



EPS CORPORATION UNITED NATIONS GLOBAL COMPACT COMMUNICATION ON PROGRESS 2017

1. **Purpose:** The Communication on Progress (COP) is an annual disclosure by EPS Corporation (formerly known as Engineering and Professional Services, Inc.) of its implementation of the United Nations (UN) Global Compact.
2. **Scope:** The EPS 2017 COP presents ways in which EPS has implemented the UN Global Compact and the planned stages and actions being taken.

3. **Requirements:**

3.1 Statement of Continued Support: The EPS Corporation Chairman and Chief Executive Officer, Mr. Francesco A. Musorrafiti, hereby expresses his continued support for the UN Global Compact and his commitment to its initiatives and its principles.

3.2 Description of Actions: There is no discrimination at EPS. All employees are respected for their contribution and receive wages commensurate with their knowledge and the job requirement. There is no child or forced labor practiced at EPS. Over time, EPS has significantly increased the contributions of the corporation to the employees' 401K Plan to encourage employees' participation.

EPS Corporation continues to take actions to address the four issue areas – human rights, labor, environment, and anti-corruption. At the Annual Corporate Meeting in the late Fall of each year, training in these areas and the steps that EPS is taking in their implementation are reviewed with all of the principal company officers and managers.

3.2.1. Human Rights

The Company uses postings in its facilities, email and web site to identify EPS as an Equal Opportunity Employer (EOE). EPS again recently successfully passed a periodic audit by the US Government concerning its adherence to affirmative action hiring requirements. Additionally, in the recent past EPS formed and continues to support a Non-Government Organization (NGO) in Bucharest, Romania, to protect the human rights of women and to help stop human trafficking. EPS is also compliant with new US regulations for federal government contractors that require a formal corporate policy against human trafficking.



EPS has also taken note of the UN Global Compact's initiatives in support of Women's Empowerment Principles, and particularly the need to increase the number of women on corporate boards. EPS is proud of the fact that one-half of the members of its Board of Directors are women, and that the EPS President, Vice Chairman and Chief Financial Officer (CFO) are both women.

3.2.2. Labor

EPS is an equal opportunity employer. EPS complies with all labor laws in the jurisdictions in which it performs work. EPS has worked hard to increase the company's contribution to employee 401(k) retirement accounts. EPS provides generous vacation and sick leave through a Personal Time Off (PTO) allowance.

Further, EPS has made the reduction of an employee's health insurance costs a top priority and has taken actions that have made a drastic reduction in employees' health care premium costs, at a time when most companies have had to significantly increase employee contributions towards overall health insurance costs. This focus has resulted in a tremendous reduction in employee health insurance costs, with better, more comprehensive coverages. EPS again improved this situation in 2015, even in the face of highly increased insurance costs nationally, particularly due to the uncertainty and additional requirements of the US Health Care Reform laws which continue to take substantial effect.

EPS also continues to make strong efforts to employ persons with disabilities, especially returning veterans. A full 10% of EPS's workforce is comprised of veterans with a documented service-related disability.

3.2.3 Environment

For the last few years, EPS has been exploring various alternative energy business opportunities, including biofuels, wind power, and solar power projects as we see that such initiatives make both environmental and business sense. We also continue to be actively marketing alternative energy products and services and energy efficiency products, including very high-efficiency lighting products to our US Government and international customers.

Further, in 2014, EPS started a new corporate division entitled EPS Alternative Energy (EPS AES), which concentrates on renewable energy business opportunities. Since that time, EPS installed over 700 kilowatts of solar on two commercial buildings in California for a prominent retailer customer. These two projects were completed in December 2014, and began operation in January 2015. EPS retained the ownership of these projects and will operate them for at least the next ten years.



To date, in just over two years of operation, these solar installations alone have generated electricity more than 2.4 million kilowatt hours, which has saved the equivalent of 1700 tons of CO₂, which is also the equivalent of approximately 190,000 gallons of gasoline. The CO₂ offset generated by the EPS systems represents the equivalent of approximately 42,000 trees.

