

JSC (AS) Capital Social Responsibility Report 2015

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1. On the Report

In order to stimulate competitiveness and sustainable growth of the JSC (AS) Capital (hereinafter referred to as – the Company), the company's Social Responsibility Report was developed in 2015. The Social Responsibility Report (hereinafter referred to as – the Report) is being published for the first time and covers the period between 1 January 2015 and 31 December 2015. The Company's social responsibility activities comply with the company's values, and the company's employees, as well as the society are being involved in implementation thereof. In order to support the good practice of social responsibility and stimulate increase of the society's welfare, the Company implements its social responsibility activities in the following directions: environmental and labour protection; responsibility for the employees; client support; support for the society.

Objective of the Report is provision of information on the development of the Company in the field of social responsibility to all the interested groups: company's clients; employees; shareholders; social partners; entire society in general.

The Company's Social Responsibility Report has been prepared on the basis of the Global reporting initiative guide. The Company hereby announces that the Social Responsibility Report complies with level C of the Global reporting initiative. Compliance level of the Report has been determined in the company, and no independent audit of the report has been performed.

In March of 2016, the Company's Social Responsibility Report was published on the company's website (www.capital.lv). This was the first Company's Social Responsibility Report. In the future, the Company is planning to provide such reports annually.

Should you have noticed any uncertainties or inaccuracies in the Company's Social Responsibility Report, should you have any questions or recommendations, please, contact us. Contact person: Ms. Aelita Birzniece (Aelita.birzniece@capital.lv). JSC (AS) Capital legal address – Ganību dambis 23c, Rīga, LV – 1005.

2. Management Report

JSC (AS) Capital is an IT company with the following type of main activity – production of desktop computers, trade of computer hardware and accessories, provision of IT services and consultations. The Company operates in the IT field over 20 years. The Company's management and employees are aware of the fact that, in order to achieve the set goals, the company must be socially responsible, a full-fledged and harmonic part of the society and community, create better living and working conditions for the employees, the company's clients and the society in general.

During the economic activity, the Company's management always assesses the operational risks, which may cause harm to environment or society. The Company's management operates in such a way as to minimize the abovementioned risks and to improve the current situation in environmental and labour protection, and in social protection in general. Impact of the Company's operation on environment and work safety is being analysed, and recommendations for the improvement of the environment and working environment are being provided within the Quality and Environmental Protection System and Work Safety System, established in the Company. The Company's employees participate in the health protection projects and sports events, and the Company provides financial support to the employees for the participation in these events.

Being a socially responsible producer, the Company complies with the following basic principles within the production process:

- clean, environment-friendly production process;
- use of environment-friendly components in production process;
- waste sorting;
- safe working conditions for the Company's employees;
- in order to reduce the environmental pollution, economy and saving of electricity, fuel and other resources is being stimulated;
- support for culture and sports;
- provision of places of internship for the students of colleges and institutions of higher education;
- the Company's responsibility and capability to fulfil the undertaken liabilities in cooperation with clients, partners and the state.

The Quality and Environmental Management System implemented in the Company has been certified according to the requirements of the LVS EN ISO 9001:2008 standard. Area of certification of the Company's Management System: production of computers; trade, delivery and service of computer hardware, software and office equipment; design, development, implementation and maintenance of software and IT solutions. Re-certification took place in 2015, and the current certificate expires on 15 September 2018.

In order to achieve the goals set within the environmental management system waste is being sorted in the Company followed by delivery thereof to certified recycling companies, which recycle them for reuse. Since January 2015, electricity-powered electric car is being used for the deliveries of goods to the Company's clients, thus, volume of CO₂ emissions in the atmosphere is being reduced. The Company attracted the EU financing for the purchase of the electric car.

Significant part of the computers produced by us has been certified according to *Energy Star* requirements. The computers complying with *Energy Star* requirements consume less electricity and are more economical. It is important for us to place environment-friendly goods on the market, so that our clients worked with safe and harmless products and, upon expiry of the useful life thereof, the end-of-life goods were safely and rationally utilised and made no environmental pollution.

The Company's employees have been provided all the conditions for feeling good and safe in the Company. In order to provide improvement of the employees' professional qualification, the employees are being provided with training and exchange trips. Health checks of employees take place on regular basis. Expenses related to the means for the correction of vision are being covered for the employees, and the employees can participate in weekly work gymnastics classes.

