

Communication On Progress 2015

Universal Air Filter Company



Table of Contents

LETTER FROM PRESIDENT/CEO	2
ABOUT UNIVERSAL AIR FILTER CO.	3
CORPORATE SOCIAL RESPONSIBILITY	4
STANDARDS & BUSINESS CONDUCT	5
GOVERNANCE	5
HUMAN RIGHTS PRINCIPLES	6
LABOR PRINCIPLES.....	7
ENVIRONMENTAL PRINCIPLES.....	9
ANTI-CORRUPTION PRINCIPLE.....	11

Letter from the President / CEO

Universal Air Filter remains committed to maintaining high, ethical, social, environmental and governance standards, and to creating sustainable values for the benefit of all of our stakeholders. We began supporting the UN Global Compact in 2013 and since then have started implementation of the ten universal principles within the areas of human rights, labor, environment, and anti-corruption as an integrated part of our strategy, culture, and daily operation. For 2015 we enlarged our scope to include UAF global divisions and companies as well as our suppliers. We also worked to limit energy consumption and greenhouse gas emissions.

Our main focus of 2015 has been to ensure UAF is in line with customer sustainability requirements.

It is our objective to continue to work with customer organizations as expectations become more stringent in the future. Our goal is to continually improve practices, update sustainability documents such as certifications and reports, and prepare for broader customer partnerships.

We understand the benefits from providing improvements based on the sustainability ratings outcomes and addressing the weaknesses identified on the EcoVadis platform. We believe this is the best way for UAF to have the greatest impact because our products are not only used in equipment for doing business, but also saving lives, building communities and protecting the environment.

We are proud of our long-term commitment to CSR and consider it a key influencer on how people feel about our company and employees.

Dan Krupp
President and CEO

About Universal Air Filter

UAF designs and manufactures custom air filters and EMI shielding products used to protect commercial equipment and electronics enclosures. With exceptional design and application knowledge necessary to satisfy electronics cooling requirements of increasingly powerful and complex equipment, UAF is a valuable partner for global OEMs serving all types of electronics and industrial machinery end markets. Engineering design support and quick-turn, free custom prototypes are provided to engineer prospects and customers operating under ambitious product development cycles. UAF filters are engineered to address the challenges of thermal management, dust contamination, airflow control, fire safety, EMI shielding, and size limitations in crowded electronic enclosures. Products also satisfy the most stringent end market certification standards and performance criteria.

As the recognized leader in the design and manufacture of high-quality custom air filters, EMI vents and screens, UAF can meet any filtration and EMI/RFI challenge. Based in the United States with operations in Asia and Europe, Universal Air Filter is ready to serve customers with effective, economical solutions that meet exact requirements in a timely manner, regardless of order size.

Universal Air Filter Company is also the low-cost, OEM approved direct supplier of replacement air filters. As the leading OEM approved source of supply for NEBS certified air filters in carrier grade telecommunications and networking applications, UAF provides a variety of products directly to end users. In addition to serving the telecommunications/networking industry with replacement parts, UAF also provides replacement parts for a variety of other applications including industrial, medical, electronics, military, power generation, and HVAC equipment.

UAF Quality Policy

To be “On Spec, On Time, Everytime” through continual improvement and innovation of every aspect of our operations in order to meet and exceed our customer’s expectations.

Corporate and Social Responsibility Policy

UAF policy is "ON SPEC, ON TIME, EVERYTIME" through continual improvement and innovation of every aspect of our operations in order to meet and exceed our customer's expectations and demonstrate social responsibility. The interests of all stakeholders including investors, customers, employees, the community and the environment are reflected in the company's policies and actions. We believe that by integrating CSR into our business, we not only benefit our communities and our environment, we also benefit our business.

This policy applies globally to all UAF locations, facilities, and organizations around the world. UAF locations in Taiwan and Europe are single-employee sales representative offices with facilities leased from 3rd party property management organizations. China also consists of sales representative offices but includes light manufacturing / distribution with facilities leased from 3rd party property management organizations.