We believe that this will be the first of many such renewable energy projects undertaken by EPS. We are currently pursuing several other solar projects, including ones with battery back-up and microgrid capabilities, with that same commercial customer as well as several other commercial customers. EPS is also in the final negotiations stage with a commercial customer about adding a substantial parking lot solar canopy system to an apartment building in Newark, New Jersey. Finally, we are also pursuing the US federal government markets as the US has made a major commitment to alternative energy, especially with the military services.

EPS also continues to be proud of the fact that it was selected as a recipient of the "Green Recognition Award" by *Homeland Security Today* magazine. Specifically, the "Green Secure Transportation Award" was presented to EPS for our uniquely designed EPS 10 Hovercraft amphibious craft. The EPS 10 Hovercraft has been proven to fulfill the criteria required to stand out as an environmentally friendly marine vessel. EPS' hovercraft design takes "green technology" a step further than just the reduction of carbon emissions by manufacturing a marine vessel that provides a direct benefit to the environment. The award was reported in the March 2010 issue of *Homeland Security Today*. In March 2011, our EPS 10 hovercraft was also named "Boat of the Year" by *Marine News* magazine in an article that also stressed the environmental advantages of our vessel.

In 2011, EPS delivered its first two US-built EPS M-10 hovercrafts to the Saudi Arabian Border Guard. EPS continues to support these vessels with spare parts services. Built at its shipyard in Titusville, Florida, the EPS 10 product design is a hovercraft that uses lift fans to create an air cushion to glide over the top of both land and water such that neither intrusive propellers nor shafts disturb the marine ecological environment. Gliding upon the surface of the water ensures that fragile marine flora and fauna remain undisturbed as well as not creating any bow wake to cause erosion upon the shore line.

Integral to this environmentally friendly vessel is its advanced composite construction featuring carbon and Kevlar state-of-the-art composite manufacturing technology. With the departure from legacy hovercraft designs which incorporate aluminum as a chief manufacturing component, EPS introduces the next generation of hovercrafts reducing operational and maintenance costs while improving reliability and maintainability. Using advanced composites enable the craft to be lighter, thus achieving a higher thrust to weight ratio resulting in a reduced power requirements and a reduction in carbon emissions.



EPS continues to develop a modernized EPS 2.2 hovercraft vessels which shares all of the attributes noted above. This smaller craft is being designed to fulfill many missions but most pertinently the EPS 2.2 hovercraft is designed to assist in missions involving the interdiction of pernicious drug trafficking activities, the proceeds of which are often used for all manner of corrupt activities by organized crime. Further, the EPS 2.2 is designed to provide humanitarian and disaster relief in the event of natural disasters like hurricanes, tropical cyclones, etc.

We also note that EPS supports organizations providing disaster relief; specifically EPS supports the American Red Cross and provides an EPS corporate officer to represent EPS on the Board of Directors for the local Red Cross chapter that services our region. In addition, EPS has provided financial support of the Red Cross' activities, which during late 2012 included support in response to the widespread destruction caused in our New Jersey region by "Superstorm Sandy."

Finally, EPS continues to reduce its own energy consumption by continuing to upgrade its facilities with more energy-efficient computers and monitors, and the installation of more efficient HVAC equipment. EPS facilities are also fully compliant with all applicable recycling requirements.

EPS has also partnered with and financially supported a company that has developed a product to combat mosquito-borne diseases in the developing world, and particularly in Ghana, Africa.

3.2.4 Anti-Corruption

EPS Corporation has prepared and implemented across the EPS divisions a Corporate Compliance Program and Code of Ethics that is monitored by the designated Corporate Compliance Officer, EPS General Counsel, Mr. John E. Gagliano, Esq. In addition to the Annual Review by all company officers and managers, each employee is required to read and acknowledge the Corporate Compliance Program and Code of Ethics Policy upon joining EPS, and then also on a periodic basis. These materials are also continuously available to all employees through the employee intranet section on the EPS website.

