

Environmental, Social and Governance Report 2023



ELKO[®]
GROW SMARTER

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< Letter from the CEO



I am proud to present our third ESG Report to you. What started as a journey into the unknown has become a hygiene factor across the market, with legislation enabling new standards and reporting requirements. We have diligently learned and made a few significant moves to demonstrate our commitment to a sustainable future! Our initiatives, like Vendor Scoring and Partner Code of Conduct, have greatly increased our awareness about the quality of our partnerships and provide a solid basis for driving our business towards a climate-friendly, socially responsible and well-governed future.

Given that 2024 is the first year requiring reports based on ESRS, we have entered into a long-term partnership with Mitigate – our local champions in enabling multinationals to ensure full compliance with existing legislation and providers of a convenient cloud-based platform to gather data across multiple entities and geographies in ELKO Group. We are proud to say that we cover 100% of ELKO's business in our current report. It has streamlined our workflow and systematized our approach to make sure we do not miss all the nitty-gritty details along the way.

As a highlight, we would like to emphasize that the latest Vendor Net Promoter Score (NPS) results underscore a significant shift in priorities among vendors, with sustainability emerging as a critical factor in decision-making. Achieving an impressive score of 8.2 out of 10 in importance, it is evident that environmental considerations are increasingly influencing distributor choices. The emphasis on sustainability is not just a passing trend but a fundamental change in how businesses operate and make decisions. Vendors are now more inclined to partner with distributors who demonstrate a growing preference for environmentally responsible practices.

Looking forward, I am also proud to point out that ELKO has recently become a part of the Science Based Targets initiative by committing to establish clear and practical goals to reach net-zero in 2030. We value the opportunity to share the experience and learn from sector leaders in our path to reach our sustainability goals. The only way to continue the development is to ensure strong engagement from all stakeholders is present, and we are highly committed to continuing this journey!

Svens Dinsdorfs
The CEO of ELKO Group

< Key 2023 non-financial indicators (group)

350
manufacturers

10 000
customers

1 000
employees

- 13 countries
- 16 offices
- ▲ 2 HUBs

Amsterdam ▲

Stockholm
Göteborg
Malmö

Tallinn

Riga

Kaunas

Warsaw

Wrocław

Zlin

Žilina

Bratislava

Banska Bystrica

Kyiv

Ljubljana

Bucharest

Almaty

Awards & rankings

The Best Retail Partner in the Baltics
The Best Customer Service Distributor in the Baltics
by [Context](#), [ChannelWatch 2023](#)

Family-Friendly Workplace status
by the [Latvian Society Integration Foundation](#),
since 2023

Best Investor Relations on First North Bond List
by [Nasdaq Baltic Awards, 2023](#)

The biggest concern in Latvia
by [db.lv TOP 500 companies in Latvia, 2023](#)

218th position in the TOP 500 largest companies in CEE
by [Coface, 2023](#)

< UN sustainable development goals

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

At ELKO, we have acknowledged the importance of achieving these goals and identified several areas where our operations and sustainability priorities align with the aforementioned SDGs.



1. Health insurance is available to all our employees, and it includes mental health coverage.
2. Active promotion of a healthy lifestyle by organizing internal events related to such promotion.
3. Regular blood donation and vaccination drives at the workplace.



1. Provide fair wages and promote safe and secure working environments for all employees.
2. Operations in 13 countries where we promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation.



1. Perpetually introduce the newest solutions and products that can help improve IT infrastructure.
2. Introduce the newest technologies and solutions in our supply chain for more sustainable and efficient group operations.



1. Starting to measure our carbon footprint and working on policy development to reduce it.
2. Continuously improve our product portfolio by introducing eco-friendlier solutions.
3. Introduce new services and improve operating methods to reduce waste generation.
4. We closely monitor the ESG activities of our suppliers, especially in the environmental department, thus helping our product portfolio to become more sustainable.



< General disclosures

ESRS 2 GENERAL DISCLOSURES

BP-1: General basis for preparation of sustainability statements

Disclosure of general basis for preparation of sustainability statement

Akciju Sabiedrība ELKO Grupa (hereafter ELKO) has adopted its general basis for the 2023 report in accordance with the Corporate Sustainability Reporting Directive (CSRD) and the respective European sustainability reporting standards (ESRS). Using the new approach in the 2023 report allowed ELKO to present the information more structured and governed without deviations from the requirements and outlined the new reporting standards.

In addition, for the 2023 report, a double materiality assessment was carried out on a limited scope; the 2023 double materiality assessment includes evaluations from the top-level management of the Group. It is expected to notably broaden the stakeholder scope for the 2024 report by including a broader range of stakeholders across the whole value chain.

Basis for preparation of sustainability statement

The preparation basis of the 2023 report was based on the introduction of a new ESG reporting platform developed by Mitigate; it is one of the leading IT solutions development companies in Latvia and one of the pioneers in the ESG software field. The reporting is structured around specific disclosure requirements, and each section is fully equipped with the necessary data points derived from ESRS.

BP-2: Disclosures in relation to specific circumstances

The focus for the 2023 report was to adapt the report to the requirements outlined by CSRD and ESRS; additionally, we also focused on increasing the data quantity as well as quality for Scope 3 emission reporting. The 2023 report includes upstream and downstream T&D data, which was calculated using not only the new Mitigate ESG platform but also the data provided by our sector partners.

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

As mentioned above, for the 2023 report, the Group's management was the main driver in establishing the double materiality topics. The involvement of the top management in the matter is expected to remain at the same level for the upcoming report, and the material impacts, risks, and opportunities will be addressed on an annual basis.

GOV-3: Integration of sustainability-related performance in incentive schemes

Currently, ELKO has not established direct sustainability-related performance incentive schemes. However, for many employees, sustainability-related quarterly targets have been set. Our qualitative targets in sustainability encompass a wide range of non-numeric objectives aimed at improving our environmental impact, social responsibility, and corporate governance practices. We integrate our qualitative sustainability targets into our strategic planning processes, performance evaluations, reporting mechanisms, and stakeholder communications to ensure that they are embedded in our day-to-day operations and decision-making.

