**AR103**	**Percentage of reports resolved**	**100 %**	**100 %**
S1-17	103c	Amount of fines, penalties, and compensation for damages as result of incidents of discrimination, including harassment and complaints filed, EUR	0	0
S1-17	104a	Number of severe human rights issues and incidents connected to own workforce	0	0
S1-17	104a	Number of severe human rights issues and incidents connected to own workforce that are cases of non respect of UN Guiding Principles and OECD Guidelines for Multinational Enterprises	0	0
S1-17	104b	Amount of fines, penalties, and compensation for severe human rights issues and incidents connected to own workforce, EUR	0	0
S1-17	AR106	Number of severe human rights cases where undertaking played role securing remedy for those affected	0	0

CUSTOMERS AND END-USERS

Strategy

CleanR Grupa finds it important to invest in efficiency and modernization, as well as infrastructure development, to improve the existing services and introduce new ones, thus increasing customer satisfaction and continuously developing customer competence in environmental education.

We implement modern IT solutions that help us to monitor our service quality and provide our customers with remote self-service options.

Interests and views of stakeholders (ESRS 2 SBM-2)

Customer and end-users' views are considered when we devise the Group's strategy, develop services, and improve business processes (see section Interests and views of stakeholders).

Material impacts, risks and opportunities and their interaction with strategy and business model (ESRS 2 SBM-3)

The largest companies of the CleanR Grupa holding operate in the areas of waste management and recycling, commercial cleaning, road and urban maintenance, as well as extended producer responsibility.

The Group's customers include private persons, businesses of various sizes and industries, as well as private, state, municipal institutions and capital companies. The Group has **more than 61 000 customers** all over Latvia, and its **number of end-users** amounts to **over 500 000**.

The Group has identified its key impacts and risks related to its services and their impacts on its customers and the public, and regularly monitors them. Every year, the Group allocates the necessary resources and implements the necessary measures to both prevent risks and advance positive impacts. In the reporting period, no material negative impacts related to the Group's customers or end-users have been recorded. Activities and actions carried out to manage impacts have been described further in this section.

The Group seeks to implement superior customer service standards, leading to high customer satisfaction. The Group not only ensures physical access to services, for example, providing enough and different types of waste containers, properly equipped, sorted waste collection sites, or properly cleaned premises and urban territories, but also access to digital services – providing the Group's customers with remote self-service tools.

The Group also seeks to ensure faster, more convenient, and easier access to information about services, their execution status, payments, contracts and electronic signing of contracts, using the self-service system. Furthermore, the Group seeks to make sure the services its companies offer are safe for the employees of the Group companies, customers, and the public, both in the digital and physical settings.

Material impacts, risks and opportunities and their interaction with strategy and business model (ESRS 2 SBM-3) (continued)

Material impacts, risks and opportunities related to customers and end-users

IRO	Description	Impact nature (+) or (-)	Time horizon*	Value chain impact*	IRO management/impact on business model, strategy
Impact	**Service safety**	Actual (+) and potential (-) impact	1	O, D	Waste transportation and urban maintenance may be hazardous to the environment and the public. Refuse haulers and urban maintenance vehicles may cause or be involved in dangerous situations on roads, carry accidental third-party property damage risk, due to unsafe driving or severe weather conditions, entail waste spill or ignition risk. These risks are managed by regular vehicle checks, insurance, continuous staff training on work safety and emergency action, as well as by modernization and implementation of innovative solutions.
Impact/ opportunity	**Access to services – implementation of innovative solutions, process digitization**	Actual and potential (+) impact	1–5	O; D	The Group invests in an environment-friendly vehicle fleet, modern urban maintenance machinery, modern waste sorting lines and innovative infrastructural solutions – underground waste container sites, digital customer service tools, improved access to services, safety, and customer satisfaction.
Risk	**Data safety and privacy violations**	Potential (-) impact	1; 1–5	O; D	The e-services site www.manai.videi.lv and mobile app MANAI VIDEI are used by more than 50 000 of the CleanR and Vides Pakalpojumi Liepājai customers – both organizations and private persons. To protect customer data and users' privacy, personal data is managed in accordance with the relevant laws and regulations by including the relevant data processing clauses in contracts and implementing risk controls.
Impact/ opportunity	**Responsible and open communication about services**	Actual and potential (+) impact	1; 1–5	U; O; D	When planning and implementing service-related communication and marketing activities, the Group rigidly follows the lawfulness, fairness, objectivity, honest advertising practice, and fair competition principles stipulated in the national and international legislation. The service provision principles and their purpose are communicated on the Group company websites, social media accounts, as well as TV and radio programs of public broadcasting channels.
Opportunity	**Environmental education**	Actual and potential (+) impact	1; 1–5; >5	U; O; D	The Group is aware of its role in impacting people's habits, which is especially important in waste management, as everyone plays an important part in the waste management system and fostering a circular economy. It is therefore important for the Group to ensure access to quality information on its services, proper waste sorting, waste prevention, and to draw attention to the fact that waste sorting is an opportunity not only to reduce one's impact on the environment, but also to save costs.

*Short-term time horizon, years – 1, mid-term: 1–5 years, long-term over 5 years. Value chain impact: upstream – U; downstream – D; Group processes/own operations – O.

Policies related to customers and end-users (S4-1)

The Group's approach to the management of the aforementioned risks and opportunities has been defined in several of its policy documents – the Group's Sustainability Policy, Code of Conduct, Fair and Ethical Marketing Principles, as well as in a number of documents of the Group companies, such as, service descriptions and work safety instructions, cookie, privacy, and personal data processing policies, data safety incident management procedures, customer complaint handling procedures.

The Group's approach is aligned with the UN Guiding Principles on Business and Human Rights, as well as the principles defined by the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

The Group's Code of Conduct stipulates that an employee, on behalf of the Group, provides customers with services in an honest, fair, and professional manner in line with the customers' interests, and treats a customer or a potential customer favourably, politely, and tolerantly, regardless of the customer's or potential customer's financial situation, size of the deal, or the employee's personal attitude toward the customer or potential customer. An employee provides a customer with trustworthy, clear, accurate, and complete information about the Group and its services, revealing all the material risks, so the customer may fully understand the product or service they are offered.

The Group respects all aspects of human rights in relation to its customers. These primarily relate to privacy – physical and digital security of services, privacy and data protection, non-discrimination – ensuring accessibility and availability of services in both digital and physical environments, including access to quality information, as well as the right to freedom of expression - the ability to express opinions on the quality of services through different channels. Following the principles of due diligence, the Group provides appropriate remediation measures (e.g., compensation, apologies, etc.) when necessary.

The Group's IT system safety is overseen by the Group's Chief IT Officer, while the data safety and privacy matters are monitored by a CleanR Grupa Member of the Board.

Customer relations and service provision are managed by the boards of the Group companies, with concrete employees, such as heads of customer relations, experts, work supervisors, and sales managers, being responsible for the proper functioning of the process. Board members make sure that the employees in charge of a particular process have the necessary skills and receive the necessary training and development.

The Group's general approach to customer and end-user engagement has been described in the next section of the Statement. In the reporting period, no changes in the aforementioned policy documents have been made, and no new policy documents have been adopted.

Processes for engaging with customers and end-users about impacts (S4-2)

Our customers' views have a significant impact on the decisions made by the Group companies and the actions taken to manage impacts arising from service provision. Customer and end-user engagement primarily takes place directly, yet it may also happen through an authorised and legitimate representative, for example, as in waste management, where the interests of end-users may be represented by the local government representatives, property managers, or associations.

At the Group level, stakeholder engagement is overseen by the CleanR Grupa Member of the Board, responsible for corporate communication and sustainability matters, while at the Group companies, customer engagement is the responsibility of one of the board members. Board members also make sure the customer survey results, and customer views are analysed and considered to improve the service and process quality when appropriate.

To assess customer engagement efficiency, the largest Group companies conduct annual customer satisfaction surveys. Also, we utilise a chance to obtain immediate customer feedback when a customer gets in touch with the Group's Customer Service Centre; following the contact, we offer our customers an opportunity to assess their experience by filling out a form. As a result, the company may immediately check the quality of the communication experience and customer satisfaction.

Based on the customer feedback, we implement the necessary process improvements. For instance, by reviewing the customer survey results of the previous year, the following improvements were implemented in this reporting period:

- improved CleanR customer notification procedure in the event waste collection has not taken place;
- improved information and content about the planned Group's waste collection campaigns, including the information in regular electronic newsletters;
- additional training for the CleanR Customer Service Centre staff on the general customer service principles;
- communication skills training for urban works supervisors;
- to improve quality control of the works at the serviced urban sites, Vizii Urban has hired a process and quality control manager who, among other things, will conduct regular technical and quality audits.

Processes for engaging with customers and end-users about impacts (S4-2) (continued)

In the reporting period, CleanR Grupa launched a new customer engagement tool – a scientifically based assessment – the Latvian Circular Economy Index. The assessment involved all Latvian local governments. Within the framework of the initiative, the Group boosted stakeholder engagement, as well as increased awareness about environmental services, the circular economy, and the responsible use of resources.

Every two years, the Group company CleanR carries out a survey on people's waste sorting habits and awareness about recycling. The survey helps the company to implement the necessary changes in its strategy and educational activities, thus not only increasing people's awareness of waste recycling and enhancing competencies but also increasing the amount and quality of the collected waste. The next survey is planned in 2025.

Processes to remediate negative impacts and channels for customers and end-users to raise concerns (S4-3)

CleanR Grupa engages in dialogue with all its stakeholders to reach concerted action. The Group's overall approach ensures that, in line with due diligence principles, appropriate corrective actions and remediation measures are provided in the event of negative impacts - e.g. correcting errors, repairing damage, apologies, compensation, etc.

CleanR Grupa has set up several channels through which both customers and end-users may raise their concerns and needs directly:

- **By phone**, calling the Customer Service Centre at 67111001 or reaching out to the respective company's contact person indicated in the agreement;
- **By email**, writing to the Customer Service Centre at kc@cleanr.lv or to the respective company's contact person indicated in the agreement;
- Waste management service users may get in touch by using **the e-services site manai.videi.lv** or **mobile app MANAI VIDEI**, as well as by visiting **the customer service centres**;
- **Via ViziiApp**, commercial cleaning company Vizii customers may rate service quality;
- **Via social media**, customers may get in touch through Facebook, LinkedIn, or TikTok;
- **By writing a letter** to the legal or electronic address of the respective Group company;
- Under the Whistleblowing Law, customers and end-users may also raise their concerns, using a "Trust Line", **the Group's whistleblowing channel.**

Customers and end-users may also use third-party grievance mechanisms to (also anonymously) raise their concerns about the Group's actions, for example, through the Customer Rights Protection Centre or other state institutions, environmental NGOs, or public media. In the reporting period, no customer or end-user has used a third-party grievance mechanism to submit a written complaint. Issues raised through the media were addressed by preparing a written reply or by participating in the media programmes devoted to the issue.

The Group seeks to ensure that its grievance channels and mechanisms are effective in practice and comply with Principle 31 of the UN Guiding Principles on Business and Human Rights-they are available and trustworthy; it is clear and predictable when to expect a reply or a solution, they provide access to information, give advice and information sources (e.g., on the self-service platform, customer agreement data or materials on proper waste sorting).

The information on communication channels is available on the Group company websites, social media accounts, in the signed agreements, as well as in the MANAI VIDEI newsletters to customers.

The Group identifies insights from the use of the channels and makes improvements accordingly. These channels are constantly monitored. At operational meetings, we analyse the number of applications and complaints, the issues raised, as well as our response time.

The first-level customer service is organized in a centralized manner via the Group's Customer Service Centre. The second-level customer service takes place through customer relations, sales managers, customer service experts, or work supervisors. We treat customer complaints and suggestions responsibly, respecting our customers' confidentiality, right to privacy, and ensuring data protection.

Customer complaints are handled at each of the Group companies individually. Written customer complaints are reviewed and handled within 10 working days. In cases where an in-depth investigation of the situation is required, a reply to customers or third parties is provided no later than within the one-month deadline set by the Law on Submissions. Oral complaints are dealt with immediately.

Taking action on material impacts on customers and end-users (S4-4)

The CleanR Grupa companies ensure that their operations and service provision comply with the laws and regulations, work permits, and the terms of the concluded agreements.

The Group companies seek to follow business practices that do not cause or advance negative impacts. We plan and allocate the necessary financial and human resources, as well as a number of measures to foster positive impacts on our customers and the public.

Every year, the CleanR Grupa companies invest in service safety – new, modern, ergonomic waste haulers with improved manoeuvrability, as well as urban maintenance machinery and equipment. The Group runs regular vehicle maintenance checks, as well as offers continuous employee training on work safety and emergency action.

At the same time, we regularly raise our customers and the public's awareness of municipal waste collection and urban services safety on our social networking sites, in the media, and at local government meetings. The Group informs of the necessary public engagement to ensure access to waste containers, responsible parking outside blocks of flats, and on the driveways for the Group employees to be able to provide services properly and without additional risks.

We call on homeowners to take care of access roads, especially in winter, to ensure timely territory cleaning and waste removal.

The CleanR Grupa companies take care of customer privacy and protection of personal data by observing their right to lawful processing of personal data according to the relevant legislation – Personal Data Protection Law of Latvia, Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and other applicable laws and regulations governing privacy and data processing.

Data processing on the e-services portal, app, and direct communication takes place, ensuring data confidentiality. Risks are managed by introducing a number of technical, organisational, and legal measures. The customer agreements include data protection clauses. The Group company homepages ask users to agree to the use of cookies and contain privacy and cookie policies. The Group also ensures authorised access to systems, firewalls, antivirus programs, runs safety audits and tests, employee training on data protection policies, risks, and reporting.

In the reporting period, no serious material negative impacts related to customers or end-users have taken place. All incidents are registered and analysed at the operational meetings; also, during the Group's overall risk management processes, we plan and implement the necessary corrective measures, process improvements, and employee training.

Under the due diligence process, we ensure the necessary remedial actions in the event of physical and digital service safety incidents – error correction, damage control, apology, and compensatory damages. The board of the respective Group company plans to ensure that the necessary resources for remediation are available and that their implementation is effective.

The management of the above impacts and risks and the planning and implementation of the following measures involve various functional departments of the Group companies, as well as members of the parent company's management board, each in their area of responsibility, monitoring the strategic direction, as well as the Group's Process and Quality Manager, IT Director, legal function representatives, marketing and communication team specialists, as well as members of the respective Group subsidiary's business line - board members and those responsible for customer relationship and service management.

Activities to manage impacts, risks and opportunities

In the reporting period, we continued implementing several activities advancing positive impacts on the customers and the public, **ensuring digital and physical access to services, as well as continuous environmental education**.

In the view of the management, by implementing the activities mentioned further, the Group companies make a significant contribution toward UN Sustainable Development target, which seeks to "ensure availability and sustainable management of water and sanitation for all". The Group companies work hard toward eliminating landfilled waste by 2030 and reducing the amount of unprocessed waste by half, significantly increasing the degree of recycling and safe re-use of materials. At the same time, the Group continuously encourages public engagement in waste sorting.

Taking action on material impacts on customers and end-users (S4-4) (continued)

Customer service digitization

To ensure fast and easy access to information, as well as offer an option to request a service at a time convenient to the customer, in the reporting year, the Group continued developing its **e-services site mainai.videi.lv and mobile app MANAI VIDEI**.

All customers who have signed a municipal waste management agreement with us have access to the e-services site and may also use the mobile app to:

- request services;
- read and sign agreements;
- see the waste removal schedule, request changes;
- request container installation and change;
- check and pay bills;
- make inquiries;
- request additional services, e.g., management of bulky waste or building refuse, container push-out, or container or territory locking/unlocking.

Since last year, the CleanR customers may find out their "ability to sort" – see the data on how much of their waste is landfilled and recycled, as well as receive advice on how to reduce their waste management bill.

In the reporting year, another of the Group companies – Vides pakalpojumi Liepājai – was added to the e-services site, so the company's customers in the city of Liepāja and its municipality are able to take advantage of the system. In the reporting period, an average of 80 % of the waste management agreements were signed electronically on manai.videi.lv.

The customer satisfaction survey data reveal that our customers appreciate the advantages gained from the use of the system, for example, fast communication, giving the e-services system 7.96 points out of 10 in 2024.

Service quality management

In the reporting period, the commercial cleaning company Vizii continued running its **VIZIIApp** – the first mobile quality control app where both the customer and service users may rate the quality of the performed cleaning jobs and request an emergency cleaning team if necessary. Another of the Group companies, Vizii Urban, is planning to use the app in the next reporting period at the sites of three of its commercial customers to ensure better territory maintenance service quality.

Access to services – infrastructure development and innovation

In the reporting period, the Group companies CleanR and Vides pakalpojumi Liepājai serviced more than 103 000 different types of waste containers daily all over Latvia, **monitored 310 sorting points** and **ensured the operation of 13 sorted waste collection sites**. In cooperation with the local governments, two new sorted waste collection sites were set up – one in Priekule in Liepāja municipality, and the other in Baldone.

In the reporting period, in the territories serviced by the mentioned companies, we put up more than 3 000 biodegradable waste containers, nearly 300 textile containers, 3 000 secondary material, and 800 glass packaging containers. Additionally, more than 100 used containers were replaced by new ones. Compared to the previous year, in 2024, the total number of put-up sorted waste containers grew by 25 %.

Next year, we plan to continue improving access to the waste sorting infrastructure by **increasing the number of waste containers**:

- using EU co-funding, we plan to purchase **950 waste containers for biodegradable and other types of separately collected waste**;
- developing **textile waste container** infrastructure; we plan to put up **50** containers, identifying the most convenient spots together with the local governments and residents;
- to put up **1 000 containers for the collection of glass packaging**.

Taking action on material impacts on customers and end-users (S4-4) (continued)

Next year, we will open **the modernised sorted waste collection site in Rīga**, 5 Vietalvas Street. The site is modernised, using the funds of the EU LIFE project "Waste as a resource in Latvia – promotion of regional sustainability and circularity, implementing the concept of using waste as a resource" (LIFE Waste to Resources IP, LIFE20 IPE/LV/000014). The site has been designed following best practice, providing the residents with an opportunity to dispose of several types of waste – textile, building refuse, bulky waste, biodegradable waste, wood, glass, PET, paper, and cardboard packaging, as well as used electronics. Moreover, the site will be equipped with an interactive digital guide giving the visitors detailed information on the types of accepted waste, and a self-service kiosk, where they will be able to pay for the disposal of paid waste. The site will be accessible by car to make the disposal of bulky waste more convenient.

In 2025, we also plan to open **a composting site in Ikšķile**, where the wastewater derived from compost watering will be collected and reused for compost moisturising.

Underground waste container solutions

Last year, CleanR continued to offer customers the possibility to install underground containers near residential buildings. Underground waste containers offer better physical access for all users, including senior citizens and people with disabilities. The containers are also easier to open. This solution allows keeping the waste collection area tidier and safer, as well as has a smaller environmental impact, as the containers are more capacious, which means that the waste can be removed much less frequently.

Instead of the 50 planned sites, we **constructed 67 underground waste container sites, containing a total of 253 containers in Rīga and Jūrmala**. Next year, we plan to construct at least 38 new underground waste container sites.

Tīrmāja campaign

To foster the availability of services, CleanR, together with two other Group companies – CleanR Verso and Zaļā josta – continued running "Tīrmāja", a free-of-charge waste collection campaign. During the campaign, we set up mobile waste collection points for such waste as used electronics, bulky waste, glass packaging, and textiles. We travel around the residential blocks serviced by CleanR according to a set schedule, offering the residents a more convenient way to dispose of the aforementioned waste. Thus, we reduce the risk of this type of waste ending up in the overall waste flow and landfill sites. Our customers and their authorised representatives, such as property managers or residential block associations, may request the service at a time convenient for them.

In 2024, **17 "Tīrmāja" events took place** in Rīga, Carnikava, Ropaži municipality, Ķekava and Jūrmala, rural territories of Baldone and Ozolnieki, and elsewhere.

Environmental education activities

One of the Group's opportunities and actions facilitating material positive impact on our customers and the public includes the CleanR Grupa environmental education activities. The activities and results are described in section Environmental education.

Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities (S4-5)

To manage the Group's material impacts and opportunities related to customers and end-users, in 2022, during the development of the Group's sustainability strategy, we set our three-year targets. The information about the targets and results is included in the Annual Sustainability Statement and is available to all stakeholders.

To promote the use of the e-services site manai.videi.lv and the MANAI VIDEI app, the Group had set a target to increase the share of customers using self-service options. The data reveal that the customers appreciate the improvements and actively utilise the chance to obtain information and request services electronically.

The number of the Group's **active e-services and app users reached 63 %**, which is 5 % more than the year before. Last year, **more than 49 % of the customer requests** were received through e-services – on the customer portal or via the mobile app.

The Group seeks to achieve the highest customer service standards to **ensure maximum customer satisfaction**. Therefore, we had set a target to reach a customer satisfaction score or NPS of 50 % by 2025, which is universally considered a "very good" score. **In the reporting year, the Group's NPS reached 45 %**.

To assess its impacts and efficiency in the area of environmental education, the Group had set a target to increase the audience reached by its activities by at least 5 % on the previous year. In the reporting period, the Group's environmental education activities and events **reached more than 3.9 million people, exceeding the target by 192 percentage points**.

Customers and End-users						
Targets	**BASE 2022**	**TARGET 2023**	**RESULT 2023**	**TARGET 2024**	**RESULT 2024**	**TARGET 2025**
Percentage of active e-services and app users of the Group's total customer base	52 %	60 %	58 %	68 %	63 %	75 %
App-based customer applications and applications in e-services of all the applications received	30 %	40 %	42 %	48 %	49 %	60 %
Group's Customer NPS*	47 %	48 %	47 %	48 %	45 %	50 %
The audience reached by environmental education activities by 5 % annually	–	+5 %	+66 %	+5 %	+197 %	+5 %
The audience reached (through websites, social networks, the Group's newsletters, on-site events), number	754 865	792 608	1 318 762	1 384 700	3 911 426	4 106 997

*The CleanR Grupa's NPS was calculated as the weighted average NPS of the companies CleanR, Vides Pakalpojumi Liepājai, CleanR Verso, Vizii, Vizii Urban, Zaļā josta, based on the number of customers.

NPS from 31 % to 50 % is deemed as "very good" https://delighted.com/blog/what-is-a-good-nps-score.

