

Operation of VMF LATVIA Ltd. (VMF LATVIA) Council has been carried out in accordance with the Council's resolution regarding the areas of responsibility of five Council members in the management of the Company: Claes Anders Rixon – Chairman of the Council, Aldis Strankaļs – responsible for budget planning and control principles, Inesis Ārgalis – human resource policy, motivation and remuneration issues, Mārtiņš Gaigals – planning of strategy and development and monitoring of its implementation, Andris Balodis – risk management and internal control, process audits. All the Board and Council members have confirmed that they will perform their duties in accordance with the management documents – the Board Rules of Procedure, the Council Rules of Procedure and the Rules of Information Circulation.

The Council of VMF LATVIA has acquainted themselves with the 2020 Annual report prepared by the Board, consisting of the management report, financial statements, the Board's proposal on profit and a report by independent auditors, and the Council supports the approval of the Annual report at the shareholders' meeting. In addition to the annual report, other information from the Board obtained by the Council in the process of monitoring the work of the Board has been used in the preparation of this Council Report.

In the opinion of the Council, the Company's operation in 2020 can be assessed in conformity with the Company's strategic goals and objectives and with the Company's business plan and budget for 2020 monitored by the Council. Together with the industry, in 2020 the company adapted its operations to the global Covid-19 pandemic crisis, mainly operating in Latvia in the conditions of emergency situation. The development of a credible, quick and convenient service in the interest of clients was continued in the reporting period in line with the joint timber accounting development guidelines of sellers and purchasers of timber and the medium-term strategy of VMF LATVIA:

- The target values for the main indicators of operation established by VMF LATVIA for 2019 - systematic deviation and standard deviation for the determination of timber volume, and the test report preparation speed and quality have been reached. Among them, the new systematic deviation targets ($\pm 3.0\%$) set by the Joint Advisory Council in the planned 80% of the total number of automated measurement lines (individually) have been achieved: 90%.
- VMF LATVIA is accredited and is competent to perform testing in accordance with the LVS EN ISO/IEC 17025:2017 standard and Cabinet Regulation No. 744 "Wood and Round Timber Accounting" in the regulated area: round timber measuring (LVS 82:2003 and LVS 82:2020) and in accordance with the requirements of the ISO/IEC 17025:2017 standard in the non-regulated area: sampling and physical testing of solid biofuels (LVS EN ISO 18135:2017; LVS EN ISO 18134-2:2017). Company LATAK registration No. LATAK-T-296-17-2006. As of 21 August 2003, by the decision of the VMK Wood Measurement and Accounting Council (Sweden), VMF LATVIA is authorised to perform wood measurement and accounting [Page 4 of the Management Report of the Annual Report].
- In 2020, direct remuneration has been increased by 3% [Page 4 of the Management Report of the Annual Report] and monthly contributions to employees in the formation of accumulative insurance have been continued at the level of the previous year. Accumulative insurance and health insurance contributions together account for 2.8% of staff costs [Page 14 of the Annual Report cost (3)]. The amount of accumulative insurance contributions depends on the length of service of employees with VMF LATVIA. However, in view of the significant changes in the definition of service quality in the Joint Advisory Council, it has not been possible to develop new staff remuneration arrangements, including a bonus and incentive section.
- Especially in the conditions of a changing environment, the customer evaluation index has been updated at a high level of 4.3 points [Page 4 of the Management Report of the Annual Report].
- With the delegation of the Joint Advisory Council, European Union funds have been attracted for the implementation of development projects of the sector and VMF LATVIA, including EUR 91,432 [Page 15, Note 5 of the Annual Report] have been received in 2020 in the projects started in previous years.
- In 2020, productivity was increased by 8.1% compared to 2019 [Page 4 of the Management Report of the Annual Report]. Including:
 - o In 2020, 768 thousand m³ were measured in a group survey using photo processing technology, which is 6% of the total volume measured in 2020;
 - o In 2020, productivity has been increased by +1.5% compared to 2019, measured individually with automated measuring devices;
 - o increase of labour productivity and the introduction of technologies allowed the average number of persons employed in the Company to be reduced by 5.5% in 2020; [Page 4 of the Management Report of the Annual Report]