GOV-5: Risk management and internal controls over sustainability reporting

ELKO has a dedicated employee who is responsible for overseeing sustainability matters. This individual's role aligns closely with that of an international project manager, ensuring that sustainability initiatives are effectively coordinated and implemented across all subsidiaries. This dedicated employee plays a key role in data gathering, analysis, and reporting, ensuring that our sustainability efforts are comprehensive and aligned with international best practices.

By centralizing this process, we ensure that data collection is standardized, consistent, and aligned with our sustainability reporting requirements. This centralized approach enhances the accuracy and reliability of our sustainability data, enabling us to make informed decisions and track our progress effectively. A full review of our annual sustainability metrics is carried out by the management and further approved by the board of directors.

Our goal is to minimize risks, seize opportunities for improvement, and enhance the overall sustainability performance of ELKO.

Regarding overall risk management, we have audited our risks and developed ELKO Risk Management Framework. Within this framework, we have methodically mapped out all discernible risks on a matrix, utilizing two key dimensions—likelihood and potential impact—to evaluate and categorize each risk accordingly. Through this strategic alignment, we are able to gain a comprehensive understanding of the risk landscape and prioritize our focus on areas that pose the greatest potential threats to our organization.

To ensure effective oversight and management of these risks, we have designated a dedicated risk owner for each identified risk, tasked with the responsibility of ongoing monitoring and mitigation. By entrusting specific individuals with the ownership of each risk, we foster accountability and ensure that proactive measures are taken to mitigate potential adverse effects.

As part of our commitment to continuous improvement, our Management team conducts an annual review of the risk matrix. During this review, the team collaboratively identifies and prioritizes the key risks that require heightened attention and proactive management in the upcoming year.

SBM-1: Strategy, business model, and value chain

At ELKO, we recognize the critical importance of sustainability in our business model. As one of our core values, fostering long-term relationships across the entire supply chain is paramount to our success. We understand that sustainability matters are integral to building and maintaining these enduring partnerships.

We are committed to ensuring that our partners throughout the supply chain can trust in our reputation, rely on our proven business practices, and share in our future ambitions. This commitment to sustainability is not only a reflection of our values but also a strategic imperative that guides our decision-making and operations.

We prioritize building lasting relationships with our partners based on trust, transparency, and mutual respect. By fostering these relationships, we aim to create a sustainable business ecosystem that benefits all stakeholders.

We are continuously seeking new ways to innovate and improve our sustainability performance. We are committed to setting ambitious goals that drive positive change and contribute to a more sustainable future for our company and our partners.

E1 CLIMATE CHANGE

E1-1 Transition plan for climate change mitigation

Disclosure of transition plan for climate change mitigation

Explanation of how targets are compatible with limiting global warming to one and a half degrees Celsius in line with the Paris Agreement

We are pleased to announce that our organization has joined the Science Based Targets initiative (SBTi) as part of our commitment to addressing climate change and setting ambitious sustainability goals. By aligning our emissions reduction targets with climate science, we are taking a proactive stance in reducing our environmental impact and contributing to a low-carbon future.

The Science Based Targets initiative provides a rigorous and credible framework for companies to set emissions reduction targets that are in line with the latest climate science and the goals of the Paris Agreement. By participating in this initiative, we are demonstrating our willingness to take concrete actions to mitigate climate change and transition to a more sustainable business model.

Through the Science Based Targets initiative, we will work towards setting science-based targets that are ambitious, measurable, and aligned with keeping global warming well below 2 degrees Celsius. By doing so, we are not only demonstrating leadership in sustainability but also positioning our organization for long-term success in a low-carbon economy.

Our decision to join the Science Based Targets initiative reflects our commitment to transparency, accountability, and environmental stewardship. We are excited to embark on this journey towards a more sustainable future and look forward to sharing our progress and achievements as we work towards our science-based targets.



Initiatives framework

	Initiative	Objective	Timeframe 2022	2023 update
Environment	SBT	To pledge and join the SBT initiative by setting specific goals. Science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals.	2024	Joined early 2024; targets to be developed by 2026
	Vendor management	Increase activity in circular economy initiatives provided by vendors.	Ongoing	
	Supply Chain improvement	Supply Chain mapping and Routing optimization in order to optimize and reduce Scope 3 emissions.	2023	Improved data quantity and quality for Scope 3 emissions, more compete upstream and downstream T&D data across all offices
	Scope 2 GHG reduction	Improve energy efficiency in the office and warehouse.	Ongoing	Ongoing
	Procurement	Onboard 3rd party data certifications. TCO etc.	2024	2025 (currently in communication with industry associations including GTDC who are looking at development of a centralized solution)
	Data quality and management	Improve data quality and versatility, especially in the Scope 3 section. Introduce ESG data management system and software.	Ongoing	We have partnered with Mitigate ESG platform
Social	HR Data	HR data warehouse development with the whole Group as a scope.	2023	Introduced HR data in PowerBI
	Equality	Improve the equality of the average male/female ratio, especially at the executive level.	Ongoing	Ongoing
	Equality	Remuneration equality improvement.	Ongoing	Ongoing
	Training and Education	Continuous development of employee education programs.	Ongoing	Ongoing
Governance	Compliance	Continuous development of documents and procedures associated with the applicable rules of regulations.	Ongoing	Ongoing
	IT	Security improvements: • Cybersecurity measures • Data Security initiatives	Ongoing	Ongoing

E1-5 Energy consumption and mix

Total energy consumption from renewable sources

At our organization, we strongly emphasise sustainability and reduce our carbon footprint by incorporating renewable energy sources into our total energy consumption. To ensure accurate estimations and informed decision-making regarding the adoption of renewable energy at each of our locations, we rely on data provided by Eurostat, a trusted source of statistics and information provided by the EU.