Commitment

UAF is committed to:

- Continuous improvement in our Corporate and Social Responsibility (CSR) strategy
- Encouraging our business partners to strive for continuous improvement
- Acting responsibly, operating sustainably, and contributing to the communities in which we work and live
- Operating in a manner consistent with the UN Global Compact and its 10 principles covering human rights, labor, the environment, and anti-corruption
- Executing socially responsible behavior in all aspects of our business
- Continually improving our performance and complying with all relevant regulatory requirements
- Encouraging employee awareness of environmental impact of all business actions

Purpose

- Clearly state to all stakeholders the UAF commitment to CSR and our execution strategy. CSR policy applies to all sourcing, production, and distribution services and governs the UAF approach to all business activities

The intent of policy implementation is to strive for:

- Social and environmental responsibility
- Representing a strong model of CSR best practices

Standards and business conduct

- UAF recognizes that good CSR embraces all aspects of sustainable development and how the impact our business operations affect people and the environment
- UAF will operate to safeguard against unfair business practices
- UAF is committed to responsible business relationship development between companies and the communities they serve, global or local, as a vital part of business success
- UAF will consider environmental and social issues as we conduct business

Corporate Governance

- UAF will share and declare information on personal and corporate conflicts of interest and seek guidance of higher authority before acting
- UAF is committed to ensuring that business is conducted according to rigorous ethical, professional, regulatory, and legal standards
- All laws that regulate and apply will be complied with
- UAF will ensure that stakeholders have confidence in decision-making and management of the procurement process by the conduct and professionalism of employees through continual training and development
- All business relationships will be treated with fairness, transparency, and respect
- Vendor competition will be reasonable and based on quality, value, and performance of the products and services supplied

- Feedback on purchasing performance will be actively sought, and we will continually review all activities to ensure best practices are observed at all times

Human Rights Principles

Principle 1 & 2

- ☐ Businesses should support and respect the protection of internationally proclaimed human rights.
- ☐ Business should make sure that they are not complicit in human rights abuses

Assessment, Policies and Goals

UAF Human Resources Policy

- UAF supports and respects the protection of internationally proclaimed human rights
- UAF is committed to operating in a manner consistent with the UN Global Compact and its principles covering human rights and labor
- Vendors are actively encouraged to observe international human rights norms and to operating in a manner consistent with the UN Global Compact and its principles covering human rights and labor

Implementation

All UAF employees at all UAF locations must at all times comply with UAF's CSR policy and related guidelines. Failure to comply is cause for discipline, including dismissal from the company. Employees are responsible for consulting their supervisor immediately if they have any question whether their actions could violate the UAF policy.

UAF performs annual reviews with all employees at all locations - including performance and career plans topics.

Measurement of outcomes

There has not been any suspected or unethical behavior reported, or violation of Human Rights during 2015.

No legal claims have been made against the Company by any employee regarding breaches of Human Rights.

Goals 2016

- Review of Company policies is extended to 2016 and we will continue to emphasize the importance of Human Rights and Labor principles
- Review and map Human Rights and Labor aspects for UAF global divisions and companies
- Internal training on our CSR policy for employees and in particular for new employees
- A Supplier Code of Conduct will be launched including focus on the four main areas of the UNGC principles

Labor Principles

Principle 3, 4, 5 & 6

- Business should uphold the freedom of association and the effective recognition of the right to collective bargaining
- Business should uphold the elimination of all forms of forced and compulsory labour
- Business should uphold the effective abolition of child labour
- Business should uphold the elimination of discrimination in respect of employment and occupation

Assessment, Policies and Goals

- UAF performs annual reviews with all employees - including performance and career plans topics
- UAF strives to eliminate discrimination on any grounds and promotes equality of opportunity in the workplace and throughout the supply chain
- UAF ensures that our customers and vendors are treated with equality and respect in all business dealings
- Customer and vendor relationships consider the needs of diverse cultures

Implementation

UAF employees are given the right to collective bargaining. UAF current workforce has chosen not to exercise that right. UAF engages the workforce on issues that involve them. This includes employee representation on the UAF Management Safety Committee which promotes a safe working environment and acceptable working conditions.

