

Sustainability report 2012

BB Electronics A/S



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I. Introduction

BB Electronics aspires to be the preferred EMS (Electronic Manufacture Service) outsourcing partner for companies in Northern Europe requiring electronic production. This challenge calls for efficiency and production of high quality products at low costs. However, an equally important parameter, comprising both efficiency and quality, is the importance of acting with sustainability throughout the entire supply chain.

BB Electronics supports an inclusive and sustainable development through sustainable business operations. BB Electronics has joined the UN Global Compact, a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten (10) universally accepted principles in the areas of human rights, labour, environment and anti-corruption. The UN Global Compact is the largest voluntary corporate responsibility initiative in the world.

In 2010, BB Electronics formulated a sustainability policy, and in 2012 – with this report – BB Electronics launches the second sustainability report explaining our ambition, policy and initiatives.

BB Electronics has chosen to focus on three areas in order to strengthen sustainability: Our employees, environmental impact of our production, and our supply chain. The focus areas are chosen because they address opportunities to support our business model and they minimize risks related to the UN Global Compact principles:

- At BB Electronics, we wish to promote health and the well-being of our employees as well as minimize the risk of working accidents and work-related injuries, including one-sided, repeated work
- Also, we wish to prevent and minimize the total environment impact on the external environment of our products and production
- An effort towards integrating sustainability into our supply chain has been made. The purpose is to make our supplier engage in activities in terms of respect for human rights and protection of the environment

BB Electronics has gone through a definite transformation of the company's way of producing, not only in terms of efficiency and quality, but also in terms of sustainability. This has created – and is still creating – substantial and visual results in both of our factories, in Denmark and China.

BB Electronics' next sustainability report will be launched along with our annual report in the first half-year of 2013. During 2013, we wish to continue to dig deeper into how we best measure our achievements within sustainability. This will enable us to monitor progress and, if necessary, adjust our activities.

Knud Andersen
Chief Executive Officer

II. BB Electronics in brief

BB Electronics provides a uniquely flexible set-up of electronic products configured to provide each customer with virtually the full range of end-to-end EMS services. This enables our customers to select the exact mix of services to ensure the optimal cost profile at each stage of the product's life cycle.

By using the maximum number of tried-and-tested standardized modules, we ensure our customers to begin a product's life cycle at peak reliability and minimum cost, with assembly carried out in the BB Electronics' facility best suited to the desired cost/volume profile.

A customer care team is assigned to each customer to provide rapid-response action for ongoing alterations and improvements in specifications and packaging, and to meet changing production and logistics requirements.

We also help our customers set up the most appropriate validation and test procedures to avoid any unnecessary costs, and ensure that all documentation and warranty requirements are fulfilled right from the start. To achieve all this, we insist on establishing clear, relevant and ambitious targets for what we do, accompanied by effective frameworks for implementation.

These targets cover our manufacturing processes, quality standards, compliance with environmental requirements, and our overall working environment. We prepare them on the basis of close dialogue with our customers, our own staff, and other relevant third parties. Effective evaluation, follow-up and constant improvement of these targets are an important part of this process.

Our strength comes from our practiced expertise at providing superior EMS solutions to focused industry segments. This focus reflects our depth of acquired knowledge and skill in the unique technological and regulatory specifications of each industry, and the proprietary methodologies we have developed to ensure that design, manufacturing and logistics are optimized to your needs.

BB Electronics employs over 600 people at our two factories in China (Suzhou) and Denmark (Horsens).

Our factory in Horsens is our largest production facility, with the prime focus on high mix batch production of electronics for use in medical technology, telecom and industrial products. Assignments requiring the most advanced technology and involving greatest complexity are dealt with here.

Our wholly owned subsidiary in China enables our customers to combine the benefits of exceptionally efficient Scandinavian management, planning and quality assurance with the cost advantages that can be achieved from high mix/low volume production in Asia.

The technology platform used in Suzhou is fully on a par with our facility in Denmark, thus, the same quality assurance and environmental standards are used and the same business systems are in place throughout.

III. BB Electronics' contribution to sustainability

Our role

At BB Electronics, we believe that a sustainable approach to business is essential and, therefore, it forms a core part of the way in which we do business.

For BB Electronics, sustainability is not just a smart new trend. Since 1992, we have made an effort to reduce our energy consumption and to remove hazardous chemicals. Setting ambitious targets for these areas, we have already proven that you can produce electronic products in an environment that does not harm the external environment. We are doing so in a safe production in which our employees have an atmosphere of freedom to come up with suggestions to change.