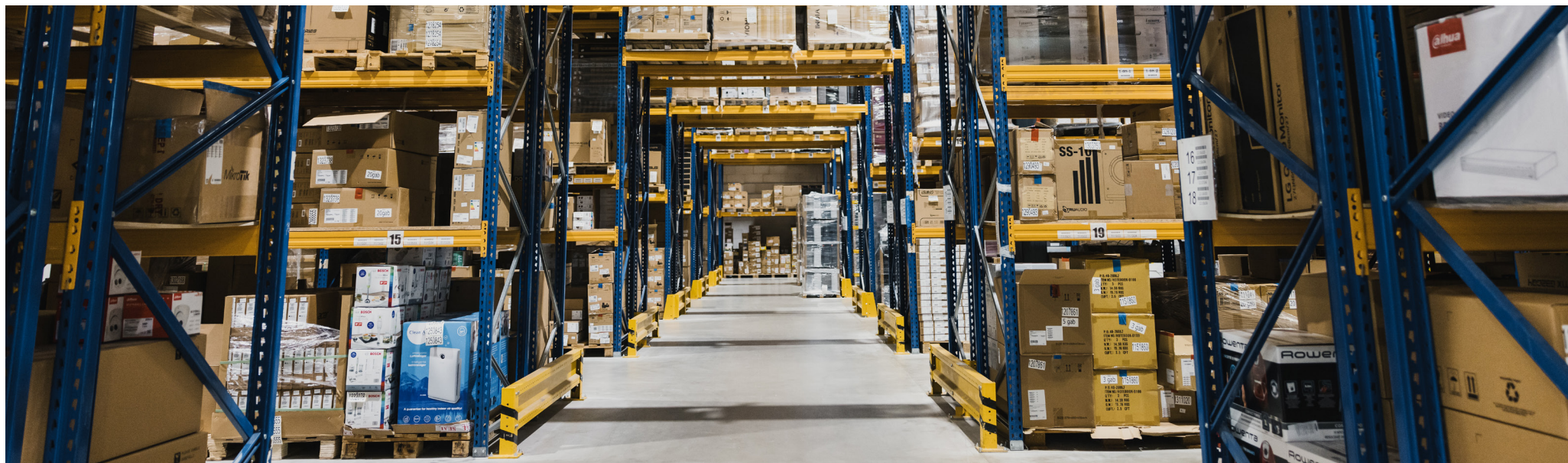
By leveraging Eurostat data, we are able to assess the availability, trends, and potential of renewable energy sources in different regions where our operations are located. This data-driven approach allows us to strategically plan and implement initiatives to increase the percentage of renewable sources in our total energy consumption.

Our commitment to utilizing renewable energy sources, guided by Eurostat data, underscores our dedication to sustainability, environmental responsibility, and contributing to a cleaner, greener future for our organization and the communities in which we operate.

Please see the overall renewable energy share in the following table:

Overall share of energy from renewable sources, 2017-2022
(% of gross final energy consumption)

	2017	2018	2019	2020	2021	2022
EU	18	19	20	22	22	23
Estonia	30	30	32	30	37	38
Latvia	39	40	41	42	42	43
Lithuania	26	25	25	27	28	30
Poland	11	15	15	16	16	17
Portugal	31	30	31	34	34	35
Romania	24	24	24	24	24	24
Slovenia	22	21	22	25	25	23
Slovakia	11	12	17	17	17	18
Sweden	53	54	56	60	63	66



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

Gross Scopes 1, 2, 3 and Total GHG emissions - GHG emissions per scope

	Group	Baltics	Sweden	Romania	Slovenia	Slovakia
Scope 1	141	2	1	67	12	58
Scope 2	456	369	5	39	22	21
Scope 3	2 803	480	992	1 205	23	103
Total	3 400	852	997	1 311	57	183
GHG intensity (tCO2e/mEUR)	3.2	2.8	5.8	10.6	2.1	0.7

Scope 1

As a service provider company, our Scope 1 emissions are relatively limited compared to companies with significant direct emissions from sources like the combustion of fossil fuels or industrial processes. In our case, the main component contributing to Scope 1 emissions is the leasing of company vehicles.

Even though Scope 1 emissions may not be a major aspect of our environmental footprint as a service provider, we recognize the importance of monitoring and managing all emission sources to contribute to a more sustainable future. By addressing emissions related to our leased offices and adopting sustainable practices across our operations, we aim to reduce our carbon footprint and demonstrate our commitment to environmental stewardship.

Scope 2

Our Scope 2 emissions encompass the indirect emissions associated with the consumption of purchased electricity, heat, and steam that power our offices and warehouses. Energy utility companies provide this data and reflect the environmental impact of the electricity and energy we use daily.

By monitoring and reporting on our Scope 2 emissions, we are taking a proactive approach to understanding and reducing our carbon footprint. We recognize the importance of addressing indirect emissions related to energy consumption, as they play a significant role in our overall environmental impact.

Scope 3

In the latest edition of our ESG report, we are proud to showcase significant strides in addressing Scope 3 emissions, going beyond our initial focus on business travel and limited T&D data. One of the key accomplishments of this reporting period has been the substantial improvement in the quality of downstream and upstream T&D data. This enhancement was primarily driven by the adoption of ESG platform calculation tools, which have enabled us to conduct more accurate and comprehensive assessments of our environmental impact.

Furthermore, our commitment to transparency and data integrity led us to strengthen our collaborations with T&D partners, resulting in improved data exchange processes. By working closely with our partners, we have been able to enhance the accuracy and completeness of our Scope 3 emissions data, ultimately enabling us to make more informed decisions and drive meaningful reductions in our environmental footprint.