ENVIRONMENTAL EDUCATION

Educating society on environmental issues is an essential part of the Group's business. The environmental education activities are organized both by implementing the delegated environmental education functions of the State Environmental Service and municipalities, with which waste management agreements have been signed – including the requirements set out in various Cabinet of Ministers regulations and through the Group's own initiated activities that enhance public awareness and knowledge about environmental issues and environment-friendly lifestyles.

The Member of the CleanR Grupa Board responsible for corporate communication and sustainability oversees the implementation of a joint approach to environmental education matters at the Group.

CleanR Grupa is aware of its role in achieving the Green Deal objectives set by Latvia, including its opportunity to impact a change in public behaviour, which is particularly important for the implementation of the principles of the circular economy in the field of waste management – as its cornerstones are the active involvement of the public and every individual. The Group aims to raise customer awareness of waste prevention and proper sorting, as well as of the availability of sorting infrastructure and services.

To engage the public in the creation of a zero-waste and waste sorting culture, the CleanR Grupa companies regularly invest in environmental education activities with the aim to:

- Raise awareness
- Change thinking and habits
- Motivate to lead a circular lifestyle: Don't produce waste! Recycle! Use as a resource!

Key environmental education activities in 2024

Raising environmental awareness through educational & informative activities

- **Environmental education pop-up site "Šūna"**

  ŠŪNA

  A unique concept implemented in Latvia for the first time to ensure accessibility to environmental education – a pop-up site in a convenient location in Riga, serving as a platform for the synergy of various instruments – through art, culture, science, and diverse forms of storytelling.

  8 weeks

  > 60 events to raise environmental awareness

  2 000 visitors – residents of Riga and city guests

- **Educational classes organised by the Group company Zaļā josta about waste reduction and sorting:**

  16 organisations

  > 1 366 participants

- **Waste sorting masterclasses organised by the Group companies CleanR and Zaļā josta:**

  15 public events

  > 3 850 participants

- 67 **press releases** highlighting environmental education topics

- **Latvian Circular Economy Index**

  APRITES EKONOMIKAS INDEKSS

  CleanR Grupa, together with more than 20 scientists, researchers, and experts, on the initiative of Agita Baltbārde, the Group's Member of the Board, and under the guidance of lead scientists Dzintra Atstāja and Andris Saulītis, devised a scientifically based tool for Latvian local governments to assess their level of circularity – the way of operating that aims to retain the value of services, products, materials, and resources in the economy for as long as possible.

  The index involved:

  100 % of all Latvian municipalities and State Cities

  > 3 000 residents from all local government territories

- **Zaļā josta's "Environmental Festival" for schools and families in Tērvete** – the closing event of the environmental education campaign in Latvian schools "Tīrai Latvijai":

  > 500 attendees

- **Zaļā josta's awareness campaign on textile waste sorting** – online, in public spaces, and on public television LTV1

Public engagement activities

- **"Tīrai Latvijai" campaign at Latvian schools:**

  666 t paper packaging from 375 schools

  almost 35 t of batteries from 346 schools

- **Worn tire disposal campaigns organised by CleanR and Zaļā josta:**

  558 t of worn tires

- **"Elektrosestdiena", campaign organised by Zaļā josta and its partners:**

  106 t of used electronics

- 17 **"Tīrmāja" waste collection campaigns, organised by CleanR and Zaļā josta:**

  1 255 t of used electronics, bulky waste, glass packaging, and textile

- **Zaļā josta mirror glass disposal campaign in cooperation with SIA "STIKLA SERVISS":**

  7 525 kg of mirror glass

CONTRIBUTION TO LOCAL COMMUNITY

By being aware of our impact on society, The Group contributes to the community every year by organising and supporting various events and initiatives in the areas of **social well-being, promotion of innovation, and environmental protection**. These activities are implemented in line with the Group's Sponsorship and Support Policy.

In the reporting period, the Group's total contributions to the local community amounted to half a million euros.

Key projects supported by CleanR Grupa in 2024

Junior Achievement Latvia Leadership programme

"Tīri.Labi.Apritē", a youth environmental project by society "Zaļā brīvība"

Baltic Sustainability Awards

"Personality Academy", a sports and active lifestyle youth camp organised by the Latvian Olympic Committee

"Ghetto Games" 16th season events around Latvia

"Krastu mačs", a round-the-clock basketball event

Basketball club "Liepāja"

Basketball club "VEF Rīga"

Donations

Foundation "Vītolu fonds"

Animal shelter "Ulubele"

Children's hospital foundation

Society for oncology patient support "Dzīvības koks"

Latvian Orphans Association

Latvian Foster Family Association

Latvian Fund for Nature

Autism support point in Rēzekne

Orphans' Society "Saules bērni"

Governance information

BUSINESS CONDUCT

The CleanR Grupa companies strive to run **responsible, open, ethical, and transparent business operations**. This approach applies to all the Group companies, as well as the Group's cooperation with its stakeholders.

The Group seeks to ensure that its corporate governance practice meets the highest standards. In 2024, CleanR Grupa's corporate governance practice was rated by 36 points higher than in the previous year, reaching 91 points (from 100) in the TOP 101 of Latvia's Most Valuable Enterprises rating compiled by Prudentia and Nasdaq Riga, thus approaching significantly closer to the ratings of Latvia's best and largest private and state enterprises.

Last year, CleanR Grupa received the Bank of Latvia and Corporate Governance Council award for stakeholder engagement, the Latvian Employer Confederation Excellence Award for investment in corporate brand development, and the Platinum rating in the Sustainability Index

The Group's Chairman of the Supervisory Council, Guntars Kokorevičs, was named National Capital Entrepreneur of the Year by the business media "Dienas Bizness".

At the end of the year, the Group also received the Nasdaq Baltic Awards for the Best Investor Relations in the First North Bond list.

These recognitions attest to the efficiency of the Group's strategy in pursuing sustainable development and constant efforts in nurturing high corporate governance standards.

The quality management systems of several of the Group companies, such as CleanR, Vizii, Vizii Urban, Zaļā josta, Vides resursu centrs, and Lautus, have been certified according to ISO 9001:2015, affirming that their quality management processes, and practice complies with the international standards.

ISO 9001:2015

The role of the administrative, management and supervisory bodies (GOV-1)

The role of the management bodies and their governance and business expertise are described in the Corporate Governance Statement section of this Statement.

Description of the processes to identify and assess material impacts, risks and opportunities (ESRS 2 IRO-1)

The material impacts, risks and opportunities related to business conduct and corporate culture were identified in the materiality assessment (see section Description of the processes to identify and assess material impacts, risks and opportunities).

Material impacts, risks and opportunities related to business conduct (ESRS 2 SBM-3)

IRO	Risk/impact/opportunity description	Impact nature (+) or (-)	Time horizon*	Value chain impact*	IRO management/impact on business model and strategy
Opportunity	**Building an open and ethical corporate culture**	Actual and potential (+) impact	1; 1–5	O	An open and ethical corporate culture fosters the achievement of the CleanR Grupa business goals. The observance of the principles laid down in the Group's Code of Conduct facilitates the building of a healthy corporate culture. The Group seek to ensure a safe and ethical workplace for its employees and be a reliable business partner for its stakeholders.
Risk	**Conflict of interest, corruption and bribery risk**	Actual and potential (-) impact	1; 1–5; < 5	U, O, D	Potential corruption or bribery charges or incidents may have serious financial implications, a negative impact on the Group's reputation and image, as well as they may significantly decrease the company's competitiveness. The Group has identified the roles and job positions most exposed to these risks and will provide the employees with training on ethical business conduct. The Group continuously improves its internal controls aimed at risk prevention. The Group's stakeholders may raise concerns about potential violations through "Trust line", the Group's whistleblowing channel.
Impact/ opportunity	**Management of supplier relations**	Actual and potential (+) impact	1; 1–5	U, O	Our supplier due diligence process involves the observance of the Business Partner Assessment Procedure and a supplier's acknowledgement of compliance with our Code of Conduct for Suppliers, thus mitigating and preventing value chain risks (human rights violations, safety, etc.). The management of the suppliers is also important to ensure a continuous supply of resources significant to the Group's operations. In the next reporting period, we will continue implementing a joint supplier assessment system and a sustainable procurement process across the whole Group.
Opportunity/ impact	**Active engagement in industry policymaking**	Actual and potential (+) impact	1; 1–5	U, O, D	The long-lasting experience of the Group companies in the environmental services industry has a material positive impact on the development of an efficient and competitive business framework. The Group's insight may prevent over- or disproportionate regulation, causing bureaucratic hassle and extra costs, improve day-to-day operations and foster business development, lead to a fairer and more sustainable legal framework, having also a subsequent positive effect on society and the economy.

*Short-term time horizon, years – 1, mid-term: 1-5 years, long-term over 5 years. Value chain impact: upstream – U; downstream – D; Group processes/own operations – O.

Business conduct policies and corporate culture (G1-1)

Compliance lies at the core of the Group's operations. In all its operations and transactions, the Group companies pursue **openness, integrity, loyalty, fairness, confidentiality, and professionalism**. The fundamental values of the Group's corporate culture are set forth in the Group's Code of Conduct, the Internal Working Regulations, and other policy documents. The key policy documents are available on the Corporate Governance section of CleanR Grupa's web page.

The Group's corporate culture is shaped by the basic operating principles enshrined in these policies. These values are blended into the Group's internal processes, for example, internal communication, manager training programmes, and employee performance evaluation.

The Group's Conflict of Interest Prevention Policy lays down the basic principles of the prevention of a conflict of interest. The Internal Working Regulations also address conflicts of interest and the acceptance of gifts. To improve the Group's conflict of interest framework, it will develop and implement an Anti-Corruption and Anti-Bribery Policy in the next reporting period.

To identify, report, and investigate potential unlawful actions, as well as violations of the Group's Code of Conduct and other provisions, the Group has implemented several mechanisms and channels, including a whistleblowing system.

The CleanR Grupa whistleblowing system complies with the relevant legislative requirements. The Group has approved its Whistleblowing Policy and devised a digital tool – the "Trust Line". It allows the Group's stakeholders to raise their concerns about potential violations of the Group's governance policies with respect to ethics, corruption, conflict of interest, procurement practice, unethical conduct of business partners, and other cases prescribed by law.

Although the digital solution has been used several times during the year under review, which shows that stakeholders as well as the Group's employees are aware of the functioning of this channel, none of the reports received by the whistleblowing system are related to the above-mentioned aspects and do not qualify as whistleblower reports as prescribed by law.

The Group is committed to investigating incidents promptly, independently, and impartially, ensuring that the investigation does not involve the person named in the report or a representative of the relevant function. The Group ensures confidentiality of the information and the whistleblower's protection. Personal data are protected and pseudonymized according to legislation.

The employees are informed about the whistleblowing options, whistleblowers' rights and responsibility, their protection, and the report review process during onboarding, at meetings, employee forums, and other internal communication channels.

The whistleblowing process at the Group is overseen by the Group's Human Resources and Administrative Director.

At the beginning of 2024, the Group ran trainings for the human resources, office administration, and internal audit employees, as well as the Vizii Urban Board and office staff, explaining what kind of reports are considered as whistleblowing reports, action upon receiving such a report, the duty to protect whistleblowers, and prohibition to retaliate due to whistleblowing.

The Group has assessed the functions and job positions that could be exposed to a higher risk of conflict of interest and corruption. The following Group roles and functions were identified:

- Board and Council members;
- managers to the level of department heads, inclusive;
- staff authorised to sign documents (contracts, handover and acceptance documents, correspondence, or offers) based on an authorisation matrix or individual mandate;
- the Group's Procurement Manager;
- procurement specialist, estimator;
- employees accepting goods or services (also by verbal agreement).

Management of relationships with suppliers (G1-2)

The Group's mid-term sustainability strategy focuses on running a responsible supply chain and sustainable procurements. The Group's approach to responsible procurement management has been defined in the Procurement Policy and the Environmental and Energy Management Policy. The Group's main operating principles are aimed at an efficient use of resources, a transparent procurement procedure, free competition, and equal and fair treatment of suppliers.

Every year, the services, goods, and construction procurements run by the Group companies amount to several tens of millions of euros. Considering the expenses arising from procurements, the Group has a great opportunity to promote sustainability principles and a responsible approach to business on a larger scale.

The Group is fully aware that an inability to maintain existing business relationships with suppliers and subcontractors may adversely affect the Group's operations, financial position, cash flow, operational results, and business opportunities. The management of the relations with the suppliers is also important to ensure the continuity of supply of the resources essential to the Group's operations.

Considering these risks, we have established the Business Partner Assessment Procedure. Prior to signing an agreement, we check the other party's solvency, tax payment discipline, whether the associated persons have not been sanctioned, as well as ask the supplier to agree to the Group's Code of Conduct for Suppliers.

The Group's Code of Conduct for Suppliers includes a number of essential pre-conditions to enter a business relationship with CleanR Grupa. The code has been devised in line with the principles set forth in the UN Global Compact and not only requires a supplier to comply with the legislation governing their operations, but also:

- to observe human rights, take responsibility for the workplace and safety at work;
- ethical interaction and actions, fair competition, and prevention of a conflict of interest;
- prohibition of corrupt actions and fraud;
- protection of data and privacy;
- responsible attitude towards the environment.

In the reporting period, besides checking the tax payment discipline, the Group did not consider any other social or environmental aspects in supplier selection. We continued working on a joint procurement procedure across the Group and looked at the possibility of introducing a digital solution to ensure a harmonised approach to the supply chain management and supplier assessment.

Targets related to the management of material impacts

CleanR Grupa has set a goal to make sure that by 2025 all its suppliers have read and agreed to the Group's Code of Conduct for Suppliers – a respective clause including a reference to the Group's code or similar provisions of the other party on fair and transparent business practice has been included in all the signed contracts.

In the reporting period, 37 % of the agreements signed by CleanR Grupa included a clause with a reference to the Group's Code of Conduct for Suppliers. By concluding an agreement with CleanR Grupa, the Group's suppliers and business partners attest to their compliance with the principles set in the code and agree to follow them. In 2025, we aim to continue working on implementing a joint procurement system in the Group.

Targets	BASE 2022	TARGET 2023	RESULT 2023	TARGET 2024	RESULT 2024	TARGET 2025
All the Group's suppliers have accepted the Group's Supplier Code of Conduct (the clause included in contracts concluded during the year)	-	80 %	80 %	90 %	37 %	100 %
A joint sustainable procurement system implemented in the Group	-	40 %	40 %	80 %	40 %	100 %

Prevention and detection of corruption and bribery (G1-3)

The Group's whistleblowing system is the main mechanism and channel for all its stakeholders to raise concerns about suspected cases of corruption or bribery. Additionally, the employees may raise their concerns through other channels at their disposal (see section Processes to remediate negative impacts and channels for own workers to raise concerns).

To prevent potential allegations or incidents related to a conflict of interest, corruption, or bribery, CleanR Grupa has set its conflict-of-interest prevention principles, and the respective employees are informed of their duty to report such cases to the employer should they arise. The Internal Working Regulations clarify gift acceptance.

Information on all reports received and the outcome of their investigation, not only concerning allegations of corruption, is provided to the Management Board and the Supervisory Council and included in the annual Group Sustainability Statement.

During onboarding, including the New Employee Day, employees are acquainted with the Group's key policies, as well as once a year all employees are reminded of the Group's operating principles and values at staff meetings and forums.

Although the share of the identified roles and job positions exposed to the risk is smaller, in the next reporting period, all the CleanR Grupa administrative staff, including the Group's boards and the Council, will receive separate training on corruption risks and ethical business conduct. In the reporting period, the boards of the Group companies received training on the conflict-of-interest risks.

Confirmed incidents of corruption or bribery (G1-4)

In our business operations, we ensure compliance with all the relevant external laws and regulations governing the Group's operations. In the reporting period, CleanR Grupa did not face any charges or legal proceedings related to violations of anti-corruption and anti-bribery laws and regulations; also, no fines were imposed.

Standard clause	Datapoint	Description	2022	2023	2024
G1-4	24a	The number of convictions for violation of anti-corruption and anti-bribery laws	0	0	0
G1-4	24a	The amount of fines for violation of anti-corruption and anti-bribery laws, EUR	0	0	0
G1-4	25a	The total number of confirmed incidents of corruption or bribery	0	0	0

Political influence and lobbying activities (G1-5)

Active engagement in the policymaking of the environmental services industry and the business environment, by also regularly engaging with the stakeholders, is an integral part of the Group's operations.

At CleanR Grupa, lobbying activities are generally overseen by the CleanR Grupa Chairman of the Board. One of the CleanR Grupa Board members is responsible for active engagement with the trade associations of the waste management industry.

The decision to become a member of an organisation is taken by the whole board. The Group and its companies have no legal duty to be member of the associations or organisations representing their interests. The Group and its companies as commercial entities do not get involved with political parties, nor provide the parties or their representatives with financial or in-kind support. Last year, the membership fees in the industry and lobbying associations reached EUR 35 101.

The Group's core business activities are regulated by external laws and regulations in the field of environmental protection. The main legislative act governing the industry is the Waste Management Law, followed by the Law on Pollution, Natural Resources Tax Law, as well as a number of other laws and regulations directly or indirectly related to the industry.

Upon assessing draft or amended laws, the development of the Group's position and its coordination with the involved parties takes place at several levels and cooperation models. A consensus must be reached at both the industry level and the Latvian Chamber of Commerce and Industry (LTRK), where the interests of the market actors, for example, producers, merchants, and industry players, often clash. CleanR Grupa always seeks to reach an agreement or a similar position with other industry players, including the local governments, represented by the Latvian Association of Local and Regional Governments and the Large Cities Association.

The interests of the Group companies are already represented in the drafting process of the EU directive amendments through direct communication with state institutions – primarily the Ministry for Climate and Energy and the competent authorities subjected to it, for example, the State Environmental Service and the Latvian Environment, Geology and Meteorology Centre, as well as through other ministries, if required, to formulate the national position, and through industry associations – Latvian Association of Waste Management Companies (LASUA), Latvian Waste Management Association (LASA), and European Waste Management Association (FEAD), which has a mandate to represent and lobby the interests of the industry before the European Commission.

In 2024, we carried out several activities in cooperation with FEAD, discussing the extended producer responsibility system development, as well as waste-to-energy issues and the situation in Latvia.

We continued participating in the Waste Reduction and Management Working Group at the Riga City Council, and in the meetings of the Social Security Subcommittee (SDA) and Work Affairs Tripartite Cooperation Subcommittee (DLTSA) of the National Tripartite Cooperation Council under the Employers' Confederation of Latvia.

CleanR Grupa or its subsidiary companies are not registered on the EU Transparency Register, as the Group does not directly carry out lobbying activities/express its views before the EU institutions; the Group does it through the aforementioned associations.

In the reporting period, the CleanR Grupa companies took an active part in the following organisations:

- Latvian Association of Waste Management Companies
- European Waste Management Association
- Latvian Waste Management Association
- Professional Cleaning and Facility Management Association of Latvia
- Employers' Confederation of Latvia
- Latvian Chamber of Commerce and Industry
- Latvian Construction Association
- CLEANTECH LATVIA
- The Latvian Traders Association
- GS1 Latvia
- The Association of Accountants of the Republic of Latvia
- Latvian Association for Personnel Management
- Business Efficiency Association
- The Latvian Corporate Social Responsibility Platform

Political influence and lobbying activities (G1-5) (continued)

In the reporting period, CleanR Grupa stated its position and submitted several suggestions regarding legislative amendments.

Theme/legislative act	Stated position
Climate Law and The National Energy and Climate Plan (NEKP)	A position stated on the need for better alignment between the activities included in the Climate Law and the NEKP and the National Waste Management Plan (AAVP) and its targets. Given the ambitious AAVP target to reduce the landfilled waste to 10 % of the total municipal waste generated and the slow progress toward its implementation until now, we suggested exploring all the options offered by the waste management hierarchy, foreseeing waste-to-energy as one of the means toward meeting the target.
Regional waste management plans (RAAPs)	A position stated on the RAAP tasks delegated to the Regional Waste Management Centres (AARC), clarifying their duties and responsibilities. Too general and wide delegation may have an adverse effect on the industry players, development, and goals.
Waste Framework Directive amendments	An opinion expressed on the Food waste reduction programme. A position stated on the legal framework of the extended producer responsibility for textiles regarding the list of textiles included in the Framework Directive amendments, suggesting that, for example, fabric bags, carpets, and toys should be subjected to taxation.
Amendments to several Cabinet of Ministers regulations governing waste management	A supportive position was stated on the amendments of the extended producer responsibility system for plastic packaging, foreseeing the imposition of a tax on all recyclable plastics that are not recycled. Also, a position was stated on the implementation of harmonised pictogram labelling on the separately collected waste infrastructure/containers in Latvia. The Group proposed postponement thereof until the EC finalises the respective regulations, which will be applicable all around the EU, thus preventing the risk of a financial and administrative burden for the industry players arising from the implementation of incompatible requirements.
Amendments to the Labour Law and related legislation	A position stated on reducing overtime pay to 50 %, a neutral position stated on a four-day working week, suggesting a 10-hour working day as an acceptable norm, given the profile of the Group's companies which must ensure continuity of service provision by organizing the work schedule accordingly. A position stated on the legal framework of the collective agreement, suggesting an option to end the agreement if the parties do not come to an agreement. A position stated on reducing the number or sick-leave days paid by the employer. Support expressed for increasing the non-taxable amount of annual pay, which would not be subject to the employee's or employer's income tax. Given the lack of workforce, a position was stated on a simplified procedure for attracting foreign workers to low-qualified jobs.

Political influence and lobbying activities (G1-5) (continued)

In total, last year, the experts of different areas and representatives of the Group's management spoke at more than 14 different seminars and conferences in Latvia and abroad, sharing their experience on the bond issue, employee diversity, attraction and retention, as well as waste management industry issues – sorting solutions and waste recyclability, improving the producer responsibility system, waste as an essential resource, including the promotion of the circular economy.

To foster cooperation with stakeholders on circular economy issues, CleanR Grupa became a co-founder of **the Baltic Circular Hotspot** (see the Circular Economy section).

In addition, the year under review saw the Group's forum **"Transforming Environmental Services and the Circular Economy – The Answer to Climate Change"**, where the Group spoke about the shift in thinking in the environmental services sector – from waste to resources, as well as digitisation, robotics and more efficient resource management.

