

**Statement of support from Group Managing Director of ESCATEC**

**Penang, June 1st, 2017**

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, consisting of a large, sweeping initial 'M' followed by a horizontal line and a small flourish.

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**Markus Walther**  
Group Managing Director  
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**

### **Conflict Minerals**

ESCATEC supports the electronics industry's initiative to prevent trade in conflict minerals and complies with international trade rules as well as the trade organisation Electronic Industry Citizenship Coalition's (EICC) requirements for responsible sourcing of minerals..

In 2016, ESCATEC focused on the following initiatives

- a. Corporate policy formulated and published on web site.
- b. Appointed external compliance service provider: GreenSoft
- c. Working on program to inform all suppliers of our policy
- d. Establishing the conformance of all suppliers through CMRT reporting

### **ESCATEC Conflict Minerals Policy**

ESCATEC is committed to sourcing components and materials from suppliers which highly value human rights, ethics and environmental responsibility. We expect all of our suppliers to abide by high standards which prohibit any human rights abuses and all unethical practices. We also require our suppliers to comply with all applicable legal standards and requirements.

On August 22, 2012, the U.S. Securities and Exchange Commission ("SEC") issued the final conflict minerals rule under Section 1502 the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Conflict Minerals Rule"). The Conflict Minerals Rule requires publicly traded companies to report annually the presence of Conflict Minerals (tin, tungsten, tantalum and gold, or "3TG") originating in the Democratic Republic of the Congo or adjoining countries ("Covered Countries").

ESCATEC supports the goals of ending violence, human rights violations and environmental damage in the Covered Countries. ESCATEC is committed to complying with any legal requirements applicable under the Conflict Minerals Rule.

ESCATEC is committed to assisting our customers in the implementation of their Conflict Minerals programs. We work cooperatively with our customers and supply chain partners in implementing Conflict Minerals compliance programs.

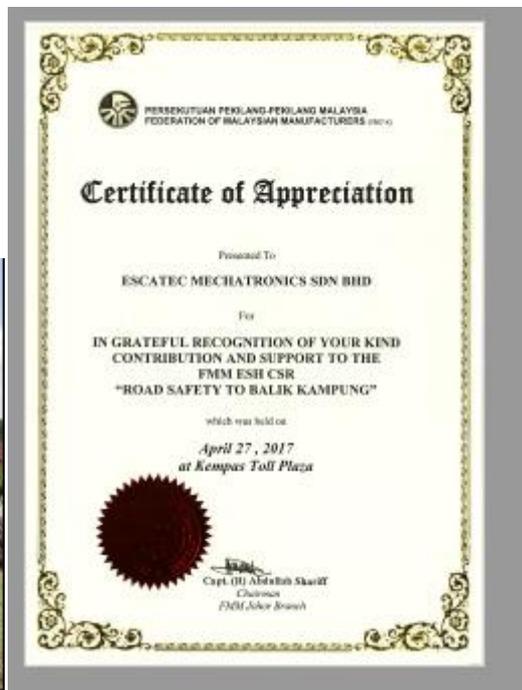
ESCATEC requests all of our suppliers provide us with completed conflict minerals declarations using the current EICC/GeSI Conflict Minerals reporting template either through our compliance partner GreenSoft or directly with our purchasing teams. We will reconsider our willingness to partner with any suppliers that fail to comply with this Policy.

In 2017 we expect Conflict Minerals to remain the most relevant issue related to Human Rights and that attention on this will increase with the pending EU Conflict Minerals regulations implementation. ESCATEC will continue to engage with our suppliers to identify the country of origin of the Conflict Minerals incorporated in components used by ESCATEC.

## Community Program

ESCATEC is one of the proud sponsors of the road safety awareness program organised by the Federation of Malaysia Manufacturers of Johor. The program is organised with the following objectives;

- a.. To ensure further decline of the fatalities index involving road accidents during peak holiday season
- b. To create safety awareness to the road users along their way to Balik Kampung (return home)
- c.. To educate the road users by providing all the relevant information on safety in a pamphlet



ESCATEC employees distribute pamphlets to road users at a toll plaza

## Employee communication

ESCATEC wants to foster strong and effective communications with its employees to ensure that they understand the organisation's direction and are kept up to date with key information about the company. In this regard, the company has developed a number of channels to communicate with its employees, such as monthly employee communications, ESCAtips (employee suggestion system) and ESCAchat, (the employee newsletter). To further strengthen the communications ESCATEC's Johor Bahru Business Units have introduced two additional programs i) "HR Clinic", and ii) "Monthly lunch with GM" .

