

## Communication on Progress for Iskraemeco, d.d.

### General

The Communication on Progress (COP) for Iskraemeco, d.d. covers the period from March 2014 to March 2015.

### Statement of continued support by the Chief Executive Officer

Iskraemeco is a part of the United Nations Global Compact initiative, a network of like-minded entities that act in accordance with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. We support Sustainable Development practices that advocate economic growth that is in harmony with the environment and aims to improve the quality of life for its current and future inhabitants.

Our products and services foster responsible use of natural resources and encourage end users to make sustainable choices in their everyday energy consumption.

We design our business processes in ways that minimize environmental impact regarding waste, water and air emissions.

All Iskraemeco employees respect and act in accordance with the defined environmental and safety requirements; we implement regular trainings on the subject to further raise their awareness.

Research, development and innovation are paramount to our business - they are the key elements for achieving sustainable economic success.

We comply with the relevant health, safety and environmental regulations and standards - ISO 9001, ISO 14001 and BS 18001.

With sponsorships in education, culture and health we address our social responsibility in our local community.



Dieter Brunner

CEO, Iskraemeco d.d.

## **Human Rights**

### **Assessment, policy and goals**

*Description of the relevance of human rights for the company (i.e. human rights risk-assessment). Description of policies, public commitments and company goals on Human Rights.*

Slovenia is a signatory to the Convention on Human Rights and has implemented the provisions of the Convention into domestic law. Therefore, the Slovenian legislation provides a high level of human rights, which are also reflected in employment law, which is mandatory for all companies in Slovenia.

A health and safety risk-assessment is carried out for every work place in the company, and the document forms the basis for continuous improvement (assessment, policy and goals).

### **Implementation**

*Description of concrete actions to implement Human Rights policies, address Human Rights risks and respond to Human Rights violations.*

All managers are obliged to report to CEO any and all cases of discrimination or sex offending behaviour that occur in their area according to the Labour Relations Act.

Managers must be constantly on alert for human rights risks. If in any case such risk is detected, the manager must act immediately to prevent similar events in the future, and report to CEO within 5 days.

With a view to strengthening its social responsibility, Iskraemeco d.d. is a permanent main sponsor of the folklore group that bears its name and also donates funds in order to support the country's universities, sports or music events as well as financial transfers for individual people/projects such as purchasing of wheelchairs.

### **Measurement of outcomes**

*Description of how the company monitors and evaluates performance.*

We measure our performance through KPIs which are set for every top-level objective.

## TOP LEVEL OPERATIONS OBJECTIVES FY2014

### OBJECTIVE 1: PEOPLE

**TARGET:** 50% INCIDENT REDUCTION & ABSENTEEISM BELOW 3% (EXC LTA)

**METHOD:** (How we aim to achieve it)

- Introduce an award system for the best 5S audit score.
- Hold communication briefings – bi-weekly briefings (Team leaders).
- Ensure proper management of plus/minus hours and effectiveness of communication.
- Monitor absenteeism patterns and conduct formal back-to-work interviews.
- Formalise and Introduce shop floor 'etiquette' for all team members to follow.
- Introduce quarterly Health and Safety Steering Group reviews.
- Roll out automation of performance feedback through KPI's and live data information systems.
- Formalise training for soldering, ESD and component recognition (certificate of achievement).

### OBJECTIVE 2: SERVICE

**TARGET:** ACHIEVE AND SUSTAIN > 93% ON-TIME DELIVERY IN FULL (CONFIRMED) AND 70% FOR EXPECTED DATES. 20% ESCAPED DEFECTS IMPROVEMENT.

**METHOD:** (How we aim to achieve it)

- Roll out PFMEA data to each working cell.
- Implement filter procedure for 'corrective and preventive actions' process.
- Propose Kanban solutions for PCB/Box build from partner/s linked to the new ERP system).
- Reduce process lead times for system meters by 20% through lean activities.
- Define and Implement interim new claim and repair processes for returned meters.

