

Code of Ethics for Suppliers



applicable to

ELRAD International d.o.o.
Ljutomerska cesta 47
9250 Gornja Radgona, Slovenija

- hereinafter »**ELRAD**«-

and

- hereinafter »**SUPPLIER**«-



ELRAD International expects of its suppliers from around the world to comply with ELRAD'S Code of Ethics for Suppliers. »Code of Ethics for Suppliers« is subject to continuous improvements with the purpose of meeting the stated items regarding labour standards, environmental standards, good business practices and ethics in ELRAD as well as its suppliers.

A) LABOUR STANDARDS

Labour standards based on Fundamental Conventions and International Labour Standards of the International Labour Organization" – "ILO", see: <http://www.ilo.org/global/lang-en/index.htm>), taking into account provisions of FLA (Fair Labour Association, see: <http://www.fairlabor.org/>) as well as binding rules and legislation of the company's operating environment.

Safe and healthy working conditions: it is necessary to ensure a safe, clean and healthy working environment, with adequate protection from fire, accidents and dangerous substances. Furthermore, all appropriate measures must be taken to prevent accidents and injuries during and as a result of work, or they must be reduced to a minimum. Employees must receive regular training on safety at work. Access to clean toilets and drinking water and fulfilment of the basic needs of the employees must be ensured.

Prohibition of child labour and forced labour: child labour and forced labour are strictly prohibited, the entire company policy and its work procedures must be in compliance with the Fundamental Conventions and International Labour Standards of the International Labour Organization" – "ILO" and the Convention on the Rights of the Child, see: <http://www.varuh-rs.si/index.php?id=105&L=6>).

Reasonable working hours: the working hours of the employees must be in compliance with the law and the applicable standards of the related branch of industry.

Elimination of discrimination: elimination of discrimination in respect of employment, salaries, training, promotion, termination of employment and retirement. Furthermore, there should be no discrimination of employees due to their: membership in a trade union, association with a different ethnic group, caste, different nationality, religion, age, disability, sex, marital status, sexual orientation, or political affinity.

Regular / official employment (prohibition of undeclared work): each employment should be fully in compliance with the Employment Act.

B) MINIMUM SALARY AND EMPLOYEE TRAINING

In compliance with the legislation of the country in which the company operates, the employees have to receive at least a minimum salary. Employees on full-time, part-time and fixed-term contracts, those with work-at-home contracts as well as all subcontractors have to receive appropriate payment.



The salary must be sufficient to satisfy the employee's own as well as their family's basic needs. The employee must be able to independently dispose of their income. Overtime work shall be governed by the provisions of the applicable legislation. Salaries have to be remitted on a regular basis within legal deadlines and in legal means of payment. Any deductions on pay slips must be shown transparently and should never serve as a disciplinary measure. Suppliers undertake to provide for professional training of their employees.

C) ENVIRONMENTAL STANDARDS

Our suppliers are obliged to act in compliance with the law and environmental rules governing their activity and in compliance with the guidelines of the ISO14001 standard. With an active approach and responsible management of the company, suppliers have to endeavour reducing unwanted ecological consequences as a result of their activity, products or services. All details regarding the performance of these activities are suppliers' responsibility, however, at least the following needs to be observed:

Waste management and disposal: waste generation needs to be reduced by means of recycling; efficient measures against air and water pollution as well as soil protection need to be put in place. When working with hazardous waste, rules on the handling with hazardous waste and keeping of hazardous substances need to be observed.

Packaging and paper: if possible, the use of packing material needs to be avoided; recycled materials or reusable containers have to be used as often as possible.

Preservation of limited natural resources: all industrial procedures and processes should preserve limited natural resources such as water, flora and fauna.

Improvement of energy efficiency: the use of energy in production processes and supply needs to be optimised; efficient heating, ventilation, lighting, information technology (IT) and reduction of harmful emissions need to be taken care of.

D) BUSINESS PRACTICES

With regard to raw materials from crisis-hit areas, and the use of "conflict materials" such as tin, tantalum, tungsten and gold, a careful examination of supply chains has to be carried out. It has to be ensured that all raw materials come from "non-conflict" sources and that their traceability is ensured. This will be done by means of a signed statement by the supplier on "non-conflict sources" to be sent by the supplier as a rule once per year to ELRAD. ELRAD retains the right to inspect the statements of supplier's sub-suppliers.



E) ETHICAL STANDARDS

Suppliers undertake to respect the highest standards of ethical treatment of employees, contractors, buyers, and all other interested parties.

1. Suppliers are bound to prevent any type of corruption, blackmailing and falsification by their employees, officials, directors and staff.
2. International intellectual property rights and all similar rights arising therefrom need to be respected and observed. Transfer of technology and know-how has to be carried by observing all incorporeal rights. All sensitive data and client data have to be handled with due care.
3. Employees need to be protected and their anonymity ensured if they express concerns in good faith and present evidence to examine any potential ethical or criminal violations.

