

CHEVAL GROUP

Communication On Progress (COP) for the United Nations Global Compact



Welcome to the Cheval Groups 2013 Communication On Progress (COP) report. Cheval group became a member of the UN Global Compact in 2009 and this is our second official report.

STATEMENT OF SUPPORT FOR THE GLOBAL COMPACT

H.E. Ban Ki-moon
Secretary General
United Nations
New York, NY 10017
United States of America

5th March 2013

Dear Secretary-General,

I am pleased to confirm that Cheval Group continually supports the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. With this communication, we express our intent to advance those principles within our sphere of influence. We are committed to making the Global Compact and its principles part of our companies strategy, culture, day-to-day operations, and to engage in collaborative projects which advance the broader development goals of the United Nations. The Cheval group will make a clear statement of this commitment to our stakeholders and the general public.

We recognize these principles as prime considerations and integral parts of our Company's operations, and are committed to continuously improving these practices in all areas.

Yours sincerely,



Apichart Sajchwong
Group Managing Director

About Cheval Group

Who we are and what we do

Cheval group of companies is Asia's premier designer and manufacturer of 19" enclosures and network infrastructure. The group was established in Thailand in 1987. For over 26 years, the Group has professionally developed its products, people and solutions to support the global IT infrastructure and data center markets.

The Group consists of three manufacturing sites. Cheval Electronic Enclosure Co., Ltd located in Samutprakarn province, functions as group headquarters, research, design and development center with substantial manufacturing facilities to support new clients. Aegistek Corporation Ltd., is located in the northern Thailand Province of Chiangmai. It is the main manufacturing site for the Group's large OEM clients. Located nearby is Cheval Technology Co., Ltd. , which focuses on production of the Group's branded products, plus backup support facilities for the other two sites.

Previous Commitment to Ethical Practices.

Cheval is no stranger to good corporate and social responsibility. Before joining the UN Global Compact in 2009, our Code of Ethics and Conduct was announced.

On September 2008, Cheval Group announced our 'Ethics and Code of Conduct', which covers all areas of stakeholder interest :

1. Code of conduct against Customer
2. Code of conduct against Partners and Vendor
3. Code of conduct against Competitors
4. Code of conduct as a Superior employee
5. Code of conduct as a Subordinate employee
6. Code of conduct as a Colleague
7. Code of conduct on Benefaction
8. Code of conduct on Accounting and Finance
9. Code of conduct on Information Technology (IT)
10. Code of conduct on the Company's Property and Assets
11. Code of conduct on the Conflict of Interest
12. Code of conduct against the Social and Environment

Communication On Progress (COP)

HUMAN RIGHTS

Principle 1

Business should support and respect the protection of internationally proclaimed human rights

Principle 2

Business should make sure that they are not complicit in human rights abuses.

Policy & Obligations

In accordance with Thai Law Labor Act 2008 and UN Global Compact, this obligation is included in our Ethics and Code of conduct. Human rights and freedom are integral part of our business.

Implementation & systems

Cheval treats our employees, clients, vendors or any entity conducting business with us without discrimination of kind, such as; race, color, sex, language, religion, political status, national or social origin, property, birth and any other status. We announce that everyone has equal right to work with us as long as they are competent. Employee recruitment is conducted without any discrimination in written application form and talks with job interviewee.

Employees have the right to file a complaint in the company for any perceived discrimination. Employees can file a complaint to government for any perceived human rights issue any time. Cheval supports "Conflict Minerals" programs and does not conduct business with any countries involved in it.

Outcomes

No complaints from employee to the government during 2010 – 2012.

Aegistek certified as compliant to Thai Labour Standard 8001 – 2010 from the Department of Labour Protection and Welfare since 16 September 2012.



Donated New Years Gifts to local school and community.



Supported local school and community for Children Day holiday.



Blood donated by employee every quarter to Red Cross Foundation. On 2012, total blood donated 97,200 cc, increased from 2011 which was 69,600 cc.



Donated wooden pallet to the community as a monthly basic.



Donated scholarships to the community



Supported to The Red Cross Foundation in local Area.



Our company provided specialist knowledge and training to the technical collages in the community .



Our company supports gifts for the Elderly on Nation Day of Older Persons.

Cheval Tech has always been very active and supportive to the community and school.



