

STATEMENT FROM OUR MANAGING DIRECTOR

Faithful to our commitments to support United Nation Global Compact Ten Principles, our company pays special attention to the control of its organizational efficiency and sits its strategic development on four major pillars.

Satisfy and retain our customers
Ensure the blooming and development of its human capital
Improving the Environment
Enhance a safe and health working environment

This guidance is intended to strengthen the brand equity of the company and ensure its competitiveness and sustainability in an increasing competitive and globalized environment. We have implemented a series of necessary measures to keep our momentum going to develop and enhance our four major pillars. The points or information stated on the following describe activities embarked by the company.

Criterion 1: The COP describes key aspects of the company's high-level sustainability strategy in line with Global Compact principles

The company's sustainability strategy is to develop resource-efficient solutions that meet customer's needs and improve competency and productivity. As a result of strong top-management commitment, integration of the sustainability strategy across the organization has been a main focus area. The strategy is now in its second year and targets three main areas:

Investing in our people

Safety and Welfare audits are conducted to verify that operations are managed accordingly. In 2013, the company has planned to establish an employee handbook and launch a company-wide implementation for quality, environment and health and safety. It aims to build an understanding of the value MECHCAM creates beyond financial and market objectives. The focus on energy use and emergency response continued. Completion of a human rights assessment that is in accordance with the UN Guiding Principles, has laid the groundwork for better understanding of the Group's human rights risk areas. Mechanism to enhance confidentiality on reporting was established and this helpline allows employees to report anonymously, without fear of exposure or retaliation.

Making business more sustainable

Operation activities are identified and assessed to identify key environmental impact significance and risky occupational hazards. The organization has ensure that the significant environmental aspects are taken into account in establishing, implementing and maintaining its management system

Ensuring transparent governance

Along with an interest in providing more access to information goes a corresponding concern for protecting workers' privacy so they are not exposed to "adverse consequences, retribution or negative repercussions" from information provided by company.

Criterion 2: The COP describes effective decision-making processes and systems of governance for corporate sustainability

A robust approach to managing sustainability issues requires training and follow-ups. As to date, the company has conducted 2 management reviews, 4 safety meetings and many more production meeting. There are training and awareness activities for employees that cover ISO 9001 certification, environmental safety and health management system, anti-corruption and leaderships. These are supported by internal and third party monitoring. We are proud to announce that there is no non-conformity raise by external auditors since our certification in year 2007.

Criterion 3: The COP describes engagement with all important stakeholders

Through dialog with stakeholders, MECHCAM is able to develop innovative products, understand its markets and stay ahead of societal trends. Interactions involve sharing learning, addressing common goals, communicating progress and challenges and addressing concerns. The meeting minute is designed to address stakeholder concerns in a transparent way, in accordance with standardized reporting guidelines. Dialog and partnerships also offer a more interactive approach. Feedback from stakeholders is regularly conveyed to the top management, and incorporated into their decision-making.

Criterion 4: The COP describes actions taken in support of broader UN goals and issues

MECHCAM incorporate the 10 UN Global Compact by demonstrating leadership and encourage some of our suppliers and contractors to join the UNGC network. It is our commitment to continuously provide communication on progress towards UNGC goals. We are constantly upgrading our knowledge in UNGC principles through communication with bigger players in the market. A committee has also been established to promote awareness and ensure the requirements are being monitored and followed within the organization.

Criterion 5: The COP describes robust commitments, strategies or policies in the area of human rights

Work with human rights is designed to protect the inherent dignity of every individual, regardless of his or her culture or background. These rights are by nature universal, as set out in the UN Declaration of Human Rights (UNDHR). Human rights encompass areas such as eliminating under-age labor, promoting non-discrimination, non-tolerance of harassment and freedom of association. MECHCAM regards two approaches to human rights as relevant to its business – to be non-complicit in infringements in human rights and to support human rights and development in markets where we operate and within the company's sphere of influence. In 2013, MECHCAM stepped up its approach to human rights. It conducted a corporate human rights risk assessment, aligned with the UN Guiding Principles on Business & Human Rights (UNGP). The UNGP underlines the importance of identification, management and mitigation of any human rights impacts and risks linked to company operations. It also consists of public reporting and stakeholder engagement. In 2014, the employee handbook will be updated to reflect this approach and other findings.

Criterion 6: The COP describes effective management systems to integrate the human rights principles

Ethics at MECHCAM, an ethics program comprising a training module and regular meetings, uses scenarios to explore ethical dilemmas employees may encounter in their work. The program is organized through Human Resources in each business sector, with the support of external consultant.