Measurement of outcomes

Gender and ethnicity

UAF maintains a policy of providing employees with equal opportunities for development of skills and offering new challenges within our Company. All employees are treated equally, irrespective of ethnic background, gender, religion or age – and they are offered equal opportunities for development and promotion to managerial positions. Gender-based discrimination is not allowed in terms of recruitment, promotion or wage compensation. Of 55 employees, 54.5% are men and 45.5% women, respectively.

Absence rate

Compared to 2014 the recorded absence rate at the headquarters has been reduced by 7%.

Lost Time Injury Frequency

Recordable incidences in 2015 have increased by a negligible amount YTD while Lost Time Injuries / Days remain at 0 respectively.

	FY 2013	FY 2014	YTD 2014	YTD 2015
Recordables	4	0	0	1
Lost Time Injuries	1	3	0	0
Lost Time Days	56	97	0	0

Response to Labor Standard violations

There have not been any reported possible breaches of Labor Standards since UAF became a member of the UN Global Compact in 2013

UAF Human Resources Departments have not reported any breach of any Labor principles for 2015.

Goals 2016

- Clearly state minimum age limits for UAF employees in overall governing documents and the implementation of the age verification procedures
- Establish a corporate procedure on reporting of breaches/no breaches of Labor principles
- A safety culture survey will be carried out in 2016 to map our existing safety culture and to initiate measure for improvement

Environmental Principles

Principle 7, 8 & 9

- Businesses should support a precautionary approach to environmental challenges.
- Businesses should undertake initiatives to promote greater environmental responsibility
- Business should encourage the development and diffusion of environmentally friendly technologies

Assessment: Policy and Goals

UAF Health, Safety & Environmental Policy

- UAF believes exemplary performance in the areas of health and safety is essential to fulfill our business goals and meet the expectations of our many stakeholders
- UAF will comply with all applicable health and safety laws and regulations and adopt best sound professional judgment where laws and regulations do not exist
- Occupational health and safety values will not be compromised. No job is so important and no task so urgent that the necessary steps cannot be taken to perform it safely and maintain the health of our employees, contractors and the public
- A Sustainable Supply Chain policy is maintained and sets out the principles, policies, and procedures on sustainable business activity
- Policy acts as a prompt for employees to consider sustainability in all purchasing and business decisions
- UAF strives to minimize the adverse environmental effects of product transport and business travel

Impact on Society

- UAF is committed to effectively supporting the needs of local communities where we do business
- We will work closely with local and wider communities to promote cooperation and sustainability

Implementation

Environment Management System

UAF is committed to operating its businesses throughout the world in a manner that meets or exceeds applicable environmental laws and is protective of the environment and public health. We are aware of the importance of natural resources to the quality of human life and will strive to continuously improve the management of our environmental responsibilities.

Our Environmental Management System is fully applicable to all global UAF facilities / locations. EMS is designed to reduce impact on the environment through commitment to continuous improvement in the following areas:

- Execute bi-annual audits for all vendors to verify compliance to newly EU released RoHS, WEEE, REACH, and substances of high concern. Ensure all product components are non-toxic
- Work with vendors to reduce their impact on the environment
- Product End-of-Life – In accordance with Telcordia NEBS GR-63-Core requirement O4-27, verify all products utilize recyclable materials. Ensure all product component materials can be separated for recycling and repurposing
- UAF fleet vehicles are 100% electric plug-in hybrid for zero VOC emissions
- Ensure paper products used originate from forests independently certified as well-managed according to the standards of the Forest Stewardship Council, or from recycled materials. All paper products are environmentally friendly throughout the company
- Universal Air Filter is passionate about diverting electronic materials from landfills. Our partnership with RNA Worldwide (EPA ID: MOR000541193) will promote an environmentally friendly initiative and serve as a key element of a sustainable waste

management program. Upon submission of electronic items, all data containing devices (hard drives, etc) are purged of data per NIST Guidelines for Media Sanitization. All electronic items are demanufactured, separated by component, and recycled appropriately and responsibly. (REF: RNA Worldwide Statement of Sustainability.)