### OBJECTIVE 3: PROCESS (None Legacy)

**TARGET:** ACHIEVE 97% Right First Time Pass, 96% Reliability and 98% Productivity

**METHOD:** (How we aim to achieve it)

- Implement phase two automatic Shop Floor Data Collection systems to confirm process performance.
- Define G4 approval process and formalise acceptance criteria.
- Utilise factory information system for management of resources (Quality and Productivity).
- Introduce local maintenance (Total Productive Maintenance).
- Continue rolling out new outgoing inspections for suppliers and incoming inspections for IE.
- Coordinate and conduct audits for 2 PCB producers and qualify an additional source.
- Implement cycle counting.
- Clarify and propose improvements to the SM List/NCS/change control processes.
- Monitor and produce detailed monthly reports for rework orders and associated scrap.
- Introduce fast track procedure for 1st sample check as part of acceptance test.
- Introduce 'product sample' management process.

#### OBJECTIVE 4: FINANCE

**TARGET:** 100% ACHIEVE BUSINESS PLAN

**METHOD:** (How we aim to achieve it),

- Improve raw material cycle from 8.5M to <7.75M.
- Propose write off for obsolete stock and dispose when authorised.
- Reduce Electronic Work In Progress from 3.5M to <2.75M.
- Opex control, zero overspend (synchronised with demand).
- Improve productivity by 5% (std. times EM current, justified with investments).
- Reduce cost of Production process none quality by 20%.
- Reduce cost of Supply Chain none quality by 50%.
- Reduce cost of Technology none quality by 20%.

#### OBJECTIVE 5: INNOVATION

**TARGET:** > Improvements to Service, Quality and Process (Additional to business plan)

**METHOD:** (How we aim to achieve it)

- Implement local team improvement activities (Kaizen projects).
- Standardise packaging processes and introduce online packaging where possible.
- Improve/Reduce package variance.
- Ensure positive purchase price variance of 3% against planned spend.
- Implement new Quality System (Companywide).
- Implement 'documentation management processes.
- Conclude new ERP project.

## Labour

### **Assessment, policy and goals**

*Description of the relevance of labour rights for the company (i.e. labour rights-related risks and opportunities). Description of written policies, public commitments and company goals on labour rights.*

Iskraemeco, d.d. respects workers' rights. The company has organized a trade union and workers' council. The company has in place a corporate collective agreement which guarantees workers' rights at a higher level than determined by the Slovenian labour law.

Our goal is to create a positive relationship between company and trade unions, and the mutual communication is present in all-important matters relating to workers' rights.

### **Implementation**

*Description of concrete actions taken by the company to implement labour policies, address labour risks and respond to labour violations.*

We have defined our company values which were promoted throughout the company. We are also following all of the requirements specified in the OHSAS 18001 standard for health and safety at work, for which we are certified. Furthermore, the company closely observes the existing national legislation.

We have also developed an interview process which enables us to develop our employees to further their career within our company. During these interviews, a training program is developed for each employee individually. These trainings are later included within the yearly training program, where we monitor the execution and efficiency of performed trainings. To demonstrate its support to the healthy way of life, the company encourages its employees to attend running competitions in Slovenia by covering all costs for the participants of an individual run. Our company also participates in the employee satisfaction survey which is performed within more than 100 companies in Slovenia. Based on the results of the survey, we define the activities to raise the satisfaction level of our employees.

### **Measurement of outcomes**

*Description of how the company monitors and evaluates performance.*

The quality of our products is based on the total business management system specified in the ISO 9001:2008 standard. It includes systems ranging from quality management, approach to the environment (ISO 14001 standard), health and safety at work (OHSAS 18001 standard) and security of assets and data.

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*The company is registered in the Court Register at District Court in Kranj, Registration Number 10128800  
Called-up Share Capital: 15,833,572.17 EUR*

Monitoring of absenteeism, frequency and severity of injuries is monitored on a monthly basis in order for us to improve safety of our employees.

In 2014, we recorded six injuries at work, one more than the previous year. Absence from work due to occupational injuries amounted to 142 days, which accounts for 0.07 % of all absence from work at Iskraemeco, d.d.

In 2014 absenteeism or sick leave was 4.54%, which is 0.99% less than the previous year. (The average absenteeism due to sickness per employee was 92 hours, or 12 working days per employee).