To support the introduction of the anti-trust policy and accompanying guidelines, and the re-launch of the Anticorruption Policy, live training on antitrust and anticorruption issues are taking place during 2013-2014 for all departments and personnel. The Purpose, a program developed to support the sustainability strategy, encourages everyone in the company to contribute to developing smart, resource-efficient solutions, and creating value beyond market and financial objectives. In 2014, voluntary workshops to engage employees will be held across the company

Criterion 7: The COP describes effective monitoring and evaluation mechanisms of human rights integration

There is no chance in monitoring human rights integration in our company. Checklists are evidence that an audit has been carried out in within the company. There is no non-conformity raised either by internal auditors or the external auditors on this issue. The mechanism will be continued.

Criterion 8: The COP describes key outcomes of human rights integration

Company's human rights policy has been stated in the employee handbook which will be communicated during the first few days of their employment. The requirements have also been included into the letter of award or contract for the suppliers and contractors. As to date, 18 suppliers have provided their commitment in human rights and in year 2012 it is the management interest to get at least 80% of the suppliers and contractors to support UNGC principles. However, this objective was not achieved due to lack of commitment from the vendors.

Nevertheless, the management has decided not to put a deadline on this matter and will be continuously educate the applicable vendors. As to date, there are no violations in human rights detected in within the company.

Criterion 9: The COP describes robust commitments, strategies or policies in the area of labour

Mechcam Precision Sdn Bhd is firmly committed to create strong business growth, which is not achieved at the expense of the environment, quality of life or social equity. Our commitments include:

- comply with national labour law
- comply with Convention on the Rights of the Child (CRC, 1989)
- not use or support the use of child labour as defined in ILO Core Conventions
- not work with those who use child labour - unless an elimination plan is in place

Criterion 10: The COP describes effective management systems to integrate the labour principles

New workers are trained in the induction program on matters related to their rights. All staffs are provided with employment contracts stating the terms and conditions of service, the voluntary nature of employment, the freedom to leave (including the appropriate procedures) and any penalties that may be associated with a departure or cessation of work. In addition to salaries, MECHCAM also provide fringe benefits such as free medical treatment, personal accident and life insurance coverage, free or subsidized transport, annual bonus, retirement benefits and enhanced contributions to the Employees Provident Fund

Criterion 11: The COP describes effective monitoring and evaluation mechanisms of labour principles Integration

We practice responsible sourcing of vendors through our monthly and yearly vendor assessment. A total of 18 suppliers have been visited for this purpose. The success of these 18 suppliers will be shared and extended to other remaining suppliers and vendors. In year 2102, our management aim is to get at least 80% of MECHCAM suppliers and vendors to support the UNGC principles. However, not all suppliers and vendors are committed and therefore a longer duration has been outline by our management to educate the vendors and suppliers on the matter

Criterion 12: The COP describes key outcomes of integration of the labour principles

The employee satisfaction program established since year 2011 has been a success. In year 2012, a total of 93% of employees rated good in satisfaction over the company performance, requirements, benefits, welfare and et cetera. 3% of the employees stated dissatisfaction over salaries and 4% indicated company's entitlement for holidays or off work. The management is unable to fulfil the salary requirements as the current rate is already above the market rate sets by some international companies. However, the company will identify and establish the leave entitlement for all employees by the 4th quarter of the year. Year 2013 assessment will be conducted before end of this year.

Criterion 13: The COP describes robust commitments, strategies or policies in the area of environmental stewardship

The management representative is responsible for driving and monitoring environmental performance company-wide, as well as public disclosure. It co-ordinates environmental reduction targets at the operational level as well as carbon emissions relating to transportation. The MECHCAM Manufacturing System (MMS) is a program to implement lean production that covers manufacturing processes in our company. In addition, MMS is used for monitoring and eliminating waste and increasing safety and quality within production processes. Green Spirit is an initiative focused on environmental performance improvement and employee awareness raising. Energy-saving targets are implemented in offices, production floor and store through the program.

Criterion 14: The COP describes effective management systems to integrate the environmental Principles

Previously, MECHCAM have identified operational activities that are associated with the significant environment impact and in year 2013, operational controls have been revised to include safety and health requirements. A total of 15 operational controls have been established and implemented. These operational controls are constantly monitored by supervisor and management.

Criterion 15: The COP describes effective monitoring and evaluation mechanisms for environmental Stewardship

MECHCAM has established monitoring programs to assess the environmental performance. This includes, the monitoring of the objectives and targets, resources consumption and waste generated. New safety indicators have been included such as accident rate, feedback from workers or interested parties and et cetera. The legal compliance for applicable environmental safety and health regulations are monitored and ensure compliance. All environmental safety and health performances are reviewed in the annual management review.

