



AQ Electric Suzhou – COP 2012

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AQ Electric Suzhou: Global Compact 2012 Communication on Progress (COP)

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1 Purpose

The purpose this report is to describe AQ Electric Suzhou's progress with respect to the ten principles of Global Compact.

2 Scope

This report applies to AQ Electric Suzhou only. This report covers the period from joining the initiative in Jun 2011 until the end of August 2012. Normally it should be one year after joining before submitting the first COP, however, AQ Electric Suzhou in August 2012 established a union and it was felt that this information should be included in the report. A subsequent grace period of three months was granted on June 1st 2012.

3 Statement of continued support by the Managing Director

Attached as a separate file, see References (1.)

4 Human Rights Principles

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses

4.1 Assessment, Policy and Goals

AQ Electric Suzhou's goal is for all our employees and business partners to live up to the Universal Declaration of Human Rights. Our code of conduct outlines the way each of us should behave and also makes clear our responsibility to report instances of human rights violations. This code of conduct is known to all employees within the company; however, perhaps there is room in the future for this to be disseminated throughout our immediate supply chain.

4.2 Implementation

All employees can report directly to our Human resource Department should there be any grievances with regards human rights.

This year the AQ Group implemented its core values across all AQ companies. One of the cornerstones of the core values in "Courage and Respect" including the principles, "Every employee has the same status" and "We treat others as we like to be treated ourselves". A copy of the AQ "Core Values" booklet has been handed to each employee and workshops have taken place to further strengthen their understanding across the company.

In the last month AQ Electric Suzhou has set up its Labour Union which is another channel where human rights issues can be raised.

Suppliers are audited using the standard AQ Group template which contains a section on human rights. Suppliers who have questionable ethics are not approved as an AQ supplier.

4.3 Measurement of Outcomes

In AQ Electric Suzhou there have been no reported incidents of human rights abuses. If any issues happen in the future they will be recorded and brought to the attention of top management. AQ Electric Suzhou is fully committed to handle any such occurrences objectively and to provide fair solutions.

5 Labour Principles

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation

5.1 Assessment, Policy and Goals

Our employee handbook and code of conduct show clearly employee rights, compensation and responsibilities.

All employees work here willingly and no employee is forced to work overtime.

In AQ Electric Suzhou we have a non-discrimination policy with regards gender, age, ethnicity, or background, and this is stated clearly in our code of conduct. Naturally, we uphold the law and our ethical responsibility by only employing people of a legal working age.

5.2 Implementation

In August this year we established a Labour Union, which is made up of seven representatives who are elected by fifty employees (union members). Meetings take place at fixed intervals and any issues can be discussed in this forum. This is the principle channel of collective bargaining in AQ Electric Suzhou.

With regards the safety of our employees we evaluate all working conditions and make sure that, where necessary, the correct protective clothing is used by employees. We act in accordance with the law by annually checking the health of team members. During monthly workshop audits the work environment is constantly reviewed for any new or potential safety risks and appropriate actions are taken if any such cases arise. We fully commit to providing a safe working environment.

New employees receive relevant training during orientation and existing employees receive “refresher” training at various intervals.

5.3 Measurement of Outcomes

The average age at AQ Electric Suzhou is 31 years old. Our youngest employee is 20 years old and our oldest employee is 56 years old. Our top management team is made up of seven Chinese managers, three Swedish managers, and a British manager. Of the management team four are female. Company-wide, female employees represent 30% of the headcount.

We will also from September 2012 visualise our accident records in our key performance indicator display board and since the beginning of this year a root cause analysis and preventive action must be made on any work place accidents.

Minutes of the Labour Union meetings will be recorded and reviewed in management meetings and appropriate actions will be taken in order to resolve any conflicts or issues.

We have also passed audits this year from renowned companies like Tetra Pak, ABB, and Bosch who focus strongly on Corporate Social Responsibility and check for our compliance in these areas.

6 Environmental Principles

Principle 7: Businesses should support a precautionary approach to environmental challenges;
Principle 8: undertake initiatives to promote greater environmental responsibility; and
Principle 9: encourage the development and diffusion of environmentally friendly technologies

6.1 Assessment, Policy and Goals

In our Environment Quality Manual we clearly describe our environmental policy, which is a public document. On our website (<http://aqg.se/en/electricsuzhou/quality---environment>) we publically share our environmental viewpoint:

“We work safely and responsibly in a manner that protects, respects and promotes the health and well-being of the individual and the environment.”

Other extracts of our policy include, “Environmental work aims to reduce our waste, consumption of natural resources, use of fossil fuels and that our products to the greatest extent possible is reused or recycled”, as well as, “We work primarily with companies/suppliers who share our view on the environment.”

6.2 Implementation

This year we have implemented a waste management procedure, resources and energy management procedure, and also an environment committee organisation. This is in preparation for the ISO14001 certification which we plan to achieve by the end of 2013.

We assessed our environmental impact and we now measure our energy consumption and transport data, which is the converted into CO2 emissions. We track CO2 emissions as a ratio of sales.

The responsibility for the environment lies with our EHS representative who conducts a monthly audit in conjunction with our monthly workshop 5S audit.

6.3 Measurement of Outcomes

The CO2 KPIs are tracked on a monthly basis. As these are relatively new measurements there is not a concrete pattern yet. However we can see that when we ship via air because of poor planning our CO2 impact increases. This has led to us developing a cross-functional on-time delivery improvement team to understand the root cause of our delays so that air transport is kept to a minimum.

In future we plan to review these figures quarterly to evaluate trends to understand key relationships.

7 Anti-corruption Principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

7.1 Assessment, Policy and Goals

Our code of conduct clearly indicates our stance on corruption:

“If an employee is offered a gift, a bribe, an illegitimate commission, or any other form personal payment, it must not be accepted.”

Also, a preliminary evaluation of the risk of corruption was made. The biggest risks come in the form of supplier/customer gifts and bribes.



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7.2 Implementation

In order to prevent the identified risks we commit to several actions:

- Implementation of a rigorous procurement process including cross-functional approval of suppliers.
- Periodic market research of prices of key materials to be compared against existing purchasing prices.
- Review of expense claims.
- Addition of the Global Compact logo and description into our company presentation to disseminate this knowledge to our new and existing supply chain partners.

7.3 Measurement of Outcomes

Regarding the aforementioned examples of corruption:

We make it clear to our employees and supply chain partners that we will not accept behaviour of this kind. If it ever were to happen in AQ Electric Suzhou the relevant disciplinary and/or legal action would be taken against the guilty parties. So far there have been no legal cases regarding corruption in AQ Electric Suzhou since beginning operations in China in 2007.

Audits from senior management take place at various intervals to check that standard procedures are being followed.

8 References

AQ Letter to Global Compact – Continued Support 2012

9 Revision history

REV	Page(P) Section (S)	Description	Date / Issued by
-		New document	2012-08-30/JK