The HR clinic is for employees to meet with a human resource (HR) officer in a special session which is held regularly. Employees bring up concerns and topics that they wish HR to look into in a more personal setting.

The monthly lunch with the GM is held in an external setting and a small group of employees have an opportunity to get to know the GM and raise any special topics that they might be too reserved to voice via the other available channels.



Monthly lunch with GM

### Company sponsored Employee Programs

ESCATEC continue to promote company sponsored activities to improve health awareness among employees, with activities as such: Zumba, Badminton, Bowling, Hiking & Football.

#### 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****Electronics Industry Code of Conduct (EICC)**

In 2016, ESCATEC's Penang business units adopted the EICC Code of Conduct, which was developed as a voluntary measure to establish and promote a unified standard for social and environmental practices across the electronic industry's supply chain. It covers a range of social responsibility issues, including labour and employment practices, health and safety, ethics, the protection of the environment, and executive management participation to ensure conformity to the Code. We continue to manage working hours and rest days at our manufacturing sites for the safety and security of our workers, as well as to conform with both the EICC code and local labor laws.

Our initiatives included:

- Establishing corporate level management systems and review of CSR performance
- Instigating further improvements in the areas of Labour, Health and Safety, Environmental Impact and Ethics.
- Revising the employee handbook to reflect compliance improvements
- Elimination of all fees associated with employment offers
- More thorough vetting of foreign employee recruitment agents and their procedures and practices
- Ensuring all foreign worker have employment contracts in their local language
- More stringent review of the standard and safety of foreign workers' accommodation facilities

Proactive supplier engagement is an important and ongoing objective. We have met with the Foreign Labor Agencies periodically to communicate our expectations and evaluate their engagement. Recently we organised a briefing session to emphasise the EICC code that they are required to comply with in the areas of Labour, Health and Safety, Environmental Impact and Ethics. We also maintain long-term, stable relationships with our key suppliers to align goals and standards.



EICC briefing session to the Foreign Labour Agencies

In 2017 ESCATEC will continue its commitment to protecting human rights and will continue reviewing and enhancing our internal program and controls.

## 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 respond 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 2016, we reported total six minor incidents from Malaysia and Swiss facilities. 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**

**Community Program**

ESCATEC continually strives to reduce environmental impacts by integrating environmentally conscious practices into our day to day activities. For example, ESCATEC Johor initiated the Community Service Committee to drive our corporate social responsibilities commitment.

One of the programs launched was the Anti Zika and Dengue Campaign. The objective is to help preserve a clean environment and create awareness of health risks associated with un-hygienic places. Ten percent of employees participated in the events. Both the management team and employees spent a Saturday morning cleaning up the neighbourhood of ESCATEC Johor. ESCATEC plan to do more of these activities in the coming year.



Anti Zika and Dengue Campaign

**Environmental Management Program**

ESCATEC have established the Environmental Management Program (EMP) to identify, monitor and control the company's environmental performance. There are continuous improvement programs initiated by different Business Units to focus on the following areas

- a) Energy Saving
- b) Paper and carton box recycling
- c) Waste Reduction :Potting waste and PCBs
- d) Water usage saving

In 2016 we have made improvements in the area of waste management. Penang facilities have seen

a significant reduction in Solder dross(SW104) after changing to a wave solder machine with smaller size solder pot. Johor facilities also achieved good results

- 36% reduction in SW110 (Waste from electrical and electronic assemblies ) and
- 45% reduction in SW418 (Discarded or off-specification; inks, paints, pigments, lacquer, dye or varnish products containing organic solvent)
- 4 % reduction in plastics parts waste (runners)

Our energy saving efforts have also yielded good results, all major sites undertake energy management activities and engage employees in the judicious use of resources. Investment in energy efficient lighting and air-conditioning has been made and several facilities have improved alignment of energy usage to working hours. Penang facilities have achieved a 30% reduction in electric consumption in terms of KWH per sale

All ESCATEC business units are certified to ISO 14001:2004 for environmental management systems. We have successfully passed the surveillance audits conducted. In 2016, we are focussing our efforts on preparing our readiness to transition to the new ISO 14001:2015 requirements.

#### **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 ESCATEC 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 findings are reported to the board of directors. There has been no audit finding related to violation of, or deviation from, the anti-corruption policy.

For next year ESCATEC plan to further improve anti-corruption awareness. For example, ESCATEC Johor will

1. Invite the Malaysia Anti-Corruption Commission (MACC) representative to give a speech on the principles of anti-corruption.
2. Engage an external certified trainer for anti-corruption training