These advancements underscore our ongoing dedication to sustainability and environmental stewardship. We recognize the importance of effectively managing Scope 3 emissions and remain steadfast in continuously improving our data quality, measurement methodologies, and reporting practices to drive positive change and contribute to a more sustainable future.

E3-4 Water consumption

Total water consumption

	m3
Romania	360
Sweden	296
Baltics	2040
Slovenia	156
Slovakia	598
Total	3450

In the context of water consumption, our data is sourced directly from utility companies, ensuring accuracy and reliability in our reporting. As a company with operations limited to offices and warehouses, we do not currently face any risks associated with water management. Our reliance on water utility providers is paramount, and we trust that they adhere to all relevant regulations and standards across the geographies where we operate. By entrusting our water needs to these providers, we maintain a commitment to responsible water usage and conservation.



E5 CIRCULAR ECONOMY

E5-1 Policies related to resource use and circular economy

As of now, the concept of the circular economy in the IT distribution sector is not widely prevalent, and we have not encountered many circular economy programs offered by vendors in this segment. However, we are optimistic about the potential opportunities that may arise in the near future as sustainability practices gain momentum across industries.

At ELKO, we are closely monitoring the evolving landscape of the circular economy within the IT distribution sector. We also actively monitor the readiness of our vendors to provide CO2 emission data and implement refurbishment and return programs. While only a minority currently have such initiatives in place, we recognize the critical importance of these efforts in advancing sustainability goals. By encouraging and supporting our vendors in adopting these practices, we aim to foster a more environmentally responsible supply chain and contribute to the reduction of our overall carbon footprint.

We recognize the importance of transitioning towards more sustainable and resource-efficient business models to minimize waste, promote recycling, and extend the lifespan of IT products.

While circular economy initiatives may currently be limited in the IT distribution sector, we are excited about the prospects of embracing and participating in circular economy programs as they emerge. As a forward-thinking organization, we are committed to exploring new avenues for sustainable business practices and are eager to play an active role in driving positive change towards a more circular and environmentally conscious IT distribution sector in the future.

S1 OWN WORKFORCE

S1-1 Policies related to own workforce

At ELKO, we are fully committed to upholding the laws and regulations of the geographical territories in which we operate. As all our locations (except Kazakhstan) are situated within the European Union, we strictly adhere to EU laws and directives that govern various aspects of business operations, including human rights, child labor, freedom from discrimination, and other fundamental rights.

Our workforce policies are deeply embedded with principles that align with the EU's stringent standards on human rights, labor practices, and non-discrimination. We believe in creating a workplace environment that respects the dignity and rights of all individuals, upholds fair labor practices, and fosters diversity and inclusivity.

By integrating EU laws and human rights principles into our workforce policies, we aim to create a culture of integrity, respect, and equality for all employees. ELKO is dedicated to promoting a work environment that upholds the highest standards of ethical conduct and values the well-being and rights of every individual within our organization.



Freedom from discrimination

At ELKO, we value all employees and job candidates as unique individuals and welcome the diverse range of experiences and perspectives they bring to our company. We are committed to fostering an inclusive and equitable workplace where everyone feels respected, valued, and supported.

Our non-discrimination policy is integral to our core values and is embedded within our hiring process as well as everyday work situations. We believe that everyone should be treated with fairness and dignity, regardless of race, sex, gender identification, sexual orientation, national origin, native language, religion, age, disability, marital status, citizenship, genetic information, pregnancy, or any other characteristic protected by law.

We are dedicated to creating a work environment that is free from discrimination, harassment, and bias of any kind. Our policies and practices are designed to promote diversity, equity, and inclusion at all levels of the organization.

We actively promote equal opportunities for all employees and job candidates, and we are committed to providing a supportive and respectful workplace where individuals can thrive and contribute to our shared success.

Child labor

At ELKO, we uphold ethical standards and promote a safe and fair workplace for all employees. We firmly condemn the use of child labor in any form and are committed to ensuring that our internal policies and workplace practices align with national and international labor laws that strictly prohibit child and forced labor; we have implemented robust measures to prevent and eliminate any instances of child labor within our operations and supply chain.

Our commitment to eradicating child labor includes thorough vetting processes for our suppliers, regular audits, and ongoing monitoring to ensure compliance with our strict standards.

S1-2 Processes for engaging with own workers and workers’ representatives about impacts

S1-15 Work-life balance metrics

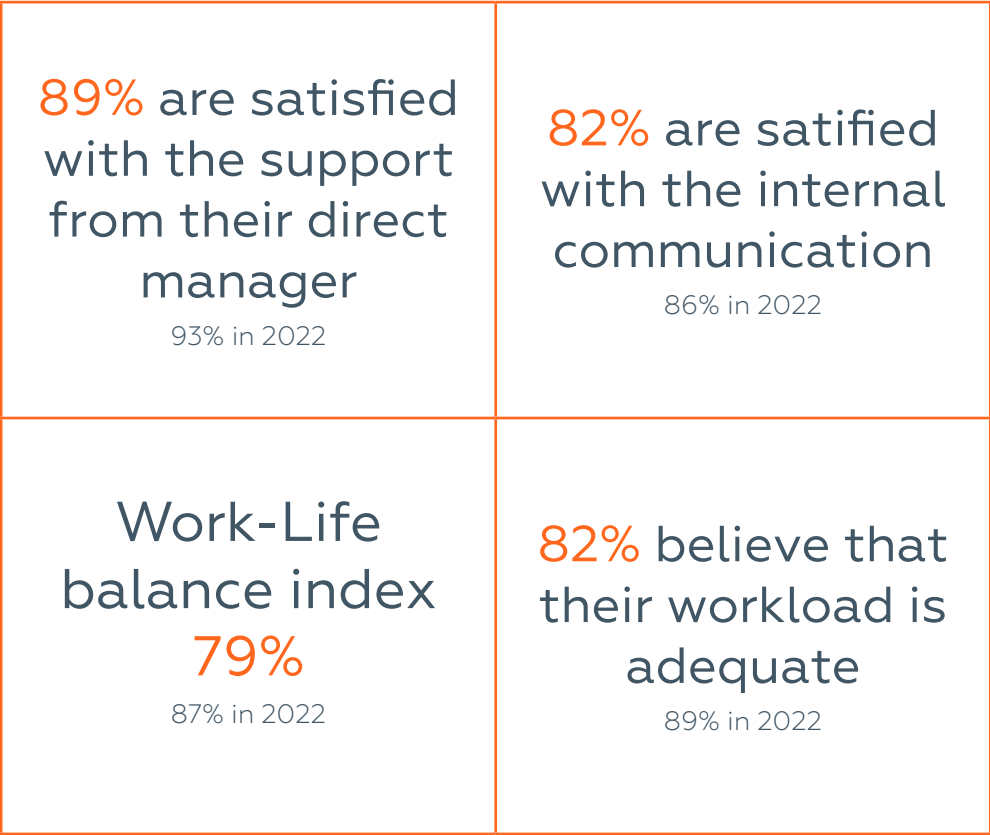
We prioritize the well-being and satisfaction of our employees, as they are integral to our success as an organization. To ensure that we maintain a positive work environment and address the needs and concerns of our workforce, we conduct an annual employee satisfaction survey.