## **Environment**

### **Assessment, policy and goals**

*Description of the relevance of environmental protection for the company (i.e. environmental risks and opportunities). Description of policies, public commitments and company goals on environmental protection.*

In the field of environment protection, Iskraemeco, d.d. follows all the requirements of ISO 14001 standard for which we also have a certificate. Besides, all national legislation regarding the environment is strictly followed. Regular audits from the relevant certification body as well as from national inspectors are performed. Within the environmental management system we monitor electricity, heating and compressed air consumption on a monthly basis and take necessary measures to reduce the consumption. This is why we devise annual environmental programs which are also part of the annual management review. The company holds all legally required permits for the treatment of waste water. We work with an approved subcontractor who is authorized by the Slovenian government. We also have an environment management representative whose task is to ensure that all activities are performed in accordance with the legislation and ISO 14001 requirements. This person is also one of the people who need to approve each investment in order to assure minimal impact on the environment. Our environmental experts perform a review of each new product developed by the company for its compliance with the ROHS and REACH requirements.

In the field of CO<sub>2</sub> emissions, we started with our first project where we are going to calculate the carbon footprint of our product. We are also planning to prepare carbon footprint calculation for our company in Kranj.

### **Implementation**

*Description of concrete actions to implement environmental policies, address environmental risks and respond to environmental incidents.*

We foster a more responsible attitude to environmental issues by regular training and raising the staff's awareness. When planning new products, we take into consideration the entire product life cycle, from its development to appropriate management after expiry of its life span. The volume of waste is reduced by better utilization of raw materials. Only previously, processed residues that cannot be disposed of differently are deposited.

## Measurement of outcomes

*Description of how the company monitors and evaluates environmental performance.*

Iskraemeco's mission is to enable utilities and industry to improve performance while lowering environmental impact. Providing metering products and systems that enable electricity management is Iskraemeco's contribution to sustainability. ISO 14001 is proof of our sound environmental practices.

According to ISO 14001, environmental performance is regularly checked and evaluated against environmental plans, legislations and other demands by top level management on the basis of the environmental report.



## **Anti-Corruption**

### **Assessment, policy and goals**

*Description of the relevance of anti-corruption for the company (i.e. anti-corruption risk-assessment). Description of policies, public commitments and company goals on anti-corruption.*

Iskraemeco, d.d. is also a signatory of Declaration of Fair Business – Ethos.

The program is called Ethos and its aim is to raise awareness on corruption, as well as develop good practices, mechanisms and standards with which the companies can proactively prevent corruption and thus raise the competitiveness of the corporate environment and the country as a whole in the long-term.

### **Implementation**

*Description of concrete actions to implement anti-corruption policies, address anti-corruption risks and respond to incidents.*

Declaration of Fair Business is a document that binds the signatories to the transparent and fair business, to integrate anti-corruption clauses in all contracts whose value exceeds 10 thousand, and to inform one another about possible violations. The draft declaration prepared by the Anti-Corruption Working Group as part of UNGC Slovenia was first presented on 20 January 2011 at the conference "Fairness: a source of long-term competitiveness of the economy".

The Declaration is the first product of the project Ethos by UNGC Slovenia carried out in accordance with the ten principles of the UN Global Compact (Prevention of Corruption as a lever for sustainable development). The purpose of the project in the Slovenian territory is to establish mechanisms, knowledge and processes through which the economy could proactively and on its own initiative (not only under the pressure of repressive organs) fight corruption and increase compliance to ethical and legal norms. This would decrease the long-term risks and increase healthy competition among individual businesses and in the economic environment as a whole.

### **Measurement of outcomes**

*Description of how the company monitors and evaluates anti-corruption performance.*

In the field of procurement we carefully select our sub-suppliers in order to ensure that they respect environmental and health and safety standards. This is why within our supplier approval process each supplier needs to declare that they do not employ under-age

personnel and that they work in accordance with ISO 9001, ISO 14001 and OHSAS 18001 standards. Before a new supplier is approved, audits by our internal auditors are performed. During these audits the supplier's level of sustainability is also evaluated.