



APPROVED:

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POLICY
Of Corporate Social Responsibility of Suppliers
Of Joint-Stock Company «Volzhsky Abrasive Works»

I. General Provisions

1.1 At developing the present Policy of Corporate Social Responsibility of Suppliers of Joint-Stock Company «Volzhsky Abrasive Works» (*hereinafter – Policy of CSR of Suppliers of JSC “VAW” or Policy*) the following documents were used:

Universal Declaration of Human Rights (adopted by the UN General Assembly 10.12.1948);

International Labour Organization Convention No. 87 «Concerning Freedom of Association and Protection of the Right to Organize» (Adopted in San Francisco on 09.07.1948 at the 31st session of the ILO General Conference);

International Labour Organization Convention No. 98 «concerning the Application of the Principles of the Right to Organize and Collective Bargaining» (adopted in Geneva on 01.07.1949 at the 32nd session of the ILO General Conference);

International Labour Organization Convention No. 29 (with alterations from 11.06.2014) «Regarding forced or compulsory labor» (adopted in Geneva on 28.06.1930 at the 14th session of the ILO General Conference);

International Labour Organization Convention No. 105 «On the Abolition of Forced Labor» (Concluded in Geneva 25.06.1957);

International Labour Organization Convention No. 138 «On the Minimum Age for Admission to Employment» (Concluded in Geneva 26.06.1973);

International Labour Organization Convention No. 182 «Concerning the Prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour» (Concluded in Geneva 17.06.1999);

International Labour Organization Convention No. 100 «Concerning Equal Remuneration for Men and Women for Work of Equal Value» (Concluded in Geneva 29.06.1951);

Convention No. 111 of the International Labour Organization «Concerning Discrimination in Employment and Occupation» (adopted in Geneva on 25.06.1958 at the 42nd session of the ILO General Conference);

The UN Global Compact.

Note:

Before implementing the present Policy it is advisable to verify functioning of the reference documents available at the official websites in Consultant Plus System. In case the reference document is abolished or substituted, one should be guided by a substituting (altered) document.



1.2. Joint-Stock Company «Volzhsky Abrasive Works» (hereinafter JSC «VAW») made commitments on application, promotion and support of the basic principles of corporate social responsibility. JSC «VAW» adhere 10 principles of The UN Global Compact (Appendix №1).

1.3. The decision was made to apply the principles of the present Policy for the organisations in the scope of purchases, and, also, for organisations when performing works and services.

1.4. The present Policy aims to designate the principles of implementation of purchases, works/services and determine commitments expected from the existing and future suppliers/executives/contractors of JSC «VAW».

1.5. The present Policy is obligatory for every supplier/executive/contractor working with JSC «VAW».

II. PRINCIPLES OF JSC «VAW» IN THE SCOPE OF PURCHASES

2.1. The principal of making reasonable purchases as a basis of cooperation with JSC «VAW» and suppliers/executives/contractors:

- «reasonable purchases» - acquisition of goods or works/services with regard to social and ecological, and also financial, technical and operational factors when making decision on purchases/works/services;

- reasonable implementation of purchases/works/services makes its contribution in economic indices, since it requires paying attention to reasonable usage of the purchased goods and works/services and taking into account not only their nominal value, but , also, as charges so risks connected with their usage in the course of their life-cycle;

- Function of the departments making purchases/works/services for JSC «VAW» is to insist on the choice of the best offer.

2.2. Observance of certain responsibility in the course of procurement activity by a company rendering works/services:

2.2.1. Executives of JSC «VAW» performing purchases/ arranging execution of works/services have to take into consideration Corporate social responsibility since they are to be implemented in every country and department.

2.2.2. Departments performing purchases/ arranging execution of works/services introduce the following principles:

- Corporate and social responsibility should be considered;

- Tend to integrate analysis of ecological and social impact of purchased goods and works/services (identification of recognized certificates and ecological marking while searching of potential suppliers; on the stage of selection of life cycle assessment of domestic demands or market, and, also, assessment of suppliers/executors rating) in decision-making process;

2.3. For assessment of competitiveness of the offers the departments performing purchases /arranging execution of works/services for JSC «VAW» tend to:

- Take into consideration all the components of the expenditures, but not only the price of goods or works/services:

- Corresponding costs connected with logistics and performed on the account of the buyer (transportation, storage, etc.);

- expenditures for after sale services calculated on the basis of equivalent works/services;

- the whole duration process of engineering development;

- amount of time on training and advanced training;

- expenditures for audit;

- expenditures for completion of production and control of the completion phase of a life-cycle, etc.;



- to include in the assessment of total expenditures all the risks (especially while concluding subcontracted agreements) such as:
- stoppage in supplies;
- compliance of goods and works/services;
- risks connected with legal arguments;
- fluctuation in currency exchange;
- social and political risks not covered by insurance;
- reliability of after sale services and etc.;
- bringing purchases into correlation with potential effects from the point of view operational losses and impact on the image of the company.

2.4. Observance of behavior rules regulating fair selection process of goods/works/services in the course of procurement activity:

- Rules of professional and personal behavior which provide conditions of fair competition and fair selection process for suppliers/executives/contractors;
- Observance of Policy of Corporate Ethics of JSC «VAW» and regulations about conflict of interests, presents and invitations.

During preliminary consultations with suppliers the rules prohibit the employees of JSC «VAW» directly or indirectly involved in the process of decision making to take any presents, voluntary contributions or invitations of any kind from suppliers/executives/contractors taking part in consultations. In other periods of time the rules prohibit to take any presents, voluntary contributions or invitations the cost of which exceeds reasonable amount (for the Russian Federation such amount is determined 3 000 rubles per year, and, also, presents which are taken beyond the working place).