Nodrošināt efektīvu un ilgtspējīgu kokmateriālu uzmērīšanas pakalpojumu un tā ilgtspējīgu pieejamību pircēju un pārdevēju kopīgi definētā mērķu līmenī



Neatļaidīgi palielināt kokmateriālu uzmērīšanas un uzskaites pakalpojumu uzticamību, palielinot informācijas aizsardzību, un uzturot augstas lojalitātes prasības personālam

- In 2020, the organisation of safe and fast data flow from all automated surveying equipment to timber buyers who are ready for such cooperation has been completed, and test reports are offered to customers in the papiNet data standard in cooperation with *Koksnes plūsmas datu centrs Ltd.*;
- The Company has organised and supported industry communication events;
- In 2020, the volume of timber measured in the previous year was maintained at 12.7 million m3 [Page 4 of the Management Report of the Annual Report], thus maintaining the growth rate of timber measured, planned in the strategy. In 2020, the Company provided services to 176 companies, thus the number of VMF LATVIA clients in 2020 has increased by 2.3% compared to 2019. [Page 4 of the Management Report of the Annual Report]

Compared to 2019, the Company's turnover has increased by +13.8% and the number of paid hours has decreased by -4.3%. This is related to the sale of additional services and the structure of the service [Page 4 of the Management Report of the Annual Report]. The result of the Company's economic activity in 2020 is a profit of EUR 359,820 [Page 6 of the Annual Profit and Loss Statement], which is basically useful to cover the previous year's losses and include them in the retained earnings of previous years. No dividends were paid in 2020 and the Council supports the payment of EUR 80,000 in dividends in 2021.

VMF LATVIA has created social security provisions with the goal of saving jobs for employees and compensating for a reduction of remuneration, in the case of the substantial and lasting reduction of operational capacity due to economic conditions or inevitable events. As of 31 December 2020, these provisions consisted of EUR 740,737 [Page 19, Note 16 of the Annual Report]. In 2020, the provisions were not increased.

Provisions for unused leave as at 31 December 2020 amount to EUR 299,751 [Page 20, Note 19 of the Annual Report]. Compared to 2019, these liabilities have increased by 14.9% [Page 20, Note 19 of the Annual Report].

Based on the VMF LATVIA strategy and the established main goals, the Company's budget and action plan for 2021 was prepared and started to be carried out in order to implement the intentions in the following directions:

- retain a skilled workforce, even in the event of prolonged downtime; VMF LATVIA has an opportunity to use the created provisions for unused holiday and social security provisions created with the goal of saving jobs for employees and compensating for a reduction of remuneration, in the case of a substantial and lasting reduction of operational capacity due to economic conditions or inevitable events;
- ensure compliance with all restrictions and epidemiological requirements among the company's employees in order to prevent the uncontrolled spread of the disease;
- continue implementing the productivity improvement plan for all measuring services;
- improve and implement the risk management plan, in particular by protecting information;
- complete the development of work planning information systems in VITA and VITA Web and integrate them into the existing accounting system, including by improving data analysis capabilities;
- continue research and development projects;
- continue participating in public education and communication activities related to the development of the sector.

During 2020, the Council of the Company has fulfilled its duties in accordance with the laws and regulations, as well as has reviewed financial reports and supervised the work of the Board. There were five Council meetings held in 2020. The meetings addressed the issues of Company strategy, budget, the execution thereof and other reports of the Board. In light of the above in general, the activities of the Board of the Company in 2020 are considered to be positive.

SIA VMF LATVIA Council Members:

Claes Anders Rixon

Aldis Strankaļs

Andris Balodis

Inesis Ārgalis

Mārtiņš Gaigals



Izmantot peļņu no
kokmateriālu uzmērīšanas
un uzskaites
pakalpojumiem to
ilgtermiņa pieejamības
stiprināšanai un
investīcijām attīstībā



Palielināt kokmateriālu
uzmērīšanas pakalpojumu
apjomu Baltijas valstu
reģionā