F) ZERO TOLERANCE TO CORRUPTION

From the supplier we expect business operations that are fully compliant with the applicable anticorruption legislation. It is prohibited to accept and give bribes in any form, directly or indirectly, to different ministries, official bodies, state officials, business partners, and their employees.

G) BUSINESS GIFTS AND INVITATIONS

We are aware that small business gifts and invitations from numerous business partners and suppliers are normal. However, it is important that such business gifts and invitations do not influence business decisions of employees or give such an impression. It is allowed to accept business gifts and invitations in the frame of ordinary business operations, however, the following conditions have to be taken into account:

- that it is not a gift or an unlawful or illegitimate refund;
- that they do not give the impression that the donor is entitled to special treatment or special (better) conditions, such as e.g. a better price;
- that they do not operate according to the »quid pro quo« principle;
- that the gifts are not expensive or luxurious;
- that they are not of such type that if they were of public nature, ELRAD could be put in a bad light.

Cooperation with suppliers breaching items F and G of the “Code of Ethics for Suppliers” can be terminated with immediate effect.



H) HOW ELRAD AND ITS SUPPLIERS WILL IMPLEMENT THE PRINCIPLES OF THIS AGREEMENT

Practical implementation of the “Code of Ethics for Suppliers” is a common task of ELRAD and its suppliers and is based on several principles whose compliance will be acknowledged by suppliers annually by signing the “Annual Statement on Supplier’s Compliance with ELRAD’S Code of Ethics for Suppliers”.

Should the supplier not return the signed and filled-in »Annual Statement« within the expected term (two weeks), they shall be warned by ELRAD by e-mail and then in writing. Should the supplier not return the signed and filled-in »Annual Statement« despite the warning, the supplier's management will be invited for a discussion. If the supplier does not respond to the invitation, it shall be deemed that the supplier is not compliant with ELRAD'S Code of Ethics.

ELRAD's role:

1. Each suppliers, without any exceptions, will be held liable if there is an indication that the principles of the “Code of Ethics for Suppliers” are not being implemented.
2. ELRAD's employees and their direct suppliers of goods and services shall be instructed on how to act with regard to the “Code of Ethics for Suppliers”.
3. ELRAD's employees will be trained on how to implement the “Code of Ethics for Suppliers”, so that they will be able to transfer their know-how and rules for conduct onto the suppliers.
4. The introduction of appropriate methods and systems for the monitoring and supervision of the implementation of the “Code of Ethics for Suppliers”. In the frame of annual supplier assessment we shall check the receipt of signed “Annual Statements on Supplier’s Compliance with ELRAD’S Code of Ethics for Suppliers”, check any established discrepancies and list of measures taken in order to establish compliance with the “Code of Ethics for Suppliers”.
5. Periodic provision of information on the progress and the implementation of the »Code of Ethics for Suppliers” to the management of procurement department and the management of ELRAD.
6. ELRAD shall introduce a register of small business gifts received from suppliers.

What can ELRAD expect from suppliers:

1. Accepting responsibility for labour and environmental conditions under which products are produced and services performed.
2. This »Code of Ethics for Suppliers” refers to: all employees working with the supplier, also those on short-term contracts, part-time employees, those with work-at-home contracts as well as all subcontractors.
3. The supplier is obligated to implement the provisions on acting in compliance with this »Code of Ethics for Suppliers”.
4. It is necessary to report on the progress in the implementation of the »Code of Ethics for Suppliers” on an annual basis and confirm the compliance of the supplier by returning the signed “Annual Statement on Supplier’s Compliance with ELRAD’S Code of Ethics for Suppliers”,
5. If a breach/non-compliance with the “Code of Ethics for Suppliers” is established, ELRAD has to be informed immediately by providing it with a written description of the situation/non-compliance, immediate measures taken by the supplier to re-establish compliance with the “Code of Ethics for Suppliers”, and the date from which full compliance of the supplier with the “Code of Ethics for Suppliers” can be expected.



What do both parties agree on:

1. In case of serious breaches of the »Code of Ethics for Suppliers” immediate measures must be taken to act in compliance with the Code, otherwise we will be forced to terminate our business relationship.
2. All employees must be instructed on their rights and decisions that are adopted.
 There should be no discrimination against companies on the rise and developing countries.
 Acceptance of official rules and standards for jobs.

I) SIGNATURES

This is to confirm that we have read ELRAD'S »Code of Ethics for Suppliers” and understood its content. We undertake that the entire company shall act in compliance with the provisions of this Code. In case of a change in the person in charge/signatory, we undertake to transfer and inform a new person in charge about the »Code of Ethics for Suppliers” so as to continue to fully implement this agreement. On request of the supplier, a new agreement can be concluded with the new person in charge, otherwise it shall be deemed by ELRAD that the existing agreement shall remain in force.

ELRAD International d.o.o.:

Name and surname of person in charge:

 Position:

 Date:

(Stamp / signature)

SUPPLIER:

Name and surname of person in charge:

 Position:

 Date:

(Stamp / signature)