Cheval Technology donated New Year's Gift to local school and community.
Supported local school and community for Children's Day holiday.
Donated school equipments to the local school community.



Blood donation by employees from Cheval Tech every quarter to Red Cross Foundation with Aegistek.



Scholarships awarded given to the Police Station and village headman



Donated used wooden pallets to support local school and community project.

LABOUR

Principle 3

Business should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4

Business should elimination of all forms of forced and compulsory labour.

Principle 5

Business should effect the abolition of child labour.

Principle 6

Business should effect the elimination of discrimination in respect of employment and occupation.

Cheval and Aegistek recognizes that our employees are our greatest asset. We have encouraged our employees to learn, study and continuously improve their abilities at all times. We try to assist all of our employees in maintaining a balance between work and personal life and to provide flexibility to employees on an individual basis.

Policy & Obligations

According to Thai Labor Protection Act. 2008; our obligation to these principles is expressed in our working conditions, our Ethics and Code of Conduct clauses 4, 5 and 6.

Implementation & Systems

Aegistek has a employee elected 'Welfare Committee'. This committee will look into any idea to improve employee welfare and propose to the company. Aegistek employs a the 3rd party to audit our working system, as well as conducting internal audits on monthly basis, covering all company working units.

Outcomes

Cheval offers equal employment opportunities to all. The people we recruit are selected solely base on their qualifications for the position.

Cheval employees are not discriminated against on basis of gender, race, origin, background, religion, marital status, sex, disability or age.

Cheval does not employ child labour, all our employees are over 18 years old.

Cheval awards a range of prizes for outstanding employees every year.

Cheval awards prizes for employees on their 10th 15th and 20th year service anniversaries.



Our company was granted Happy workplace award by Thai Health Promotion Foundation.



Our company participated quit smoking project.

ENVIRONMENT

Principle 7

Business should support a precautionary approach to environmental challenges.

Principle 8

Business should undertake initiatives to promote greater environmental responsibility.

Principle 9

Business should encourage the development and diffusion of environmentally friendly technologies.

Cheval recognizes the high importance in being a socially and environmentally conscious company. We started from the beginning, with the factory design, buildings, plant layout, working policies and procedures.

Cheval continuously seeks to reduce the environmental impact of its operations. We support a proactive approach to environmental challenges and undertake to promote greater environmental responsibility, setting our standards above local requirements.

Policy & Obligations

Our obligations of this principles are stated in our Environmental policy and in our Corporate ethics and code of conduct, clause no.12.

Implementation & Systems

Cheval has an internal system to investigate our environment compliance every month and every quarter.

Cheval has strictly followed all environmental laws and regulations, including related environment directives such as ROHS, REACH and CONFLICT MINERALS.

Outcomes

We have dedicated 25,200 sq.m and planted over 1,000 trees since 2008.

These trees are now between 2.5 – 6.5 meters high.

Aegistek was awarded a certificate for joining the 'Green factory' project of Ministry of Labour.



Aegistek was awarded a certificate of 'Green industry Level 3'
By Chiangmai Industrial Office.



Aegistek was awarded a certificate of '3Rs' (Reduce , Reuse , Recycle) and
Zero waste to Landfill Achievement by the Thailand Ministry of Industry.



All company staff participated in 2012 Cleaning Campaign by collecting all garbage
around and inside our company's premise.

Aegistek closely monitored and controlled all environmental factors as below :

1. Air emissions

2011 : Performance

Parameter	Unit	Company Performance			Standard
		Burner Oven chimney	Burner Boiler chimney	Grinding dust chimney	
Dust	M g/m3	13.14	6.71	12.05	320
Sulfur Dioxide	ppm	< 1	< 1	N.D.	60
Nitrogen Dioxide	ppm	2	0.458	N.D.	200
Carbon monoxide	ppm	7	16	N.D.	690

2012 : Performance

Parameter	Unit	Company Performance			Standard
		Burner Oven chimney	Burner Boiler chimney	Grinding dust chimney	
Dust	M g/m3	9.47	15.93	11.07	320
Sulfur Dioxide	ppm	0.076	0.192	0.051	60
Nitrogen Dioxide	ppm	2.163	3.651	N.D.	200
Carbon monoxide	ppm	7	8.4	1	690

2. Heat

These tables show the average temperature in the work areas. This consistency improves employees working conditions.

