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5.3.1 BUSINESS POLICY

With the Integrated Quality and Environmental System policy, which is part of the company's business strategy, the management is committed to pursuing its vision and mission in the long term and achieving set goals in line with strategic guidelines. In doing so, it will foster a company culture centered on quality, risk management, information security, workplace safety and employee health, environmental protection, employee development, and engagement. It will also ensure employee satisfaction through work-life balance principles and, ultimately, a commitment to continuous improvement.

A business policy is effective only when employees are aware of it, understand it, and adhere to it. This is achieved through proper communication and employee training, fostering awareness and encouraging:

- effective business planning and the company's sustainable development
- employee commitment to quality planning and execution
- systematic monitoring of business process performance
- strategic and business risk management
- focus on reducing operating expenses while maintaining a high level of professional performance.

The top management defines the business policy for each management system. Through the business policy, we communicate our approach to the market, colleagues, and other stakeholders. When defining a specific business policy, the starting point is that the business policy is:

- suitably aligned with the company's objectives
- encompasses a commitment to fulfilling requirements and enhancing the effectiveness of the management system
- that it offers a framework for setting and evaluating goals.

A successful quality policy, and thus a successful business policy, represents the highest commitment of the company's management. It must ensure the long-term success of the company through appropriate organizational strategies and the effective use of human and material resources.

5.3.1.1 Core Statement on Quality and Environmental Policy

The company's management and business policy, whose relevance is continuously monitored, evaluated, and updated by management based on achieved goals, reflects the vision for the development of the company's activities. It defines the principles upon which the quality management system, environmental management system, and occupational safety and health system are built and developed, including commitments to the continuous improvement of all systems. We recognize that the successful implementation of the business policy is not possible without the active participation of all employees and those working on behalf of the company.

We are committed to environmental responsibility and sustainable development that meets the needs of the present generation without compromising the ability of future generations to meet their own needs. As a result, environmental protection is a key strategic objective for our company, and we guarantee adherence to all applicable environmental regulations.

Within the integrated management system, we are focused on the continuous improvement of proactive environmental protection practices. To this end, we assess and monitor the environmental impact of our activities and continually enhance the environmental compatibility of our products, processes, locations, and services. This includes in particular:

- **Water quality, consumption, and oversight**

We maintain a responsible approach towards the valuable resource of water. We aim for efficient and sustainable water usage across all areas of our business.

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- **Responsible management of chemicals**

Our company is dedicated to ensuring the safe and responsible management of chemicals. We recognize that the use of chemicals can impact both health and the environment. Therefore, we are committed to using safe and sustainable alternatives while continuously monitoring chemical handling to ensure compliance with all relevant laws and regulations.

- **Reuse and recycling**

Our company is dedicated to promoting a circular economy by focusing on waste reduction, encouraging reuse and recycling, and enhancing resource efficiency. We aim to minimize our environmental impact by managing waste streams and developing innovative solutions for a sustainable future. Our products are designed for easy recyclability.

We aim to be recognized by our partners as an innovative, reliable, and competitive company, which is why we continuously invest in the development of products and processes. Our vision drives every aspect of our business:

- *Employees: we understand that our success depends on the individual contributions of each person in our organization. Therefore, we strive to create a creative and positive work environment that fosters innovation and social responsibility among all employees.*
- *Partnerships: our goal is to establish long-term partnerships with customers and suppliers. By maintaining the high quality of our products and processes, we establish ourselves as a reliable business partner and prioritize the satisfaction of our customers.*
- *Environment: in our energy-efficient processes, we use eco-friendly materials and responsibly manage our waste.*
- *Productivity: we believe that strong knowledge, exceptional performance, and flexibility are key to being an attractive business partner.*

Today, Eki sets itself a business that is imbued with quality guidelines and goals. With this business policy, we build a business system that also includes our partners. Our motto is: "Building strong relationships with our business partners and delivering quality products to our customers."

