

Communication on Progress

Report to UN Global Compact Organization

Jan. 10, 2011

1. Statement by Company's General Manager and Company Profile

1.1 Statement by Company's General Manager

This is the third time Phoenix Contact Asia-Pacific (Nanjing) Co., Ltd. has made the Communication on Progress Report to UN Global Compact Organization since it has participated in the GC in December of 2006. In 2009 Mr. President Li Musong resigned as concurrent General Manager of the company in favor of a reliable successor Mr. Gu Jiandang, a man of great ability and high virtue. The company under leadership of Mr. GM Gu will as usual stick at supporting without reservation the UN Global Compact, as we strongly advocate the ideas expressed in the Ten Principles of Global Compact and our company has been benefited tangibly or intangibly from being a participant of the Global Compact. It really helps us take advantage of the best properties of the UN, such as moral authority and convening power, to learn expertise and experiences from many key enterprises and stakeholders in the world. It promotes increasing our competitive advantage both at home and in the world marketplace.

1.2 Company Profile

Phoenix Contact Asia-Pacific (Nanjing) Co., Ltd. is the biggest

subsidiary of Phoenix Contact Holding (China) Co., Ltd., other subsidiaries being the Nanjing Phoenix Contact Co., Ltd., Phoenix Contact (Shanghai) Co., Ltd., Phoenix Contact R & D Engineering Center (Nanjing) Co., Ltd. and Phoenix Contact Asia-Pacific Logistics Hub Co., Ltd. Except for Nanjing Phoenix Contact Company, a joint venture, the earliest founded in 1993 by German Phoenix Contact Group and China State Electro-Power Research Institute, others are solely German-funded companies.

Phoenix Contact Holding (China) Co. was the last being set up, i.e., in 2010. Now it has 22 representative offices and 2 service centers and more than hundred distributive and cooperative partners throughout the country and has become one of three business and competitiveness centers in the world for German Phoenix Contact Group, namely, those in Africa and Europe proper , in North-and-South America and in Asia-Pacific regions respectively. The above-mentioned companies in China are all together called briefly Phoenix Contact China, dealing with financing, Human Resource, R & D, logistics, manufacturing, marketing and information technology.

As from February 1st, 2011, Mr. Gu Jiandang officially took the place of President and General Manager of Phoenix Contact China.

Phoenix Contact China has 1200 odd employees in total with US \$75

million registered capital and annual turnover more than RMB 1,7 billion Yuan(US \$269.9 million). It features an almost solely foreign funded enterprise with 100 percent local employees and 100 percent local management team.

The company's main business line is manufacturing technologically most advanced worldwide all kinds of electrical connectors, including those for printed circuit boards, electronic interface, lightning and surge-voltage protectors, field-bus, Ethernet products, industrial automation solutions, etc.

The company has been appraised to be "China Top 100 in Electrical Industry", "China Outstanding Honest Enterprise", "National Customer-Trusted Brand", "Chinese Top Brand in Electrical Connector, Electronic Interface and Industrial Automation Industry" etc.

It has been awarded titles "Enterprise of AAA Credit", "Model Enterprise with Harmonious Labor Relationship in Jiangsu Province", "High-tech Enterprise in Jiangsu Province", "Advanced Foreign-funded Enterprise in Nanjing City", "Top Ten Best Employers in Nanjing City" etc.

The core value of Phoenix Contact China is expressed as "to inspire the nation, serve the public and make contributions to building a harmonious society".

2. Implementation of Ten Principles of Global Compact

2.1 Human Rights

The Phoenix Contact Asia-Pacific (Nanjing) Co., Ltd. as well as other companies of Phoenix Contact China has been behaving in the same way as its parent company, German Phoenix Contact Group, ever since its founding and attaching great importance to supporting and respecting the protection of internationally proclaimed human rights and fulfilling the corporate responsibility to protect against any human rights abuses.

As stated in the Preamble of the UN Universal Declaration of Human Rights (referred to as “Declaration” hereafter), “The peoples of the United Nations have determined to promote social progress and better standards of life in larger freedom” , we include the Corporate Social Responsibility (CSR) under this heading of Human Rights.

2.1.1 What Have We Been Doing for CSR?

Our main concerns about the CSR are focused on 2 aspects: first, to promote education in the society, and second, to help disadvantaged groups in the society.