Environmental projects in 2016

Many projects remain on the agenda for 2016 with an environmental focus. Some of them are new and some are on-going. Main focus for our projects will be to reduce our emission of GHG greenhouse gases.

Energy Saving Campaign

In 2016 an internal campaign will be launched encouraging all UAF employees to suggest energy-saving initiatives where the best proposals received awards. Many of the proposals will be initiated in 2016.

Measurements of outcomes

Energy provider Environmental Disclosure statements have been collected.

UAF monitors water consumption and has reviewed records covering trailing 30 months. See UAF Historical Water Usage document. The national average American household footprint is 100 gallons per capita per day (gpcd). Average household water use is based on the U.S. Environmental Protection Agency's (EPA's) WaterSense Program estimate of 100 gallons per capita per day. Analysis of UAF historical usage indicates gpcd rate of 13 gallons and, therefore, is classified as insignificant usage. UAF does not utilize water as part of our manufacturing process will continue to monitor usage and review records annually to determine appropriateness for water consumption reduction programs in the future.

Anti-Corruption Principle

Principle 10

□ Businesses should work against corruption in all its forms, including extortion and bribery

Assessment, Policy and Goals

Bribery and Corruption policy

UAF has adopted an anti-corruption and trade control compliance program to set forth and communicate its policies concerning compliance with U.S. foreign anti-corruption laws, including the FCPA, and Global Trade Control Laws, and to prevent violations of those laws. This compliance program covers the following key principles:

- It is the individual responsibility of all employees of UAF to comply with all applicable U.S. foreign anti-corruption laws, including the FCPA, and Global Trade Control Laws.
- UAF employees have no authority to engage in, permit other employees to engage in, approve or tolerate any conduct that violates applicable U.S. foreign anti-corruption laws, including the FCPA, and Global Trade Control Laws **or** UAF's anti-corruption and trade control compliance policies.
- Employees in management positions are personally accountable not only for their own actions but also for the conduct of their subordinates. Therefore, each manager should take particular care to implement appropriate internal controls to reduce the risk of U.S. foreign anti-corruption and trade control violations.
- Any employee who violates UAF's anti-corruption and trade control compliance policies may be subject to disciplinary action, up to and including termination.
- Consistent with the foregoing principles, all employees must personally comply with the FCPA, Global Trade Control Laws and these guidelines. No UAF employee has authority to direct or approve any violation of the FCPA or Global Trade Control Laws, nor will UAF condone any conduct that could give rise to charges under the FCPA and Global Trade Control Laws.

Implementation

For violations of the FCPA Anti-Bribery Provisions, employees, officers, directors and agents of the company may also be subject to criminal fines up to \$100,000 and/or imprisonment for up to five years. Additionally, employees, officers or directors that knowingly violate the Accounting Provisions are subject to criminal fines up to \$1 million

dollars and ten years of imprisonment.

All employees shall conduct their actions in keeping with applicable, relevant laws and regulations. Beyond that, all employees shall respect safety and environmental concerns and be responsive to the concerns of the wider society.

UAF Personnel and third parties acting on behalf of UAF are prohibited from making Facilitation Payments – directly or indirectly – to Foreign Government Officials. Any attempt to conceal or disguise Facilitation Payments will be considered a serious breach of this Policy.

Personnel and Third Parties are prohibited from making Political Contributions on behalf of UAF. Political Contributions are monetary or non-monetary (e.g. resources, facilities, or employee time) contributions made to support political organizations and their causes. Personnel and Third Parties are prohibited from making Charitable Donations on behalf of UAF.

UAF Personnel are required to conduct thorough due diligence prior to engaging Third Parties. Third Parties that are known or suspected to be paying, offering or accepting bribes, or engaging in any other sort of criminal or unethical conduct are not acceptable as partners to UAF and shall not be engaged. UAF can be held responsible for the actions of Third Parties acting for or on behalf of the Company under the FCPA.

Measurement of outcomes

We have established anti-corruption measures as a part of our purchasing routines. For instance, execution of purchase and approval of corresponding invoices shall be performed by separate employees.