Our employee satisfaction survey is designed to gather feedback from each office separately and covers a wide range of topics essential to understanding and improving the employee experience. Notably, currently, only HQ, Baltics, and Romanian offices carry out the surveys on a regular basis. These topics include but are not limited to, productivity levels, stress management, evaluation of management, job security, safety measures in the working environment, internal communication effectiveness, and clarity of our long-term vision.

The survey provides valuable insights into the overall sentiment of our employees, highlighting areas of strength as well as opportunities for growth and enhancement. By actively engaging employees in this feedback process, we demonstrate our commitment to listening to their voices, addressing their concerns, and continuously striving to create a supportive and fulfilling work environment.

The feedback gathered from the employee satisfaction survey plays a crucial role in shaping our HR policies, decision-making processes, and initiatives aimed at enhancing employee engagement and well-being. We value the input of our employees and are dedicated to using this feedback to drive positive change and foster a culture of transparency, collaboration, and continuous improvement at ELKO.

Employee survey 2023 highlights for the HQ office:



Family Friendly Workplace

Notably, in 2023, ELKO received “Family Friendly Workplace” status; it is implemented by the Society Integration Foundation to promote the development of an empathetic, humane and understanding workplace culture in Latvia while offering tools to assess the existing work environment and financial assistance to help employees implement various support measures.





S1-6 Characteristics of the undertaking's employees

S1-9 Diversity metrics

ELKO is dedicated to fostering a supportive and inclusive workplace that celebrates diversity. Our ongoing efforts focus on creating an environment that welcomes individuals from all backgrounds and actively cultivates a sense of belonging. As an international organization with a presence in 10+ countries, our work environment thrives on the richness of diverse nationalities, cultures, and religions.

At ELKO, we recognize diversity as a source of strength and innovation. By embracing a wide range of perspectives, experiences, and identities, we aim to create a workplace where every individual feels valued, respected, and empowered to contribute their unique talents. Our commitment to promoting inclusivity and diversity extends beyond just rhetoric; it is woven into the fabric of our organizational culture and guides our interactions, policies, and practices on a daily basis.

Description of methodologies and assumptions used to compile data (employees)

The statistics of each geographical division are reported individually by a respective representative; the Group data also includes the HQ statistics.

Characteristics of undertaking employees

	Group	Baltics	Sweden	Romania	Slovenia	Slovakia
Top Management	12	7	6	9	2	4
Male	434	65	44	58	16	162
Female	234	30	21	30	9	74
Total	668	95	65	88	25	236

	Group	Baltics	Sweden	Romania	Slovenia	Slovakia
Male	63%	68%	68%	55%	64%	69%
Female	37%	32%	32%	45%	36%	31%

S1-10 Adequate wages

At ELKO, we use data-driven decision-making to set adequate wages using quantitative and qualitative data to ensure that pay rates are fair, competitive, and aligned with the organization's strategic goals.

Outside agencies are employed to set adequate wage benchmarks by looking at the business sector, experience, seniority, market demand, education, local rules and regulations, etc.

Standard employee wage status is reviewed on an annual basis.

S1-11 Social protection

We are proud to affirm that all employees in our own workforce are covered by social protection through public programs in each operational area. We guarantee that our employees have access to essential benefits and support systems that promote their financial stability, health, and overall well-being. These programs provide a safety net that safeguards our employees and their families in times of need, offering assistance in areas such as health-care, unemployment benefits, retirement pensions, and other social services.

Our commitment to enrolling all employees in social protection programs underscores our values of fairness, responsibility, and care for our workforce. We believe that by providing social welfare to our employees, we not only fulfil our obligations as a responsible employer but also contribute to building a more resilient and inclusive society.



S1-13 Training and skills development

At ELKO, we offer comprehensive employee training programs designed to enhance professional development and skill-building opportunities for our workforce. Our training courses are divided into two main sections: lectures/live presentations and e-grow courses, each serving a specific purpose to meet the diverse learning needs of our employees.

The lectures and live presentations provide a valuable platform for employees to engage in interactive sessions, gather inspiration, and acquire in-depth knowledge on various topics relevant to their roles and the industry. These sessions are led by subject matter experts and industry professionals who share insights, best practices, and practical tips to help employees excel in their roles.

On the other hand, our e-grow courses offer a flexible and self-paced learning experience that allows employees to access training materials online, any-

time and anywhere. These courses cover a wide range of subjects and enable employees to deepen their understanding of specific topics, acquire new skills, and stay updated on the latest trends and technologies in their respective fields.