Being a socially responsible Company, the JSC (AS) Capital financially supports Latvian athletes, artists and cultural players. The company has established a good cooperation with the Latvia Modern pentathlon federation.

The Company will maintain its social responsibility, support sports and culture, avoid environmental pollution, provide use of environment-friendly resources and materials in the computer hardware production process, save energy resources and guarantee safe and decent working conditions for the employees.

3. Information on the company

JSC (AS) Capital was established on 2 September 1992, and from that point onward Capital has grown from collection of computer hardware up to one of the largest computer hardware companies in Latvia, with its own production facility, network of shops, high quality service and offer of wide range of design, implementation and maintenance services of telecommunication solutions.

During the first years of activity, the Company operated in the field of computer trade, but later, along with the growth, other areas of activity were also acquired and developed – service, production of computers, as well as design of IT systems and infrastructure.

JSC (AS) Capital offers for individual consumers and entrepreneurs to purchase good quality and tested IT products and solutions, as well as to receive professional consultations at all of the Company's shops in Riga – shopping park Alfa, shopping centre Riga Plaza and Apple Premium Reseller shop at the shopping centre Riga Plaza and the shopping park Alfa, as well as in the internet shop. Special attention is being attracted to the interior and functionality of the shops.

In the age, when volumes of data to be processed and stored rapidly grow, modern technology solutions for data storage and processing become more and more significant. Virtualization solutions have been developed for the software and EMC data arrays.

One of the best ways to offer computers combining clients' satisfaction and good quality, is production of computers by ourselves. Thus, we are able to offer both careful selection of the components to be used and quality control, and flexibility in computer configuration and fast guarantee and post-guarantee service.

The Company produces laptops Gauja and desktop computers NEO – and both products have acquired good reputation among clients due to quality, mature design and safety.

On 31 December 2015, the Company employed 91 employees – 14 females and 77 males.

The Company's net turnover of 2015 was 24.35 million EUR. In 2012 the Company's turnover was 22.3 million EUR, in 2013 – 18.5 million EUR, and in 2014 – 22.1 million EUR.

The Company sells goods and provides services to natural persons and legal entities located both in the territory of Latvia and the European Union.

In 2015 sales of the Company's retail trade shops accounted for 5.67 million EUR, sales to public and municipal companies – at the amount of 9.39 million EUR, but for the business clients goods were sold, IT solutions and services were provided at the amount of 9.29 million EUR.

4. Structure of the Company

Shareholders of the JSC (AS) Capital include two natural persons and one legal entity. Shareholders of the JSC (AS) Capital has assigned a company's Council in the composition of three members. The Company's economic activity is being provided by the Chairman of the Board and two Board Members – all of them assigned by the Council. One of the Board Members is a female. The Board of the Company operates pursuant to the Company's Articles of Associations, as well as the decisions adopted by the shareholders and the Council. One of the Company's shareholders works in the Company and takes the position of the Chairman of the Board. There is no CEO position in the Company.

The Company's organisation chart has been depicted in Annex 1 to the Report.

5. Implementation of the Company's social responsibility

5.1. Environmental protection

Since 2007, environmental management system according to the requirements of ISO 14001:2004 standard of the National Standards of the Republic of Latvia has been implemented in the Company. According to the environmental programme developed in the Company, consumption of energy carriers and consumption of paper for the office purposes is being reduced on annual basis, management of household waste and sorting of the collected waste for recycling is being provided.

On 24 April 2010, the Company has concluded a Contract with the LLC (SIA) EKO RĪGA for the recycling of household waste. Pursuant to the concluded Contract, the Company's employees sort waste: household waste, cardboard and paper and polyethylene waste. Pursuant to the Contract concluded with Latvijas Zaļais Punkts; in 2015, the company managed 6.8 tons of polymer waste and 36.9 tons of natural fibre waste.

On 22 September 2006, the Company concluded a Contract with the JSC (AS) Latvijas Zaļais elektrons for the management of electric and electronic equipment waste. Along with the increase of the volume of imported goods and production volumes, amount of the electric and electronic equipment first-sold in the market of Latvia and imported for the purposes of

captive economic activity (measured in kilos). 152 tons of environmentally hazardous appliances and 8.3 tons of batteries and electric batteries were managed in 2015.