2.1.1.1 To Promote Education in the Society

(1) To sponsor so-called “Hope” elementary schools in remote poverty stricken areas of the country, 8 of such schools has been

benefited. 2 other schools in northern Tibet, each received a passenger and goods double-service truck and sports apparatus and books as gift from our company. The company has set a computer lab with brand new computers and a big TV set for an elementary school for migrant workers' children near Nanjing, has provided much-needed funds for a kindergarten in Qingdao city, Shandong province, etc.

(2) Annually to help make higher education available to students from poor families, help those children unable to go to school for the reason of extreme poverty continue their elementary education to respond to the Article 26 (1) of the Declaration “ .Everyone has the right to education”.

(3) To help strengthen higher education. Phoenix Contact China has provided most advanced industrial automation hardware and software for automation labs of some universities to equip with and gives scholarships to excellent students and prizes to outstanding teachers in some universities in Nanjing, Shanghai, Beijing and Wuhan, Hubei province.

(4) To participate in the drive to forge ahead with rehabilitation of Chinese traditional culture for it to keep pace with the times. The culture has been commonly recognized as being extensive and profound in philosophy and resources of food for thought, in

particular, in life philosophy and human ethics. Especially nowadays, it renders great assistance to boosting people's morality and public order.

Indeed, Dr. Peter F. Drucker did write that organizations can only do damage to themselves and to society if they tackle tasks that are beyond their specialized competence, their specialized value, their specialized functions. We hold that we, employees and in a foreign funded enterprise in China, have the obligation to get specialized competence to some degree to fulfill our humanistic responsibility to do good for the community as a whole.

2.1.1.2 To help disadvantaged groups in the society, including (1) Those hit by natural calamities, such as earthquakes, mud avalanches, floods, etc. For instance, Phoenix Contact China as an enterprise of small & medium size and its employees eagerly came to the relief of earthquake victims in Wenchuan, Sichuan province in May 12, 2008. Unintentionally, our contributions stood out from all other thousands of giant and medium sized enterprises in Jiangning district, Nanjing, either in terms of an enterprise or in terms of the whole of employees, or even in terms of individuals. Other cases were our employees' and company's contributions to relief of Yu-Shu earthquake victims and refugees that suffered floods in Yunnan province in 2010, etc.

(2) The unprivileged groups in society, especially those severely disabled or handicapped children, who have been taken in by “Welfare House” for abandoned children in Gaochun town near Nanjing. The company asked the administration of the “Welfare House” to draw up a budget for things the children were badly in need of and gave them a sum of money to buy all these necessities. We also visit them regularly to see what they need more, not only in material, but also in culture. The company has recruited a number of disabled workers who had had difficulty in finding a job, among them there appeared a severely handicapped female doctor of literature from Peking University. She is now an advisor of ours, working at home.

Mr. President Li recently has made personally a new contribution of 5 million Yuan(769,23 thousand US Dollars) to the fund of repaying the society to help unprivileged groups there, including disadvantaged employees in our enterprise. The company has also added an equal sum of money to its donation to the fund.

2.2 Labor

2.2.1 Labor Union

First about the freedom of association and joining the trade/labor union businesses should uphold.

The labor Union should be a trustworthy organization for employees.

Back to 1993, when the company was founded, Mr. President Li through negotiations with German investor side won the approval from the latter of including clauses such as the standing, function, funds etc of a labor union in corporate articles of association. Ever since the beginning of 1995 when the Phoenix Contact China's labor union was first established, it has stepped into the path of parallel development with the company proper. The number of its members has augmented from tens in the beginning to more than a thousand at present, that is, all employees do join the labor union to enjoy the right set forth in Article 23(4) of Declaration, in spite of the fact that many foreign funded enterprises in China refuse to recognize and observe it. In the period of 15 odd years the labor union has devoted to constructing itself into a well-organized, systematized and normalized one, good at innovation and pioneering work, capable of maintaining employees' rights and benefits so as to be worthy of trust by employees. In March of 2007, the company has been awarded the title "Model Enterprise with Harmonious Labor Relationship in Jiangsu Province"

2.2.2 Promoting Better Standards of life of Employees

The most important thing is for Phoenix Contact China's employees' salary, bonus and welfare system to keep pace with the time and progress. All employees are entitled to enjoy "5 insurances plus 1

fund”, i.e., the aged insurance, unemployment insurance, medical insurance, on-the-job injury insurance, birth insurance and common accumulation fund for housing. Besides, they enjoy enterprise annuity, commercial medical insurance and a variety of welfare items and allowances, such as subsidy for keeping fit, for tourism, for buying a car, traffic allowance etc. They can also go on holiday with pay annually above common standard.