We place a strong emphasis on not only inspiring our employees but also ensuring full information retention through effective learning methods. To assess knowledge retention and understanding, testing is conducted at the end of training courses to evaluate learning outcomes and provide feedback for continuous improvement.

By offering a combination of lectures/live presentations and e-grow courses, we are committed to providing a well-rounded and engaging learning experience that empowers our employees to succeed and thrive in their roles.

Below are just some of the highlights regarding our 2023 training programs:

- Inspirational lectures on relationships, self-awareness, genetics, love and learning, in which we placed a strong emphasis on relationship training as a foundational element of our employee development program. Our comprehensive training sessions were designed to explore the multifaceted nature of relationships, encompassing the dynamics of self-awareness, interpersonal connections, and environmental interactions. By encouraging self-reflection, self-care practices, and personal growth, we aim to empower individuals to cultivate a strong sense of self-esteem and well-being.
- Reinstatement of internal “shadow days”, where each department in an informative and entertaining manner, explains their day-to-day. It is a valuable initiative that fosters interdepartmental understanding and collaboration within an organization.
- Role of distributor e-grow course: this course allows one to understand the distribution concept and how it is used in ELKO.
- HR guidebook course for our management; it presents guidelines on essential aspects such as recruitment, onboarding and offboarding.
- Updated Anti-Bribery and Corruption course adapted to our geographies’ local legal requirements.

S1-14 Health and safety

Health insurance

As a benefit, ELKO has been providing health insurance for all its employees that cover a vast amount of expenses, including dental, diagnostic, ER, ambulatory rehabilitation, surgical and physiotherapy, etc. In addition, starting from 2021, we have extended our insurance coverage to include expenses related to the mental health of our employees. We are fully committed to taking preventive measures that concern not only the physical health of our employees but also their mental standing.

Other health benefits

ELKO is continuously becoming increasingly aware of the usefulness of employee wellness programs, and thus, we are trying to cultivate a workplace wellness culture. For several years, we have introduced health weeks in the workplace. The initiative includes lectures on healthy eating, the importance of exercise, blood donation, and vaccination drives at the workplace.

In addition, ELKO provides on-site free-of-charge gym access to all employees, thus promoting an easier path towards physical health improvement.

Safety

In order to provide safe working conditions for all ELKO employees, we have developed a health and safety management system for our office as well as warehouse employees, which complies with labor protection laws. During the first week of employees' employment, all employees are introduced to job safety and fire safety instructions. Furthermore, we hold safety training annually, and all employees are required to sign a confirmation that they have completed the training. Fire safety systems are checked and maintained by a certified external company monthly, and a State Fire and Rescue Service representative checks all fire safety systems annually. At our warehouses, work environment risk assessment is performed regularly, and we provide accident insurance for our employees.



S1-16 Compensation metrics

Currently, the compensation metrics are displaying data for the headquarters (HQ) and the Baltics office, and there is a need to enhance the report; the organization is strongly considering widening the scope to improve transparency and inclusivity.

Female vs. Male remuneration

	2022	2023
01 Junior Specialists /Physical Workers	-17%	-22%
02 Specialists	-5%	-7%
03 Senior Specialists	-3%	5%
04 First Level Management/Mid-Management	-14%	-14%
05 Top Management	1%	-1%
06 Executives	-16%	10%
07 Board	n/a	n/a

01 - Junior specialists are employees who carry out an organization's administrative/technical tasks and who do not have supervisory or managerial responsibility. Physical workers are semi-skilled or unskilled employees whose work does not require specific professional education. The discrepancy in remuneration in this employee segment is mainly attributed to the market segment's peculiarities. Cleaning staff are mostly women and physical warehouse workers are male. While cleaning staff has a fixed salary, warehouse workers have incentive-driven bonuses.

02 Specialists - both sales and non-sales professionals with no managerial responsibility, although they may provide mentoring, coaching or supervision to less experienced staff. Report to a manager. Most positions in this Group are responsible for professional and technical everyday work in an organization/department.

03 Senior specialists - both sales and non-sales professionals with no managerial responsibility, although they may provide mentoring, coaching or supervision to less experienced staff. Senior positions may take on team leader roles that are based on profound expertise rather than on people management.

04 First Level Management / Mid-Management - employees who focus on tactical vision and/or operational activities within a specific area. Report to an executive or head of an organization. Have managerial responsibility for a department or a team. Coordinate and organize activities of a separate unit or



service within an organization. Establish operational and administrative procedures, formulate policies relevant to their areas, and organize, lead and direct others to achieve their goals. The discrepancy in remuneration in this employee segment is mainly attributed to the higher salary index for IT employees. Thus, IT employees in similar roles and with similar responsibilities when compared to other department employees have higher remuneration. IT is an industry that is still highly male-dominated.

05 Top Management - employees who ensure operational activities across multiple functions or sub-functions. Determine the policy and direction of a functional area and direct its activities – usually through lower-level managers. Includes function managers/sub-function managers.

06 Executives - employees who provide strategic vision. Determine policy and direction of a functional area and direct its activities through other managers. Includes the top-level function managers. The reason for the pay gap in this division is closely connected to the reasoning in the First Level Management division.

07 Board - employees who provide strategic vision across multiple functions. Determine the policy and direction of the organization. Includes the head of an organization and the other board members. ELKO Group has no female Board Members.

G1 BUSINESS CONDUCT

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

Disclosure of role of administrative, management and supervisory bodies related to business conduct

For the General governance, ELKO has incorporated Articles of Association as its main framework. The document serves as an essential supporting framework of rules and practices by which the board ensures accountability, fairness and transparency in how the company runs and communicates with its stakeholders.

Management Board

The Management Board consists of five members elected by the Supervisory Board of the joint-stock company for three years. The chairman of the Management Board, who simultaneously is the company's president, manages the work of the Management Board. The Management Board shall make decisions on all issues connected with the activity of the company, except those which are in the competence of the General Meeting or the Supervisory Board. In accordance with provisions of the Articles of Association, separate decisions of the Management Board require written consent of the Supervisory Board.