In order to reduce the volume of CO2 emissions, the Company purchased electric car for the deliveries in 2015, attracting the EU financing. Mileage of the electric car exceeded 17 thousand kilometres in 2015, thus, decreasing fuel consumption within the company.

In order to decrease consumption of paper in the Company, the employees work more with electronic documents in the work process, and programming works have been performed in SALES7 software providing better circulation of information.

In 2015, the Company released a NEO GX33 series computer model, which has been certified pursuant to *Energy Star 6.1 criteria* and electric safety and electronic compatibility requirements. We are working on increase of our market share of *Energy Star* marked computers, thus involving ourselves in general energy economy.

5.2. Labour protection and employees

On 31 December 2015, the Company employed 91 employees – 14 females and 77 males. The Company’s management provides equal treatment to all employees. The Company employs representatives of various nationalities – Latvians, Russians, Ukrainians and Lithuanians. Indefinite contracts have been concluded with all employees. Every year, the Company provides places of internship for the colleges undergraduates.

In 2015, 24 of the Company’s employees were in the age group 20 - 24 years, 49 employees – in the age group 25 – 39 years, 11 employees were in the age group 40 - 59 years, and 5 employees were older than 59 years.

In 2015, average monthly wage of the employees wage was 1594 EUR. Average monthly wage nationwide is 818 EUR, average monthly salary in private sector – 799 EUR, the legal minimum wage – 360 EUR. Remuneration of the Company’s employees is directly related to the achievement of the set goals and profitability of operation. The Company make all the tax payments required by law for all the Company’s employees.

The Company’s employees constantly improve their qualification. The Company operates internal and external training. During the training, the employees improve their competency and work skills. In order to familiarize themselves with the up-to-date technologies and achievements in the IT field, employees frequently go in foreign trips.

	Number of the employees' participation in training	Number of hours	Average training duration, hours
Managers	2	320	40
Specialists	5	250	2
Technical personnel	4	400	50
Total	11	970	92

In 2015, the Company invested 10 822 EUR in the employees' training.

Pursuant to the applicable laws, labour protection system has been established in the Company, and, upon commencement of work and during the work process, every employee within this system is being familiarized with instructions to be applied in the working process. No workplace accidents have taken place in the Company in 2015. Pursuant to the law, the Company covers expenses related to the mandatory health checks of employees and the means for the correction of vision, furthermore, the employees can participate in work gymnastics classes on the Company's premises.

In 2015, certificates of incapacity for work have been issued to 20 employees, and the company has paid 5962 EUR for the sick periods.

For the purposes of stimulation of the employees' unity and more favourable work atmosphere, twice a year, the company organizes recreation events for the employees.

5.3. Clients

Base of clients of the JSC (AS) consists of: legal entities purchasing computer hardware or using services for their own needs; legal entities purchasing goods in wholesale for the sale to the end user; municipal and public institutions and organizations; private persons.

The Company's operation is being provided by professional employees with long experience and relevant qualification, which has been acquired and is being maintained through regular education of the specialists both within the firm's internal training, and several mandatory and additional specialized courses and technical seminars in Latvia and abroad. The Company's employees participate in and attend international exhibitions on regular basis familiarizing themselves with novelties in the technology area, thus expanding their knowledge and providing opportunity for the client to select the necessary products from the wide range of offers. Training of sales and service employees is a mandatory requirement set by the suppliers of brand-name goods, which have authorized the company as distributors and service providers of their products.

The Company's Quality Management System has been established with the purpose to put in order internal links within the Company, to specify the employees' roles, responsibilities and actions in various situations, including – in cases of problems and clients' dissatisfaction, to improve clients' service quality and stimulate fulfilment of the tasks set for the Company and the achievement of goals. All the processes related to computer production have been integrated in the Quality and Environmental Management System within the Company.

The Company's environmental management system has been established with the purpose to improve environmental performance, to put in order the action pursuant to the requirements set in environmental legal acts, and to decrease impact caused by the economic activity on the environment.

The Quality and Environmental Management System is public, with the guidelines thereof published on the Company's website.

