

UN GLOBAL COMPACT 2017



September 29th 2017

LETTER FROM JAVIER CASTRO

I am happy to confirm that Bazz Houston International (BHI) affirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

Attached is our annual Communication on Progress, and in it we describe actions taken within the past year to integrate the Global Compact and its principles into our business model, culture and daily operations.

In this report we focus on BHI's continuous efforts to reduce its carbon footprint and to be environmentally responsible in the two countries where we operate. It also covers our continued commitment in the areas of Labour and Human Rights.

We are committed to sharing this information with our stakeholders using our primary channels of communication and during our annual board meeting.

Yours Sincerely,

Javier Castro
President & CEO
BHI Manufacturing Solutions



12700 Western Avenue | Garden Grove, CA 92841

www.bhisolutions.com

Communication Progress

This is the annual update from BHI and it focuses on the two areas which continue to be of most immediate concern to us: Environment and Labor. BHI considers these two areas to be intricately linked as everything that BHI does to help the environment also helps its employees, as many of the initiatives outlined below, involve everyone's understanding as well as cooperation.

This report also covers BHI's continuing commitment in the areas of Human Rights and Anti-Corruption.

The Environment

BHI is fully committed to being a good corporate entity and evaluates all possible means to reduce its carbon footprint. We strive to protect the two local environments where we manufacture products United States & Mexico. BHI USA is located in California which has possibly the strictest environmental rules in the world with a continual focus on ever stricter regulations concerning all aspects of the environment. BHI is a relatively small company with approximately 180 employees overall. However, in spite of its small size the company is committed to continuing to reduce its environmental impact as much as possible.

BHI's Hazard Communication policy states: It is the policy of BHI that the first consideration shall be the protection of the safety and health of all employees and to consider any impact to the environment. Chemicals considered must be the safest choice for the employees and the environment. As newer, safer alternatives become available; those new products must be considered. The intent of this policy is to ensure that employees, who use, handle and/or work around potentially hazardous substances and/or conditions are able to recognize the associated risks, apply appropriate control measures, and safeguard themselves from injury or illness. Our hazardous communication program is in compliance with the United Nations required Globally Harmonized System (GHS) and Safety Data Sheets (SDS).

United States

BHI operates in the state of California and cooperates fully with all of the various state agencies including: Fire Department of Garden Grove; City of Garden Grove; State Water Resource Board; Air Quality Management District & O.C. Sanitation District. In addition, all waste material is removed by State approved processors, and, it is done in compliance to all state and federal requirements, including manifest with a strict chain of custody protocol.

Measurement of Outcomes:

BHI has received a clean bill from the above state regulators & for its BMP (Best Management Practices procedures).

Grinding Room

To maintain a safe work environment for our employees, BHI has purchased two new self-contained dry down draft tables along with two new remote down draft tables ducted into a wet collection system. This equipment was added to its dedicated self-contained grinding room.

Measure of Outcomes:

Given that this is a process for our company through acquisition, the new installation has improved cleanliness through the use of the negative air flow down draft units. Operator safety has improved by having aluminum particulate be ducted into a wet collection system that helps to quell any potential flammability the metal dust causes in its raw form.

Consolidation

BHI has consolidated two of its US operations into one building.

Measure of Outcomes:

Improved employee engagement by having one facility vs. two. Metal fabrication employees are now involved in morning production meeting, MRB meetings and other improvement related tasks and communication meetings. Metal fabrication employees also participate in the same breaks, lunch and plant meetings leading to more interaction between Metal Fabrication and other departments.

Elimination of one of two facility services companies allowing for easier management of outsourced facility items leading to improved cleanliness of uniforms, shop rags, mats, etc.

Consolidation has led to reduction in power consumption, generator use, forklift use and compressor use.

Electric Forklift

BHI has purchased 1 new electric forklift.

Measure of Outcomes:

0% tailpipe emission on this new forklift which lessens impact on operators and environment. Active mast control that comes with the forklift limits forward tilt angle of forklift with improves operator safety by mistaken proving a potential cause of an accident.

Water Usage

California is suffers from extreme drought conditions. BHI takes this very seriously and is making every effort to reduce water consumption.

Measure of Outcomes

BHI has managed to reduce its water usage by approximately 10% by changing the processes in the deburring area, and continues to look to make further reductions. Additionally, new drinking fountains have promoted the use of water bottles vs. disposable cups.

New dust collector USA facility

The new dust collector was installed close to the tooling area where there is a higher probability of having particulates in the air. It has improved air quality dramatically and has provided a safer work environment for our employees.

Measure of Outcomes:

The new dust collector provides maximum cleaning efficiency in the shop areas, with a significant dust reduction of about 30%, using energy efficient motors.