The event highlighted the Group's examples of circular economy, climate-resilient infrastructure, plastics recycling, and vehicle fleet development – all of which allow for avoiding more greenhouse gas emissions than are created in business operations.

The promotion of circularity in the construction and building refuse management sectors was also discussed, as well as the importance of waste recovery in achieving the EU's environmental sustainability targets. The Group's representatives also talked about the changing nature of environmental services, with robotics and digital solutions playing an increasingly important role in the commercial premises cleaning and urban environment maintenance.

At the forum, the CleanR Grupa's created evaluation tool – the Latvian Circular Economy Index winners were celebrated. The index was initiated by Agita Baltbārde, Member of the Board at CleanR Grupa. The methodology was devised by a group of Latvian scientists led by the economics and sustainable development expert Dzintra Atstāja, Dr. sc. soc.

The resident survey, which included more than 3 000 completed questionnaires, and data analytics was overseen by Andris Saulītis. The local government engagement was facilitated by the Latvian Association of Local and Regional Governments. In total, the Latvian Circular Economy Index brought together more than 20 Latvian scientists and experts. 100 % of all municipalities in Latvia participated in the assessment. The results can be found here.

We regularly inform our stakeholders on the completed and planned activities to promote industry development – the information about all our activities is published on our social media accounts and in the media, as well as on company websites.

During the reporting year, there were no members appointed to the boards of the Group's companies or the Supervisory Council who held a comparable position in public administration (including regulators) two years preceding the appointment.

Payment practices (G1-6)

The Group follows consistent payment practices. Payment terms to suppliers are closely monitored. The Group's standard invoice payment terms foresee the payment of invoices within 30 days, exceptions are made in cases where the suppliers' payment terms do not allow for such arrangements.

Payments to landfills, which constitute around 40 % of the Group's total annual operating costs, are made within 23 days, according to the terms agreed on. The invoices of the suppliers of key resources (e.g., electricity, fuel) are paid in 29 or 23 days.

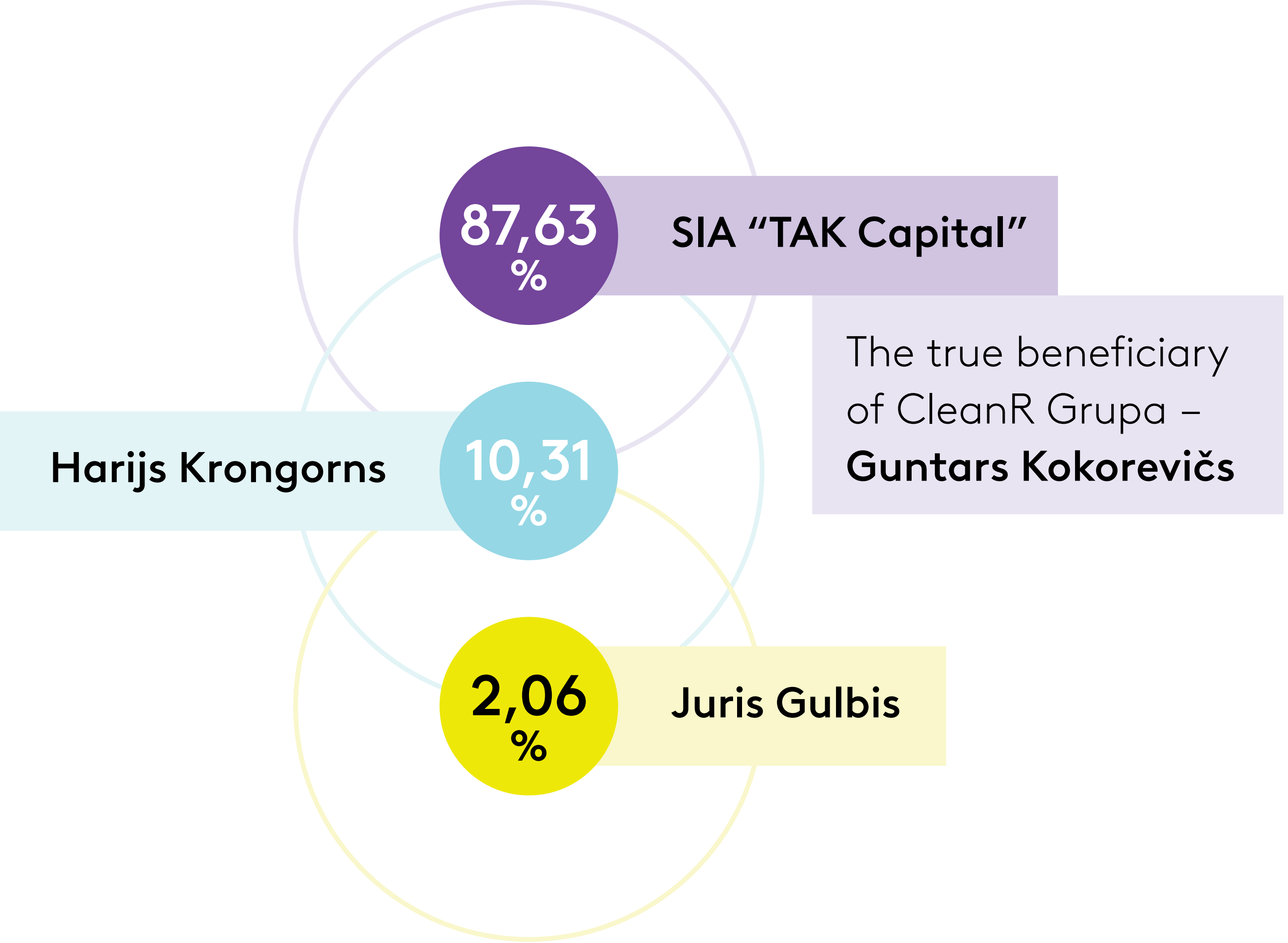
The company strives to pay invoices according to the terms indicated in the agreements or on invoices, unless there is a dispute about the service provided or the goods delivered; therefore, continuous improvements are being made to the invoice workflows, ensuring digitisation and traceability of the confirmation processes. As at the date of approval of this report, there are no outstanding legal proceedings for late or non-payment in the Group companies.

CORPORATE GOVERNANCE STATEMENT

About the joint stock company

The joint stock company (AS) "CleanR Grupa" is a 100 % Latvian private capital company. Its core areas of operation are activities of holding companies (NACE 64.21, version 2.1) and activities of head offices (NACE 70.10, version 2.1).

CleanR Grupa shareholders



CleanR Grupa management

AS "CleanR Grupa" is managed by the Shareholders' Meeting, the Supervisory Council, and the Management Board. Each of them, according to the Latvian Commercial Law, the Articles of Association, and Board Members' authorisation agreements, has its responsibilities and mandates.

Shareholders' meeting

A shareholders' meeting is convened in the cases and manner specified in the Latvian Commercial Law. In case of need, extraordinary shareholders' meetings are convened. During the reporting year, nine meetings were held.

The Shareholders:

- Appoint and recall council members;
- Determine council member remuneration;
- Approve amendments to the Articles of Association;
- Decide on reorganization;
- Decide on the changes in the company's equity capital;
- Approve the Group's annual report and decide on the use of the previous year's profit;
- Appoint an auditor.

CleanR Grupa Management Board

The CleanR Grupa Board consists of four elected board members. The board members are assigned responsibilities for specific business areas. Each board member has the right to represent the company together with at least one other board member. Board meetings take place once a week, the decisions are taken in line with the restrictions set in the Articles of Association.

The Board:

- Jointly manages and represents the capital company;
- Makes sure that the operations of the capital company comply with the relevant legislative acts, Articles of Association, the council, and shareholder's decisions;
- Manages company assets;
- Performs the Shareholder's functions at the Group's subsidiary companies;
- Implements the Group's strategic direction, development plans, goals, and policies,
- Ensures execution of the Group's annual budget.

The Supervisory Council

The Council consists of three council members, one of whom is the independent member. According to the Commercial Law and the shareholders' decision, members of the Supervisory Board are appointed for a term of five years. Council meetings take place according to an approved meeting schedule but no less than once a month. The council takes decisions by majority vote. In case of need, extraordinary council meetings are convened. Over the term of the report, 37 council meetings were held.

The Council does not have any committees.

The Council:

- Approves the Group's operational and sustainability strategy and monitors its implementation;
- Reviews and approves the operating budget and supervises its execution;
- Oversees the board;
- Oversees the internal audit;
- Appoints and recalls board members, determines their remuneration;
- Approves the general operational principles; reviews questions for which, according to the Articles of Association, the Group's board requires a prior approval from the council;
- Makes sure that the company operates according to the relevant laws, Articles of Association, and decisions of the shareholders' meeting.

AS "CleanR Grupa" Supervisory Council

Guntars Kokorevičs

Chairman of the Supervisory Council

AS "CleanR Grupa" founder and Chairman of the Supervisory Council. Term of office 25.06.2029.

Graduated from RISEBA University of Business and Technology with a degree in International Business Management. Holds a Master's degree in Business Administration from the University of Latvia.

Has more than 20 years of experience in the environmental services industry. Extensive experience in organizing mergers and acquisitions. Former partner and regional representative of the global environmental services company "Veolia", and former CEO of the Riga Stock Exchange. Currently serves as Vice President of the Employers' Confederation of Latvia (LDDK) and Member of the Supervisory Board of Junior Achievement Latvia.

Harijs Krongorns

Deputy Chairman of the Supervisory Council

Deputy Chairman of the Council of AS "CleanR Grupa". Term of office 25.06.2029.

Graduated from Riga Technical University with a degree in automation engineering. Supplemented his knowledge in economics, financial management, and auditing in courses and educational programs at the Faculty of Economics of the University of Latvia, the Corporate Finance Institute, and PricewaterhouseCoopers. A member of ACCA since 2001.

Skilled in corporate finance, management consulting, private equity and asset management as well as corporate law. Has served on the boards of several large Latvian companies, such as Valmieras piens, Latvijas balzams, and Laima. Recorded history in consulting major M&A transactions in the environmental services industry, where he has been active for more than 20 years.

Māris Mančinskis

Member of the Supervisory Council

Independent Member of the Supervisory Council of AS "CleanR Grupa". Term of office 02.10.2027.

Education in finance management acquired from the University of Latvia, Hofstra University in the USA, and London Business School.

Former long-serving Chairman of the Management Board of Swedbank Latvia. Currently co-founder of the investment management company Vairo and Deputy Chairman of the Supervisory Council of AS "Agrolats Holding".

AS "CleanR Grupa" Management Board

Juris Gulbis

Chairman of the Management Board

Graduated from Riga Technical University with a degree in Civil Engineering and Engineering Economics. He is an honorary graduate of Riga Technical University. Holds an ACCA Certificate in Financial Management and has supplemented his knowledge in business management at INSEAD and Stanford University. Has been a long-serving CEO of Tet, a technology and entertainment company, as well as Head of A.C.B. Grupa's subsidiary companies ACBR and 8CBR. Before that, he worked in financial management in food processing and financial companies in Latvia and abroad. He has been with CleanR Grupa since 2023.

Responsibilities and competencies in sustainability area

- Economic impact, financial results
- Corporate goals
- Risk and opportunity management
- Own workforce-engagement, employee well-being, safety, development
- Process digitization
- Procurement management
- Monitoring of lobbying activities

Inta Liepa

Member of the Management Board

Holds a Bachelor's degree in Law from Concordia International University in Estonia and a Master's degree from Riga Graduate School of Law. Completed the Professional Management Education Programme at the Baltic Institute of Corporate Governance (BICG). Furthered her knowledge of mergers at the London School of Economics and Political Science, financial analysis and business valuation, and negotiation and dispute resolution at Harvard Law School. Worked as Head of the Legal Department of the Ministry of Finance of the Republic of Latvia, Advisor to the Board of "Latvijas pasts", and a member of the Supervisory Board of "Pasažieru vilciens". Extensive experience in drafting legislation, and inter-institutional cooperation, including implementation of EU-funded projects, M&As, and corporate governance. She has been with CleanR Grupa since 2021, also holding the position of Head of Legal.

Responsibilities and competencies in sustainability area

- Corporate governance, compliance and business ethics
- Investor relations
- Due diligence (M&A)
- Responsible supply chain
- Data safety and protection of privacy

Agita Baltbārde

Member of the Management Board

Holds a Bachelor's degree in Communication from Vidzeme University of Applied Sciences. Graduated from Riga Technical University and Buskerud University College in Norway with a Master's degree in Innovation and Business Management. She has furthered her knowledge in strategic communication, circular economy, and sustainability in Cambridge and Yale University programmes. Wealth of experience as a corporate communications and sustainability officer, as well as an investor relations expert at companies of various profiles. Has worked as Head of Communications for national electricity distributor Sadales tīkls and Cēsu alus, Latvia's largest beer brewery, an advisor to the Minister of Economics of Latvia, as well as Chief Officer for Communication and Investor Relations at Eleving Group, a global financial technology company. Has been with CleanR Grupa since 2022, also holding the position of Chief Officer for Corporate Affairs and Sustainability.

Responsibilities and competencies in sustainability area

- Corporate governance and sustainability reporting
- Investor relations
- Stakeholder management
- Climate impact, fostering of the circular economy
- Environmental education
- Community support – sponsorships and donations

Guntars Levics

Member of the Management Board

Holds a Master's degree in Environmental and Business Management from the University of Latvia. Completed the Professional Board Member Education Programme at Baltic Institute of Corporate Governance (BICG). He is a long-standing member of the Latvian Waste Management Association representing the Latvian waste management industry in FEAD (European Waste Management Association) and is a member of the Climate, Environment and Energy Advisory Board. With more than 20 years of experience in the waste management sector, he has been with CleanR Grupa since its establishment. Supervised major waste management projects such as the largest waste sorting plant in the Baltics and the Group's first plastics recycling plant, both co-financed by EU funds. Also holds positions as a member of the Board of the Group companies CleanR Industry, Vides resursu centrs and Zaļā josta.

Responsibilities and competencies in sustainability area

- Production management and innovation
- Implementation of circular solutions in services
- Climate impact, environmental and energy efficiency management
- Access to services, safety
- Engagement in industry policy-making

CleanR Grupa (holding company) governance

CleanR Grupa operates Latvia's leading and most experienced environmental services companies.

The Group makes sure its governance is carried out according to best practice, including the corporate governance recommendations contained in the Corporate Governance Code approved by the Advisory Board for Corporate Governance at the Ministry of Justice of the Republic of Latvia.

CleanR Grupa's governance model is designed to separate strategic and operative management, ensuring ethical, open, and transparent operations and governance free of a conflict of interest. Board and council members are fully aware of what constitutes a conflict of interest and are informed of the steps to be taken in case of a conflict of interest. The basic principles to prevent a conflict of interest are set out in the Group's Conflict of Interest Prevention Policy.

The basic values of the Group's business conduct and corporate culture are enshrined in the Group's Code of Conduct. The Group pursues the following principles in its operations and deals at all times: openness, integrity, loyalty, fairness, confidentiality, and professionalism.

Corporate governance of the companies belonging to CleanR Grupa is carried out by the boards of the Group's companies. Members of the boards are elected by the shareholders' meeting or council, if such exists, of the respective company.

Board members are elected for a period of up to five years, according to the Commercial Law and the Council's decision. The Group seeks to employ highly qualified managers, specialists in the relevant field and industry to ensure the necessary competencies for good governance, business model, and independent decision-making, while also ensuring diversity at the different management structures of the Group.

Every year, corporate goals are set for the whole Group as well as each subsidiary company, which are in turn incorporated into the individual goals of the board members, according to their responsibility area. Basic remuneration principles of the board have been set out in the Group's Remuneration and Compensation Policy.

Strategy and operating principles, transparency

Those subsidiaries where CleanR Grupa, directly or indirectly, is a majority shareholder and exercises full operational and financial control, are managed by setting common Group policies and processes, as well as by devising and approving common business development strategy. The strategy is worked out by the boards of the Group companies together with the CleanR Grupa Board; it is approved and its implementation supervised by the CleanR Grupa Council.

The stakeholders may access the information on the Group's management team and corporate governance at cleanrgrupa.lv. It contains the Group's key governance principles, up-to-date group-related documents (policies, codes, etc.), as well as a whistleblowing channel. The Group, regularly and in a timely manner, informs its shareholders, investors, and other stakeholders of the company's operations, financial and non-financial results, governance, and other relevant questions. The homepage also contains the Group's consolidated interim and annual financial statements, as well as the sustainability reports.

Internal controls, risk management and audit

The Group has an independent internal audit unit subject to the CleanR Grupa Council, and its task is to provide independent, unbiased advice and assurance to improve the Group's operations and increase its value. The internal audit helps the Group to achieve its goals by introducing a systematic and disciplined approach to risk management, controls, and corporate governance processes with the aim of assessing and improving its efficiency.

Internal audits are based on the principles described in the Internal Audit Policy and the Annual Audit Plan, which is approved by the Group's Council. The audit reports are regularly submitted to the CleanR Grupa Board and the Council. No less than once a year, the Group's Council is provided with a general overview of the Group's internal controls and risk management system and suggestions for its improvement.

In the reporting year, the Group conducted nine planned audits and two extraordinary audits. The audits reviewed the internal controls of the CleanR Grupa subsidiary companies and facilities. A total of 198 recommendations were prepared to prevent flaws and improve the internal controls.

Identifying and managing risks and opportunities is at the basis of both strategic planning and daily operational processes. It takes place according to the Group's Risk Management Policy to mitigate potential losses or damage to the Group's reputation. Risk management at the Group level is overseen by the Council, while the implementation is ensured by the boards of the Group's companies. The boards appoint a risk owner for a risk or risk type, who is responsible for the efficient implementation of all the planned risk management activities.

External auditor

An external auditor for the Group companies and the Group itself is selected before the end of the current fiscal year by conducting a price survey and via the most economically advantageous tender procedure, evaluating both the price and qualifications of the involved personnel. The external auditor is appointed by the Shareholders' Meeting. The Group has selected SIA Grant Thornton Baltic Audit, license No.183, as the external auditor for the Group's Consolidated Annual Report for 2024.

SUSTAINABILITY REPORT ANNEX

CleanR Group's sustainability targets

Environment/Climate change

Targets	BASE 2022	TARGET 2023	RESULT 2023	TARGET 2024	RESULT 2024	TARGET 2025
To increase the proportion of separately collected and recyclable waste of all the municipal waste collected by the Group, %	23 %	27 %	30 %	40 %	33 %	50 %
To develop and implement a carbon footprint and avoided emissions accounting system in the Group, performance %	30 %	50 %	60 %	80 %	100 %	100 %

Work environment/Own workforce

Targets	BASE 2022	TARGET 2023	RESULT 2023	TARGET 2024	RESULT 2024	TARGET 2025
1. Zero work-related accidents	8	0	22	0	31	0
Work-related accident rate (TRIR)	0.8	0	2	0	2.8	0
2. Decreased voluntary staff turnover by 1 % each year (without a commercial cleaning business)	1 %	1 %	5 %	1 %	3 %	1 %
Voluntary turnover % (without a commercial cleaning business)	31 %	30 %	26 %	25 %	23 %	22 %
3. Employee satisfaction – eNPS increased from 2021, points	-9.7 %	9.8 %	16.5 %	16.5 %	-9.3 %	19.7 %
4. Average number of training hours per administrative employee per year, h	13	15	15	16	11	16

Customers and end-users

Targets	BASE 2022	TARGET 2023	RESULT 2023	TARGET 2024	RESULT 2024	TARGET 2025
Percentage of active e-services and app users of the Group's total customer base, %	52 %	60 %	58 %	68 %	63 %	75 %
App-based customer applications and applications in e-services of all the applications received, %	30 %	40 %	42 %	48 %	49 %	60 %
Group's Customer NPS, %	47 %	48 %	47 %	48 %	45 %	50 %
The audience reached by environmental education activities increased by 5% annually, %	–	+5 %	+75 %	+5 %	+197 %	+5 %
The audience reached (through websites, social networks, the Group's newsletters, on-site events), number	754 865	792 608	1 318 762	1 384 700	3 911 426	4 106 997

Corporate governance

Targets	BASE 2022	TARGET 2023	RESULT 2023	TARGET 2024	RESULT 2024	TARGET 2025
All the Group's suppliers have accepted the Group's Supplier Code of Conduct (the clause included in contracts concluded during the year), %	–	80 %	80 %	90 %	37 %	100 %
A joint sustainable procurement system implemented in the Group, %	–	40 %	40 %	80 %	40 %	100 %

List of datapoints in cross-cutting and topical standards that derive from other EU legislation

Disclosure Requirement and related datapoint	SFDR *	Pillar 3 **	Benchmark Regulation ***	EU Climate Law ****	Section in the report/explanation
ESRS 2 GOV-1. Board's gender diversity, paragraph 21 (d)	X		X		Composition and diversity of management and supervisory bodies.
ESRS 2 GOV-1. Percentage of independent board members, paragraph 21 (e)			X		Composition and diversity of management and supervisory bodies.
ESRS 2 GOV-4. Statement on due diligence, paragraph 30	X				Statement on due diligence.
ESRS 2 SBM-1. Involvement in activities related to fossil fuel activities, paragraph 40 (d) i	X	X	X		Not applicable, the company does not operate in this sector.
ESRS 2 SBM-1. Involvement in activities related to chemical production, paragraph 40 (d) ii	X		X		Not applicable, the company does not operate in this sector.
ESRS 2 SBM-1. Involvement in activities related to controversial weapons, paragraph 40 (d) iii	X		X		Not applicable, the company is not involved in these activities and does not operate in this sector.
ESRS 2 SBM-1. Involvement in activities related to cultivation and production of tobacco, paragraph 40 (d) iv			X		Not applicable, the company does not operate in this sector.
ESRS E1-1. Transition plan to reach climate neutrality by 2050, paragraph 14				X	Climate change. A high-level description of the transition plan is provided.
ESRS E1-1. Undertakings excluded from Paris-aligned Benchmarks, paragraph 16 (g)		X	X		Climate change. Not excluded, not applicable.
ESRS E1-4. GHG emission reduction targets, paragraph 34	X	X	X		Climate change. Not currently determined.
ESRS E1-5. Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors), paragraph 38	X				Climate change, subsection: Energy consumption and energy mix.
ESRS E1-5. Energy consumption and mix, paragraph 37	X				Climate change, subsection: Energy consumption and energy mix.
ESRS E1-5. Energy intensity associated with activities in high climate impact sectors, paragraphs 40 to 43	X				Climate change, subsection: Energy consumption and energy mix.
ESRS E1-6. Gross Scope 1, 2, 3 and Total GHG emissions, paragraph 44	X	X	X		Climate change, subsection: Scope 1, 2, and 3 gross GHG emissions and total GHG emissions.
ESRS E1-6. Gross GHG emissions intensity, paragraphs 53 to 55	X	X	X		Climate change, subsection: Scope 1, 2, and 3 gross GHG emissions and total GHG emissions.
ESRS E1-7. GHG removals and carbon credits, paragraph 56				X	Not used. Climate change, subsection: Scope 1, 2, and 3 gross GHG emissions and total GHG emissions.
ESRS E1-9. Exposure of the benchmark portfolio to climate-related physical risks, paragraph 66			X		Not currently reported. Application of the phase-in provisions.