We are setting clear goals for our employees' welfare as we know it will ultimately be of benefit to our company. We work constantly to have the latest technology so we can offer our customers a production environment to produce their future complexity products. We offer our customers a production environment that can be part of the lifecycles of the product and minimize the effect on the external environment.

Our policy

At BB Electronics, we conduct our business within the framework of applicable laws and regulations in the countries of operations (Denmark and China). Furthermore, we comply with the core conventions of labour rights as defined by the International Labour Organization (ILO). We recognize the right to freedom of association and collective bargaining. We strictly oppose forced and bonded labour, child labour and discrimination in any form.

At BB Electronics, we support the principles of Global Compact: Human rights, labour rights, environment and anti-corruption. In November 2010, BB electronics joined the UN Global Compact and we have since worked with implementing the Ten Principles into our Business Management System.

Furthermore, we are certified on the following ISO standards: ISO 18001, ISO 14001, ISO9001 and ISO13485.

We seek transparency through reporting and stakeholder dialogue.

Our focus

BB Electronics focuses on three areas within sustainability: Employees, suppliers and environment. Our focus on these three areas is due to:

1. **Next to our Customers, BB Electronics' employees are the most important asset of the company.** Their health and well-being is a matter of high concern to the management. The objectives of working with employee activities are to attract and maintain qualified employees. BB Electronics is doing so by focusing on the well-being and development of the employees. By means of specific well-being activities, work is carried out related to job satisfaction and development, which have been established in cooperation with the health and safety representatives. Through staff development interviews, individual development programmes are made for all employees. In this way, we evaluate on a continuous basis the balance between work and spare time, a good working environment and healthy employees. Furthermore, a specific sickness policy, employee handbook and staff policy have been elaborated, as a reflection of BB Electronics' company culture. All of this comprises the following: Health insurance, active non-smoking- and non-alcohol policy, Christmas gifts, fresh fruit, vaccinations and sports.
2. **By minimizing environmental impact of products and production,** BB Electronics can optimize our position as a supplier to companies which emphasize on sustainability and responsibility towards society. BB Electronics focuses on reducing the energy consumption in our buildings and production processes. Furthermore, our focus is on recycling of waste and reduction of paper consumption.
3. **Suppliers may cause a risk to BB Electronics,** which is why BB Electronics wishes to look for more information on the companies we work with. The purpose of BB Electronics' activities in the supply chain is to respect human rights, employee rights, environment and anti-corruption. BB Electronics prioritizes suppliers who comply with the demands in our Code of Conduct and the REACH requirements. The company's code of conduct is built on the Ten Principles of the Global Compact. When entering into a contract, critical suppliers must sign that they will comply with BB Electronics' Code of Conduct.

Electronic production in Denmark and China

BB Electronics employs over 600 people at our two factories in China and Denmark. The Danish factory operates in modern and safe facilities in an industrial building housing a total of 216 employees, more than half of these being females. The ages range from 20 to 72 years old. 118 are employed in production and 98 in related functions, such as engineering and administrative jobs.

Likewise, our Chinese factory operates in modern and safe facilities in an industrial estate in Suzhou, Kina. BB Electronics China employs 441 persons between the age of 18 and 52. The majority are females, two thirds works in the production and one third in related functions, such as engineering and administrative jobs.

We are committed to providing our people with a healthy and safe workplace. Our goal is to instill a strong safety culture at every level of the organization by setting targets and implementing standards in our Business Management System that have been certified according to 18001.

All work-related injuries and illnesses can and must be prevented.

Human and Labour Rights

In all areas (Human Rights, Labour Rights, Environment and Anti Corruption), legal requirements are high in China. In some areas, these are higher than in Denmark.

BB Electronics are continuously being audited by customers in 2012 to verify that we live up to the SA8000 on social accountability requirements and national law and/or local legislations. In this regard BB Electronics has in 2012 received a customer-certificate.

Whistleblower

All of our staff in China has the opportunity to contact anonymously an external firm, if there are episodes they want to notify and which they want to be managed outside BB Electronics. In 2013, we will continue to train and inform our employees about BB Electronics' code of conduct, and measure how many employees that have been trained.

