

**Statement of support from Chief Executive Officer of ESCATEC
Penang, May 31st, 2016**

ESCATEC Sdn. Bhd. has been a signatory to the United Nations Global Compact since 2013 and we reaffirm our support of the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. In this annual Corporate Responsibility report, we describe our actions to continually improve the integration of the Global Compact and its principals into our business strategy, culture and daily operations.



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. ESCATEC's solutions and best-in-class service enables our customers to operate more profitably, sustainably and efficiently for greater success in their markets. Founded in 1974, ESCATEC's history is full of innovation, making it a first choice partner for many OEMs around the world. The Swiss owned, Malaysian headquartered company perfectly blends Swiss business philosophy, attention to quality, precision and detail with the advantages of low-cost, high-volume manufacturing capabilities in its Asian factories. We encompass a wide range of industry sectors including industrial electronics and controls, medical products, high end consumer, smart metering and Micro Opto Electro Mechanical assemblies markets.



ESCATEC differentiates itself from other contract manufacturers with uncompromising standards of production and business ethics. ESCATEC values its brand name and reputation and ensures that products are produced in a way that our customers can be proud to put their brand on.

Designing a product right from the very start results in a more competitive product delivered on time. ESCATEC's contract design centre can start at the very first stage of a product concept and take it efficiently 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 and through our expertise in industrialisation the crucial implementation of the manufacturing on time and at minimum cost. We pride ourselves in providing solutions to our customers' challenges with our highly effective production, design and project management skills.

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's human resource policy is developed to support fundamental human and labour rights. The policy with respect to human rights 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 right to freedom of association and collective bargaining; ESCATEC does not interfere in an employee's decision to associate, or discriminate against the employee or their representatives. 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 employment 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 to preventing and eradicating sexual harassment in order to create a positive and harmonious 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 aim to eliminate any potential risks and remain free of any complaints that may impact the human rights of our employees and suppliers.

HUMAN RIGHTS: Accomplishments

Integration of New Employees

ESCATEC see that the successful integration of new employees is essential as the workforce is constantly growing. In addition to the standard induction training program, ESCATEC also focus on creating a welcoming working environment for new employees. The “buddy system” is implemented in all Business Units of ESCATEC. Arrangements are made to have an existing employee paired with a new employee to help him/her settle down in the new environment and provide the necessary guidance and assistance. In addition to that, in ESCATEC Switzerland, the new employee gets a small welcome present. In Johor Malaysia, new employees receive a personalised welcome card from the management team.

Employee Development

A competent workforce is integral to achieving and sustaining continuous improvement in ESCATEC. It is ESCATEC’s on-going commitment to develop our people holistically through multiple avenues.

In 2015, ESCATEC have focused on developing employees to adopt the culture of customer focus. The aim is to change our employees mindset to always proactively provide added value to customers and solving customers’ problems fast. Our Director of Customer Service has conducted training for many groups of employees for this purpose. We also launched a group wide slogan competition which aims to bring further awareness of our customer focussed culture to all levels of the organisation. ESCATEC has started to observe positive results of the changes. The employee suggestion system “ESCATIP” has also resulted in more than >40 suggestions related to proactive actions to solve customers’ problems.



Future Workforce Development

Besides employee development, ESCATEC also believe in developing the future workforce through outreach to colleges both locally and internationally.

a) Internship Program

The objective of ESCATEC's internship program is to provide students with valuable and meaningful work experience and to acquaint them with ESCATEC. During their time at ESCATEC students are assigned to real-life project challenges where they can make implement what they have learned during their studies. ESCATEC Malaysia and Switzerland have provided 40 seats for Internship programs in 2015. The interns were from various universities and colleges and the duration of internship is between 8 weeks to 25 weeks according to their course requirements. Some students were able to continue their employment with ESCATEC after the program had finished. The feedback from students and supervisors was extremely positive. The program was a great success in many aspects and ESCATEC aim to continue with the internship program annually. This will further strengthen ESCATEC's position as a preferred employer among students and continue to provide them with valuable opportunities for professional learning and growth

b) University Students' Study Visit

In 2015 ESCATEC Malaysia hosted several visits for students from foreign and local universities. The events included students from the University of St. Gallen, Switzerland, University of West Sumatera ,Indonesia and the University of Northern Malaysia. The foreign students learned about the Asian business context, and ESCATEC's manufacturing processes.

c) College Sponsorship

ESCATEC also makes a financial contribution to sponsor the student activities of the Warwick University Swiss Society. The Warwick University is one of the top 6 universities in the United Kingdom. The society has over 80+ members.

Time Bank System

ESCATEC Penang introduces a system where all flexi hours employees are given time credits into their Time Bank for every two extra hours worked in a day. Employee can utilize the time bank for time off to attend to personal matters instead of applying for annual leave, Employees appreciate the flexibility. This is also a way for the company to express appreciation for employees who extend their work hours.

Foreign Worker Treatment

In ESCATEC, foreign labor is a key manpower resource for the manufacturing facilities in Malaysia. ESCATEC ensures that the company complies to the foreign worker policy. We are also committed to working with the foreign worker suppliers to ensure that the workers are provided with living condition that are not only in compliance with the regulations but are also safe, sanitary and dignified. For example, ESCATEC Johor has conducted audits in the workers dormitory twice a year to ensure that the facilities of the dormitory are well maintained and fully meet our standards and all applicable regulations. The General Manager also visited and audited the workers dormitory to express that we care for the welfare of employees. In Penang, the hostel occupancy was reduced from ten to seven persons per house for better living conditions.