The strategic direction of our company is reflected in its mission:

- *We produce highly reliable products through the efficient use of funds and resources, thereby maximizing business outcomes.*
- *We produce safe products and operate in accordance with client requirements, as well as other standards and/or legislative acts applicable to the specific market.*
- *We develop better solutions for our customers based on the principle of "guiding the customer to a better product." Our products fully align with the customer's expectations. The client is our business partner; we adapt to their needs, and their satisfaction is our satisfaction.*
- *Our client is not only an external customer but also any contractor who continues the work of the predecessor ("internal client") within the company's processes. We treat our internal clients with the same respect and importance as our external clients.*
- *Employee satisfaction and high awareness within the company are the foundation of customer satisfaction. We are continuously acquiring new knowledge and fostering creative relationships.*

The integration of quality into our entire business system requires us to act according to the principle: "Do it right the first time, every time." This principle must be upheld at all stages of the business system: in the workplace, in the department, in the service, and in society. We also cultivate this kind of relationship with our suppliers and customers. We express our commitment to quality through the principles listed below, which we

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have adopted as our own. We will ensure that all employees are aware of them and continue to work in accordance with these principles in the future:

- *Principle of flexibility: continuous monitoring of market needs and adapting our capabilities accordingly.*
- *Principle of learning: ensuring continuous professional training for company employees.*
- *Principle of responsibility: encouraging and motivating employees to take initiative and act independently and responsibly.*
- *Principle of economy: ensuring a cost-effective level of quality at all levels of business.*
- *Principle of legality: continuously aligning management systems with applicable legal and other requirements related to quality, environment, occupational safety and health, fire safety, and good business practices.*
- *Principle of partnership: collaborating with key suppliers and service providers while fostering ongoing relationships with key customers and monitoring their satisfaction.*
- *Principle of profitability: continuously improving the efficiency and effectiveness of processes and products to ensure profitable business.*
- *Principle of diligence: consistently taking care to prevent and minimize the negative impact of our activities on the environment.*
- *Principle of economy: monitoring resource and energy consumption and implementing measures to reduce them.*
- *Principle of Information: Ensuring appropriate communication and the availability of information among colleagues, as well as familiarizing business partners with our management and business policies.*

*Director:
Aleš Jakša*

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5.3.2 QUALITY AND ENVIRONMENTAL OBJECTIVES

In its development, the company sets goals to implement a strategy of continuous improvement and growth. Since only planned operations can yield results, we are committed to focusing all our attention on managing activities that will enable the achievement of the company's long-term business goals in the field of quality.

1st goal: delivering products without defects

This definition compels us to pursue excellence and focus on further reducing the proportion of defective products delivered to the market, following the "zero defect" approach. It is always most cost-effective to do something right the first time. It is a mistake to believe that errors can be allowed; we should always focus on how to prevent them and be satisfied only when mistakes are no longer present. While it is understandable and human to make an inadvertent error, it is unacceptable and inexcusable to allow the same error to be repeated.

2nd goal: operating without costs incurred from poor quality

Such costs include all losses related to low-quality input materials, production process losses (e.g., scrap, finishing costs), and post-shipment costs (e.g., customer complaints). We aim to reduce these costs in accordance with our annual goals for each cost category. We will reach this goal by continuously improving processes, choosing reliable suppliers, regularly monitoring measurable annual quality objectives, and implementing required preventive and corrective actions.

3rd goal: to achieve the status of a "reliable development supplier" with our customers

Our definition is: strong business relationships, cooperation, and partnership must exist between our customers and us. The goal is to become a trusted business partner to our customers in product development, leveraging the specialized knowledge we build through work and experience. To continuously improve products and services for our business partners, we need to establish communication within the company that fosters the growth and flow of knowledge and ideas. The criterion for determining the level of reliability is explicit recognition or praise from the client or business, without any complaints related to quality or environmental requirements, without order cancellations, and with consistent sales volume during the observed period. Annual goals define the required improvement for this quality indicator.