The company has been awarded the honorary title “Rank A Credit in Social Insurance Premium Payment in Nanjing City” and “ Top Ten Best Employers in Nanjing City” twice on end.

Any form of forced and compulsory labor, child labor and discrimination in respect of employment and occupation has never existed in our company.

One of main concerns beyond that is to improve continuously employees’ life standards. In addition to raising employees’ pay and bonus timely and by enough margin, the equally important thing is to improve working and life conditions in company, and thirdly, to take special care for unprivileged employees.

Working conditions: all workshops are well lighted and ventilated, equipped with air-conditioners and special devices to keep constant ambient temperature and humidity. The injection and modeling shop is equipped with automated feeding mechanisms and pipelines to

guarantee the air to be clean and free of industrial dust. Its floor is paved with epoxy electrostatic-resistant material.

Life conditions: apart from fitness center a reading room has been built recently. Many light disks and books are granted to employees for free. Lately a winter dress was given for free to everybody with wonderful features combining cold-proof with water-proof and diathermancy from within. Everybody has right to enjoy vacation with pay, to receive tourism allowance

2.3 Environment

The company attaches great importance to the E-P (Protection of Environment) and Utilization of Natural Resources. The idea is embodied both in product manufacturing processes and during new product research & development period.

2.3.1 Environment Policy and Environment Criteria

2.3.1.1 Environment Policy

The company has drawn up its environment policy as the crux of establishment of environment protection management system, based on relevant laws and regulations and prevention of pollution strategy.

The company's environment policy reflects the overall orientation and basic commitment of the company to environmental protection, it reading as:

- A. To abide by all relevant environment protection- concerned laws, regulations and other requirements.
- B. To economize on resources and energy, to bring all kinds of the waste under control to the utmost. To devote every effort to pollution prevention and sustained improvement.
- C. To popularize environment protection ideas and enhance the environment protection consciousness of all partners concerned.

2.3.1.2 Environment Criteria (omitted)

2.3.1.3 Enterprise Environment Behavior Evaluation Indices & Standards

2.3.1.3.1 Discharge Standards

There is no industrial waste water resulted from Phoenix Contact production processes. The noises are mainly spread from air compressors and cooling towers. We practice monitoring and control over sewage and noises and percentage of meeting the standards reaches 100%. The retrievable solid waste is outsourced to be retrieved in a unified way. The main dangerous waste substances are waste emulsion, waste machine oil and waste cleaning liquid. According to State strict implementation system about moving dangerous waste substances, we entrust qualified institutions approved by E-P Bureau to retrieve and process these substances, the completion of processing rate reaching 100 %.

Part of requirement indexes and measurement data are shown as follows:

Item monitored	Index term	Requirement	Value Measured in 2009	Value Measured in 2010
Noise (db)	Noise in Factory Territory	<60	52	55.7
Waste Water(mg/L)	PH	< 6-9	6.9	7.65
	SS	< 400	16	44
	COD	< 500	200	185
	Animal or Plant Oil	< 100	0.98	2.32

Note: PH –Acidity-alkalinity of waste water sample

SS –Suspended substance contained in waste water sample

COD—Oxygenation quantity in oxidization in waste water sample

The Qualified Institutions and their Licenses for Processing

Name of Waste	Category No.	Qualified Institution for Processing	License No. for Processing Waste
Waste Emulsion	HW08	Nanjing Huifeng Waste Processing Co.	JS0115001136-5
Waste Cleaning Liquid	HW42	Nanjing Huifeng Waste Processing Co.	JS0115001136-5
Waste Machine Oil	HW08	Nanjing Dingzun Industrial-Trade Co.	JS011100D158

2.3.1.3.2 Control over the Total of Discharge

The total of discharged pollution is made by the company, strictly complying with the permit stipulated in the city's license.