List of datapoints in cross-cutting and topical standards that derive from other EU legislation (continued)

Disclosure Requirement and related datapoint	SFDR *	Pillar 3 **	Benchmark Regulation ***	EU Climate Law ****	Section in the report/explanation
ESRS E1-9. Disaggregation of monetary amounts by acute and chronic physical risk, paragraph 66 (a)		X			Not currently reported. Application of the phase-in provisions.
ESRS E1-9. Location of significant assets at material physical risk, paragraph 66 (c)					Climate change. Asset exposure to risks and site assessments carried out through climate risk assessment.
ESRS E1-9. Breakdown of the carrying value of its real estate assets by energy-efficiency classes, paragraph 67 (c)		X			Not currently reported. Application of the phase-in provisions.
ESRS E1-9. Degree of exposure of the portfolio to climate-related opportunities, paragraph 69			X		Not currently reported. Application of the phase-in provisions.
ESRS E2-4. Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water, and soil, paragraph 28	X				Pollution prevention, subsection: Air, water, and soil pollution.
ESRS E3-1. Water and marine resources, paragraph 9	X				Not material, not disclosed. The aspect will be re-evaluated in 2025.
ESRS E3-1. Dedicated policy, paragraph 13	X				Not material, not disclosed. The Group's environmental policy provides for water conservation and reuse in processes, where possible.
ESRS E3-1. Sustainable oceans and seas, paragraph 14	X				Not applicable. The Group and its companies' activities are not related to marine resources.
ESRS E3-4. Total water recycled and reused, paragraph 28 (c)	X				Not material, not disclosed. The aspect will be re-evaluated in 2025.
ESRS E3-4. Total water consumption in m3 per net revenue on own operations, paragraph 29	X				Not material, not disclosed. The aspect will be re-evaluated in 2025.
ESRS 2- IRO 1 - E4, paragraph 16 (a)i	X				Not material. The Group's companies do not operate in or near biodiversity-sensitive areas.
ESRS 2- IRO 1 - E4, paragraph 16 (b)	X				Not material. The Group does not cause negative impact on land degradation, desertification, or soil sealing.
ESRS 2- IRO 1 - E4, paragraph 16 (c)	X				Not material. The Group does not directly affect endangered species.
ESRS E4-2. Sustainable land/agriculture practices or policies, paragraph 24 (b)	X				Not applicable, the Group or its companies do not operate in this sector.
ESRS E4-2. Sustainable oceans/seas practices or policies, paragraph 24 (c)	X				Not applicable. The Group and its companies' activities are not related to marine resources.
ESRS E4-2. Policies to address deforestation, paragraph 24 (d)	X				Not applicable. The Group and its companies' activities are not related to deforestation.
ESRS E5-5. Non-recycled waste, paragraph 37 (d)	X				Not material, not currently reported.

List of datapoints in cross-cutting and topical standards that derive from other EU legislation (continued)

Disclosure Requirement and related datapoint	SFDR *	Pillar 3 **	Benchmark Regulation ***	EU Climate Law ****	Section in the report/explanation
ESRS E5-5. Hazardous waste and radioactive waste, paragraph 39	X				Not material, not currently reported.
ESRS 2- SBM3 - S1. Risk of incidents of forced labour, paragraph 14 (f)	X				Own workforce. No incidents.
ESRS 2- SBM3 - S1. Risk of incidents of child labour, paragraph 14 (g)	X				Own workforce. No incidents.
ESRS S1-1. Human rights policy commitments, paragraph 20	X				Own workforce. Policies related to own workforce.
ESRS S1-1. Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			X		Own workforce. Policies related to own workforce.
ESRS S1-1. Processes and measures for preventing trafficking in human beings, paragraph 22	X				Aspect not evaluated.
ESRS S1-1. Workplace accident prevention policy or management system, paragraph 23	X				Own workforce, section: Occupational health and safety.
ESRS S1-3. Grievance/complaints handling mechanisms, paragraph 32 (c)	X				Own workforce, section: Processes for remediation of negative impacts and channels for own workers to raise concerns.
ESRS S1-14. Number of fatalities and number and rate of work-related accidents, paragraph 88 (b) and (c)	X		X		No cases. Own workforce, section: Occupational health and safety.
ESRS S1-14. Number of days lost to injuries, accidents, fatalities or illness, paragraph 88 (e)	X				Own workforce, section: Occupational health and safety.
ESRS S1-16. Unadjusted gender pay gap, paragraph 97 (a)	X		X		Own workforce, section: Adequate wages, indicators.
ESRS S1-16. Excessive CEO pay ratio, paragraph 97 (b)	X				Pay ratio calculated against the highest-paid employee. Own workforce, section: Adequate wages, indicators.
ESRS S1-17. Incidents of discrimination, paragraph 103 (a)	X				No cases. Own workforce, section: Incidents, complaints, and serious impact on human rights.
ESRS S1-17. non-respect of UNGPs on Business and Human Rights and OECD, paragraph 104 (a)	X		X		No cases. Own workforce, section: Incidents, complaints, and serious impact on human rights.
ESRS 2–- SBM3 – S2. Significant risk of child labour or forced labour in the value chain, paragraph 11 (b)	X				The report does not include data on workers in the value chain.
ESRS S2-1. Human rights policy commitments, paragraph 17	X				The report does not include data on workers in the value chain.
ESRS S2-1. Policies related to value chain workers, paragraph 18	X				The report does not include data on workers in the value chain.

List of datapoints in cross-cutting and topical standards that derive from other EU legislation (continued)

Disclosure Requirement and related datapoint	SFDR *	Pillar 3 **	Benchmark Regulation ***	EU Climate Law ****	Section in the report/explanation
ESRS S2-1. Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines, paragraph 19	X		X		The report does not include data on workers in the value chain.
ESRS S2-1. Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			X		The report does not include data on workers in the value chain.
ESRS S2-4. Human rights issues and incidents connected to its upstream and downstream value chain, paragraph 36	X				No data. The report does not include data on workers in the value chain.
ESRS S3-1. Human rights policy commitments, paragraph 16	X				The report does not include data on workers in the value chain.
ESRS S3-1. Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines, paragraph 17	X		X		The report does not include data on workers in the value chain.
ESRS S3-4. Human rights issues and incidents, paragraph 36	X				The report does not include data on workers in the value chain.
ESRS S4-1. Policies related to customers and end-users, paragraph 16	X				Customers and end-users. Policy regarding customers and end-users.
ESRS S4-1. Non-respect of UNGPs on Business and Human Rights and OECD guidelines, paragraph 17	X		X		No cases. Customers and end-users.
ESRS S4-4. Human rights issues and incidents, paragraph 35	X				No cases. Customers and end-users.
ESRS G1-1. United Nations Convention against Corruption, paragraph 10 (b)	X				Business conduct.
ESRS G1-1. Protection of whistle-blowers, paragraph 10 (d)	X		X		Business conduct.
ESRS G1-4. Fines for violation of anti-corruption and anti-bribery laws, paragraph 24 (a)	X				Business conduct, section: Prevention and detection of corruption and bribery. No cases or penalties.
ESRS G1-4. Standards of anti-corruption and anti-bribery, paragraph 24 (b)	X				Business conduct, section: Prevention and detection of corruption and bribery. Compliance with the legislation of the Republic of Latvia.

*SFRD - Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector

**Pillar 3 - Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (Capital Requirements Regulation "CRR")

*** Benchmark Regulation - Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds, and amending Directives 2008/48/EC and 2014/17/EU and Regulation (EU) No 596/2014

**** EU Climate Law - Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ("European Climate Law")

CONSOLIDATED FINANCIAL STATEMENTS

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS ADOPTED BY THE EUROPEAN UNION TOGETHER WITH INDEPENDENT AUDITORS' REPORT (TRANSLATION FROM LATVIAN)

Riga, 2025

*This version of annual report is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of annual report takes precedence over this translation.

General Information

Name of the Parent company	AS "CleanR Grupa"
Legal status of the Parent company	Joint stock company
Number, place and date of registration of the Parent company	40103799972, Riga, 16 June, 2014
NACE Code and type of operations of the Parent company	6421 Activities of holding companies 7010 Activities of head offices
Legal address of the Parent company	Vietalvas street 5, Riga, LV-1009
Board members of the Parent company	Juris Gulbis – Chairman of the Board from 23.03.2023 Inta Liepa – Member of the Board Guntars Levics – Member of the Board Agita Baltbārde – Member of the Board from 18.07.2023
Council members of the Parent company	Guntars Kokorevičs – Chairman of the Council Harijs Krongorns – Deputy chairman of the Council Māris Mančinskis – Member of the Council
Person responsible for accounting in the Parent company	Anžela Vjaževiča – Chief accountant
Financial year	1 January - 31 December 2024
Previous financial year	1 January – 31 December 2023
Name and address of the auditor	Responsible Certified Auditor: Raivis Irbītis Certificate No. 205 SIA "Grant Thornton Baltic Audit" Certified Auditors' Company Licence No. 183 Blaumana street 22, Riga, LV-1011, Latvia

General Information (continued)

Subsidiaries consolidated				
Parent company	**Subsidiary**	**Participating interest in the subsidiary**	**Type of operations of the subsidiary**	**Legal address of the subsidiary**
AS "CleanR Grupa"	SIA "Vizii Management"	100%	Activities of holding companies, Activities of head offices	Vietalvas street 5, Rīga, LV-1009, Latvia
SIA "Vizii Management"	SIA "CDzP"	51.08%	Real estate brokerage; Real estate management for fee or on agreement basis	Tirgoņu street 1, Cēsis, LV-4101, Latvia
SIA "CDzP"	SIA "Vidzemes ESKO 1"	100%	Engineering and related technical consulting services	Tirgoņu street 1, Cēsis, LV-4101, Latvia
SIA "Vizii Management"	SIA "NIA Nami"	100% (sold 08.03.2024)	Lease and management of own or leased real estate; Real estate management for fee or on agreement basis	Brīvības street 155a, Rīga, LV-1012, Latvia
SIA "Vizii Management"	SIA "Jauntukums"	100% (sold 08.03.2024)	Real estate management for fee or on agreement basis	Brīvības street 155a, Rīga, LV-1012, Latvia
SIA "Vizii Management"	SIA "Vizii"	100%	General cleaning services; Other operations related to cleaning and maintenance of buildings and production plants	Vietalvas street 5, Rīga, LV-1009, Latvia
SIA "Vizii Management"	SIA "Nebruk Jelgava"	100% (sold 08.03.2024)	Real estate management for fee or on agreement basis	Krišjāņa Barona street 40a, Jelgava, LV-3001, Latvia
AS "CleanR Grupa"	SIA "Clean R"	100%	Collection of non-hazardous waste	Vietalvas street 5, Rīga, LV-1009, Latvia
SIA "Clean R"	SIA "Eko Terra"	73%	Collection of non-hazardous waste; Material recovery; Other resource recovery from waste	Vietalvas street 5, Rīga, LV-1009, Latvia
SIA "Clean R"	Pilnsabiedrība "Vides pakalpojumi Liepājai"	51%	Collection of non-hazardous waste	Vietalvas street 5, Rīga, LV-1009, Latvia
SIA "Clean R"	SIA "Vides resursu centrs"	53%	Material recovery; Energy recovery	Vietalvas street 5, Rīga, LV-1009, Latvia
SIA "Clean R"	SIA "CREB Rīga"	100%	Activities of holding companies	Vietalvas street 5, Rīga, LV-1009, Latvia
SIA "CREB Rīga"	AS "TĪRĪGA"	90%	Collection of non-hazardous waste	Vietalvas street 5a, Rīga, LV-1009, Latvia
SIA "Clean R"	SIA "Reģionālie vides pakalpojumi"	100%	Collection of non-hazardous waste	Vietalvas street 5, Rīga, LV-1009, Latvia
AS "CleanR Grupa"	SIA "Brīvais kalns"	100%	Activities of holding companies	Vietalvas street 5, Rīga, LV-1009, Latvia
AS "CleanR Grupa"	SIA "CleanR Verso"	100%	Collection of non-hazardous waste	Vietalvas street 5, Rīga, LV-1009, Latvia
AS "CleanR Grupa"	SIA "CleanR Trademark"	100% (merged with AS "CleanR Grupa" on 01.12.2023)	Lease of intellectual rights and similar rights (except for copyrights)	Vietalvas street 5, Rīga, LV-1009, Latvia
AS "CleanR Grupa"	SIA "Vizii Urban"	100%	Other cleaning services	Vietalvas street 5, Rīga, LV-1009, Latvia

All subsidiaries of the Group are involved in the consolidation.

General Information (continued)

Subsidiaries consolidated				
Parent company	**Subsidiary**	**Participating interest in the subsidiary**	**Type of operations of the subsidiary**	**Legal address of the subsidiary**
AS "CleanR Grupa"	SIA "ST Kūdra"	100% (merged with SIA "CleanR Verso" on 20.12.2023)	Waste collection (except for dangerous waste)	Vietalvas street 5, Rīga, LV-1009, Latvia
AS "CleanR Grupa"	SIA "RSC Noma"	100% (merged with SIA "ST Kūdra" on 17.10.2023)	Waste collection (except for dangerous waste)	Vietalvas street 5, Rīga, LV-1009, Latvia
AS "CleanR Grupa"	SIA "Zaļā josta"	70% (until 21.02.2024) 55% (from 21.02.2024)	Material recovery	Mūkusalas street 42A, Rīga, LV-1004, Latvia
SIA "Zaļā josta"	SIA "Eko Rija"	100% (merged with SIA "Zaļā Josta" on 30.11.2023)	Waste collection (except for dangerous waste)	Vietalvas street 5, Rīga, LV-1009, Latvia
SIA "Zaļā josta"	SIA "Eko Energy"	100% (liquidated 11.09.2024)	Recycling of sorted materials	Radžu street 18, Rīga, LV-1057, Latvia
SIA "Zaļā josta"	SIA "Green Plastics"	50.98% (sold 10.12.2024)	Production of initial forms of plastic	Šķembu street 8, Rīga, LV-1057, Latvia
SIA "Zaļā josta"	SIA "Nulles depozīts"	100% (liquidated 20.08.2024)	Recycling of sorted materials	Dēļu street 5, Rīga, LV-1004, Latvia
SIA "Vizii Urban"	SIA "KOM-AUTO"	100% (acquired on 28.04.2023)	Other cleaning services	Celtnieku street 3, Cēsis, LV-4101, Latvia
SIA "Clean R"	SIA "Lautus"	100% (acquired on 31.10.2024)	Waste collection; Non-hazardous waste collection; Hazardous waste collection	Gurnicas, Ķekava Parish, LV-2123, Latvia
AS "CleanR Grupa"	SIA "CleanR Industry"	100% (from 01.08.2024)	Manufacture of plastics in primary forms	Vietalvas street 5, Rīga, LV-1009, Latvia
AS "CleanR Grupa"	SIA "CleanR NĪ"	100% (from 05.08.2024)	Renting and operating of own or leased real estate	Vietalvas street 5, Rīga, LV-1009, Latvia

All subsidiaries of the Group are involved in the consolidation.

Management report

The principal activity of **CleanR Grupa AS** (hereinafter also referred to as the Parent Company of the Group) is the management of long-term financial investments. The companies in which CleanR Grupa AS has invested carry out the following business activities: investment operations, waste management, sorting of recyclable materials separated from waste and the sale of sorted materials, urban maintenance, cleaning of premises and outdoor areas, management of residential buildings, provision of energy efficiency services to apartment residents, and other forms of cooperation aimed at the management and operation of residential property management companies. The Group comprises 20 companies, with SIA "Clean R", SIA "Zaļā josta", SIA "Vizii Urban" and SIA "CleanR Verso" generating the highest net turnover.

Information about the share capital of the Parent company of the Group

As at 31 December 2024, the registered and fully paid share capital of the Parent Company amounted to EUR 13,580,000, consisting of 13,580,000 shares, of which 13,300,000 are Class A shares and 280,000 are staff shares. The nominal value of each share is EUR 1.

Financial indicators of the Group

The Group's net turnover increased by EUR 19.1 million or 19%, reaching EUR 121.1 million in the reporting period (2023: EUR 102.0 million).

The largest portion of revenue is generated by waste management services, which increased by EUR 7.8 million in 2024 and amounted to EUR 57.5 million (2023: EUR 49.7 million), as they were significantly affected by the state-imposed increase in the waste disposal tariff and the subsequent tariff indexation for the Group companies' clients.

In 2024, the Group's subsidiaries actively participated in public tenders announced by municipalities and other clients for the provision of municipal waste management services.

The Group increased its gross profit by EUR 4.4 million, reaching EUR 24.2 million (2023: EUR 19.8 million). The gross profit margin improved to 20.0% (2023: 19.4%).

The Group also improved its profitability indicators, increasing EBITDA by 28% to EUR 25.5 million (2023: EUR 19.9 million).

The adverse effects of cost increases in 2024, including labour and waste disposal expenses, were mitigated by tariff indexation for customers, as well as improvements in the efficiency of production facilities and processes. These improvements were supported by investments in sustainable solutions and modern technologies, including automated sorting equipment, large-capacity underground waste containers, and CNG-powered waste collection vehicles.

Comparison of financial indicators of the Group:

	Unit	2024	2023	Difference
Net sales, including:	EUR '000	121 101	102 023	19 078
Income from waste processing	EUR '000	57 516	49 688	7 828
Income from cleaning services	EUR '000	26 210	17 849	8 361
Income from sorting and sale of waste	EUR '000	17 088	14 699	2 389
Income from waste sorting and sale	EUR '000	10 290	8 700	1 590
Other income	EUR '000	9 997	11 087	-1 090
Gross operating profit	EUR '000	24 223	19 809	4 414
Gross profitability	%	20.0%	19.4%	0.6 pp
Return on assets (ROA)	%	11.5%	9.5%	2.0 pp
Equity at the end of the reporting year	EUR '000	53 675	46 505	7 170
Current assets to short-term liabilities		1.2x	2.2x	-1.0
Average number of employees during the year	number	1 924	1 717	+207
EBITDA	EUR '000	25 502	19 893	5 610
Depreciation	EUR '000	8 519	7 114	1 405

Financial indicators

	31.12.2024.	31.12.2023.	Difference
Gross profit margin, %	20.0%	19.4%	0.6 pp
EBITDA ratio, %	21.1%	19.5%	1.6 pp
Financial independence ratio	51.3%	51.0%	0.4 pp
Interest coverage ratio	13	11	2
Leverage ratio	0.06	0.07	0.0

Management report (continued)

Performance of the Group

In the reporting year, AS "CleanR Grupa" focused on the strategic restructuring of the Group and business expansion, purposefully acquiring new companies and strengthening its position in the waste management and environmental services sectors. Particular attention was paid to improving efficiency, digitalisation, and the integration of sustainable business principles across all Group companies.

As part of the reorganisation, the Group continued to strengthen its corporate governance model by separating two new companies that had previously operated within the structure of SIA "Clean R". SIA "CleanR Industry" combines the plastics recycling plant and industrial waste processing centre opened in 2023, while SIA "CleanR NĪ" took over the Group's real estate management. The reorganisation, completed in October, enables CleanR Grupa to use its resources more efficiently and focus on the development of each business line, ensuring specialisation and competitiveness in the market.

In the urban environment maintenance sector, to strengthen its position, the Group company Vizii Urban acquired 49% of the share capital of SIA "Tranzīts L" during the reporting year. This investment will promote the company's regional growth and transfer of expertise, ensuring service provision across various regions of Latvia.

Expanding into new business segments, in November 2024, SIA "Clean R" acquired SIA "Lautus" – a company specialising in the management of medical and hazardous waste, as well as the provision of sanitation (septic waste removal) services. This transaction further broadens SIA "Clean R"'s competence and is particularly significant from both an ecological safety and public health perspective.

While maintaining their affiliation with the Group and shared development goals, each of AS "CleanR Grupa"'s subsidiaries continued to provide clients with a wide range of services – not only those specific to each company, but also services of other Group companies. The separation of specialised functions into distinct companies has demonstrated that with a concentrated administrative structure and precise business focus, growth becomes more dynamic and effective.

During the reporting year, the CleanR Grupa Group strategy for 2025–2027 was developed, outlining strategic priorities and setting the main directions for development to support the achievement of defined goals. The core element of the strategy is efficiency across all areas of the Group's operations.

The overall economic and geopolitical situation affected the performance of the Group's companies in 2024; nevertheless, the Group succeeded in significantly increasing both total turnover and improving profit indicators.

Group's exposure to risks

The operations of the Group's companies are subject to various financial risks, including credit risk and liquidity risk.

The Group actively seeks to minimize the potential adverse impact of financial risks on its financial position. The Group's principal financial instruments include issued bonds, lease liabilities, trade and other receivables, and cash balances. The primary purpose of the issued bonds is to ensure financing for the Group's operational activities and capital investment projects.

The Group recognizes that financial instruments such as trade and other receivables may expose the Group to a certain degree of credit risk concentration. However, as of the end of the reporting period, the Group was not subject to any significant concentration of credit risk. Trade and other receivables are accounted for at their recoverable value, and the Group continues to apply a strict monitoring policy for receivables to ensure timely discontinuation of services before the accumulation of long-term debts. The Group ensures cooperation only with clients whose credit history has been properly assessed and considered positive.

For the management of cash resources, the Group collaborates with financial institutions of strong financial standing and reputable market presence.

To mitigate liquidity risk, the Group's management closely monitors the payment terms of both receivables and payables on a daily basis and ensures the availability of long-term financing through the use of borrowings and financial leases to support investments in long-term assets

Fire risk is a significant operational and safety challenge in the waste management sector, especially in activities related to waste sorting, storage, and recycling. The Group recognises that fire can cause not only direct material losses but also affect business continuity, the environment, and public safety.