Unit in Celsius (°C)

Area	2011	2012	Standard
Bending station	25.2	28.0	32.0
Robot weld area	24.9	28.5	32.0
Spot weld area	25.0	27.2	32.0
Grinding station	25.8	27.6	32.0
Painting station	29.1	28.5	32.0
Packing station	25.9	26.4	32.0

3. Noise

Noise is closely monitored and controlled within government standards. The table show noise levels which our employees in the factory experience during 8 hours.

Unit in Decibel dB(A)

Area	2011	2012	Standard
Punching station	84.6	81.8	90.0
Stamping area	81.8	80.4	90.0
Bending station	75.3	78.8	90.0
Robot weld area	74.7	76.6	90.0
Welding area	76.1	80.5	90.0
Grinding station	89.8	89.2	90.0

4. Waste water

We monitor waste water every quarter to ensure that all aspects of waste water are within government standards.

Unit in milligram per Liter

Parameter	2011	2012	Standard
1. BOD	3.0	11.0	< 20
2. COD (Chemical Oxygen Demand)	12.0	19.0	120.0
3. Oil & Grease	< 1	<5.0	5.0
4. pH	7.2	7.7	5.5 – 9.0
5. Copper	< 0.02	<0.02	< 2.0
6. Zinc	0.01	0.44	< 5.0
7. Barium	< 0.05	<0.05	< 1
8. Nickel	< 0.05	<0.08	< 1
9. Total suspended solids	2.0	25.0	< 50
10. TDS (Total Dissolved Solids)	716.0	671.0	< 3,000

Cheval Electronic Enclosure



Cheval Electronic Enclosure was awarded the CSR-DIW for Beginner award.



Cheval Electronic Enclosure was awarded the “Green Industry” award for achieving the Green Activity level 2.

Cheval Electronic Enclosure : environmental result as below :

1. Air emissions

2011 : Performance

Parameter	Unit	Company Performance		Standard
		Burner Boiler chimney	Grinding dust chimney	
Dust	M g/m3	5.30	1.10	320
Sulfur Dioxide	ppm	6.00	N.D.	60
Nitrogen Dioxide	ppm	2.10	N.D.	200
Carbon monoxide	ppm	0.47	N.D.	690

2012 : Performance

Parameter	Unit	Company Performance		Standard
		Burner Boiler chimney	Grinding dust chimney	
Dust	M g/m3	<1.70	11.91	320
Sulfur Dioxide	ppm	<1.00	N.D.	60
Nitrogen Dioxide	ppm	0.30	N.D.	200
Carbon monoxide	ppm	16.00	N.D.	690

2. Heat

Unit in Celsius (°C)

Area	2011	2012	Standard
Bending station	26.9	29.8	32.0
Robot weld area	26.5	31.1	32.0
Spot weld area	27.3	30.5	32.0
Grinding station	26.1	29.8	32.0
Painting station	29.4	30.1	32.0
Packing station	27.0	29.9	32.0

3. Noise

Unit in Decibel dB(A)

Area	2011	2012	Standard
Punching station	87.0	86.5	90.0
Stamping area	80.0	81.0	90.0
Bending station	80.0	80.6	90.0
Robot weld area	80.0	80.6	90.0
Welding area	84.0	81.0	90.0
Grinding station	87.0	88.6	90.0

4. Waste water

Unit in milligram per Liter

Parameter	2011	2012	Standard
1. BOD	4.0	7.0	< 20
2. COD (Chemical Oxygen Demand)	18.0	18.0	120.0
3. Oil & Grease	N.D.	N.D.	5.0
4. pH	7.78	8.10	5.5 – 9.0
5. Copper	N.D.	N.D.	< 2.0
6. Zinc	N.D.	N.D.	< 5.0
7. Barium	N.D.	N.D.	< 1
8. Nickel	N.D.	N.D.	< 1
9. Total suspended oxide	N.D.	N.D.	< 50
10. TDS (Total Dissolved Solids)	N.D.	N.D.	< 3,000

Cheval Technology : environmental result as below :

Cheval Tech has been awarded 3 RS (Reduce Reuse Recycled) from the Department of Industrial Works. Projects under development to take advantage of the year 2012 from Department of Industrial.

Cheval Technology Co., Ltd. has been The 6 SEM (5 S+ Safety + Environmental + maintenance) period.