Criterion 16: The COP describes key outcomes of integration of the environmental principles

On top of all the other commitments in environment, our management has planned to pursue the prestigious ISO 14001:2004 and OHSAS 18001:2007 certification. The top achievements include our reduction in waste oil from 1100 litre per year to only 300 litre, compliance to Environmental Quality Act, Occupational Safety and Health Act and Factories and Machinery Act and zero accident in the workplace. The management continues to engage external professional bodies to audit and provide guidance in the management system.

Criterion 17: The COP describes robust commitments, strategies or policies in the area of anticorruption

Whoever we may deal with, and wherever we may operate, we are committed to doing so lawfully, ethically and with integrity. As part of this commitment, all forms of bribery and corruption are unacceptable and will not be tolerated. We will not, and we must ensure that any third party acting on our behalf does not, act corruptly in our dealings with any other person. This anti-bribery and corruption policy sets out how we prevent acts of bribery and corruption taking place. This policy has been designed to support the UN Convention against Corruption against bribery and corruption on a global basis.

Criterion 18: The COP describes effective management systems to integrate the anti-corruption principle

The program includes the Grievances Book placed near the management office which employees can confidentially register incidents of non-compliance to codes and policies. Employees are encouraged to speak to their immediate supervisor, Admin Department, internal audit function or another appropriate person in the organization if they wish to report an incident of potential non-compliance or, if it feels more comfortable, to use the Grievances Book. An additional route for reporting is to contact the Managing Director directly. External parties wishing to raise any concerns should contact the Managing Director who will follow up any matters raised in confidence.

Criterion 19: The COP describes effective monitoring and evaluation mechanisms for the integration of anti-corruption

Personnel will be required to confirm that they have read, understood and comply with the policy as part of their on-going employment assessment processes. In addition, relevant Personnel will be required to attend training to support the guidance in this policy.

Criterion 20: The COP describes key outcomes of integration of the anti-corruption principle

We continuously provide training on our Code of Business Conduct and/or specific anti-corruption training to employees, with a stronger focus on those working in high-risk areas. In our future reporting, we aim to report the percentage of employees receiving this training. To date, there was no public allegation of incidents of corruption against MECHCAM or our employees, and so no actions were required.

Criterion 21: The COP describes implementation of the Global Compact principles in the value chain

MECHCAM has constantly encouraged its suppliers and vendors to support UNGC principles. Some principles (eg: environment and human right) have been made mandatory as are the pre-requisite to become our approved suppliers or vendors. By assessing standards for key operational criteria such as UNGC Principles, supplier dependence (on MECHCAM) and contingency planning, we seek to ensure mutually beneficial long-term relationships with our suppliers.

Criterion 22: The COP provides information on the company's profile and context of operation

MECHCAM is a small company with big dreams. Our total work force of 23 is a driving force in electrical and electronic industry, furniture industry and many more, tirelessly fulfilling stringent fastening requirements of the industry and beyond. Our high performance and commitment for continual improvement will certainly bring us to the next level. That inspired us to constantly upgrading our facilities to meet world class requirements and infuse confidence in our customers.

The products we see in the world, simple or sophisticated are made possible with some form of fastening. It is the driving force that holds things together. Whatever industry from furniture to electrical, architectural to automotive rely on the magic of fasteners, and due to industrial needs, fasteners have 'evolved' to virtually various types of 'species'. We have a variety of screws, bolts and rivets to cater for every need of diversified industries. On top of having our very own generic fasteners, we also produce distinctive range for each customer, studying on how to best create the most cost effective and practical products to meet their fastening needs.

Criterion 23: The COP incorporates high standards of transparency and disclosure

MECHCAM is a sole Malaysian company adapt 'ask and thou shalt receive' approach. There are no requirements from any interested parties for generation of performance or financial report. The UNGC principles are the interest of our Managing Director and are seen in his passion to educate and encourage his other friends or suppliers/vendors to support the said principles.

Criterion 24: The COP is independently verified by a credible third-party

United Universal Consulting Sdn Bhd has been engaged by MECHCAM to provide independent assurance over the data and information provided in this COP. The overall aim of this process is to provide reassurance to our clients that the reported information is accurate, reliable and objective and covers the issues material to the business. Other independence bodies engaged are MOODY International for our Quality Management System and AGM Certification Sdn Bhd for our compliance to legal and other requirements related to environmental safety and health, human rights, anti-corruption practices and labour principles.