

United Nations Global Compact Communication on Progress Report 2014



*Your Integrated Design and Manufacturing
Solutions Partner*

ESCATEC SDN. BHD.

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Statement of support from Chief Executive Officer of ESCATEC

I am pleased to confirm that ESCATEC Sdn. Bhd. reaffirms its support of the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. With this annual communication on progress, I express our intent to advance those principles within our sphere of influence, culture, day-to-day operations, and to engage in collaborative projects which advance the broader development goals of the United Nations. ESCATEC will make a clear statement of this commitment to our stakeholders and the general public using our primary channels of communication.



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. Our sustainability efforts this past year have formalized our focus on protecting the environment, creating safe and healthy workplaces and a commitment to being an exemplary global citizen. In the past one year, we improved internal procedures to more effectively support the UN Global Compact's ten principles. We have enacted our own "Code of Conduct" policy with the purpose to maintain ESCATEC's highest standard of business ethics and integrity. This policy has acted as a compass for our employees, stakeholder, and business partners since its implementation.

The ESCATEC group is proud to be a part of this very worthy program and we look forward to many more years of productive involvement.

Yours sincerely,

A stylized, handwritten signature in black ink, appearing to be 'M. Walther', written over a horizontal line.

Markus Walther
Chief Executive Officer
ESCATEC Group

About ESCATEC

The ESCATEC Group provides fully-integrated electronic and mechatronic design and manufacturing solutions to assist customers in achieving success. Its one-stop solutions and best-in-class service enable companies around the world to operate more profitably, sustainably and efficiently. Founded in 1974, its history is full of innovation that made it a first choice partner for many European and North American OEMs. The Swiss-owned, Malaysian-headquartered company perfectly blends Swiss business philosophy and attention to quality, precision and detail with the advantage of low-cost, mass-volume manufacturing capabilities in its Asian factories.



By delivering Swiss quality and Swiss precision, ESCATEC differentiates itself from other contract manufacturers who focus on undercutting each other to deliver the lowest possible price, which invariably compromises quality. ESCATEC values its brand name and reputation and ensures its customers that it will produce products that customers can be proud to put its brand on.

By getting a product design right from the very start can save a fortune and bring it to market earlier. But, all too often, design is done by a design company that has little or no experience of the realities of mass production. ESCATEC's contract design centre can start at the very first stage of a sketch on the back of an envelope and take it rapidly through every stage of the design process to working prototypes and production - all in house by a team that understands how every step links to the next one.

HUMAN RIGHTS

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

Principle 2 : Business should make sure we are not complicit in human rights abuses

HUMAN RIGHTS: Assessment, Policy and Goals

ESCATEC makes on-going efforts to make the right decisions on behalf of our employees, our clients and the communities we serve around the world. Respect for human rights and freedom are fundamental to our business. Our Business Ethics and Code of Conduct policy includes:-

a) Fair Employment

ESCATEC does not engage in or support discrimination in hiring, remuneration, access to training, promotion, termination, or retirement based on race, national or social origin, caste, birth, religion, disability, gender, sexual orientation, family responsibilities, marital status, political opinions, age, or any other condition that could give rise to discrimination. Competence is the primary selection criterion for employees on all levels.

In ESCATEC we recognize the freedom of association and collective bargaining; ESCATEC does not interfere in an employee's decision to associate, or discriminate against the employee or their representative. ESCATEC freely discusses issues at work with employees or their representatives in order to reach solutions that are jointly acceptable.

b) Grievance and Complaint

ESCATEC provide proper channels for employees to voice their grievances and complaints with regards to their employments or any other matter related to ESCATEC. They can either address their complaints verbally or using the Grievance/Complaint Form with different escalation paths.

c) Sexual Harassment

ESCATEC is committed towards preventing and eradicating sexual harassment in order to create a positive and conducive working environment. Any form of sexual harassment in the work place is strictly prohibited. Equally, any false accusation of sexual harassment will not be tolerated. All line managers have a positive duty to implement the policy and to demonstrate leadership by example.