Supervisory Board

The Supervisory Board of the Company consists of four members, who are elected for three years. The Supervisory Board shall approve annual and quarterly budgets for the economic activity of the company. Additionally, the written consent of the Supervisory Board is required for the decisions adopted by the Management Board on issues regarding large excesses of the annual budget, approval of large loans or credit, any acquisition or alienation of property rights and other significant measures that can notably affect the general affairs of the company.

The management of the business and the conduct of the affairs of the company are vested in the directors of departments.

General Meeting

The General Meeting is entitled to adopt decisions on issues listed below if at least 80% of the paid share capital of the joint-stock company is participating, besides the majority of votes, which makes not less than 80% of the total number of votes of all shareholders with the right to vote is required. The main decision-making areas for the General Meeting cover amendments to the Articles of Association of the Company, changes in the share capital, reorganization, and emission and conversion of the company's securities.



G1-1 Corporate culture and Business conduct policies

Data Privacy

ELKO has consistently upheld a robust stance on data privacy, demonstrating a commitment to safeguarding individuals' personal information. Central to one of our operational values is a zero-tolerance policy towards any form of non-compliance with data privacy and security regulations, underscoring our dedication to upholding the highest standards of confidentiality and integrity. In line with our dedication to data protection, we have implemented stringent measures and procedures to ensure the security and privacy of personal information.

To oversee and enforce compliance with these procedures, we have a dedicated GDPR officer within our organization. The role of the GDPR officer is to provide oversight and guidance on data privacy matters, ensuring that our practices remain in full alignment with the requirements set forth by relevant data protection legislation.

Furthermore, we have established a network of Data Guardians across each department, individuals who have undergone specialized training on data privacy protocols. By equipping these Data Guardians with in-depth knowledge and expertise in data privacy best practices, we empower them to serve as advocates for data protection within their respective departments, fostering a culture of awareness and accountability.

Through these comprehensive measures and initiatives, ELKO reaffirms its unwavering commitment to data privacy and security, prioritizing the protection of personal information and upholding the trust and confidence of our stakeholders.

Employee Code of Conduct

ELKO strongly emphasises fostering a culture of integrity and ethical conduct within its workforce, as evidenced by our long-standing Employee Code of Conduct. This foundational document outlines a set of guidelines and principles that govern the employer-employee relationship, safeguard the interests of the business, and communicate the company's expectations to all employees.

At the core of our Employee Code of Conduct is a commitment to maintaining a positive and respectful employer-employee relationship, fostering a work environment that values transparency, fairness, and mutual respect. By clearly articulating the behavioral expectations and standards of professionalism, the Code of Conduct serves as a central guide and reference for employees, em-

powering them to make informed decisions in their day-to-day interactions and responsibilities.

Moreover, ELKO has established a definitive mission, values, and guiding principles underpinning our organizational culture and operations. These foundational elements are intricately woven into the fabric of our Code of Conduct, aligning the standards of professional conduct with the overarching mission and values of the organization.

AML Compliance

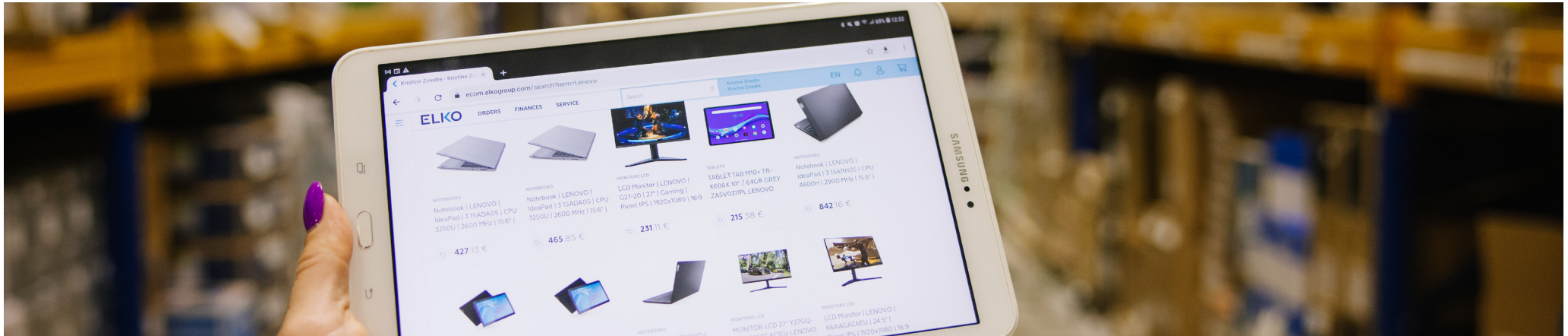
Given the expansive global characteristic of ELKO and the inherent complexities associated with operating across multiple jurisdictions, we recognize the heightened exposure to financial and reputational risks. In response to this acknowledgement, we have collaborated with external consultants to develop a robust Anti-Money Laundering (AML) policy that aligns with both local and international legislation.

Our AML policy is a comprehensive framework that enables us to strictly adhere to regulatory requirements while effectively mitigating the risks associated with money laundering activities. One of the key functions of this policy is to conduct a thorough risk assessment during the vendor and customer onboarding process, allowing us to determine the risk level associated with each party and tailor our due diligence measures accordingly.

Moreover, the AML policy outlines our approach to preventing money laundering, encompassing detailed procedures for identifying and verifying vendors and customers, conducting due diligence measures, and implementing ongoing monitoring checks. By adhering to these procedures, we fortify our defenses against illicit financial activities and uphold the integrity of our operations.

Given the potential sale of dual-use products within our portfolio and our market presence in countries subject to sanctions, we have implemented additional procedures within the AML policy to ensure compliance with restrictions on the trade of dual-use goods. These enhanced measures enable us to navigate the complexities of regulatory compliance while upholding our commitment to ethical business practices.

