

Sustainability report 2013

BB Electronics A/S



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I. Introduction

BB Electronics aspires to be the preferred EMS (Electronics Manufacturing Services) outsourcing partner for companies in Northern Europe requiring electronics 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 2013 – with this report – BB Electronics launches the third 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 environmental 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 suppliers 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.

Sustainability is now a part of the agenda on BB Electronics A/S management review meetings twice per year, where we go through our measures and achievements within sustainability.

Carsten Christensen
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 our customers' needs.

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

Our factory in Horsens has its 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 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 fully integrated.

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 electronics 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 in order to offer our customers a production environment to produce their future complex 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 labor rights as defined by the International Labor Organization (ILO). We recognize the right to freedom of association and collective bargaining. We strictly oppose forced and bonded labor, child labor 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 9001 Quality management system

Since 1994 BB Electronics A/S has been approved according to the ISO 9001 standard.

ISO14001 Environmental management system

Since 1999 BB Electronics A/S has been approved according to the ISO 14001 standard.

ISO 18001 Health and Safety management system

Since 2003 BB Electronics A/S has been approved according to the ISO 18001 standard.

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 based on the following:

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. Workplace assessment, are made for all employees. In this way, we evaluate on a continuous basis the working environment. Result of this assessment is presented to all employees together with the actions to improve the work environment. 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, breakfast, vaccinations and sports. One of the focus areas in our strategy is *education and training*. To secure the right competences of our employees, BB Electronics has established a BPM (Business Process Management) system as a platform for virtual training and education.
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 in our 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 wish thorough business insights in the companies with whom we cooperate. 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 described in our Code of Conduct and in the 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 commit their company to comply with BB Electronics' Code of Conduct.

Electronic production in Denmark and China

BB Electronics employs around 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 160 employees, more than half of these being females. The ages range from 20 to 73 years old.

Our Chinese factory operates in modern and safe facilities in an industrial estate in Suzhou, China. BB Electronics China employs 430 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.

Employees

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 ISO18001 certified Business Management System. All work-related injuries and illnesses can and must be prevented.

We continuously assess our workplaces and set up activities to prevent injuries. Implementing new tools, protective equipment, safety shoes, safety glasses, safety gloves and work wear.

Health and Safety parameter

Injuries	Goal	China	Denmark
End of 2013	0	1	1
End of 2012	0	1	0
End of 2011	0	0	0
End of 2010	0	0	1

Sickness absence	Goal	China	Denmark
End of 2013	3,0%	1.8%	2,5%
End of 2012	3,0%	1.5%	2,8%
End of 2011	3,0%	1.8%	3,3%
End of 2010	3,0%	1.8%	3,2%

In 2013 we had a small injury in Denmark when employee tried to hold a trolley with her foot. A knee was twisted and the employee had one day off after the injury. All employees in the warehouse facility have been trained in how to control the trolley to prevent this from happening again.

In 2013 we had a small injury in Suzhou; an employee's leg was scratched by a trolley and 5 days off after the injury. A new layout for the placement area of production board and trolley has been made.

In BB Denmark we organize a voluntary vaccination against influenza each October.

Human and Labor Rights

In all areas (Human Rights, Labor 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 2013 to verify that we live up to the SA8000 on social accountability requirements and national law and/or local legislations.

Result: Input from Suzhou 3 minor nonconformities. Corrective actions have been implemented and verified by management.

Whistle blower

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.

Screening of suppliers

It's important to understand the position of BB Electronics in the Supply Chain, in order to find the right approach towards the suppliers. As an EMS, BB Electronics has grown to become a major purchaser 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 to evaluate 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 the UN 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.

We use an external consultant to conduct CSR audits at our supplier and the follow up on nonconformities will be done by an experienced quality auditor from BB Electronics.

CSR Supplier program

Injuries	Segment 3 and 4 suppliers	Signed code of conduct	CSR audits
End of 2013	115	92	8
End of 2012	116	60	7
End of 2011	45	16	4
End of 2010	0	0	0

The table shows the development from year to year. 2013 shows the total 2010-2013

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:

In BB China, power consumption cost target have been set for each month and we monitor the actual status. When the actual status does not meet target, we'll find root cause and take action accordingly.

Reduction of Nitrogen consumption

In BB Denmark, we continue our project to reduce the consumption of Nitrogen. Our goal is to reduce the amount with 10 % in 2013. To reach this goal we started to measure the consumption in 2012. Test has been performed to find the minimum level of Nitrogen consumption, without compromising on quality of our products.

Waste management:

Focus on waste management in both administration and production has increased the recycling rate from 82 in 2011 to 83 in 2012.

Waste management

Year	Recycling rate Denmark in %	Recycling rate China
End of 2013*	84	-
End of 2012	83	-
End of 2011	82	-
End of 2010	78	-

***2013 based on data from jan-oct.**

In BB China we classified hazardous waste, recycled waste and normal living waste in all areas. The hazardous waste is handled by a qualified supplier. The recycled waste is also recycled by a qualified supplier. BB China will start measuring the recycling rate in 2013.

Our organisation

In September 2010, BB Electronics established a global sustainability organisation to ensure our policy to be implemented throughout 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 Assistant 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, 2011 and 2012 instead of giving Christmas presents to our customers.

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, to make it a part of the everyday activities. 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 activities and healthier meals.

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.

Management in BB Electronics will prepare a guideline on how to make the right decision when facing complex dilemmas, that can pose a potential risk for the business.