Our goal is to provide a great place to work and we want to eliminate any potential risk and remain free of any complaints that may impact the human rights of our employees and suppliers

HUMAN RIGHTS: Accomplishments

ESCATEC implemented a few formal mechanisms to encourage employees to voice up their view points or share their concerns.

a) Employee Communication Sessions

In ESCATEC, the General Managers host periodic Employees Communication sessions that promotes two ways communication. Besides receiving company updates from the management team, it is also serve as an open forum for employees to voice up any issues, concerns, suggestions to the Management/Company. The floor is open for all employees for questions.

b) Employees Suggestion Box (ESCATIPs)

A suggestion box is located beside all notice boards for employees to make suggestion for further improvement of the workplace. Rewards will be given to the successful implemented suggestion to encourage participations.

c) Yearly Employee Satisfaction Survey

ESCATEC cares about the input of its employees. The annual surveys are conducted to ensure employees satisfaction rates remain at a high level. The employee satisfaction survey result is part of the ESCATEC balance scorecards. In 2013, ESCATEC group achieve higher satisfaction level compare to 2012. We are setting a higher target for 2014 and looking for more positive improvements based on the survey feedbacks.

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

LABOUR PRINCIPLES: Assessment, Policy and Goals

In ESCATEC, we strictly oppose to all forms of forced and compulsory labour; all our employees are free to leave in accordance with contractual terms and local labour law. Every of our employees have an understandable employment contracts stating the terms and conditions of service and the procedures for termination.

In ESCATEC, we adhere to minimum age provisions of national labour laws and regulations and, where the national law is insufficient, we take account of the international standards.

LABOUR PRINCIPLES: Accomplishments

We apply adequate procedure for age verification in our recruitment. For example in the Malaysia facilities, "Young Persons Employment Policy" is displayed at the Guard Post to inform job seekers (walk-in) about the policy we adhere to:

**YOUNG PERSONS
EMPLOYMENT POLICY**

ESCATEC is committed to comply with all applicable laws regarding employees. This includes laws regarding minimum ages for employment (refer to EMPLOYMENT OF CHILDREN AND YOUNG PERSONS (EMPLOYMENT) ACT 1966 (Act 350).

Interpretation

"young person" means any person who, not being a child, has not completed his eighteenth year (18) of age.

This policy of the Company is:-

ESCATEC does not hire any person below eighteenth year (18) old.

For ESCATEC ELECTRONICS SDN BHD

A handwritten signature in blue ink, appearing to read 'LUWE CHIN KEI'. Below the signature is a horizontal line.

LUWE CHIN KEI, May
Human Resource Manager

ESCATEC Young Persons Employment Policy

To support labour principles, ESCATEC Switzerland is complied to the Swiss Code of Obligations and Swiss labour law. Similarly, ESCATEC Malaysia facilities are complied strictly to country laws and government regulations such as Malaysia Employment Act 1955, Industrial Relation Act 1967, Public Holiday Act 1951, and EPF Act 1991, among others.

ESCATEC Employee Handbook is given to every employee states clearly the compensation and benefits of employees. In additional to that, each employee is given an employment contract which states clearly the compensation and benefits specific to the individual.

Employee health and safety is important at ESCATEC. We work diligently to minimize employee's exposure to potential safety hazards through engineering and administrative controls, personal protective equipment, and preventive maintenance. We take a proactive approach to address potential dangerous situations and implement controls to reduce their likelihood ad impact.

We conduct activities as below:-

- Weekly/Monthly audits by certified EHS Officers.
- EHS Committee review, comply, ensure work safety and health of employees.
- Emergency Response Team (ERT) formed with competent personnel.
- Annual fire drill is conducted to ensure all employees are able to response to emergency situation.
- Annual audiometric test conducted for employees.
- First Aid Kit is made available at all times to all employees.
- Safety training programs are conducted to employees to enhance their awareness such as basic chemical handling & chemical spillage training, first aid training, fire fighting training, forklift training, scheduled waste handling session, safety awareness program, ERT fire drill & rescue training.

ESCATEC follows a standard guideline to evaluate employee's performance at work. We implemented Management by Objectives (MBO) procedure. We use two categories of performance targets namely Individual performance and Key Performance Indicator (KPI). The individual performance target spells out clearly what the employee is supposed to achieve within a specified period with SMART (Specific, Measurable, Achievable, Realistic, Timeline) target. Similarly, the KPI target define how the KPI being measured, who is measuring the KPI and frequency of KPI measurement.

In addition to MBO, we ensure

- work assignment is based on well established job description for all positions.
- performance reward such as bonus is based on performance assessment results, achievement, contribution, and value of work.
- promotion is based on evidence of achievement, competencies, added responsibilities, justification by superior.

For recruitment, ESCATEC uses our own webpage and public job search portal to encourage open job applications. Candidates are selected based on qualification and went through appropriate level of interviews and approval process.