Screening of suppliers

It's important to understand the position of BB Electronics in this Supply Chain, in order to find the right approach towards the suppliers. As an EMS, BB Electronics has grown to become a major purchase of electronic components. We must be an active part in the introduction of more responsible business practices within the electronics business.

Products produced at BB Electronics are highly complex constructions consisting of a wide range of diverse components. Typical products consist of raw PCB (Printed Circuit Board), components like semiconductors, casing, cables, screws, etc. Many of these are themselves composed of individual parts. The manufacturing of this type of products is a truly global industry.

The electronic products supply chains form a global network of suppliers and brands, mostly sold to BB Electronics via distributors

BB Electronics has set up a supplier matrix, evaluating the different suppliers in segments based on the nature of categories as turnover and geographical location. The evaluation is dedicated to take place at suppliers, which potentially expose BB Electronics to risks related to Global Compact's Ten Principles. The purpose of the evaluation is to make our suppliers engaged in sustainable activities in terms of respect for human rights and protection of the environment.

Initially, BB Electronics wants to work with suppliers within our tier one of the supply chain.

The goal for 2012 is to conduct appropriate audits in Asia. For this purpose, an external consultant will work together with an experienced quality auditor from BB Electronics.

- Results:

- 116 suppliers in segment 3 and 4 (critical suppliers)
- 60 suppliers have signed code of conduct
- 7 CSR audits performed
- 5 new audits are scheduled

Optimizing clean production

BB Electronics approach towards environment is best served through an efficient, effective and proper operation of our business.

We are committed to developing long-term sustainable business by:

- Minimizing the environmental impact of the operations
- Making the most efficient use of natural resources and energy
- Holding employees to be committed to and responsible for environmental performance
- Continual improvement and prevention of pollution

BB Electronics will work on reducing the power consumption and combustible waste.

Reduction of power consumption:

By changing the composition of machines in the production line a more efficient operation can be obtained. Among others, this is to be seen on the key figure kWh/1.000 mount. SMD components.

Also reductions have been made in regard to equipment such as, compressors, servers, lighting sensors, heat pumps and ventilation.

When planning a new climate and ventilation system, an external energy advisor has been used in valuating the specific offers. The solution with the highest energy conservation will be chosen.

BBSZ: Power consumption has been reduced by 5.4% in 2011 compared to 2010. We will continue to reduce power consumption in 2012, the goal is a reduction of 0.5% compared to 2011.

Reduction of water consumption:

BBSZ set up KPI to control water consumption, the goal in 2012 is 1.60 m³/employee/month.

Waste management:

Focus on waste management in both administration and production has resulted in an increase in recycling. An increase of 72.8 % in 2009 to 73.9 % in 2010 to 85.8% in 2011 means that we are sending more to be recycled than to incineration.

BBSZ: KPI's will be implemented to control not recycled garbage. The goal in 2012 is 1.9kg/employee/month.

Our organisation

In September 2010, BB Electronics established a global sustainability organisation to ensure our policy to be implemented through our value chain, from sourcing of material to production and shipment of electronic products.

The Chief Executive Officer is head of the sustainability organization and responsible for the implementation of the policy. The organization consists of three teams related to our focus areas.

Each member of the organization is responsible for developing and implementing standards in their own business area. Executive Secretary and Group Quality Manager are responsible for communication and monitoring progress.

Charity

BB Electronics has donated an amount of money to a Danish children's fund in December 2010 and 2011 instead of giving Christmas presents to our customers. In December 2012, a similar donation will be given to an organization yet to be chosen.

IV. Next steps

BB Electronics strives to innovate production in order to optimize efficiency, quality and sustainability.

Our ambition is to continue the implementation of sustainability in our business processes, making it a part of everyday work. We will continue to focus on our KPI measurements comprising our CSR parameters. These CSR parameters should support and demonstrate progress within the Ten Principles of UN Global Compact. For employees, we will continue to offer voluntary health profiles and provide them with opportunities to improve their health, by offering exercise, healthier meals and well-being activities. Also, training and education of employees is an area of increasing focus. On the environmental side, we will continue our activities to make equipment increasingly energy-efficient. Also, we look at our suppliers' ability to set targets and implement improvements in the external environment. We will continue to evaluate our suppliers.

The UN Global Compact Dilemma game will be presented at a workshop for the management. Management in BB Electronics will be trained in how to make the right decision when they are facing complex dilemmas that can have a risk for the business.