To reduce the likelihood and potential impact of this risk, the Group has implemented several preventive and responsive measures, including:

- Improvements to fire safety systems, including automatic alarm systems and localised fire suppression equipment in strategically important locations;
- Regular inspections and audits of fire safety systems according to internal schedules and regulatory requirements, including the maintenance of audit protocols and documentation;
- Staff training and fire safety drills, including evacuation exercises;
- Careful control of waste storage to prevent self-heating and other forms of spontaneous combustion, particularly for flammable materials;
- Regular review of fire safety policies and procedures based on incident analysis, industry best practices, and risk management recommendations.

Management report (continued)

In addition, the Group maintains insurance coverage against fire-related losses, including damage to assets. At the same time, it should be noted that the waste management sector is considered a high-risk segment by insurers, which in practice creates challenges in terms of both obtaining appropriate coverage and determining economically justified insurance premiums. In this context, the Group places special emphasis on the effectiveness of preventive fire safety measures and the strengthening of internal controls, thereby aiming to reduce its risk profile and ensure the long-term sustainability of insurance availability.

The Group continues to cooperate with national and municipal fire safety services and complies with all regulatory requirements governing fire safety in waste management companies.

Scientific research and development activities

A fundamental element of the Group's strategy is to develop the Group into an efficient and sustainable group of companies through investments in technologies that reduce production costs, improvement of customer service and optimization of processes.

Future development of the Group

In 2025, the management of the Group's parent company will continue to strengthen the Group's corporate governance model, adhering to global best practices and ensuring the application of transparency and openness principles in stakeholder relations. At the same time, in line with the defined strategy, improvements will be made to the Group's structure and process efficiency. All business development activities and investments aimed at streamlining the business model and processes will focus on the organic growth of the Group's companies, supported by both completed and potential Merge and acquisition transactions.

AS "CleanR Grupa", as a unifier of leading companies in the environmental sector, recognises its economic, social, and environmental impact. Therefore, in 2025, strategic sustainability management will continue at the Group level, balancing business development goals with the requirements of European Union regulations and best practices. Despite potential regulatory changes, the non-financial reporting practice launched in 2022 will be continued, with the publication of an integrated annual report combining sustainability and financial information.

Events after the end of the reporting period

At the beginning of 2025, the conditional increase of the share capital (conditional share capital) of the Group's parent company was registered, raising it to EUR 409,074 in connection with additional personnel stock options issued by AS "CleanR Grupa".

Also in early 2025, SIA "Swedbank Līzings", on behalf of the Group's parent company, issued a guarantee to secure lease obligations in the amount of EUR 1,136,800, with the guarantee valid until January 2032.

At the end of the reporting year, the Group company SIA "Vizii Urban" has concluded an agreement for the acquisition of 51.02% of the share capital of SIA "Tranzīts L", the completion of which requires the approval of the Competition Council. The transaction is planned to be completed in 2025.

In January 2025, in order to implement the reorganisation of the Group company SIA "Vides resursu centrs", by separating the waste recovery business into an independent business unit, SIA "WasteTech" was established. Following the incorporation of SIA "WasteTech", the reorganisation process of SIA "Vides resursu centrs" was carried out.

On 28 February 2025, the Group company SIA "Clean R" acquired 10% of the share capital of SIA "Ķilupe".

From the end of the reporting year until the date of signing these financial statements, no events have occurred that would require adjustments to these financial statements or their notes.

Statement of Management Responsibilities

The Board of the Parent company of the Group (hereinafter – the Management) is responsible for the preparation of the enclosed Consolidated financial statements.

The financial statements on pages 104 to 140 are prepared based on accounting records and supporting documents, and provide true and fair view on the Group's financial position as at 31 December 2024 and its financial performance and cash flows for the year then ended.

The financial statements have been prepared according to the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), on a going concern basis.

This is the second year when IFRS have been applied to the preparation of the financial statements. Estimates and judgements made during preparation of these financial statements by the Management have been prudent and reasonable.

The Management is also responsible for maintaining appropriate accounting records that would provide a true and fair presentation of the financial position of the Group at a particular date and financial performance and cash flows and enable the Management to prepare the financial statements according to the International Financial Reporting Standards as adopted by the European union.

Consolidated Financial Statements

Consolidated statement of comprehensive income

	Note	2024 EUR	2023 EUR
Revenue	1	121 101 456	102 022 728
Cost of sales	2	(96 878 386)	(82 213 862)
Gross profit		**24 223 070**	**19 808 866**
Selling expenses	3	(2 489 628)	(2 123 082)
Administrative expenses	4	(6 576 868)	(6 050 924)
Other operating income	5	2 736 756	1 761 642
Other operating expense	6	(1 309 531)	(1 386 087)
Profit from investments in associates	14 (b)	213 067	770 412
Profit/ (loss) from revaluation of investments		(42 900)	(11 131)
EBIT*		**16 753 966**	**12 769 696**
Interest income and similar income		528 130	186 531
Interest expenses and similar expenses	8	(2 006 096)	(1 780 712)
Profit before corporate income tax		**15 276 000**	**11 175 515**
Corporate income tax	9	(1 805 269)	(930 525)
Profit and comprehensive income for the reporting year		**13 470 731**	**10 244 990**
Of which:			
Share of profit attributable to non-controlling interests		1 484 572	1 597 929
Share of profit attributable to the shareholders of the Parent company		11 986 159	8 647 061

Notes on pages 108 to 140 are an integral part of these financial statements.

*See section a) of the Significant accounting policies of the Group for an explanation on the addition of a non-IFRS indicator.

Consolidated statement of financial position

ASSETS	Note	31.12.2024. EUR	31.12.2023. EUR
NON-CURRENT ASSETS			
Goodwill	10	8 010 727	4 895 188
Intangible assets	11	3 687 191	4 457 021
Property, plant and equipment	12	28 604 643	24 282 113
Right of use assets	13	10 523 218	7 972 837
Advance payments for property, plant and equipment	12	564 223	1 427 019
Investments in associates	14	6 423 369	6 128 574
Other securities and investments	15	-	50 000
Other non-current assets	16	825 640	464 292
TOTAL NON-CURRENT ASSETS		**58 639 011**	**49 677 044**
CURRENT ASSETS			
Inventory	17	1 846 482	2 012 706
Trade receivables and contract assets	18	20 227 861	18 066 588
Other current assets	19	1 572 356	1 022 274
Cash and cash equivalents	20	22 254 601	20 449 571
TOTAL CURRENT ASSETS		**45 901 300**	**41 551 139**
TOTAL ASSETS		**104 540 311**	**91 228 183**

EQUITY AND LIABILITIES	Note	31.12.2024. EUR	31.12.2023. EUR
EQUITY			
Share capital	21	13 580 000	346 000
Reserves	21	10 926	-
Retained earnings		35 275 979	41 058 416
Equity attributable to the shareholders of the Parent company		**48 866 905**	**41 404 416**
Non-controlling interest	22	4 807 843	5 100 595
TOTAL EQUITY		**53 674 748**	**46 505 011**
LIABILITIES			
NON-CURRENT LIABILITIES			
Issued debt securities	23	-	13 752 808
Loans from credit institutions and other borrowings	24	7 240 720	6 029 724
Deferred tax liabilities	9	1 933 340	1 321 874
Deferred income	25	1 359 515	1 963 217
Other non-current liabilities	26	2 307 510	3 144 671
TOTAL NON-CURRENT LIABILITIES		**12 841 085**	**26 212 294**
CURRENT LIABILITIES			
Issued debt securities	23	13 874 316	-
Loans from credit institutions and other borrowings	24	2 763 918	2 051 721
Trade payables		6 833 722	7 711 278
Taxes and state mandatory social insurance payments	27	2 282 893	1 776 647
Deferred income	25	839 508	665 560
Unpaid dividends		1 945 000	-
Other current liabilities	26	9 485 121	6 305 672
TOTAL CURRENT LIABILITIES		**38 024 478**	**18 510 878**
TOTAL LIABILITIES		**50 865 563**	**44 723 172**
TOTAL EQUITY AND LIABILITIES		**104 540 311**	**91 228 183**

Notes on pages 108 to 140 are an integral part of these financial statements.

Consolidated statement of cash flows

	Note	2024 EUR	2023 EUR
Cash flow from operating activities			
Profit before corporate income tax		15 276 000	11 175 515
Adjustments for			
decrease in value of property, plant and equipment and right of use assets		7 319 067	7 111 944
decrease in value of intangible assets		1 490 243	458 546
(profit)/ loss on disposal of property, plant and equipment		(37 941)	145 761
profit from investments in associates		(507 055)	(770 412)
profit from other non-current investments		-	11 131
interest and similar income		(528 130)	(186 531)
interest and similar expense		1 884 588	1 668 239
Profit before adjustments of working capital and non-current liabilities		**24 896 772**	**19 614 193**
Increase in receivables		(1 022 667)	(4 098 309)
Increase in inventory		188 956	(431 254)
(Decrease)/increase in payables		(28 150)	1 582 061
Gross cash flow from operating activities		**24 034 911**	**16 666 691**
Corporate income tax payments		(1 095 730)	(216 589)
Net cash flow from operating activities		**22 939 181**	**16 450 102**
Cash flow from investing activities			
Acquisition of subsidiaries, net of cash		(6 421 817)	(1 676 732)
Acquisition of property, plant and equipment and intangibles		(6 656 143)	(8 556 848)
Proceeds from sales of property, plant and equipment and intangibles		874 525	565 915
Dividends received		818 272	826 047
Interest received		518 536	186 531
Net cash flow from investing activities		**(10 866 627)**	**(8 655 087)**
Cash flow from financing activities			
Repayment of borrowings		(104 941)	(51 827)
Grants and donations received		341 593	252 284
Payments for leased assets		(3 120 612)	(1 763 436)
Interest paid		(1 842 570)	(1 744 864)
Dividends paid		(18 494 994)	(2 216 662)
Increase of share capital		12 954 000	-
Net cash flow from financing activities		**(10 267 524)**	**(5 524 505)**
Net cash flow of the reporting year		**1 805 030**	**2 270 510**
Cash and cash equivalents at the beginning of the reporting year		**20 449 571**	**18 179 061**
Cash and cash equivalents at the end of reporting year	20	**22 254 601**	**20 449 571**

Notes on pages 108 to 140 are an integral part of these financial statements.

Consolidated statement of changes in equity

	Share capital, EUR	Reserves, EUR	Retained earnings, EUR	Equity attributable to the shareholders of the Parent company, EUR	Non-controlling interest, EUR	Total equity, EUR
As at 31 December 2022	**346 000**	**-**	**34 225 053**	**34 571 053**	**3 718 601**	**38 289 654**
Comprehensive income						
Profit for the year	-	-	8 647 061	8 647 061	1 597 929	10 244 990
Transactions with the shareholders of the Group						
Dividends	-	-	(1 815 000)	(1 815 000)	(194 062)	(2 009 062)
Acquisition of subsidiary	-	-	1 302	1 302	(21 873)	(20 571)
As at 31 December 2023	**346 000**	**-**	**41 058 416**	**41 404 416**	**5 100 595**	**46 505 011**
Comprehensive income						
Profit for the year	-	-	11 986 159	11 986 159	1 484 572	13 470 731
Transactions with the shareholders of the Group						
Increase of share capital	13 234 000	-	(280 000)	12 954 000	-	12 954 000
Reserves	-	10 926	(10 926)	-	-	-
Dividends	-	-	(17 832 765)	(17 832 765)	(2 607 229)	(20 439 994)
Acquisition of subsidiary	-	-	355 095	355 095	829 905	1 185 000
As at 31 December 2024	**13 580 000**	**10 926**	**35 275 979**	**48 866 905**	**4 807 843**	**53 674 748**

Notes on pages 108 to 140 are an integral part of these financial statements.

Notes to the consolidated financial statements

General information on the Group

AS "CleanR Grupa" and its subsidiaries (hereinafter – the Group) provide a wide range of services: investment activities, waste management, sorting of recyclable materials separated from waste and the sale of sorted materials, indoor and outdoor cleaning services, residential property management, provision of energy efficiency services to residents of multi-apartment buildings, and other forms of cooperation aimed at managing and servicing residential property management companies. The Group consists of 20 companies, with the largest net turnover generated by SIA "Clean R", SIA "Zaļā Josta", SIA "Vizii Urban", and SIA "CleanR Verso". Information about the Group is provided in a separate section of this annual report on pages 98 to 100.

In 2024, the parent company of the Group made a decision on the reorganisation of the Group's subsidiary SIA "Clean R", by separating the assets of SIA "Clean R" as a set of items and transferring them to SIA "CleanR Industry" and SIA "CleanR NĪ". As part of the reorganisation, separate business lines and their related assets and liabilities were split off as a set of items with the objective of allowing each acquiring company to focus on its core business activities, thus promoting faster growth. The reorganisation was completed in October 2024, and as a result, SIA "Clean R", through the transfer of a set of items, transferred assets in the amount of EUR 10.7 million, retained earnings from previous years in the amount of EUR 8.7 million, and liabilities in the amount of EUR 2 million to the acquiring companies.

This reorganisation had no impact on the consolidated financial statements, as it was accounted for as a transaction under common control.

Expanding into new business segments, in November 2024, the Group's subsidiary SIA "Clean R" acquired SIA "Lautus". SIA "Lautus" is engaged in the collection and transportation of healthcare, bulky, and hazardous waste; maintenance of separate waste collection systems; processing of collected healthcare waste, ensuring complete and safe neutralisation of infectious waste; as well as collection of liquid waste using vacuum methods and sanitation services throughout Latvia.

The financial statements were approved by the Board of the Parent company on 29 April 2025. Financial statements are subject to approval by the Shareholder meeting, which is appointed by the Board of the Parent company after receipt of the independent auditors' report.

Summary of Group's significant accounting policies

This section sets out the significant accounting policies and valuation methods that have been applied in the preparation of these financial statements. These policies are applied consistently in the presentation of all comparative information unless stated otherwise.

a) General accounting and valuation principles

These Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the EU. Due to the European Union endorsement process, this note also includes standards and interpretations that have not yet been endorsed for use in the European Union, as these standards and interpretations may have an impact on the financial statements of future periods when they are endorsed.

The financial statements are prepared on the historical cost basis. The statement of cash flows is prepared using the indirect method. The income statement is classified by function of expense.

The non- IFRS indicator EBIT is presented on the income statement. This is customary in the industry and enables investors with a better comparability with other companies operating in the same industry. For the purpose of these financial statements, EBIT is calculated as profit before finance income, finance expenses and corporate income tax. EBIT may be calculated differently in the financial statements of other companies.

The financial statements cover the period from 1 January to 31 December 2024.

b) Consolidation principles

Business combinations

Business combinations are accounted for using the acquisition method other than those acquired from parties under common control. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree and previously interest held in acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. The cost method is used to account for the acquisition of subsidiaries, other than those acquired from parties under common control.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

Subsidiaries

The consolidated financial statements include subsidiaries that are controlled by the Parent company of the Group.

Control is achieved when the Parent company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Parent company of the Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Parent company of the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

Consolidation of a subsidiary begins when the Parent company of the Group obtains control over the subsidiary and ceases when the Parent company of the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Parent company of the Group gains control until the date when the Parent company of the Group ceases to control the subsidiary. If the purchase date of shares as per agreement significantly differs from the date disclosed by the Company register, the purchase date used for consolidation purposes is the date as per agreement, unless specified otherwise in the agreement.

Periods for the preparation of financial statements of the Parent company of the Group and subsidiaries are equal. Consolidated financial statements are prepared using uniform accounting policies. Where necessary, the accounting policies and valuation principles applied by the subsidiaries of the Group are changed to ensure consistency with the Group's accounting policies and valuation principles.

Financial statements of the Parent company of the Group and subsidiaries thereof have been consolidated in the Group's financial statements by consolidating the respective assets, liabilities, revenue and expense items.

Non-controlling interest in the performance of the subsidiaries and equity, is presented separately within the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position.

Elimination of intra-group transactions

The consolidated financial statements comprise the financial statements of the Parent company and its subsidiaries for the year ended 31 December 2024. All intragroup transactions, intragroup balances and unrealised gains on intragroup transactions are eliminated during consolidation.

Goodwill

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in income statement as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. Impairment test is performed annually or more frequently if events or changes in circumstances indicate that it might be impaired. Loss from goodwill impairment is recognized in consolidated statement of comprehensive income.

Any negative amount of goodwill is recognized in income statement, after the management reassesses whether it has identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

Goodwill is not amortized; instead, it is tested for impairment at the end of each financial period. Following initial recognition, goodwill is measured at purchase cost less any accumulated impairment losses. An impairment loss in respect of goodwill is not reversed.

c) Investments in associated companies

Investments in associated companies are presented using equity method. In accordance with this method, the value of investment in the associated company is disclosed as a sum of goodwill at the acquisition date and proportion of shareholding in associates' equity at the balance sheet date.

At the end of the reporting period the balance sheet value of the associate is increased or decreased proportionately to the share of the Group in the associate's profit or loss for the year (after the acquisition date) or any other changes in equity and/or permanent decrease in goodwill value to its refundable amount. Where necessary, the accounting policies and valuation principles applied by the associated companies of the Group are changed to ensure consistency with the Group's accounting policies and valuation principles. Profit distribution is recognised in the period subsequent to the reporting period subject to the shareholders decision on profit distribution.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

d) Foreign currency translation

Functional and presentation currency

The financial statements are prepared, and all items are presented in euro (EUR), which is the functional and presentation currency of the Group and the Parent company. All items in the Group's financial statements are presented in EUR, unless stated otherwise.

Transactions and balances in foreign currencies

The Group maintains its accounts in euros. During the reporting period transactions in foreign currencies are recorded using euro foreign exchange reference rates that are published based on a regular daily reconciliation procedure between central banks of the European System of Central Banks and other central banks. At the end of the reporting year foreign currency cash balance and balances of advances, loans issued and borrowings taken denominated in foreign currencies, as well as other debtors' or creditors' debts payable in foreign currencies are translated from the foreign currency to euro in accordance with the foreign exchange rates in force on the last date of the reporting year. The resulting profit or loss is charged to the income statement.

e) Intangible assets

Intangible assets are mainly comprised of costs of software and licences, as well as patents and trademarks. Where computer software is an integral part of the related hardware that cannot operate without that specific software, it is treated as property, plant and equipment.

Intangible assets are initially recognised at cost. Intangible assets have a finite useful life. After initial recognition, intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and, where the carrying amount of the intangible investment is greater than its estimated recoverable amount, which is the highest of the fair value less costs to sell and the value in use of the intangible investment, the carrying amounts thereof are immediately reduced to the recoverable value by recognising the difference in the income statement. Impairment indicators are assessed at the end of each reporting date.

Recoverable value of intangible assets, which are not yet ready to be used, is determined annually, irrespective of whether there is any indication that it may be impaired. For the purposes of assessing impairment, intangible assets are grouped at the lowest level, for which there are separately identifiable cash flows.

Subsequent costs are included in the carrying amount of an 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 the cost of the item can be measured reliably. Other costs are expensed in the income statement as incurred.

Intangible assets are amortized using the straight-line method over their useful lives. Intangible assets are amortised by 20% - 33% per annum.

f) Property, plant and equipment

Property, plant and equipment items are carried at cost less accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis to write down each asset to its estimated residual value over its estimated useful life as follows:

	% per annum
Buildings and engineering structures	2.5 – 10
Technological equipment	10 – 25
Other fixed assets and inventory	10 – 50

Land is not depreciated, as its useful life is assumed to be infinite.

If separate components of one property, plant and equipment item have different useful lives, such components are accounted separately with property, plant and equipment. Residual values and useful lives of property, plant and equipment items are reviewed and adjusted (if necessary) at each balance sheet date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to the recoverable amount, which is the higher of an asset's fair value less costs to sell and its value in use, recognizing the difference in income statement. Impairment assessment is carried out at each reporting date. For the purposes of assessing impairment, assets are grouped at the lowest level, for which there are separately identifiable incoming cash flows.

Any profit or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss statement in the year the property, plant and equipment item is derecognised.

Leasehold improvements are written down on a straight-line basis over the shorter of the estimated useful life of the leasehold improvement and the term of the lease.

Purchase costs of property, plant and equipment includes expenditure that is directly attributable to the acquisition of the items. Interest costs on borrowings to finance the construction of property, plant and equipment and other operating costs directly attributable to the construction of property, plant and equipment (costs of own labour, materials and other costs) are capitalized as part of the cost of the asset during the period that is required to complete and prepare the property for its intended use.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

Capitalisation of the borrowing costs is suspended during extended periods in which active developments are interrupted.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

g) Inventories

Inventories are carried at the lower of cost or net realisable value. Cost is calculated using the FIFO method. Net realisable value is the estimated selling price in the ordinary course of business less applicable costs to complete and variable selling costs. Where required, slow moving, obsolete or damaged inventories are written down.

The Group accounts for and values by-products (recyclable materials) at their net realizable value, recognizing any difference in the income statement for the reporting year, as well as making appropriate adjustments to the inventories value.

h) Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

i) Financial assets

Group's financial assets include other securities and investments, loans issued, trade receivables, contract assets, and cash and cash equivalents. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Subsequent measurement

After the initial measurement, financial assets, except for the assets recognized at fair value, are measured at the amortised cost by applying effective interest rate method less impairment. Amortised cost is calculated taking into account the purchase discount or bonus, as well as fees or costs, which form integral part of the effective interest rate.

Financial assets recognised at fair value are remeasured at each balance sheet date. The Group's FVTPL are comprised of other securities and investments, which the management of the Group has elected to present as such. Fair value of these instruments is determined based on the fair value of the underlying net assets.

Derecognition

A financial asset is derecognized if:

- the contractual rights to the cash flows from the financial asset expire;
- the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay cash flows without material delay to a third party based on and earlier arrangement without any profit arising
- the Group transfers the contractual rights to receive the cash flows of the financial asset and either (a) it transfers substantially all the risks and rewards of ownership of the financial asset to a third party, or (b) it neither transfers no retains substantially all the risks and rewards of ownership of these assets but has transferred control over the item of financial asset.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

If the Group transfers the contractual rights to receive cash flows from the respective financial assets but does not transfer the risks and rewards, nor transfers control over the respective financial asset, the asset continues to be recognized to the extent of the Group's continuing involvement. When the Group's continuing involvement takes the form of guaranteeing the transferred asset, the extent of the Group's continued involvement is the lower of the amount of the asset and the maximum amount of the consideration received that the Group may be required to repay.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances of current account with banks and short-term deposits with maturity up to 90 days.