To ensure comparable pay, we execute and comply with the ESCATEC Remuneration Policy. The pay offered is based on the defined Salary Scale Structure, work experience, qualification, specific requirements, and niche skills required.

ESCATEC is committed to provide equal opportunity of employment and appropriate representation of gender, race in the organization. In recent year, we have increased female in management team by 12%.

ESCATEC adheres to Global Compact Labour principles. The recent external audit conduct found no labour principle violation.

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

ENVIRONMENTAL PRINCIPLES: Assessment, Policy and Goals

ESCATEC is committed in ensuring that our business activities, products and services are in harmony with ISO 14001 environment rules and country specific governmental regulation. Our key objectives are:

- to ensure compliance with legal and other statutory requirements such as Environmental Quality legislation, regulations and global environmental requirements to prevent environmental pollution issues.
- commitment for continuous improvement in the prevention of unnecessary depletion of natural resources, the reduction of energy consumption and in the control of waste products
- promotion and maintenance of the 3R of natural resources: Reduce, Reuse, Recycle

ENVIRONMENTAL PRINCIPLES: Accomplishments

All ESCATEC employees have gone through environmental, health and safety awareness training program. The environmental, health and safety awareness training emphasise on, but not limited to the following subjects:

- the importance of conforming to the environmental, health and safety policy, procedures, and its requirements
- the actual and potential significant environmental impacts and as well as the safety and health hazards of their work activities and the benefits of improved personal performance
- The roles and responsibilities in achieving conformance with the requirements of the environmental, health and safety system, emergency preparedness and response planning requirements
- the potential consequences of not following standard operating procedures

ESCATEC also takes responsibility to bring the awareness to our contractors and suppliers by conducting ISO 14001 awareness briefing, environmental policy and scheduled waste handling briefing to the relevant people.

We defined the procedure for handling and investigating non-conformities. It includes initiating corrective action and prevention action. In addition to that there is yearly management review to ensure the environmental management system is reviewed, verified and met the current ISO 14001 standard.

We also engage external certification to audit our environmental performance. The ISO 14001 renewal audit in 2013 was conducted with zero major findings.

In addition, we also established Environmental Management Program (EMP) to identify, monitor and control the company's environmental performance.

There are key programs initiated from different ESCATEC locations:

- **paper consumption reduction**

There are various efforts conducted to raise companywide awareness. We achieved 12-17% reduction in paper usage from different facilities. There will be continuous efforts to measure and reduce paper usage; our next year focus is to increase paperless process through automation.

- **energy efficiency and conservation**

ESCATEC focuses on power and nitrogen usage reduction by progressively upgrading with modern and energy efficient equipment that will enable us to achieve substantial energy efficiency. We have also started the project to replace the lighting to energy saving lights in 2013 and this project will proceed throughout 2014. Our Switzerland facility has shown a reduction off 8% in power consumption and 29% reduction of nitrogen usage.

- **improve noise pollution from ultrasonic processes and air gun**

5 out of 8 areas within ESCATEC compound achieved the target where the noise level reduced within the legal specifications, 85dB(A)

- **support on community activities**

ESCATEC participates and supports different community service like parks and beaches cleaning projects



Cleaner Greener Penang project on 12 May 2012



Ethical Conduct: Cleaning Monkey Beach 2012



ANTI-CORRUPTION

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

ANTI-CORRUPTION: Assessment, Policy and Goals

The ethical conduct of business is one of ESCATEC five core values. We conduct our business with uncompromising integrity. ESCATEC is proud of its history of succeeding through honest business completion. The highest possible standards of ethical and business conduct are required and expected from our employees. Employees and suppliers are guided by our Anti-Bribery policy.

All employees are made aware of the policies which focus on:-

- ethical relation with customers,
- ethical relation with suppliers and,
- ethical relation with governments and other public bodies and their employees.

ANTI-CORRUPTION: Accomplishments

Anti-corruption policy is part of the orientation program for every new hire. The code of conduct policy is published online in the SOP system which assessable by all employees. Every employee is compulsory to read and practise this policy. To ensure employees are constantly reminded of the policy and truly understand the policy, the employees will participate in a quarterly SOP assessment where random questions related to the policy will be asked.

Additionally, ESCATEC management also practise open door policy, whereby employee or whistle blower has easy access to report any suspicious case on violation of code of conduct.

The compliance of the policy is further validated by the yearly management audit from an independent consultant company. We are glad to report that there is no audit finding related to violation or deviation of the anti-corruption policy.