2.3.1.3.3 About Abiding by E-P Laws and Regulations

It is stipulated by the 6th article of [The Environment Protection Law of the People's Republic of China] that every unit and every individual are obliged to protect the environment and entitled to report to the authorities on and bring a charge against the unit or individual polluting or damaging the environment. According to the principle of strictly abiding by state laws and regulations, based on the real conditions of company's products and services, our company has meticulously carried out the work of identification, acquisition and grasping the requirements of relevant laws and regulations as our work norms.

The company is equipped with discharging system to separate rain water and sewage, the latter being mainly drainage from toilets, bathrooms and canteens. The sewage is drained away after biochemical processing to sewage processing factory in Jiangning development zone. Annually we conduct environmental supervision of sewage only to find that the state standards are met.

In the production processes, no waste water is produced, because the processes are fully dry.

2.3.1.3.4 Administration of Environmental Risks

In order to be able to deal with many unexpected unfavorable factors

to the environment possibly occurred in production, discharge, transport, warehousing, managing, servicing, new project developing, etc., the company has drawn up emergency case plans of analysis, assessment and control implementation (omitted).

2.3.1.3.5 Regular Application for Pollution Discharge

Phoenix Contact China regularly and accurately applies to E-P Bureau for registration to acquire pollution discharge license.

2.3.1.3.6 Normalized Arrangement of Pollution Discharge Outlets

The pollution discharge outlets are arranged to meet the requirement “apparent, reasonable, and convenient” and clearly marked for the professionals to collect samples to effect monitoring and supervision conveniently.

2.3.1.3.7 E-P Organization, Personnel and Systems in An Enterprise

Phoenix Contact China incorporates green operating ideas in its enterprise operating strategy, decision-making and operating and managing process, sets great store by disseminating green ideas to strengthen E-P consciousness among employees, develop green products and logistics, exerts efforts to reduce resource consumption and goods damages. A specific post of environment managerial representative has been set up under direct leadership of General Manager. A full-time E-P organization--integrated managing sector

has been established. As required by the standards of ISO14001/ RoHS management system, the integrated managing sector under the leadership of the managerial representative exercises strict control over and management of environmental elements in the whole production process ranging from raw materials, components and accessories to finished products. The sector performs on-site examination of suppliers to make sure that their environmental management meets our company's E-P requirements. The sector also engages in working out E-P managing systems to push forward E-P drive, some of them being listed as follows:

Environment management assessing and examination procedures

Environment factors identification and appraisal procedures

Environment laws, regulations and other requirements procedures

Policies, targets, indices and managing plans procedures

Exerting environmental influences on relevant partners procedures

Control over wastes

Chemicals, oil and grease management procedure

Monitoring and measuring of environment occupational health and safety effects

RoHS control

Emergency case of chemicals leakiness accident tackling

Emergency case of fire or explosion accident tackling

Note: RoSH stands for “The restriction of the use of certain hazardous substances in electrical and electronic equipment” of European Union’s instruction in E-P, clearly restricting the use of 6 substances: mercury, lead, chromium, cadmium, polybrominated ether dibenzene and benzene polybromide.

2.3.1.3.8 Comprehensive Utilization of Solid Waste

The company lays stress on the comprehensive utilization of resource and recycling of the waste. The main raw materials of Phoenix products are nylon particles and copper.

The comprehensive utilization rate of nylon particles in molding and injection workshop reaches 98%, that of copper filings in metal processing shop reaches approx.90%, while that of leftover bits and pieces of copper—more than 83%.

2.3.1.3.9 Clean Production

The most important key links to realize clean production are performing control from the source and taking precautionary measures against pollution.

To this end the raw material providers are required to present their

RoHS test reports for each batch of raw materials provided by them for our company. This is just the first check. After the materials enter our company, they must undergo RoHS test inside our factory, then are submitted to specialized institutions for check again. The raw materials are put under test again and again to ensure that they meet E-P requirements from the source. Some of the final test data are shown as below.