Impairment of financial assets

The Group assess on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The measurement of ECL reflects:

- an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes,
- time value of money and
- all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

For trade receivables and contract assets without a significant financing component, the Group applies a simplified approach permitted by IFRS 9 and measures the allowance for impairment losses at expected lifetime credit losses from initial recognition of the receivables.

The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

As individual assessment is not possible due to the large number of individual balances, only the significant debtors are assessed individually. Receivables that are not individually assessed for impairment are classified into groups of receivables based on days overdue and are collectively assessed for impairment.

j) Financial liabilities

Initial recognition and measurement

The Group's financial liabilities consist of borrowings, issued debt securities, contract liabilities, accounts payable to suppliers and contractors and other liabilities. Financial liabilities are classified as financial liabilities at amortised cost. Group determines classification of financial liabilities at the moment of initial recognition thereof. All the financial liabilities are initially measured at their fair value, plus directly attributable transaction costs.

Subsequent measurement

After the initial recognition, financial liabilities are measured at their amortised cost by applying effective interest rate method.

Amortised cost is calculated taking into account the purchase discount or bonus, as well as fees or costs, which form integral part of the effective interest rate. Interest calculated under effective interest rate method is included in the income statement line item "interest expenses and other similar expenses".

Derecognition

A financial liability is derecognized, if the obligation specified in the contract is discharged, cancelled or expired. Where there has been an exchange of existing financial instrument and new financial instrument, involving an existing lender, however with substantially different terms, or there has been a substantial modification of the terms of an existing financial liability, this transaction is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the respective carrying amounts is recognized in consolidated statement of comprehensive income.

k) Offsetting financial instruments

Financial assets and liabilities are offset and net amount is presented in the statement on financial position only in case of valid legal rights to perform mutual offsetting and recognise the amounts, and there is intent to perform net settlements or sell the asset and settle the liabilities at the same time.

l) Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones).

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the property, plant and equipment' policy (section f) of the Summary of Group's significant accounting policies).

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in income statement accordingly.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient for all such leases where there is a non-lease component and its separation is impracticable.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

m) Grants

Grants received for specific capital-investments are accounted as deferred income that is recognized in income statement on a systematic basis over the useful lives of the property, plant and equipment items received or purchased for grants.

n) Employees' benefits

Short-term employee benefits are recognized as a current expense in the period when employees render services. These include salaries, social insurance contributions, bonuses, accruals for unused annual leave and other benefits.

The Group makes social insurance contributions to the state-funded pension scheme in accordance with Latvian laws. The state-funded pension scheme is a defined contribution pension plan, and the Group is required to make contributions of statutory amount. The Group 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.

The accrued unused annual leave expenses are calculated by multiplying the number of days of unused leave at the end of the accounting year by the average daily salary during the last six months of the reporting year.

o) Corporate income tax and deferred income tax

The corporate income tax consists of the income tax calculated for the reporting year and deferred income tax.

Current tax

Corporate income tax is calculated based on legislation enforced at the end of the reporting year. In case of reinvestment of profit, corporate income tax rate on retained earnings is 0%. Distributed profits are taxed at a rate of 20% of their gross amount or 20/80 of net expenses.

Corporate income tax on dividends is recognised as an expense in the income statement in the accounting period in which the dividend is declared and, for other items of deemed profit, when the cost is incurred within the accounting year, irrespective of when the payment is made. Corporate income tax on deemed profit distribution is recognised in the income statement as part of "Other operating expenses".

Deferred income tax

Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the statement of financial position date.

In accordance with IAS 12 Income Taxes, when the income tax is payable at a higher or lower rate, depending on whether the profit is distributed, the current and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. In Latvia the applicable rate for undistributed profits is 0%.

As a Parent company controls the dividend policy of its subsidiaries, it is able to control the timing of the reversal of temporary differences associated with these investments including the temporary differences arising from undistributed profits. Therefore, in the consolidated financial statements the Group recognizes deferred tax liabilities in the respect of its investments in subsidiaries using tax rate applicable to distributed profits. In cases the Parent company of the Group has determined that subsidiary's profits will not be distributed in the foreseeable future, no deferred tax liability is recognised.

p) 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 a reliable estimate can be made of the amount of the liability.

If the Group expects to receive reimbursement for some or all of the costs required to create the provisions, the reimbursement of those costs is recognised as a separate asset if, and only if, it is virtually certain that the expenses will actually be reimbursed. The cost of provisions is recognised in the Consolidated income statement, net of amounts recovered.

q) Revenue recognition

Revenue is recognised in accordance with IFRS 15 "Revenue from contracts with customers", whereas principles for revenue recognition are prescribed. In order to determine, when and in what amount revenue should be recognised, the Group applies five-step revenue recognition model. Depending on compliance with particular criteria, revenue is recognized:

- over the time by reflecting the Group company's fulfilment of the contract; or
- at a certain point in time.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

IFRS 15 stipulates principles the Group should comply with to present qualitative and quantitative information, which would provide the users of the financial statements with useful information on the nature, amount, time and uncertainty of revenue and cash flow, which originates from a contract with customer.

IFRS 15 provides that the asset should be recognised for extra costs, arising from the acquisition of the contracts with customers, when the recovery of such expenses is expected over time. Taking into account the specifics of the operations of the Group, there are no contractual costs to be capitalised.

Revenue from contracts with customers is recognised based on fulfilment of performance obligations towards the customer. Revenue is recognised to the extent that reflects the remuneration expected by the Group to be received in exchange for goods or services provided. Model provides for revenue recognition once the services are provided and accepted by the customer even if these services are not invoiced, however, there is a high probability that the Group will receive the economic benefits arising from the transaction. Accounting policies for main types of revenue of the Group are described below.

Provision of services

Revenue generated from the services is recognised during the period of provision of these services according to the requirements and conditions of the contract.

Services included in the contract may be separated, and they are priced separately. Revenue from these services is recognised separately – in the period of provision of the service.

Key types of the services provided by the Group are:

1) Waste management

The Group provides the collection of sorted and unsorted household waste in Rīga, Jūrmala, Ogre, Ķekava and Ropaži municipalities, Inčukalns, Carnikava, Ikšķile, Tīnūži, Ozolnieki, Cena and Nīca parishes, as well as in the territory of Dagda Association. It also carries out separate collection of biodegradable and textile waste, providing the necessary infrastructure for this purpose. In parallel, the Group operates in the field of commercial and industrial waste management.

The Group also provides management of used packaging, single-use tableware and cutlery, textiles, plastic-containing products, environmentally harmful goods, and waste from electrical and electronic equipment, enabling producers to obtain exemption from the Natural Resources Tax.

The Group ensures that waste generated as a result of producers' economic activities is collected, processed, and returned to secondary circulation.

The Group is also engaged in hazardous waste management, including the collection and treatment of healthcare waste, ensuring complete and safe neutralisation of infectious waste, as well as the collection of liquid waste using vacuum technology and the performance of sanitation works throughout Latvia.

2) Waste sorting

The Group owns the largest household waste sorting centre in Latvia and the Baltics, with an annual capacity of 270,000 tonnes of waste per year. The Group also operates 13 sorted waste collection sites and carries out the sorting and further sale for recycling into new materials of separately collected and recyclable materials from residents and businesses – paper, cardboard, metal, plastic, glass.

The Group's construction waste sorting and recycling centre provides construction waste sorting of up to 25 tonnes per hour, with the volume of recovered and reusable materials reaching more than 90%.

3) Recycling of waste

The Group's plastics recycling plant specialises in the processing of various types of used polymer packaging. From recyclable plastic waste, high-quality polyethylene or polypropylene pellets are produced, which are used as raw materials in the manufacture of various new products. In addition, at waste processing centres, high-quality fuel material (referred to locally as NAIK), produced from non-recyclable waste residues, is used as an alternative fuel in cement production, as well as in recovery stations as fuel for heat and electricity generation.

4) Revenue from cleaning services

The Group provides daily cleaning services for commercial, industrial, public spaces, and office premises of varying complexity, as well as general deep cleaning. In its operations, it uses innovative, robotic cleaning solutions and environmentally friendly cleaning agents.

5) Revenue from real estate management and maintenance fees

The Group provides residential building management and commercial property maintenance services in Latvian cities – Rīga, Cēsis, Sigulda, and Valmiera.

6) Services related to the environmental maintenance

The Group provides maintenance of territories, streets, roads, and urban environments. Maintenance services also include landscaping, beach cleaning, daily all-season area maintenance, cleaning of public spaces including event venues, as well as specialised services for the upkeep of public roads during the winter season.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

Sale of goods

Revenue from sale of goods is recognised at the moment of transfer of control over the respective goods, which is usually the moment, when the Group has sold or supplied goods to the client, the client has accepted the goods, and the receipt of payment is reasonably certain.

Other income

Other revenue from provision of services is recognised during the period of provision thereof. Other revenue from selling of materials is recognised, when the buyer has accepted them.

r) Related parties

Related parties are defined as shareholders of the Group companies, members of the Council and the Board, their close relatives and companies in which they have a significant influence or control.

s) Subsequent events

Post-year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are reflected in the consolidated financial statements. Post-year-end events that are not adjusting events are disclosed in the notes only when material.

t) Contingent liabilities and assets

Contingent liabilities are not recognised in these financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in these financial statements but disclosed when an inflow of economic benefits is probable.

u) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/ non-current classification.

An asset is current when it is:

- Expected to be realised or intended to be sold or consumed within the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled within the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

v) Research and development costs

Research is a set of activities aimed at acquiring new knowledge, exploring research results or other ways of applying knowledge, evaluation and final selection, as well as searching for alternatives in terms of materials, equipment, products, processes, systems or services, formulation, development, evaluation and final selection. The costs of research are included in the income statement for the respective reporting period.

Development activities include the development of tools and equipment associated with the use of new technologies, as well as the development and testing of selected alternatives for new or improved materials, equipment, products, processes, systems, or services. The costs of development are shown as a long-term intangible investment in the balance sheet as "Development costs". These costs include not only goods and services received from other companies, but also personnel, material and other costs incurred in research and development activities by the Group.

w) Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes to the consolidated financial statements (continued)

Summary of Group's significant accounting policies (continued)

Information to be disclosed as part of the Group's accounting policy and consolidated financial statements, foresees measurement of fair value of financial and non-financial assets and liabilities.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – quoted (unadjusted) market prices in active markets for respective assets or liabilities;
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable in the market;
- Level 3 – valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

When applicable, further information about the assumptions made in determining fair values is disclosed in the consolidated financial statements specific to that asset or liability.

The carrying value of the Group's current financial assets and liabilities is assumed to approximate to their fair value. Fair value of the remaining financial instruments is estimated by discounting the expected future cash flows to net present values using appropriate market interest rates available at the end of the reporting period.

x) Estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS as adopted by the EU requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense, and disclosure of contingencies. The significant areas of estimation used in the preparation of the accompanying consolidated financial statements relate to useful lives of property, plant and equipment, estimated credit losses for financial assets, as well as goodwill impairment evaluation. Although these estimates are based on the management's best knowledge of current events and actions, the actual results may ultimately differ from those estimates. Key estimates and assumptions used in the preparation of these consolidated financial statements are described below.

Useful lives of property, plant and equipment

Useful lives of property, plant and equipment are assessed annually and changed, if necessary, to reflect the management's current view in the light of technological changes, the remaining prospective economic useful life of assets and their physical condition. Information on the useful lives of property, plant and equipment has been presented in section f) to the accounting policy.

Impairment of financial assets

The Group assess on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. Principles of impairment calculations are described in the section i) to the accounting policy.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the management to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value (see Note 10).

Notes to the consolidated financial statements (continued)

1. Revenue

	2024 EUR	2023 EUR
Revenue from contracts with customers (IFRS 15):		
Income from waste collection (NACE 38.11)	57 516 116	49 687 545
Income from cleaning activities (NACE 81.22)	26 210 251	17 849 147
Income from the management of packaging, environmentally harmful goods, and electrical and electronic equipment (NACE 38.32)	17 088 019	14 699 186
Income from recycling (NACE 38.21)	10 290 159	8 699 813
Sale of goods (NACE 46.90)	6 102 275	4 975 036
Income from real estate management (NACE 68.32)	1 726 865	2 885 470
Income from technical maintenance services (NACE 81.00)	1 006 810	955 860
Income from sludge acceptance (NACE 38.11)	345 177	432 893
Construction services (NACE 43.11)	134 268	8 228
Other revenue	681 516	1 829 550
TOTAL:	**121 101 456**	**102 022 728**

Net sales by geographic markets

	2024 EUR	2023 EUR
Latvia	115 702 427	97 599 928
European Union and EEA	5 045 271	4 420 750
Other countries	353 758	2 050
TOTAL:	**121 101 456**	**102 022 728**

In both 2024 and 2023, the Group had one customer whose revenue accounted for more than 10% of the Group's total revenue.

2. Cost of sales

	2024 EUR	2023 EUR
Direct cost of waste management	24 901 618	19 267 566
Salaries (see Note 7)	23 553 471	20 261 488
Cost of packaging, environmentally harmful goods, and electrical and electronic equipment collection and recycling	12 703 433	10 280 983
Depreciation of property, plant and equipment	7 162 302	5 893 667
Social insurance contributions (see Note 7)	5 324 876	4 752 152
Transportation and handling of goods	3 281 525	1 737 129
Energy costs	2 161 183	2 253 863
Amortisation of intangible assets	1 167 615	433 715
Repair of own and leased assets	372 409	174 233
Cost of property management	234 602	1 553 470
Other costs of sales	16 015 352	15 605 596
TOTAL:	**96 878 386**	**82 213 862**

3. Selling expenses

	2024 EUR	2023 EUR
Advertising expenses	1 607 432	1 181 171
Salaries (see Note 7)	482 670	404 582
Social insurance contributions (see Note 7)	113 887	97 416
Depreciation of property, plant and equipment	11 737	1 836
Other selling expenses	273 902	438 077
TOTAL:	**2 489 628**	**2 123 082**

Notes to the consolidated financial statements (continued)

4. Administrative expenses

	2024 EUR	2023 EUR
Salaries (see Note 7)	3 079 614	2 761 933
Professional fees*	1 883 354	1 871 350
Social insurance contributions (see Note 7)	695 745	644 798
Rental expenses (short term lease) and fuel expenses	210 243	173 565
Depreciation of property, plant and equipment and intangible assets	108 703	115 287
Office maintenance expenses	138 445	202 043
Audit fees	137 553	104 205
Business trip expenses	58 682	49 028
Other administrative expenses	264 529	128 715
TOTAL:	**6 576 868**	**6 050 924**

* Professional fees mainly include business development costs, financial and legal fees.

5. Other operating income

	2024 EUR	2023 EUR
Release of deferred income	771 347	648 659
Profit on sale of shares	715 763	-
Penalties received	446 886	404 976
Income from the sublease of premises	247 518	242 966
Income from sale of property, plant and equipment	-	71 973
Decrease of expected credit losses	-	202 084
Other income	555 242	190 984
TOTAL:	**2 736 756**	**1 761 642**

6. Other operating expense

	2024 EUR	2023 EUR
Donations	508 250	21 500
Provisions for doubtful receivables	84 974	-
Loss on disposal of fixed assets	37 941	-
Depreciation of fixed assets	36 326	-
Penalties	35 720	21 405
Amortisation of intangible assets	-	669 900
Other expenses	606 320	673 282
TOTAL:	**1 309 531**	**1 386 087**

7. Remuneration and average number of employees

Average number of employees during the reporting year	**2024**	**2023**
Average number of Council members during the reporting year	3	3
Average number of Board members during the reporting year	4	4
Average number of other employees during the reporting year	1 917	1 710
TOTAL:	**1 924**	**1 717**

	2024 EUR	2023 EUR
Salary	22 819 327	20 399 377
State social insurance contributions	6 141 209	5 440 889
Bonuses	2 244 947	2 201 632
Health, life and accident insurance expenses	265 202	238 679
Other employee related costs	247 737	263 316
TOTAL:	**31 718 422**	**28 543 893**

Notes to the consolidated financial statements (continued)

8. Interest expenses and similar expenses

	2024 EUR	2023 EUR
Interest expenses on borrowings from credit institutions	7 282	12 639
Interest expenses on bonds issued	1 556 618	1 454 324
Interest expenses on lease liabilities	441 541	310 434
Other interest expenses and similar expenses	655	4 315
TOTAL:	**2 006 096**	**1 780 712**

9. Corporate income tax and deferred income tax

	2024 EUR	2023 EUR
Corporate income tax for the reporting year	1 193 803	216 589
Deferred income tax expenses	611 466	713 936
TOTAL:	**1 805 269**	**930 525**

Corporate income tax is presented under following consolidated financial statement line items:

	31.12.2024. EUR	31.12.2023. EUR
Liabilities		
Taxes and state mandatory social insurance payments	169 018	70 945
Deferred tax liabilities	1 933 340	1 321 874

During the reporting period the Group recognised deferred tax on dividends from the subsidiaries of the Group that are to be distributed in the foreseeable future. Movement in deferred tax was as follows:

	2024 EUR	2023 EUR
At the beginning of the reporting year	**1 321 874**	**607 938**
Increase of deferred tax	611 466	713 936
At the end of the reporting year	**1 933 340**	**1 321 874**

10. Goodwill

	2024 EUR	2023 EUR
Balance as at 1 January	**4 895 188**	**3 278 881**
Purchase of SIA "KOM-AUTO" (see note 34)	-	1 616 307
Purchase of SIA "LAUTUS" (see note 34)	3 115 539	-
Balance as at 31 December	**8 010 727**	**4 895 188**

Notes to the consolidated financial statements (continued)

Assessment of recoverable value

The management of the Group reviewed recoverability of goodwill, as well as property, plant and equipment and intangible assets. Recoverable value was determined by applying the income approach, which is based on the assumption that the current value is closely related to the future income to be generated by the Group's companies.

Calculation of value is based on several assumptions:

- Cash flow forecast is prepared on the basis of the management forecasts for a period not exceeding five years, with a terminal value estimate at the end of 2029.
- Income and expenses are forecasted on the basis of actual performance indicators for the last three years, taking into account changes in the service contract pipeline, operational volume, prices, and planned development trends in the relevant sectors.
- In order to calculate current value of the relevant company, the Group's management applied discount rates (weighed average cost of capital) of 14%.
- Terminal value is estimated based on Gordon growth model in perpetuity with 0.5% perpetual growth rate of cash flows, setting rather conservative approach towards impairment assessment.

No impairment was recognised in the Group in 2023 and 2024.

Results of sensitivity analysis:

Management of the Group has determined that from all the variables used in calculations, the most significant impact on the results is from the changes in discount rate. If the discount rate would increase by 1%, results of the assessment would stay the same. Only in the case of a 5% increase in the discount rate, reaching 19%, an impairment of approximately EUR 160 thousand would need to be recognised (2023: approximately EUR 27 thousand). A decrease in the discount rate does not affect the outcome of the assessment.

Notes to the consolidated financial statements (continued)

11. Intangible assets

	Concessions, patents, licenses, trademarks and similar rights, EUR	Other intangible assets, EUR	Intangible asset development costs, EUR	Total, EUR
As at 31 December 2022				
Cost	7 394 713	1 947 256	174 793	9 516 762
Accumulated depreciation	(3 324 082)	(1 159 375)	-	(4 483 457)
Net book value as at 31 December 2022	**4 070 631**	**787 881**	**174 793**	**5 033 305**
2023				
Net book value as at 1 January	**4 070 631**	**787 881**	**174 793**	**5 033 305**
Additions	50 879	103 461	15 007	169 347
Cost of excluded intangible assets	(3 364)	(7 797)	(13 232)	(24 393)
Reclassification	571 091	166 469	(173 849)	563 711
Depreciation	(105 025)	(353 520)	-	(458 545)
Accumulated depreciation of excluded intangible assets	765	7 797	-	8 562
Reclassification	(834 966)	-	-	(834 966)
Net book value as at 31 December	**3 750 011**	**704 291**	**2 719**	**4 457 021**
As at 31 December 2023				
Cost	8 013 319	2 209 389	2 719	10 225 427
Accumulated depreciation	(4 263 308)	(1 505 098)	-	(5 768 406)
Net book value as at 31 December 2023	**3 750 011**	**704 291**	**2 719**	**4 457 021**

	Concessions, patents, licenses, trademarks and similar rights, EUR	Other intangible assets, EUR	Intangible asset development costs, EUR	Total, EUR
As at 31 December 2023				
Cost	8 013 319	2 209 389	2 719	10 225 427
Accumulated depreciation	(4 263 308)	(1 505 098)	-	(5 768 406)
Net book value as at 31 December 2023	**3 750 011**	**704 291**	**2 719**	**4 457 021**
2024				
Net book value as at 1 January	**3 750 011**	**704 291**	**2 719**	**4 457 021**
Additions	121 928	199 622	87 908	409 458
Result of acquisition and sale of subsidiaries (book value)	132 529	-	-	132 529
Cost of excluded intangible assets	(7 810)	(79 263)	(2 719)	(89 792)
Reclassification	56 488	67 773	(59 977)	64 284
Depreciation	(790 759)	(405 498)	-	(1 196 257)
Result of acquisition and sale of subsidiaries (accumulated depreciation)	(126 431)	-	-	(126 431)
Accumulated depreciation of excluded intangible assets	7 086	42 603	-	49 689
Reclassification	(5 514)	(7 796)	-	(13 310)
Net book value as at 31 December	**3 137 528**	**521 732**	**27 931**	**3 687 191**
As at 31 December 2024				
Cost	8 316 454	2 397 521	27 931	10 741 906
Accumulated depreciation	(5 178 926)	(1 875 789)	-	(7 054 715)
Net book value as at 31 December 2024	**3 137 528**	**521 732**	**27 931**	**3 687 191**

The CleanR trademark is recognised under intangible assets, with a remaining carrying amount of EUR 2,557,800 as of 31 December 2024 (31 December 2023: EUR 3,288,600). The remaining useful life of this trademark is 3.5 years. The Group has no other individually significant intangible assets.