4th goal: to plan processes in a way that minimizes their impact on the environment

This definition compels us to plan ways to lessen the environmental impact. We must continuously monitor and improve the company's environmental impact while establishing a model of good management in the environment where we live and work.

The achievement of individual goals is systematically monitored, and when non-compliant operations are identified, we take prompt and decisive action. To achieve the long-term business goals of Eki d.o.o., we undertake the following actions:

- *implementing all tasks and objectives defined by the quality policy and other documents of the quality system*
- *planning annual quality objectives and, at least once a year, review and, if necessary, updating them to ensure their continued relevance*
- *ensuring that the quality policy is known and understood by all employees, in accordance with their roles in the quality system. Quality care is our way of working and behaving, and education is key to achieving this.*
- *continuously improving the quality system, including all procedures within the system and the organization, to maintain the ongoing process of continuous improvement*

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- *prioritizing the public and the transparency of our quality definitions while considering the concerns of the public (business partners or the broader environment) when upgrading the quality system.*

*Director:
Aleš Jakša*

5.3.3 RISK MANAGEMENT

In pursuing a successful company quality policy, it is also crucial to effectively manage all types of risks to which we are exposed in our business. The first step in successfully establishing a risk management system is identifying the risks. It is important to first identify the risks with the highest potential for loss or the greatest impact on the company's financial performance in the worst-case scenarios. When identifying a risk, we must pay particular attention to the following:

- The presence of uncertainty: a risk exists when an event or the development of a particular situation is uncertain or unexpected.
- Exposure to potential negative financial effects: there is a risk if an uncertain event could cause financial damage or otherwise negatively impact the company's financial results. Financial losses can be direct (e.g., damage to buildings, equipment, or other assets) or indirect, such as loss of revenue.

The list of typical risks includes:

1. Risks in production

- unavailability of production materials or components
- delays in the supply of materials and other production components
- inadequate material quality
- risk of failure of a key supplier or contractor
- increase in material prices.

2. Internal operational risks

- Failure of key production equipment or complete production stoppage
- Interruption of electricity supply
- Risk of a major accident
- Fire risks
- Faulty products
- Internal security risk
- Reduced production capacity due to external factors
- Risk of departure or loss of a key employee
- Strike risk
- Cost overruns in an investment project
- Failure in research and product development
- Risk of internal or external fraudulence
- IT risks

3. Financial risks

- Counterparty default risk (credit risk)
- Risk of changes in the reference interest rate

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- Risk of interest rate premium changes
- Currency risk
- Investment risk

4. External operational risks

- Natural disasters
- Risk of sabotage or terrorist attacks

5. Business risks

- Revenue concentration risk
- Contraction in demand
- Recession
- Risk of reduced prices for finished products
- Risk of political interference in the respective country

6. Regulatory risks

- Changes in laws and regulations
- Changes in prices or return rates set by the government (regulator)
- Lawsuits and court proceedings
- Environmental regulations
- Risk of changes in tax legislation

Risk management is the process of identifying, evaluating, mitigating, and controlling the risks that an organization faces. It is the most effective way to minimize the impact of risks on the organization. Risk management enhances the decision-making process, aids in the efficient allocation of capital, and ensures the company is prepared for unforeseen events, enabling smooth operations.

The management has committed to annually preparing and discussing a table of identified risks for the company, which will include the following information:

- risk – name and a brief description of the risk
- cause – Identification of the source or trigger of the event that causes uncertainty
- consequence – determining the outcome of a risk event that impacts the objectives
- risk assessment – evaluating the financial impact of the risk
- risk owner – the individual responsible for managing the risk.

Department managers are responsible for developing the table of identified risks. Risks are reviewed and addressed during the annual management review. Where possible, measures are developed to eliminate or manage the identified risks. Otherwise, these risks serve as a reference for management in shaping strategy, setting goals, and making informed decisions.

Valid from: 13.01.2025	Prepared by: Quality Manager Dijana Nadarević	Reviewed, approved by: Director Aleš Jakša
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