2.5. The guarantee of fair treatment with suppliers/executives/contractors from financial point of view:

JSC «VAW» adhere responsible behavior in respect of suppliers/executives/contractors to make payments in compliance with the existing regulations and rules. In particular, JSC «VAW» undertake to desist from such practice as:

Unilaterally claim of ungrounded offsets while making payments except the cases stipulated by contractual relations;

Not providing information to suppliers/executives/contractors in case of disagreement;

Intentional delay in considering disagreements.

2.6. Reduction of risks of interdependence between a customer and a supplier/executive/contractor.

JSC «VAW» as having too large share in commercial activity of a supplier/executive/contractor can constitute a risk to a supplier/executive/contractor in case of sharp change of orders' volumes.

A supplier/executive/contractor actually becoming a monopolist for JSC «VAW» can put procurement for JSC «VAW» at risk. In that case JSC «VAW» make decision for the second source of procurement.

JSC «VAW» aim at decreasing risks depending on its relationship with suppliers/executives/contractors, in particular, it will decrease quantity and volumes of orders. JSC «VAW» will inform about it beforehand and implement that step-by-step taking into consideration relationships with their partners and, where it is applicable, degree of dependence and possibility for diversification and adaptation.



2.7. Acceptance of common approach for the development of relations with suppliers/executives/contractors.

Departments performing purchases/ arranging works/services for JSC «VAW» support suppliers/executives/contractors who observe the Policy of JSC «VAW» and, particularly, those who offer socially oriented decisions or decisions decreasing environmental impact.

III. POLICY OF SUPPLIERS OF JSC «VAW»

JSC «VAW» expect from their suppliers/executives/contractors observance of the following principles:

3.1. The UN Global Compact (Appendix № 1).

3.2. A supplier/executive/contractor has to observe laws and standards.

A supplier/executive/contractor has to observe environmental laws and regulations, social standards applicable in the country where they perform their activity;

A supplier/executive/contractor will observe social principals stated in the following source documents:

Universal Declaration of Human Rights of 1948;

International Labour Organization Conventions (ILO), particularly in respect of minimum age and child labour, freedom of associations, rights to organize and conduct collective bargaining, abolition of forced and compulsory labor, promoting equal remuneration for men and women and prohibition of discrimination in the field of work.

A supplier/executive/contractor will achieve to make similar responsibility by their suppliers, subcontractors and distributors.

A supplier/executive/contractor will observe the standards of the advanced practice in the sphere of professional ethics while working with JSC «VAW» and their employees:

- collaboration in anti-corruption measures;

- A supplier/executive/contractor will not try to conclude an agreement by means of practice which is not fair or can be considered as to a greater or lesser extent corruption. Any such attempt with involvement of an employee of JSC «VAW» is illegal. In particular, a supplier/executive/contractor will not give any presents, provide any voluntary contributions, benefits in monetary form or in kind, or invitations which contradict Policy of Corporate Ethics of JSC «VAW»;

- concerning invitations/visits a supplier/executive/contractor will observe the principal that every invitation/visit should be intended only for the purpose providing JSC «VAW» ability to make acquaintance with goods or services of a supplier/executive/contractor.

It is strictly forbidden to offer to the employees invitations for entertainment activity or activity which include a significant entertainment part or in which a near relation of an employee takes part.

3.3. A supplier/executive/contractor will inform JSC «VAW» about any breach of Policy of Corporate Ethics of JSC «VAW», of environmental or social legislation directly or indirectly concerning relations with JSC «VAW» or what can cause damage to the image of JSC «VAW».

3.4. A supplier/executive/contractor will provide JSC «VAW» correct information:

- A supplier/executive/contractor guarantees credibility of information in accordance with the agreed formats and terms, in particular annual reports about environmental impact;

- on demand of JSC «VAW» a supplier/executive/contractor will partially or in full provide information about any environmental or social ratings, certificates and marking issued by the bodies for certification or rating agencies in respect of the policy applied by a supplier.



3.5. A supplier/executive/contractor informs JSC «VAW» about any difficulties which they can face implementing the agreed activity.

IV.RESPONSIBILITY

4.1. Non-observance of the principles of a supplier/executive/contractor or any breach of the present principles by a supplier/executive/contractor can result in suspension of a supplier/executive/contractor from further consultations with JSC «VAW» or excluding them from suppliers/executives/contractors of JSC «VAW». JSC «VAW» have intention to support suppliers/executives/contractors who share their approach to reasonable procurement.



Appendix № 1
Of Policy of CSR of Suppliers of JSC “VAW”

TEN PRINCIPLES OF THE UN GLOBAL COMPACT

The UN Global Compact appeals companies to accept, support and implement (within their spheres of influence) the basic values in the sphere of human rights, labour standards and environmental protection activity:

HUMAN RIGHTS

1. Business community should support and respect protection of the declared at the international level human rights;
2. Business community should not be involved in infringement of human rights.

LABOUR RELATIONS

3. Business community should support freedom of association and practical recognition of rights on collective bargaining;
4. Business community should come out against all forms of forced and compulsory labour;
5. Business community should speak out for full elimination of child labour;
6. Business community should speak out for elimination of discrimination in the sphere of labour and employment.

ENVIRONMENT

7. Business community should support approach to environmental issues based on the principle of precaution;
8. Business community should take initiatives promoting responsibility for environmental conditions;
9. Business community should promote development and distribution of environmentally friendly technologies.

ANTI-CORRUPTION MEASURES

10. Business community should resist all forms of corruption including blackmail and bribery.