Notes to the consolidated financial statements (continued)

12. Property, plant and equipment

	Land, buildings and engineering structures, EUR	Leasehold improvements, EUR	Technological equipment and devices, EUR	Other fixed assets and inventory, EUR	Construction in progress, EUR	Advances for fixed assets, EUR	Total, EUR
As at 31 December 2022							
Cost	11 600 595	587 968	17 824 843	11 242 540	5 680 471	184 780	47 121 197
Accumulated depreciation	(4 319 115)	(154 426)	(12 798 571)	(7 071 187)	-	-	(24 343 299)
Accumulated impairment charge	(9 036)	-	-	-	(58 700)	-	(67 736)
Net book value as at 31 December 2022	**7 272 444**	**433 542**	**5 026 271**	**4 171 353**	**5 621 771**	**184 780**	**22 710 161**
2023							
Net book value as at 1 January	**7 272 444**	**433 542**	**5 026 271**	**4 171 353**	**5 621 771**	**184 780**	**22 710 161**
Additions	277 939	100 772	1 088 093	3 314 487	1 940 819	1 707 740	8 429 850
Cost of excluded PPE	(45 318)	(7 403)	(959 776)	(770 037)	(24 385)	-	(1 806 919)
Reclassification	16 657	1 098 935	2 100 785	2 171 677	(851 611)	(405 748)	4 130 695
Reclassified from right of use assets (cost)	-	-	703 302	-	-	-	703 302
Depreciation	(794 496)	(84 013)	(2 365 776)	(1 801 194)	-	-	(5 045 479)
Accumulated depreciation of excluded PPE	3 736	7 403	857 798	710 612	-	-	1 579 549
Reclassification	609	(609)	2 746 805	(1 473 826)	(5 407 503)	(59 753)	(4 194 277)
Reclassification from right of use assets (accumulated depreciation)	-	-	(412 338)	-	-	-	(412 338)
Provision for impairment	(385 412)	-	-	-	-	-	(385 412)
Net book value as at 31 December	**6 346 159**	**1 548 627**	**8 785 164**	**6 323 072**	**1 279 091**	**1 427 019**	**25 709 132**
As at 31 December 2023							
Cost	11 849 873	1 780 272	20 757 247	15 958 667	6 745 294	1 486 772	58 578 125
Accumulated depreciation	(5 109 266)	(231 645)	(11 972 083)	(9 635 595)	(5 407 503)	(59 753)	(32 415 845)
Accumulated impairment charge	(394 448)	-	-	-	(58 700)	-	(453 148)
Net book value as at 31 December 2023	**6 346 159**	**1 548 627**	**8 785 164**	**6 323 072**	**1 279 091**	**1 427 019**	**25 709 132**

Notes to the consolidated financial statements (continued)

12. Property, plant and equipment (continued)

	Land, buildings and engineering structures, EUR	Leasehold improvements, EUR	Technological equipment and devices, EUR	Other fixed assets and inventory, EUR	Construction in progress, EUR	Advances for fixed assets, EUR	Total, EUR
As at 31 December 2023							
Cost	11 849 873	1 780 272	20 757 247	15 958 667	6 745 294	1 486 772	58 578 125
Accumulated depreciation	(5 109 266)	(231 645)	(11 972 082)	(9 635 595)	(5 407 503)	(59 753)	(32 415 844)
Accumulated impairment charge	(394 448)	-	-	-	(58 700)	-	(453 148)
Net book value as at 31 December 2023	**6 346 159**	**1 548 627**	**8 785 164**	**6 323 072**	**1 279 091**	**1 427 019**	**25 709 132**
2024							
Net book value as at 1 January	**6 346 159**	**1 548 627**	**8 785 164**	**6 323 072**	**1 279 091**	**1 427 019**	**25 709 132**
Additions	529 625	64 555	31 585	1 454 328	3 182 828	1 357 075	6 619 996
Result of acquisition and sale of subsidiaries (cost)	3 187 058	30 097	1 116 094	2 439 914	117 753	-	6 890 916
Cost of excluded PPE	(783 030)	-	(1 558 951)	(979 388)	(66 307)	(11 536)	(3 399 212)
Reclassification	697 254	796 101	8 024 797	(3 940 246)	(3 408 016)	(2 208 335)	(38 445)
Reclassified from right of use assets (cost)	-	-	252 189	-	-	-	252 189
Depreciation	(834 214)	(166 618)	(2 524 111)	(1 696 343)	-	-	(5 221 286)
Result of acquisition and sale of subsidiaries (accumulated depreciation)	(1 603 926)	(17 902)	(921 283)	(1 524 582)	-	-	(4 067 693)
Accumulated depreciation of excluded PPE	267 703	-	1 455 678	889 411	-	-	2 612 792
Reclassification from right of use assets (accumulated depreciation)	-	-	(173 030)	-	-	-	(173 030)
Reclassification	-	5 513	(2 308 901)	2 284 995	1 900	-	(16 493)
Net book value as at 31 December	**7 806 629**	**2 260 373**	**12 179 231**	**5 251 161**	**1 107 249**	**564 223**	**29 168 866**
As at 31 December 2024							
Cost	15 480 780	2 671 025	28 622 961	14 933 275	6 571 552	623 976	68 903 568
Accumulated depreciation	(7 279 703)	(410 652)	(16 443 729)	(9 682 114)	(5 405 603)	(59 753)	(39 281 554)
Accumulated impairment charge	(394 448)	-	-	-	(58 700)	-	(453 148)
Net book value as at 31 December 2024	**7 806 629**	**2 260 373**	**12 179 231**	**5 251 161**	**1 107 249**	**564 223**	**29 168 866**

Notes to the consolidated financial statements (continued)

Property, plant and equipment of the Group have been pledged in favour of credit institutions and leasing companies and serves as collateral for the obligations of the Group. Please see Notes 23 and 24.

Total depreciation for property, plant and equipment and right of use assets is presented within following income statement line items:

		2024 EUR	2023 EUR
Cost of sales (Note 2)		7 162 302	5 893 667
Administration expenses (Note 4)		108 703	115 287
Other operating expenses (Note 6)		36 326	-
Selling expenses (Note 3)		11 737	1 836
	TOTAL:	**7 319 068**	**6 010 790**

At 31 December 2024, the Group's property, plant and equipment comprised fully depreciated property, plant and equipment with historical cost of EUR 8 538 293 (at 31 December 2023: EUR 4 790 595), which is still actively used in the operating activities.

Notes to the consolidated financial statements (continued)

13. Right of use assets

	Right of use land, buildings and engineering structures, EUR	Right of use technological equipment and devices, EUR	Right of use other assets, EUR	Total, EUR
As at 31 December 2022				
Cost	2 943 266	8 139 602	2 716	11 085 584
Accumulated depreciation	(1 029 531)	(2 662 643)	(1 552)	(3 693 726)
Net book value as at 31 December 2022	**1 913 735**	**5 476 959**	**1 164**	**7 391 857**
2023				
Net book value as at 1 January	**1 913 735**	**5 476 959**	**1 164**	**7 391 857**
New lease agreements	303 050	1 554 788	2 474	1 860 312
Amendments to lease agreements	21 883	(129)	-	21 754
Changes in estimates	670 931	-	-	670 931
Termination of lease (cost)	(68 001)	(434 474)	(2 716)	(505 191)
Reclassification to property, plant and equipment (cost)	-	(703 302)	-	(703 302)
Depreciation	(443 017)	(1 235 524)	(2 513)	(1 681 054)
Termination of lease (accumulated depreciation)	68 001	434 474	2 716	505 191
Reclassification to property, plant and equipment (accumulated depreciation)	-	412 338	-	412 338
Net book value as at 31 December	**2 466 583**	**5 505 130**	**1 124**	**7 972 837**
As at 31 December 2023				
Cost	3 871 130	8 556 485	2 474	12 430 089
Accumulated depreciation	(1 404 547)	(3 051 355)	(1 349)	(4 457 251)
Net book value as at 31 December 2023	**2 466 583**	**5 505 130**	**1 124**	**7 972 837**

	Right of use land, buildings and engineering structures, EUR	Right of use technological equipment and devices, EUR	Right of use other assets, EUR	Total, EUR
As at 31 December 2023				
Cost	3 871 130	8 556 485	2 474	12 430 089
Accumulated depreciation	(1 404 547)	(3 051 355)	(1 349)	(4 457 251)
Net book value as at 31 December 2023	**2 466 583**	**5 505 130**	**1 124**	**7 972 837**
2024				
Net book value as at 1 January	**2 466 583**	**5 505 130**	**1 124**	**7 972 837**
New lease agreements	920 954	4 647 807	1 130 572	6 699 332
Amendments to lease agreements	37 869	20 461	1 463	59 793
Changes in estimates	1 690	380	-	2 069
Termination of lease (cost)	(2 918 840)	(475 712)	-	(3 394 552)
Reclassification to property, plant and equipment (cost)	-	(252 189)	-	(252 189)
Depreciation	(442 128)	(1 627 436)	(28 218)	(2 097 782)
Termination of lease (accumulated depreciation)	1 177 904	182 776	-	1 360 680
Reclassification to property, plant and equipment (accumulated depreciation)	-	173 030	-	173 030
Net book value as at 31 December	**1 244 032**	**8 174 245**	**1 104 941**	**10 523 218**
As at 31 December 2024				
Cost	1 912 802	12 497 231	1 134 508	15 544 542
Accumulated depreciation	(668 771)	(4 322 985)	(29 568)	(5 021 324)
Net book value as at 31 December 2024	**1 244 032**	**8 174 245**	**1 104 941**	**10 523 218**

Notes to the consolidated financial statements (continued)

The Group leases a number of assets, including production equipment, cars, machinery, production premises and office premises. Average lease term is 5 years (2023: 5 years). The Group has a right to purchase some of production equipment and cars at the end of the lease term.

Lease liabilities are presented in Note 24.

Amounts included into consolidated income statement are as follows:

	2024 EUR	2023 EUR
Depreciation for right of use assets	2 097 782	1 681 054
Interest expenses on lease liabilities	441 541	310 434
TOTAL:	2 539 323	1 991 488

14. Investments in associates

(a) Investments in associates

	Balance sheet value of the investment in associate		Participating interest in share capital of associates	
	31.12.2024. EUR	31.12.2023. EUR	31.12.2024. %	31.12.2023. %
Name of the Company				
SIA “Roadeks”	5 523 369	5 441 632	50	50
SIA “Nulles Depozīts”*	-	-	-	-
SIA “Zaļais Cikls”**	-	686 942	50	50
SIA “Tranzīts L”***	900 000	-	49	-
	6 423 369	**6 128 574**		

*Considering that SIA “Nulles Depozīts” has negative equity and losses, its value in the consolidated financial statements is zero.

In 2023, following changes in the ownership structure of SIA “Nulles Depozīts”, the Group gained control over this associate, making it a subsidiary of the Group. More detailed information is provided in Note 34. During the reporting year, SIA “Nulles Depozīts” was liquidated.

**At the end of the reporting year, a subsidiary of the Group sold its shareholding in SIA “Zaļais cikls”.

***In December of the reporting year, a subsidiary of the Group acquired a 49% shareholding in SIA “Tranzīts L”.

(b) Movement table on changes in investments in associated companies

	2024 EUR	2023 EUR
Balance sheet value at the beginning of the reporting period	**6 128 574**	**6 184 209**
Acquisition	900 000	-
Profit/ (loss) from investments in associates	857 186	770 412
Dividends paid	(818 272)	(546 354)
Exclusions	(644 119)	(279 693)
Balance sheet value at the end of the reporting period	**6 423 369**	**6 128 574**

(c) Information on associated companies

		Share capital		Profit/ (loss) for the reporting year	
		31.12.2024. EUR	31.12.2023. EUR	2024 EUR	2023 EUR
Name of the company	**Address**				
SIA “Roadeks”	Kalnciema street 67, Riga	3 001 324	2 845 413	1 792 454	1 636 543
SIA “Tranzīts L”	Tērauda street 3, Liepāja	-	-	-	-

Notes to the consolidated financial statements (continued)

15. Other securities and investments

	31.12.2024. EUR	31.12.2023. EUR
Investment in AS" Rīgas namu apsaimniekotājs" (3.33%)	-	50 000
TOTAL:	**-**	**50 000**

During the reporting year, a subsidiary of the Group disposed of 3.33% of the shares in AS "Rīgas namu apsaimniekotājs" (unified registration number 50003748651). This investment was classified as a financial asset at fair value through revaluation in the statement of profit or loss.

16. Other non-current assets

	31.12.2024. EUR	31.12.2023. EUR
Payment for acquisition of subsidiary	298 633	-
Investments in the renovation project *	152 902	172 422
Repair work performed in apartment buildings **	57 103	77 395
Loans to Latvian legal entities***	220 596	209 898
Deferred expenses	76 887	4 577
Other assets	19 519	-
TOTAL:	**825 640**	**464 292**

*On October 2013 the subsidiary of the Group SIA "Vidzemes ESKO 1" completed renovation work on a project on Valmieras street 23, Cēsis. The total investments amounted to EUR 390 388. The investments made by SIA "Vidzemes ESKO 1" are to be written off gradually during the period of the renovation agreement, respectively 20 years.

**Repair work performed by the subsidiary of the Group SIA "CDzP", which will be gradually repaid by the residents of the building during the loan repayment period.

***The repayment term of the EUR 70 700 loan with a fixed annual interest rate has been set on 10 June 2028. On 31.12.2024 and 31.12.2023 the amount of claims includes accrued interest income. Loan issued has no pledge as at 31.12.2024. and 31.12.2023.

In 2023, a loan in the amount of EUR 133,000 was issued with a repayment date of 30 September 2027 and a fixed annual interest rate. The receivable amount includes accrued interest income. As of 31 December 2024, the issued loan was unsecured.

Estimated credit losses on contract assets have not been recognised as estimated amounts are immaterial.

17. Inventory

	31.12.2024. EUR	31.12.2023. EUR
Raw materials and consumables	1 436 004	1 471 279
Finished goods and goods for sale	405 847	520 741
Advances for inventory	10 049	31 172
Provisions for impairment of slow-moving stock	(5 418)	(10 486)
TOTAL:	**1 846 482**	**2 012 706**

Notes to the consolidated financial statements (continued)

18. Trade receivables and contract assets

	31.12.2024. EUR	31.12.2023. EUR
Trade receivables from contracts with customers	14 510 911	13 439 901
Contract assets	6 739 838	5 756 775
Provision for expected credit loss	(1 022 888)	(1 130 088)
TOTAL:	**20 227 861**	**18 066 588**

Trade receivables are not secured by pledges or other credit enhancements.

Contract assets (accrued income) mainly include rights to receive remuneration for the provided organisation of packaging management system services, for which invoices have not yet been issued. These rights are recognised as part of current assets by confirming exact volume of the service with customers and issuing respective invoices after the end of the reporting period.

Changes in provision for expected credit loss:

	2024 EUR	2023 EUR
At the beginning of the reporting year	**1 130 088**	**1 114 012**
Increase of allowances	203 924	119 774
Decrease of allowances	(311 124)	(103 699)
At the end of the reporting year	**1 022 888**	**1 130 088**

Expected credit loss on 31 December 2024 is determined by applying the following average expected credit loss rates:

	Not overdue, EUR	Overdue by less than 30 days, EUR	31 to 60 days overdue, EUR	61 to 90 days overdue, EUR	91 to 180 days overdue, EUR	181 to 365 days overdue, EUR	Overdue by more than 365 days, EUR	Total
Expected credit loss rate	0.84%	3.14%	7.68%	10.33%	18.11%	26.05%	88.22%	4.81%
Trade receivables and contract assets (gross amounts)	18 213 164	1 165 278	190 095	437 509	225 417	269 424	749 863	21 250 749
Expected credit loss	**153 891**	**36 618**	**14 604**	**45 194**	**40 833**	**70 184**	**661 564**	**1 022 888**

Expected credit loss on 31 December 2023 is determined by applying the following average expected credit loss rates:

	Not overdue, EUR	Overdue by less than 30 days, EUR	31 to 60 days overdue, EUR	61 to 90 days overdue, EUR	91 to 180 days overdue, EUR	181 to 365 days overdue, EUR	Overdue by more than 365 days, EUR	Total
Expected credit loss rate	0.82%	1.13%	3.30%	8.68%	18.96%	18.22%	80.58%	5.89%
Trade receivables and contract assets (gross amounts)	15 365 417	1 473 748	355 415	480 516	210 057	261 673	1 049 850	19 196 676
Expected credit loss	**126 499**	**16 682**	**11 725**	**41 698**	**39 822**	**47 666**	**845 996**	**1 130 088**

Notes to the consolidated financial statements (continued)

19. Other current assets

	31.12.2024. EUR	31.12.2023. EUR
Deferred expenses	487 178	350 797
Tax overpaiment	232 997	193 496
Loan to a Latvian legal entity	62 414	-
Other assets	789 767	477 981
TOTAL:	**1 572 356**	**1 022 274**

Estimated credit losses on other current assets have not been recognised as estimated amounts are immaterial.

20. Cash and cash equivalents

	31.12.2024. EUR	31.12.2023. EUR
Cash in bank	22 251 978	20 422 347
Cash on hand	2 623	1 114
Cash in transit	-	26 110
TOTAL:	**22 254 601**	**20 449 571**

Estimated credit losses on cash and cash equivalents have not been recognised as estimated amounts are immaterial.

Some Group companies use Group account services, see section a) of Note 24 on borrowings from credit institutions.

Credit rating as assigned by the Moody's credit rating agency and balances with the banks used by the Group are as follows:

	31.12.2024. EUR	31.12.2023. EUR
Credit rating		
Aa3	15 976 362	8 522 236
A2	4 814 174	9 815 863
Baa1	315 261	1 021 382
No rating assigned	1 146 181	1 062 866
TOTAL:	**22 251 978**	**20 422 347**

Credit rating of foreign banks' branches in Latvia is presented based on the rating of their head company. Credit rating of subsidiaries of foreign banks without individual rating in Latvia is presented based on their foreign parent company credit ratings.

Majority of the Group's funds are held with banks, which have received good credit ratings, and it is expected that these credit institutions will be able to comply with all of their financial liabilities on timely basis.

21. Share capital

As of 31 December 2024, the registered and fully paid share capital of the Group's parent company is EUR 13,580,000, consisting of 13,580,000 shares, of which 13,300,000 are Category A shares and 280,000 are staff shares. The nominal value of each share is 1 euro. The ultimate beneficial owner of the Group's parent company is Guntars Kokorevičs.

Notes to the consolidated financial statements (continued)

22. Non-controlling interest

Non-controlling interest is comprised of investments by other shareholders (not the Parent company of the Group) in the following subsidiaries of the Group:

	Non-controlling interest, %	31.12.2024. EUR	31.12.2023. EUR
Subsidiary of the Group			
SIA "CDzP"	48.92%	499 358	485 663
SIA "Vidzemes ESKO 1"	48.92%	(3 318)	(4 548)
SIA "Eko Terra"	26.99%	60 536	90 160
PS "Vides pakalpojumi Liepājai"	49.00%	463 290	242 826
SIA "Vides resursu centrs"	47.00%	1 599 949	2 133 848
AS "TĪRĪGA"	10.00%	(86 116)	(82 978)
SIA "Zaļā josta"	45.00%	2 274 144	2 007 011
SIA "Nulles depozīts"	30.00%	-	(7 554)
SIA "Eko Energy"	30.00%	-	6 092
SIA "GREEN PLASTICS"	64.31%	-	230 075
		4 807 843	**5 100 595**

23. Issued debt securities

The parent company of the Group has issued bonds (ISIN LV0000802676) with the total value of 15 000 000 EUR, the number of quoted financial instruments is 15 000 with a nominal value of 1 000 EUR each. The bonds are registered at the Latvian Central Depository and admitted to trading on AS "Nasdaq Riga" on 31 January 2023.

On 31 December 2024 and 31 December 2023 the subsidiaries of the Group held bonds in the amount of EUR 1 000 000.

The value of the bonds will be redeemed in one payment on the bond maturity date. The repayment deadline of the principal amount is 9 December 2025. The coupon rate is 3M EURIBOR + 6.5% and the coupon is paid on a quarterly basis.

Capital shares of the subsidiaries of the Group SIA "Clean R", SIA "CleanR Verso", SIA "Vizii Urban" serve as collateral against the bonds.

Movement in issued debt securities (financial liabilities at amortised cost) during the reporting period:

	2024 EUR	2023 EUR
Issued debt securities at the beginning of the reporting period	**13 752 808**	**13 716 960**
Accrued interest	1 556 618	1 453 324
Interest paid	(1 435 110)	(1 417 476)
Issued debt securities at the end of the reporting period	**13 874 316**	**13 752 808**
incl. current portion	13 874 316	-
non-current portion (2 – 5 years)	-	13 752 808

Notes to the consolidated financial statements (continued)

24. Loans from credit institutions and other borrowings

Loans from credit institutions and other borrowings are mainly comprised of loans from banks and lease liabilities.

	31.12.2024. EUR	31.12.2023. EUR
Loans from credit institutions	58 574	163 515
Lease liabilities	9 903 040	7 745 975
Other current borrowings	43 024	171 955
	10 004 638	**8 081 445**

a) Loans from credit institutions

	31.12.2024. EUR	31.12.2023. EUR
Non-current portion of loans with repayment term 2 – 5 years	37 678	58 349
Current portion of loans	20 896	105 166
	58 574	**163 515**

The Group's subsidiaries have entered into loan agreements with various Latvian credit institutions and VAS "Attīstības finanšu institūcija Altum". The loans are subject to variable base interest rates tied to 1 to 6-month EURIBOR, with margins ranging from 2% to 5%.

To secure the fulfilment of these obligations, the following assets of Group companies have been pledged: real estate owned by companies within the Group, the Group company's assets as a set of items, assignment agreements over the Group company's receivables, equity interests in Group companies, and cash held in bank accounts of the Group's subsidiaries.

The Group uses cash pooling accounts in its operations. The primary function of the cash pool is the virtual consolidation of funds across multiple settlement accounts within the Group. Under the terms of the cash pooling agreements, companies may borrow or lend funds within the limits of available balances in the pool, up to the individually assigned limits for each company. Overdrafts are not allowed under the cash pooling structure, and therefore, the Group does not bear liabilities in respect of the total balance of the pooled accounts.