Among the principles included in the EPS Corporate Compliance Program and Code of Ethics are such topics as:

- Respect for Intellectual Property
- Workplace Safety
- Conflicts of Interest
- Bribery/Gratuities
- Policy on Dealings Abroad
- Truth in Reports and Records



- Policy Against Discrimination
- Respect for Confidential Information and Trade Secrets
- Policy Against Harassment

3.2.5. Anti-Counterfeiting

EPS continues to explore business opportunities involve anti-counterfeiting solutions. This is an area in which EPS has worked closely with the UN and UNICRI. Specifically, The Permanent Observatory for Anti-Counterfeiting Systems (POAS) established by UNICRI pre-qualified EPS as one of only two companies worldwide that was judged pre-qualified to be an approved service provider for the Worldwide Track and Trace Bank (WTTB) being developed by UNICRI. The WTTB is contemplated by UNICRI as an instrument for the fight against counterfeiting, the re-selling of stolen goods and fraud in the sale of consumers and technology products, which practices are often undertaken by elements of organized crime. UNICRI did not make significant progress on this initiative during this past year but EPS remains an approved service provider when UNICRI is ready to proceed.

EPS notes that, as part of the application process to become an approved service provider, EPS was required to certify and specifically commit to uphold the principles indicated in the UN Secretary General Guidelines on Cooperation between the United Nations and the Business Community, especially with respect to those concerns the principles contained in the Global Compact and recalled hereunder. EPS made this commitment and fully supports the principles detailed at the World Economic Forum in Davos on 31 January 1999 by the UN Secretary-General, who challenged world business leaders to "embrace and enact" a set of universal principles within their sphere of influence in the areas of human rights, labour standards and the environment. These principles are:

Human Rights

Principle 1

Support and respect the protection of internationally proclaimed human rights;

Principle 2

Business should make sure not to be complicit in human rights abuses.

Labor Standards

Principle 3

Business 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 labor;



Principle 5
The effective abolition of child labor; and

Principle 6
Eliminate discrimination in respect of employment and occupation.

Environment

Principle 7
Support a precautionary approach to environmental challenges;

Principle 8
Undertake initiatives to promote greater environmental responsibility;

Principle 9
Encourage the development and diffusion of environmentally friendly technologies.

Corruption

Principle 10
Fight against any form of corruption, including extortion and bribery.

In preparing its application to become an approved WTTB service provider, EPS established a worldwide network of over 75 partner companies that also committed to these principles when joining the EPS team. In finding EPS qualified as a WTTB service provider, UNICRI found that EPS had successfully demonstrated its commitment to these core principles.



3.3 Measurement of Outcomes or Expected Outcomes: EPS identifies key performance indicators as relevant indicators for EPS' business base.

Efficiency:

	INDICATOR	2016	2017 TARGET
Adopt formal anti-human trafficking corporate policy	Incorporate policy into EPS Corporate Compliance Plan and Code of Ethics	Completed adoption of corporate policy against human trafficking	Maintain and update corporate policy against human trafficking
Adoption of ISO 9001:2008 as EPS Quality Assurance Standard	All Companies ISO Certified 9001:2008	All EPS Companies certified ISO9001:2008.	Continue to maintain ISO 2001:2008 certification. Explore CMMI certification.
Support of Women's Empowerment Principles	Goal of at least half of EPS Board Members be women	One half of EPS Board of Directors members are women. In addition, EPS President, CFO and VP of Administration are all women	Continue high level of women Board membership and in corporate officer positions
Support Employment of Persons with Disabilities	Hiring of persons with disabilities, especially returning veterans	Nearly 10% of EPS workforce are service-disabled veterans	Maintain level of hiring of persons with disabilities, especially returning veterans
Support of Persons with Disabilities	Achieve verification by the US Dept. of Veterans Affairs of EPS status as a Service Disabled Veteran Owned Small Business	Achieved final verified certification as service-disabled veteran owned small business	Maintain VA verified certification as service disabled veteran owned small business
Support renewable energy growth	Expand EPS Renewable Energy division to assist commercial and governmental customers meet energy needs through renewable energy sources	Begin successful operation of first 2 solar energy projects, representing over 700 KW in system size.	Continue marketing EPS capabilities in renewable energy to various customers, and participated in industry educational events.



Please feel free to contact me if you have any questions concerning this UN Global Compact Communication on Progress by EPS Corporation.

Dated: 3 May 2017

A handwritten signature in black ink, appearing to read "F. Musorrafiti".

Signed:
Francesco A. Musorrafiti
Chairman and Chief Executive Officer
EPS Corporation