Cheval Technology monitored and controlled all environmental factors as below:

1. Air emissions

2011 : Performance

Parameter	Unit	Company Performance			Standard
		Burner Oven chimney	Burner Boiler chimney	Grinding dust chimney	
Dust	M g/m3	7.06	9.73	13.58	320
Sulfur Dioxide	ppm	0.03	0.05	-	60
Nitrogen Dioxide	ppm	1.52	0.96	-	200
Carbon monoxide	ppm	198.03	49	-	690

2012 : Performance

Parameter	Unit	Company Performance			Standard
		Burner Oven chimney	Burner Boiler chimney	Grinding dust chimney	
Dust	M g/m3	12.78	15.39	10.52	320
Sulfur Dioxide	ppm	0.16	0.21	-	60
Nitrogen Dioxide	ppm	2.97	3.02	-	200
Carbon monoxide	ppm	290.32	23	-	690

2. Heat

Unit in Celsius (°C)

Area	2011	2012	Standard
Painting Station	28.8	29.4	32.0
Grinding station	27.2	28.2	32.0
Painting station	28.0	31.4	32.0

3. Noise

Unit in Decibel dB(A)

Area	2011	2012	Standard
Painting Station	81.3	83.0	90.0
Punching station	89.1	76.8	90.0
Bending station	79.5	79.4	90.0
Punching PEGA station	-	90.0	90.0
Grinding & Welding station	86.8	83.7	90.0
Store Receiving	73.7	71.2	90.0

4. Waste water

Unit in milligram per Liter

Parameter	2011	2012	Standard
1. BOD	17.9	19.5	< 20
2. COD (Chemical Oxygen Demand)	50.7	86.0	120.0
3. Oil & Grease	< 0.5	1.8	<5
4. pH	7.9	8.8	5.5 – 9.0
5. Copper	0.02	0.01	< 2.0
6. Zinc	0.08	0.06	<5
7. Barium	0.37	<0.05	< 1
8. Nickel	< 0.05	< 0.05	< 1
9. Iron	<0.15	<0.15	<10
10. TDS (Total Dissolved Solids)	372.0	372.0	< 3,000

ANTI-CORRUPTION

Principle 10

Business should support work against corruption in all its forms, including extortion and bribery.

We firmly believe that Cheval's success is dependent upon our reputation for integrity and quality in everything we do.

Cheval does not support any form of corruption, including extortion and bribery. Conducting our professional affairs based on responsibility, fairness and integrity is a priority for us.

Cheval is committed to working against all forms of corruption and is dedicated to developing clear and precise policies and procedures in this area.

Policy & Obligations

Our obligations of this principles are strongly stated in our Ethics and code of Conduct clauses no. 7 and 11.

Implementation & Systems

At least quotations from two different suppliers for purchasing.

No payments without official company invoices or receipts.

Group MD confers with third party consultants and shareholders on key issues.

Bidding system to shipping and freight forwarder companies for export business.

Bidding system for selling scrap metals. (Our most significant scrap material)

Outcomes

As a result of the Company's policy, all employees are made aware of consequences related to corruption and bribery violations. Senior management ensures that junior and mid level employees are not put in situations where they can be tempted into becoming a victim of such violations.

Our company publishes and distributes the publication about Transparency in entrepreneurship to our partners.



Aegistek was granted “Good Governance” award for the Transparency and honest company on 26 Sep 2012 from The National Anti-Corruption Commission.

TARGET

The following were our 2012 targets.

1. Build up the Energy saving project. Target 5% energy reduce (electricity, LPG).

➡ Electricity did not meet target as we added new Laser and CNC machines, therefore; electricity increased 10% from 2011.

➡ LPG can reduce from 6.44 kgs./produce goods 1 unit to 5.76 kgs/produce goods 1 unit. (reduce 10%)

2. More cooperation with community for CSR project, donation (target 1 activity per month).

➡ Success as we had more than 12 projects in 2012.

3. Coordinate with our suppliers/subcontractors to do contractual agreements, and/or the written commitment to conform of the abolition of child labour.

➡ Did not meet target. Our supplier/subcontractor still not have significant improvement on the commitment.

Target for year 2013:

1. Build up the Energy saving project. Target 5% energy reduce (electricity).
2. Promote and implement "Happy Working Place" for employees.