Movement in loans from credit institutions:

	2024 EUR	2023 EUR
Loans at the beginning of the year	**163 515**	**215 342**
Loans repaid	(104 941)	(51 827)
Accrued interest	7 282	12 639
Interest paid	(7 282)	(12 639)
Loans at the end of the reporting year	**58 574**	**163 515**

Notes to the consolidated financial statements (continued)

b) Lease liabilities

		31.12.2024. EUR	31.12.2023. EUR
Lease liabilities with repayment term >5 years		538 235	992 131
Lease liabilities with repayment term 2-5 years		6 625 914	4 881 472
Non-current portion	**TOTAL:**	**7 164 149**	**5 873 603**
Current lease liabilities		2 738 891	1 872 372
Current portion	**TOTAL:**	**2 738 891**	**1 872 372**
	TOTAL:	**9 903 040**	**7 745 975**

The subsidiaries of the Group have acquired assets (mainly means of transportation, heavy machinery and office premises) on lease terms. As at 31 December 2024 the interest rates were set at 3 and 6 months EURIBOR + 2.1% to 3.2% (31 December 2023 the interest rates were set at 3 and 6 months EURIBOR + 2.4% to 2.65%).

Movement in lease liabilities during the reporting period:

	2024 EUR	2023 EUR
Lease liabilities at the beginning of the year	**7 745 975**	**6 845 969**
New leases	7 078 741	1 942 512
Amendments to existing lease agreements	58 793	21 754
Changes in estimates	2 069	670 931
Terminated lease agreements	(2 115 093)	-
Lease payments	(2 868 445)	(1 735 191)
Accrued interest	441 541	310 434
Interest paid	(441 541)	(310 434)
Lease liabilities at the end of the reporting year	**9 903 039**	**7 745 975**

25. Deferred income

		31.12.2024. EUR	31.12.2023. EUR
EU and other co-financing >5 years		794 346	962 601
EU and other co-financing 2-5 years		496 205	922 848
Financial support received from LIAA >5 years		68 964	77 768
Non-current portion	**TOTAL:**	**1 359 515**	**1 963 217**
EU and other co-financing – short term part		722 884	656 756
Financial support received from LIAA – short term part		8 804	8 804
Other deferred income – short-term part		107 820	-
Current portion	**TOTAL:**	**839 508**	**665 560**
	TOTAL:	**2 199 023**	**2 628 777**

EU and other co-financing was received for the construction of a waste sorting plant, a polymer plant and workshop, as well as within the LIFE project.

Financing from the Investment and Development Agency of Latvia (LIAA) was received for reconstruction of the building, bio boiler construction and heating circuit reconstructions.

Notes to the consolidated financial statements (continued)

26. Other liabilities

		31.12.2024. EUR	31.12.2023. EUR
Savings fund of apartment buildings		1 787 510	2 079 004
Liability towards a Latvian legal entity for the acquisition of capital shares		500 000	750 000
Accrued liabilities		-	315 667
Other liabilities		20 000	-
Non-current portion	**TOTAL:**	**2 307 510**	**3 144 671**
Savings fund of apartment buildings		540 108	519 750
Accrued liabilities		6 292 954	4 229 831
Other liabilities		2 652 059	1 556 091
Current portion	**TOTAL:**	**9 485 121**	**6 305 672**
	TOTAL:	**11 792 631**	**9 450 343**

27. Taxes and state mandatory social insurance payments

		31.12.2024. EUR	31.12.2023. EUR
State mandatory social insurance payments		878 275	716 524
Value added tax		755 246	603 548
Personal income tax		476 618	381 063
Corporate income tax		169 018	70 945
Natural resource tax		2 709	3 426
Vehicle operating tax		277	545
Risk duty		750	596
	TOTAL:	**2 282 893**	**1 776 647**

28. Related party transactions

Mutual balances and transactions between the Group Parent company AS "CleanR Grupa" and its subsidiaries, which are related companies, are eliminated for consolidation purposes and are not disclosed in this note. In the reporting year, the Group companies were involved in the following transactions with the top management and shareholders.

Accounts receivable from related parties:	31.12.2024. EUR	31.12.2024. EUR	31.12.2023. EUR	31.12.2023. EUR
	Companies controlled by the beneficial owner	Associated companies	Companies controlled by the beneficial owner	Associated companies
Receivables from related parties	-	10 183	302	842

Revenue and expenses from transactions with related parties:	2024 EUR	2024 EUR	2023 EUR	2023 EUR
	Companies controlled by the beneficial owner	Associated companies	Companies controlled by the beneficial owner	Associated companies
Revenue	2 288	1 052 371	4 451	723 371
Expenses	(57 500)	(445 313)	(107 750)	(924 436)

Outstanding balances as at the year-end are unsecured, and settlements are expected to take place. There have been no guarantees provided or received for any related party receivables.

Dividends to related parties:

	Year	Dividends paid, EUR
To the shareholders of the Parent company	2024	17 832 765
To the shareholders of the Parent company	2023	1 815 000

Notes to the consolidated financial statements (continued)

29. Financial risk management

The Group is exposed to market, credit and liquidity risks that arise from its financial instruments. Financial risk management is ensured by the Board and Finance director of the Parent company of the Group. Financial risk management actions are aimed at supporting operating activities of the Group. Group companies do not engage with risky operations that might increase their exposition towards currency or interest rate risks.

Financial instruments owned by the Group are classified as follows:

	31.12.2024. EUR	31.12.2023. EUR
Financial assets at amortised cost		
Other non-current financial assets	595 851	287 293
Trade receivables and contract assets	20 227 861	18 066 588
Other current financial assets	62 414	-
Cash and cash equivalents	22 254 601	20 449 571
Financial assets at fair value with revaluation through profit or loss		
Other securities and investments	-	50 000
Total financial assets	**43 140 727**	**38 853 452**
Financial liabilities at amortised cost		
Issued debt securities	13 874 316	13 752 808
Loans from credit institutions	58 574	163 515
Lease liabilities	9 903 040	7 745 975
Other borrowings	43 024	171 955
Trade payables	6 833 722	7 711 278
Unpaid dividends	1 945 000	-
Other liabilities (including non-current portion)	6 812 954	5 295 498
Total financial liabilities	**39 470 630**	**34 841 029**

Market risk

Market risk is a risk that due to changes in the market factors, e.g., foreign currency rates, interest rates and commodity prices, value of financial instruments owned by the Group will change. Market risk is formed by foreign currency risk and interest rate risk.

Interest rate risk

Interest rate risk is a risk of financial loss due to adverse interest rate fluctuations on the Group's financial assets and financial liabilities. The Group is exposed to interest rate risk mainly through its non-current and current loans from credit institutions and lease liabilities bearing interest at floating rates.

All Group's loans and part of lease liabilities are with floating interest rates. Detailed description of interest rates is available in Note 24. The Group manages interest rate risk by regularly evaluating market interest rates. If market offers lower interest rates that existing, the management of the Group evaluates financial feasibility of changing counterparty. The management of the Group has decided not to use derivative financial instruments for interest rate risk management.

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 reporting period, with all other variables held constant. Equity of the Group, except for current year result, is not impacted.

	2024		2023	
	Increase/ decrease in interest rate (percentage)	Impact on profit before tax (EUR)	Increase/ decrease in interest rate (percentage)	Impact on profit before tax (EUR)
EURIBOR	(+1%)	(228 566)	(+1%)	(214 064)
	(-1%)	228 566	(-1%)	214 064

Notes to the consolidated financial statements (continued)

Foreign currency risk

Foreign currency risk is a risk of financial loss incurred by the Group companies due to adverse currency fluctuations and their impact on assets and liabilities denominated in foreign currencies. This risk arises when financial assets denominated in a foreign currency do not match with financial liabilities in the same currency, thereby leading to open currency positions. The Group does not have significant financial assets and liabilities denominated in currencies other than euro. Therefore, during reporting period and prior periods, the Group was not significantly exposed to the foreign currency risk.

Credit risk

Credit risk arises when a partner of the Group is unable to meet their contractual obligations, resulting in a loss to the Group. Credit risk arises from the Group's operating activities – mainly trade receivables; as well as financing activities of the Group – mainly loans issued and cash and cash equivalents.

Group's maximum exposure to credit risk is:

	31.12.2024. EUR	31.12.2023. EUR
Cash and cash equivalents	22 254 601	20 449 571
Loans issued	658 265	287 293
Trade receivables and other receivables (gross amounts)	20 227 861	18 066 588
TOTAL:	**43 140 727**	**38 803 452**

Cash and cash equivalents

Credit risk arising from Group's cash in bank is managed by the Finance management team of the Parent company. Free financial resources of the subsidiaries of the Group can be invested only into deposits or money market funds. Before placement of cash in bank (as a deposit or current account) the Finance management team of the Parent company evaluates credit rating of the bank and interest rates offered. More details on credit ratings of the banks used by the Group are available in Note 20.

Trade receivables

The Group assesses its concentration risk of trade receivables as low. AS at 31 December 2024 the Group had 1 counterparty (2023: 1 counterparty), which owed the Group more than 1 million EUR and comprised approximately 12% (2023: 11%) of the total trade receivables.

The Group controls its credit risk by continuously assessing the credit history of customers and setting permissible credit limits. The Group's maximum exposure to credit risk is defined with reference to the balance sheet value of each debtor. The Group companies monitor overdue trade receivables on a regular basis. Balance sheet value of trade receivables is reduced by allowances made for expected credit losses.

The Group has not received any collateral as a pledge for its trade receivables.

Issued non-current and current loans

The Group controls its credit risk by continuously assessing the financial performance, sufficiency and quality of collateral and credit histories of borrowers. Balance sheet value of granted loans is reduced by expected credit losses.

Liquidity risk

Liquidity risk is a risk that the Group companies will default on their full obligations. Liquidity risk is managed by the Finance management of the Parent company, ensuring availability of sufficient cash reserves and ensuring availability of funding, continuously monitoring planned and actual cash flows and matching maturity terms of financial assets and financial liabilities.

Management of the Group is preparing annual cash flow forecasts and monthly cash flow forecasts to ensure sufficiency of cash resources available to the Group companies to finance operations, settle financial liabilities and make required investments.

Notes to the consolidated financial statements (continued)

The following table analyses the financial liabilities of the Group by maturity date, based on contractual undiscounted cash flows (including interest payments):

31 December 2024	Book value, EUR	Less than 3 months, EUR	3 to 12 months, EUR	1 to 5 years, EUR	More than 5 years, EUR	Total, EUR
Issued debt securities	13 874 316	387 788	16 072 879	-	-	16 460 666
Loans from credit institutions and other borrowings	10 004 638	3 085 604	5 117 399	1 894 284	872 810	10 970 097
Other liabilities	15 591 676	14 865 676	206 000	520 000	-	15 591 676
TOTAL:	**39 470 630**	**18 339 068**	**21 396 278**	**2 414 284**	**872 810**	**43 022 439**

31 December 2023	Book value, EUR	Less than 3 months, EUR	3 to 12 months, EUR	1 to 5 years, EUR	More than 5 years, EUR	Total, EUR
Issued debt securities	13 752 808	387 788	1 163 363	16 460 666	-	18 011 816
Loans from credit institutions and other borrowings	8 081 445	2 164 120	3 739 709	1 634 786	1 080 951	8 619 566
Other liabilities	13 006 776	10 401 734	-	1 247 988	-	11 649 722
TOTAL:	**34 841 029**	**12 953 642**	**4 903 071**	**19 343 440**	**1 080 951**	**38 281 104**

30. Fair value measurements

Based on the Group’s management’s assessment, the carrying amounts of financial assets and liabilities approximated to their fair value as at 31 December 2024 and 31 December 2023.

31. Capital management

The Group manages its capital to ensure that the Group companies will be able to continue as a going concern, meanwhile maximizing the return to shareholders through the optimization of debt and equity balance. Group's management reviews the capital structure of the Group on an annual basis. Under these consolidated financial statements, the Group's management considers the capital structure and the risks associated with each class of capital.

The Group’s capital structure consists of net debt (borrowings and leases, as detailed in Note 24 offset by cash at bank) and equity of the Group (comprising issued capital, retained earnings and non-controlling interests).

Financial covenants are set for debt securities issued by the Group. As at 31 December 2024 and 31 December 2023 financial covenants were not breached.

Covenants related to the debt securities issued by the Parent company of the Group are as follows:

- Equity ratio being above 30% – as at 31 December 2024 this indicator was 51% (31.12.2023.: 51%)
- Interest coverage ratio being above 3 – as at 31 December 2024 this indicator was 13 (31.12.2023.: 11)
- Net debt leverage ratio being less than 3.5 – as at 31 December 2024 this indicator was 0.06 (31.12.2023.: 0.07)

Notes to the consolidated financial statements (continued)

32. Financial and contingent liabilities

As of 31 December 2024, the fixed assets owned by the Group company SIA "Clean R" were pledged in favour of AS "Luminor Bank" and served as collateral for the fulfilment of obligations. On 13 March 2025, the aforementioned commercial pledge was cancelled, and on 17 March 2025, a new commercial pledge was registered in favour of AS "Swedbank", serving as collateral for the performance guarantees issued on behalf of the Group company SIA "Clean R".

As of 31 December 2024, AS "Luminor Bank" had issued tender and performance guarantees on behalf of the Group company SIA "Clean R" in the total amount of EUR 1,049,179. At the beginning of 2025, the Company transferred the tender and performance guarantees to AS "Swedbank".

Insurance companies registered in the Republic of Latvia have issued performance guarantees on behalf of the Group company SIA "Clean R" in the total amount of EUR 3,011,414.

SIA "Luminor Līzings" has issued a guarantee in the amount of EUR 1,000,390 on behalf of the Group company SIA "Clean R" as collateral for lease obligations.

Insurance companies registered in the Republic of Latvia have issued performance guarantees on behalf of the Group company SIA "Vides resursu centrs" in the total amount of EUR 737,619.

Insurance companies registered in the Republic of Latvia have issued performance guarantees on behalf of the Group company SIA "Eko Terra" in the total amount of EUR 100,000.

Insurance companies registered in the Republic of Latvia have issued performance guarantees on behalf of the Group company SIA "Vizii" in the total amount of EUR 883,879.

Insurance companies registered in the Republic of Latvia have issued financial guarantees for waste management in favour of the State Environmental Service on behalf of the Group company PS "Vides pakalpojumi Liepājai", with a maximum claim amount of EUR 125,000. Additionally, performance guarantees in the total amount of EUR 166,667 have been issued on behalf of the aforementioned company.

Insurance companies registered in the Republic of Latvia have issued performance guarantees on behalf of the Group company SIA "CleanR Verso" in the total amount of EUR 278,560.

The assets of the Group company SIA "Vidzemes ESKO 1" as a set of items, including receivables from a multi-apartment building where the Group company performed insulation and energy efficiency improvement works, are pledged in favour of AS "Luminor Bank" Latvian branch. The commercial pledge was registered in the Latvian Register of Enterprises on 7 May 2013. The maximum amount of the secured claim is EUR 517,925.

Several apartment owners' associations of buildings managed by the Group company SIA "CDzP" have secured loans from credit institutions to finance planned capital repair works:

- In order to secure the loans granted by AS 'Swedbank" to apartment owners' associations with an outstanding loan principal of EUR 5 148 294 as at 31 December 2024, the Group company SIA "CDzP" has pledged the funds available in the respective association's renovation project current account and has entered into an agreement with the credit institution regarding the payment procedure, ensuring the timely payments of the loan principal and additional charges to the credit institution.
- In order to secure the loans granted by AS "SEB banka" for capital repairs of buildings with an outstanding loan principal of EUR 58 574 as at 31 December 2024, the Group company SIA "CDzP" has pledged its funds available in the accounts held with AS "SEB banka" in the amount of EUR 18 860 and has registered a commercial pledge on the claim rights of SIA "CDzP" against the respective apartment owners of the building.
- In order to secure the loans granted by AS "Citadele banka" to apartment owners' associations with an outstanding loan principal of EUR 267 710 as at 31 December 2024, the Group company SIA "CDzP" has entered into an agreement with the credit institution regarding the payment procedure, whereby, to extent of the funds received in the accounts of the associations, it ensures the timely payment of the loan principal and additional charges to the credit institution.

Notes to the consolidated financial statements (continued)

33. Capital commitments

As at the end of financial year, the Group has no capital commitments for construction works to be undertaken during subsequent accounting periods.

34. Business combinations and sale of subsidiaries

In 2024 and 2023 several purchases and sales of subsidiaries have taken place.

One subsidiary was purchased in 2023. The fair values of the identifiable assets and liabilities at the acquisition date were:

	Fair value at the acquisition date, EUR
	SIA "KOM-AUTO"
Assets	
Non-current assets	133 638
Inventory	6 531
Receivables	11 595
Cash	53 268
Liabilities	
Borrowings	39 851
Other liabilities	1 488
Total	**163 693**
Group's share of fair value of net assets acquired	163 693
Goodwill	1 616 307
Purchase consideration	**1 780 000**

100% shares of SIA "KOM-AUTO" were acquired in 2023 as part of plan to strengthen cleaning and environment management business.

During 2023 the Group acquired control and 100% shareholding of SIA "Nulles deposits" (previously associated company). Transaction was carried out with no remuneration with former shareholder giving his ownership rights over to the Group.

One subsidiary was purchased in 2024. The fair values of the identifiable assets and liabilities at the acquisition date were:

	Fair value at the acquisition date, EUR
	SIA "LAUTUS"
Assets	
Non-current assets	2 829 320
Inventory	22 732
Receivables	805 441
Cash	779 723
Liabilities	
Borrowings	-
Other liabilities	543 216
Total	**3 894 000**
Group's share of fair value of net assets acquired	3 894 000
Goodwill	3 115 539
Purchase consideration	**7 009 539**

100% of the shares of SIA "LAUTUS" were acquired in 2024 as part of the expansion into new business segments.

Additionally, during 2024, the parent company of the Group sold 15% of the shares in SIA "Zaļā Josta", reducing the Group's ownership from 70% to 55%.

At the beginning of 2024, due to a change in strategy, the Group's subsidiary sold its shares in SIA "NĪA Nami", SIA "Jauntukums", and SIA "Nebruk Jelgava" in order to focus on the future development of cleaning service provision. As a result of the sale, the Group generated a profit of EUR 509,872.

Another subsidiary of the Group sold its shares in SIA "Green Plastics" and SIA "Zaļais cikls" in 2024. As a result of the sale, the Group generated a profit of EUR 162,991.

35. Research and development

During the reporting period, the Group did not incur any research and development costs to be included in intangible assets and fixed assets, as well as to be reflected in the profit or loss account. No employees have been involved in research and development, and no state or municipality funding has been received. The Group does not have contracts for research work with other companies.

36. Information on the auditor

Administrative expenses line item "Audit fees" includes remuneration to the auditors for the audit of separate annual accounts of Group companies and consolidated annual accounts of the Parent company of the Group.

Notes to the consolidated financial statements (continued)

37. Subsequent events

At the beginning of 2025, the conditional increase of the share capital (conditional share capital) of the Group's parent company was registered, raising it to EUR 409,074 in connection with additional personnel stock options issued by AS "CleanR Grupa".

Also at the beginning of 2025, SIA "Swedbank Līzings" issued a guarantee on behalf of the Group's parent company as collateral for lease obligations in the amount of EUR 1,136,800. The guarantee is valid until January 2032.

At the end of the reporting year, the Group company SIA "Vizii Urban" has concluded an agreement for the acquisition of 51.02% of the share capital of SIA "Tranzīts L", the completion of which requires the approval of the Competition Council. The transaction is planned to be completed in 2025.

In January 2025, in order to carry out the reorganisation of the Group company SIA "Vides resursu centrs" by separating the company's waste recovery line into a separate business unit, SIA "WasteTech" was established. Following the establishment of SIA "WasteTech", the reorganisation process of SIA "Vides resursu centrs" was carried out accordingly.

On 28 February 2025, the Group company SIA "Clean R" acquired 10% of the share capital of SIA "Ķilupe".

From the last day of the reporting year until the date of signing these financial statements, there have been no other events that would require adjustments to these financial statements or that would need to be disclosed herein.

Juris Gulbis
Chairman of the Board

Guntars Levics
Member of the Board

Inta Liepa
Member of the Board

Agita Baltbārde
Member of the Board

Anžela Vjaževiča
Chief accountant

ELECTRONIC SIGNATURES OF THE BOARD MEMBERS RELATE TO THE ANNUAL REPORT AS A SINGLE DOCUMENT FROM PAGE 97 TO 140.

ELECTRONIC SIGNATURE OF THE PERSON RESPONSIBLE FOR ACCOUNTING RELATES TO THE FINANCIAL STATEMENTS FROM PAGE 97 TO 100 AND FROM PAGE 104 TO 140.

THIS DOCUMENT IS SIGNED WITH SECURE ELECTRONIC SIGNATURE AND CONTAINS A TIME STAMP.

Independent Auditor's Report

To the shareholders of AS "CleanR Grupa"

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Our Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of AS "CleanR Grupa" ("the Company") and its subsidiaries ("the Group") set out on pages 104 to 140 of the accompanying consolidated Annual Report, which comprise:

- the consolidated statement of financial position as at 31 December 2024,
- the consolidated statement of comprehensive statement for the year then ended,
- 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 significant 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 AS "CleanR Grupa" 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 International Financial Reporting Standards as endorsed by European Union (hereinafter IFRS) Accounting standarts.

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 Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and 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 International Code of Ethics for Professional Accountants (including International Independence Standards) and 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

Neither we nor any other auditors have audited the Introduction from pages 3 to 8 and the Sustainability Statement from pages 9 to 96, which are attached to the Consolidated Annual Report. Accordingly, we do not express any opinion or assurance thereon.

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 98 to 100 of the accompanying consolidated Report,
- the Management Report, as set out on pages 101 to 102 of the accompanying consolidated Annual Report,
- the Statement of Management Responsibilities, as set out on page 103 of the accompanying consolidated Report.

Our opinion on the consolidated financial statements does not cover the other information included in the 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 section of our report.

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. We have nothing to report in this regard.

Independent Auditor’s Report (continued)

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Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

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:

- 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

The management is responsible for the preparation of a financial statement giving a true and fair view in accordance with the IFRS Accounting standards, as endorsed by the European Union, and for such internal control as management determines is necessary to enable the preparation of 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.

Auditor’s 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 auditor’s 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 auditor’s 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 auditor’s 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report (continued)

To the shareholders of AS "CleanR Grupa"

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- 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.

SIA „Grant Thornton Baltic Audit"
License No. 183

Raivis Irbītis
Member of the Board
Sworn auditor
Certificate No. 205

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CleanR Grupa