Mexico

BHI focuses on reducing its electrical usage in Mexico by balancing shift loads in order to reduce consumption at peak periods during summer months. It also continues to explore other means to reduce electrical usage.

Measure of Outcomes:

Electrical Usage remains low due to the ongoing efforts. Use of skylights has allowed BHI to run lights out, using only sunlight to effectively light the facility.

Initiative to promote environmental responsibility.

BHI continues to promote programs internally to separate different kinds of wastes: e.g. Organic, Plastic, Paper, etc.

Measure of Outcomes:

BHI continues to see positive outcomes from this initiative and donates the recovered recyclables to local charitable organizations so that they can benefit if there are any financial gains from the program.

Guarding on Spring Grinding Equipment

BHI has installed new guards on spring grinding equipment.

Measure of Outcomes:

Increase guarding lessens the possibility of operator injury by eliminating pinch points within the machine.

Separation and Identification of Waste and Chemical Storage

Chemical and waste storage separated and labeling has become standardized.

Measure of Outcomes:

Chemicals and waste are now separated and identified in an organized manner. This has allowed operators and maintenance team members to easily understand which area specific hazardous wastes go. This lessens the possibility accidental mixing of waste.

CURRENT INITIATIVES

BHI has an effective **6S Program** in place at both the California and Tijuana facilities. This program will continue indefinitely as it continues to set new more aggressive goals in the coming years.

MEASURE OF OUTCOMES

1. The 6S program is an ongoing endeavor with considerable improvements made on a quarterly basis through committees geared toward improved shop organization, standardization and cleanliness. Overall there has been an average of 30% improvement across all departments and considerable progress has been made.
2. BHI has seen a significant increase in employee's enthusiasm to improve as they see the benefits.
3. BHI has seen employee initiatives in cleaning work spaces become self-driven without directives from the 6S team.
4. Reduction in obsolete material sorted, identified and removed during plant consolidation created more clearly defined isles on the shop floor.
5. Reduction in obsolete machinery sorted, identified and removed during plant consolidation eliminated energy inefficient equipment.
6. Positing visual signage has increased visibility of safety goals.

HUMAN RIGHTS

BHI fully supports and respects the protection of human rights worldwide and continues to ensure that both it and the companies with whom it conducts business are also supporting this principle.

BHI continues to uphold human rights in the following ways:

1. Highly detailed Company Employee Manual is updated last in May 2017
2. BHI continues to employ a diverse workforce.
3. Women & Minorities continue to be very well represented at the Managerial level.
4. Regular training sessions are held to explain the implications of this policy and attendance is mandatory for ALL employees and managers.
5. BHI continues to offer Full Benefits including Health Care for both employees and their families, 401K with a 25% match, and Paid Time off (PTO).
6. Safety Training Programs.
7. Monthly Plant Meetings where employees are encouraged to participate. The company operates an "OPEN DOOR" policy in which employees are made to feel comfortable addressing any issue.
8. This strict code of conduct for employees and vendors applies equally to the USA and Mexico
9. Educational classes held in the past year included:
 - Blueprint Reading Training - Beginner and Advanced
 - Lean Manufacturing Training
 - Leadership Training (10 weeks training exercise)

MEASUREMENT OF OUTCOMES

1. Employee turnover continues to be minimal.
2. BHI has not been subject to any investigations, legal cases or incidents concerning Human Right violations.

PHILANTHROPY

BHI is active in philanthropy in many different ways in both California and Mexico as well as overseas. Initiatives are being started by employees in many instances and then supported by the BHI Management Team. Organizations currently supported includes those devoted to Feeding the Hungry & Homeless; Orphans in Tijuana and Mexico; Educational, Food, Medical Aid to several different groups.

MEASUREMENT OF OUTCOMES

In every instance funds are being donated directly to the organizations concerned and in many cases BHI is able to confirm that the vast majority of the donated funds (up to 100% in several instances) go directly to the selected programs.

BHI is currently supporting the following Organizations

- Parents in Partnership (Clothing and Community Services)
- Second Harvest (Food program)
- Salvation Army (Food Program)
- Virgen de Guadalupe Church (Mexico)
- Fundacion Castro-Limon for children with Cancer (Mexico)

ANTI CORRUPTION

BHI fully supports the UN Convention against corruption, bribery and extortion and does not work with any organizations which are corrupt.

1. Company policy is extremely strict and clear in this respect and any attempt to bribe a company employee would be dealt with immediately.
2. BHI employees also understand that bribery or corruption is strictly against company policy.

MEASUREMENT OF OUTCOMES

BHI has not been involved in any legal cases, rulings or other events related to corruption and bribery.