The pivotal responsibility for overseeing and managing our AML initiatives, procedures, and compliance rests with the Compliance Officer. As the primary custodian of our AML framework, the Compliance Officer plays a pivotal role in ensuring that our policies and practices align with regulatory standards, thus safeguarding our organization against financial and reputational risks associated with money laundering activities.



G1-2 Management of relationships with suppliers

Description of approaches in regard to relationships with suppliers, taking account risks related to supply chain and impacts on sustainability matters

Supplier Code of Conduct

In alignment with our commitment to ethical business practices and responsible corporate citizenship, ELKO has formulated a comprehensive Supplier Code of Conduct that is specifically designed to guide our vendors and other partners within the supply chain. This code is pivotal in promoting a culture of accountability, transparency, and sustainability among our business partners.

At the heart of the Supplier Code of Conduct is a shared commitment to upholding responsible business practices and adhering to a set of internationally recognized declarations, conventions, and guidelines pertaining to human rights, labor rights and conditions, environmental responsibility, and anti-corruption measures. We, along with its cooperation partners, are dedicated to honoring these principles and fostering a supply chain ecosystem that prioritizes ethical conduct and social responsibility.

The Supplier Code of Conduct outlines clear standards that are designed to ensure that our supply chain partners align with our values and commitments, upholding high standards of integrity and sustainability throughout their operations.

Through collaborative efforts and adherence to these ethical standards, we strive to cultivate relationships with suppliers and partners that not only drive business success but also contribute positively to society and the environment.

Procurement Module

The introduction of the Procurement Module in 2022 marked a significant milestone for our organization, as it became an integral part of our ERP system, enhancing the transparency and efficiency of our core business process of ordering goods from suppliers. The module has played a crucial role in improving the accuracy of forecasting and planning, enabling us to optimize resource usage more effectively.

Through the standardization of processes and the automation of tasks, the Procurement Module has considerably enhanced the efficiency of our goods procurement process. This has not only streamlined operations but also contributed to cost savings and improved decision-making within the organization. By the end of 2022, the successful rollout of the module across all operating countries of the Group demonstrated its widespread adoption and the positive impact it had on our global procurement operations.

In 2023, we continued to build upon this success by focusing on further enhancements to the tool. Improvements in user experience have made the module more intuitive and user-friendly, leading to increased productivity and satisfaction among users. Additionally, by maximizing the value derived from data insights, we have been able to gain deeper visibility into our procurement processes, identify trends, and make data-driven decisions that drive further efficiencies and cost savings.

The continuous improvement and evolution of the Procurement Module reflect our commitment to leveraging technology to drive innovation, optimize processes, and deliver tangible value to our organization.

Internal vendor sustainability scoring

In 2022, ELKO introduced an internal vendor scoring system focused on various aspects of ESG (Environmental, Social, and Governance) matters. This scoring system evaluated vendors based on criteria such as the presence of a CSR report, the guidelines used in the report (such as GRI, Other, UN Development Goals), major environmental goals defined, RBA Membership status, and Responsible Sourcing and Conflict Minerals Policy. Vendors were then assigned a score ranging from A to D, with A indicating that all major ESG aspects were addressed and only minor issues might be present.

By 2023, ELKO had expanded the screening process to cover 99% of its turnover, up from 94% in 2022. This increased scrutiny resulted in 81% of vendors receiving a score of A or B, indicating a higher overall level of compliance with ESG criteria. This improvement suggests that ELKO's partners are not only becoming more adept at addressing sustainability issues but also increasingly conscious and committed to sustainability matters.

81%
Score A or B

The annual screening process remains a cornerstone of ELKO's sustainability efforts, with a focus on enhancing the proportion of vendors achieving the top score of A. This ongoing commitment to sustainability scoring reflects ELKO's dedication to promoting sustainable practices throughout its supply chain and fostering partnerships with vendors who share its sustainability goals.

Main aspects as value scores

- Presence of CSR report
- Guidelines used in the report (GRI, Other, UN Development Goals)
- Major Environmental Goals defined
- RBA Membership status
- Responsible Sourcing and Conflict Minerals Policy

Vendor NPS

We have carried out our second Vendor Net Promoter Score (NPS) survey; the results show that the average NPS Score is 16 (a decrease from last year's 37). However, the most recent survey indicates a less volatile result across the surveyed topics. Additionally, 63% of surveyed vendors indicated that the Group's overall performance has improved when compared to last year.

The latest survey also indicated that sustainability initiatives are becoming an important factor in choosing a distribution partner, with the environmental aspect being the most significant one.

16
NPS score



G1-3 Prevention and detection of corruption and bribery

To tackle the possible risks regarding corruption and bribery, ELKO has adopted an anti-bribery and corruption procedure, which defines the mandatory anti-bribery and corruption requirements ELKO employees must comply with. Furthermore, it clearly describes the procedure for reporting actual or suspected wrongdoing and following liabilities in case a breach has been detected. ELKO has a definite and unequivocal stance against bribery and corruption and the subsequent negative economic and social effects such actions can provoke.

G1-4 Confirmed incidents of corruption or bribery

In 2023 no incidents were reported.

G1-5 Political influence and lobbying activities

ELKO does not support any political causes or parties—either directly or indirectly—in any of our organizations.

G1-6 Payment practices

Our payment practices are set through tailored agreements with each of our esteemed partners, reflecting our commitment to fostering mutually beneficial relationships built on trust and transparency.

With a proven track record, we take pride in our consistent and timely disbursement of payments. By prioritizing accuracy and efficiency in our financial transactions, we not only demonstrate respect for our partners but also reinforce the foundation of collaboration and trust upon which our partnerships are built.

By consistently meeting our financial obligations per agreed-upon terms, we strive to cultivate enduring partnerships characterized by mutual respect, reliability, and shared success.



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