The Company provides for the clients safe, reliable, ecological and economical computers. Computers produced by the Company comply with the requirements set by Energy Star, RoHS, WEEE, thus preserving the environment.

5.4. Society

Being a socially responsible Company, the JSC (AS) Capital financially supports Latvian athletes, artists and cultural players. The JSC (AS) Capital has supported such cinema projects, as fiction films *Kolka Cool*, *Izlaiduma gads* [Year of Graduation]. In 2015, the Company supported the documentary *Ručs un Norie*, which was awarded the Annual Prize in Culture. The JSC (AS) Capital has received the Prize called *Lielais Kristaps* [Kristaps The Great] in patronage for the support provided for movies. During the recent years, the company has issued two photo albums called *The Lighthouses of Latvia* and *Riga*, respectively. The company has established a good cooperation with the Latvia Modern pentathlon federation. In the process of training of schoolchildren, the Company organizes excursions on regular basis familiarizing the schoolchildren with the computer production process in the Company.

6. GRI indexes

GRI reading No.	Name of the reading	Location
1. Strategy and analysis		
1.1	Report of the Head of the JSC (AS) Capital on necessity and strategy of social responsibility	2. Management Report
2. Characterization of the Company		
2.1	Name of the Company	1. On the Report
2.2	Basic goods and services	3. Information on the Company
2.3.	Organizational structure, basic chapters, related companies, branches, joint-ventures	4. Structure of the Company
2.4.	Basic location of the Company	1. On the Report
2.5.	States, in which the Company operates	3. Information on the Company
2.6.	The Company's management form	4. Information on Structure of the Company
2.7.	Market, in which the Company operates (by the geographical location, sector, clients)	3. Information on the Company
2.8.	Size or the Company	3. Familiarization with the Company
2.9.	Significant changes during the report period (in relation to the	3. Information on

	Company's size, structure, management form)	the Company
2.10.	Awards	2. Management Report
3. Report parameters		
3.1.	Report period	1. On the Report
3.2.	Date of the last report	1. On the Report
3.3.	Reporting cycle	1. On the Report
3.4.	Contact person on social responsibility matters	1. On the Report
3.5.	Process regarding determination of content of the report	1. On the Report 2. Management Report
3.6.	Report volume (in relation to chapters, sub-chapters, states)	3. Information on the Company
3.7.	Report limits (the importance of which is not being determined by the report criteria)	1. On the Report
3.12.	Table specifying arrangement of the standard indicators	6. GRI indexes
4. The Company's management		
4.1.	Structure of the Company's management	4. Information on Structure of the Company
4.2.	Indicate, if the top management institutions include a Chief-Executive Officer	4. Information on Structure of the Company
4.3.	Companies with a single-institution management must name number and gender of the independent members and the members without executive rights	4. Information on Structure of the Company
4.4.	Instruments used by the Company's shareholders and employees to give recommendations for the top management structure	4. Information on Structure of the Company 5.1. Labour protection and employees
4.14.	List of the interested parties related to the organization	1. On the Report
4.15.	Identification and selection of the interested parties related to	1. On the Report

	the organization	2. Management Report
5. Economic indicators		
EC1	Funds intended for support and charity	5.4. The Company
EC5	Amount of the wage paid in the Company by the employees' gender in comparison with the legal minimum wage	5.2. Labour protection and employees
6. Environmental protection indicators		
EN1	Weight and volume of the substances used in production	5.1. Environmental protection
EN3	Direct energy consumption	5.1. Environmental protection
EN5	Saved energy due to saving or efficiency improvement	5.1. Environmental protection
EN6	Initiatives to provide energy-saving products and services	5.1. Environmental protection
EN8	Total water consumption	5.1. Environmental protection
EN22	Total weight of waste by type and kind of liquidation	5.1. Environmental protection
7. Indicators regarding working conditions in the Company		
LA1	Total number of employees by the type of employment, contractual type and gender	5.2. Employees
LA2	Engaging of new employees and change of employees by the age group and gender	5.2. Employees
LA7	Number of accidents, occupational illnesses, sicknesses and absent days	5.2. Employees
LA10	Annual duration of the employees' training by gender and the employee's category	5.2. Employees

Annex 1

To JSC (AS) Capital Social Responsibility Report 2015