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 are strictly opposed 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 one of our employees has an understandable employment contract stating their terms and conditions of service and the procedures for termination of employment.

In ESCATEC we adhere to the 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

Sustainable Supply Chain

In ESCATEC, we are working in many ways to broaden and advance our sustainability efforts. During 2015, we introduced the UN Global Compact 10 principles to our suppliers through a master purchase agreement, with which all suppliers are required to comply. We continuously monitor suppliers to ensure that they comply with these principles through supplier audits and the supplier qualification process.

To further intensify the awareness program to suppliers, ESCATEC has presented the UN Global Compact 10 principles to more than 70 participants in the 2015 Supplier Conference. It is our aim to further enhance supplier awareness of the UN Global Compact principles.



Employee Health and Safety

Employee health and safety is paramount at ESCATEC. We work diligently to minimise employee's exposure to all potential safety hazards through technical and administrative controls, personal protective equipment, and preventive maintenance. We take a proactive approach to address any potentially dangerous situations and implement controls to reduce their likelihood and impact.

We routinely conduct activities as below:-

- Monthly audits by certified EHS Officers.
- EHS Committee review to ensure work safety and health of employees.
- Annual fire drill to ensure all employees are able to response to emergency situations.
- First Aid Kit is made available at all times to all employees.
- Safety training programs are conducted for employees to enhance their safety 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.

Employee work safety is a priority focus for ESCATEC management; the safety report is reviewed by Business Unit and Corporate management on a monthly basis. In 2015, we reported 2 minor incidents and two incidents of injury that required more than 4 days medical leaves. The root causes have been identified with corrective actions in place. There has not been any repeated incident reported.

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 to ensuring that our business activities, products and services are in harmony with ISO 14001 environment rules and country specific governmental regulations. 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 to continuous improvement in the prevention of unnecessary depletion of natural resources, the reduction of energy consumption and the control of waste products
- promotion and maintenance of the 3R of natural resources: Reduce, Reuse, Recycle

ENVIRONMENTAL PRINCIPLES: Accomplishments

ESCATEC continually strives to reduce environmental impacts by integrating environmentally conscious practices into our day to day activities. We aim to achieve the objectives through a) new product design, b) investment of new process technology, c) Improvement and optimisation of existing process.

a) ESCATEC use dry ice technique to extend the life of plastic moulding tools by up to 100%

ESCATEC is implementing a technique of moulding tool maintenance that is non-abrasive and can extend the functional life of a moulding tool by up to 100%. The technique is to fire tiny pellets of solid carbon dioxide (dry ice) in a high-pressure stream of air at the moulding tool. At minus 40°C, any contaminants and waste plastic become brittle and are blasted away by the stream of air. This approach offers several advantages apart from being non-abrasive. It is environmentally friendly, producing just a small amount of dust rather than generating waste sandpaper, glass wool, and solvents created by the old method. The technique has been implemented to both Penang and Johor facilities.

b) ESCATEC designs next generation, miniaturized TIR lens for high brightness LEDs

The design enables high packing density, ultra high brightness LED lighting solutions to be created.

The next generation TIR lens was developed to match ESCATEC's recently launched Heat Spreader solution which enables high brightness LEDs to be packed closely together and passively cooled at power densities of up to 10W per mm². The combined packing densities of the LEDs and TIR lenses sets a new standard for ultra-bright, compact, lightweight lighting solutions such as stage lights, searchlights and even microscope illumination. Not only do these new solutions require much less power but they also have a longer operational life of up to 50,000 hours compared to 2,000 hours for a comparable Xenon lamp.



c) Business Units environment management program

ESCATEC have established the Environmental Management Program (EMP) to identify, monitor and control the company's environmental performance. There is also a continuous improvement program initiated by different Business Units.

Energy Saving

ESCATEC have started a project replacing fluorescent lighting with LED energy saving lighting in our Penang facility with significant energy saving in 2014. In 2015 the program was also extended to ESCATEC Johor. We have been able to reduce the energy consumption equivalent to 22% of electricity cost in Johor .

Potting Material Waste Reduction

To reduce the toxic potting material waste which may be harmful to the environment, ESCATEC Johor took the initiative to change the container system which has successfully reduced the potting material scrap from 8% to < 1%. This is equivalent to a yearly waste elimination of 440kg.

Noise Reduction

ESCATEC Johor has successfully reduced the noise exposure from ultrasonic machines from >100 DB to <80DB by implementing a special sound enclosure designed by one of ESCATEC's engineers. This effort helps to minimise employee risk exposure to loud noise.

We also engaged external auditors to assess our environmental performance. The ISO 14001 renewal audit in 2015 was conducted with zero major findings.

ANTI-CORRUPTION

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

ANTI-CORRUPTION: Assessment, Policy and Goals

Ethical conduct of business is one of ESCATEC five core values. We conduct our business with uncompromising integrity. The highest possible standards of ethical and business conduct are required and expected from all our employees.

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

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

ANTI-CORRUPTION: Accomplishments

All employees are trained on the code of conduct policy as part of the induction program. The policy is also published online in the Standard Operating Procedures (SOP) system which is assessable by all employees. Every quarter, employees will be quizzed on their understanding of the SOP where random questions regarding code of conduct will be asked.

ESCATEC management also practises an open door policy, whereby employees have easy access to managers to report any suspicions about potential violation of our code of conduct.

ESCATEC maintain a good check and balance system where there is a clear policy defining the authorisations and responsibilities to be followed. ESCATEC also engage an external company to conduct a yearly management audit and the result is reported to the board of directors. There is no audit finding related to violation of, or deviation from, the anti-corruption policy.