RoHS Test of Copper		
Test Item	Standard Value(ppm)	Real Value(ppm)
Hg	700	0
Pb	28000	11177.8
Cd	70	0
Cr	700	0

RoHS Test of Nylon Particles		
Test Item	Standard Value(ppm)	Real value(ppm)
Cr	700	0
Br	700	0
As	700	0
Cd	70	0
Hg	700	0
Pb	700	0

2.3.1.3.10 SO14001Certification

In April of 2009, based on the previously acquired Quality Management System ISO9001:2008, and Environment Management System ISO14001:2004 and Occupational Health Safety Management System OHSAS: 2007, the company successfully passed the Three-in-one Integrated Management System of the newest version.

2.3.1.4 New Measures Taken to Protect Environment

2.3.1.4.1 Electronic Purifying System of Oil Fume in Canteen

Previously, in canteen there has been installed an oil fume processing system with water and vessel hood to filter and reduce the oil fume before discharging into the air. In 2009, has been put into use a most modern electronic oil fume purifying system, capable of preventing fire and removing peculiar smell. It fully dissolves the molecular structure of grease and oil by means of the chemical way of photolysis and oxidization. The purification is conducted without exhaust discharged, without using water and cleaning agent. After purification there isn't any residual grease left over and a really good result of environment protection is obtained.

2.3.1.4.2 Use of Noise Preventive Housing

In order to suppress the intense low frequency pulse noise from the

punching presses in metal-processing shop, the damping pad and the sound-proof housing are used. It took another half year to improve further the sound-proof technology. The sound insulating groove is used to insulate the noise source in addition to sound insulating pad and noise preventing housing.

2.3.1.5 Latest Development

The latest development of usage of Phoenix Contact technology in environment protection industry is to spread and popularize its products in wind-electricity, solar energy, etc new green power industries. The technological edge of Phoenix Contact found its expression in that it provides a whole set solutions for industrial automation and application of technologically advanced Phoenix Contact products, such as PLC relays, MINI isolation transducers, QUINT power supply, lay-out systems, tandem interface, wireless communications, optic fibers, connecting tools, lightning and surge-voltage protecting device modules, UT series connectors, etc, would result in reduction of device kinds, enhance of device installation efficiency, largely saving installation spaces, lowering installation and maintenance costs to significantly raise maintenance efficiency and so on.

In China wind-electricity market for electrical components it is expected for Phoenix Contact to have more than 40 % shares. In

Daban town of Xinjiang Autonomous Region, Yichun city of Heilongjiang province, East-Ocean Bridge, Shanghai, Xiangshan, Xinzhu city, Yunnan province etc, wind-electricity sites, people invariably find the silhouettes of Phoenix Contact products. Phoenix Contact automation systems are also adopted to use in the Shilin solar energy project of 166 MW in Yunnan province, which tops Asia in installed capacity.

In October of 2010, a big forum on building intelligent electric power grids was held in and sponsored by our company, which was attended by relevant officials and prominent experts from various districts and enterprises in the country.

Phoenix Contact China not only prides itself on setting great store by observing environmental protection in production and business operation, but takes pleasure in making contributions to building green industry in the country.

2.4 Anti- Corruption

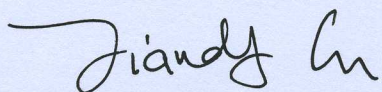
Phoenix Contact China has been working against corruption in all forms ever since founding in 1993. It did dismiss in isolated cases very few employees committing such wrongdoings as soon as they were ferreted out. There has been no single tax evasion by the company, hence we have been repeatedly awarded the title of “Top Ten Taxpayers in Nanjing” and “Organization of Credit AAA rank in

Nanjing”.

Not only in order to do away with all possible bad practices from top higher echelons of management to ordinary members, but also inculcate clear conscience in them, boost their morality consciousness and humanistic culture level in general, the company has been devoted itself to promoting Chinese traditional culture with Mr. President Li and Mr. General Manager Gu taking the lead personally. The core principles of ethics of Chinese traditional culture are filial piety, fraternity, loyalty, honesty, propriety, righteousness, integrity and the sense of shame.

Apart from routine training in technology and skills, the company has arranged special training courses in Chinese traditional culture and corporate culture for all employees to go through in turn, the trainers being appointed from within and from outside, including President and General Manager of the company. The trainees have amounted to 1024 in total.

Such training courses are being continued.



Mr. Gu Jiandang

President and General Manager

Phoenix Contact Asia-Pacific (Nanjing) Co.,Ltd.