

Statement of support from Group Managing Director of ESCATEC

Penang, June 8th, 2018

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 that curves upwards at the end.

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 is committed to uphold the human rights of workers, and to treat them with dignity and respect as understood by the international community and standards. This applies to all workers including temporary, migrant, contract and direct employees. ESCATEC's human resource policy is developed to support fundamental human and labour rights. The policy with respect to human rights includes:-

a) Grievance and Complaint

ESCATEC provides 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(s) with different escalation paths.

b) Freely Chosen Employment

ESCATEC does not tolerate forced, bonded (including debt bondage) or indentured labour, involuntary prison labour, slavery or trafficking of persons. This includes transporting, harbouring, recruiting, transferring or receiving persons by means of threat, force, coercion, abduction or fraud for labour or services.

c) Humane Treatment

ESCATEC in its work environment ensures that there is no harsh or inhumane treatment including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers; nor shall there be the threat of any such treatment.

HUMAN RIGHTS: Accomplishments

Personal Data Protection

ESCATEC values the integrity of personal data and recognizes that personal data needs protection from being misused through any commercial transactions. In 2017, ESCATEC adopts the standards of personal data protection in the respective regions of its operating facilities. In ESCATEC, personal data includes but not limited to name(s), national identification/passport number(s), nationality, date of birth, personal address, race, contact numbers, bank account number(s), CCTV recording(s), photo(s), physical and health record(s), religion, employment data and any other details which ESCATEC has or will collect during its operation. ESCATEC defines “Data Subject” as individuals who are the subject of personal data. ESCATEC’s personal data protection practices are guided by the following seven (7) data protection principles;

- 1) Personal Data shall only be processed with the “consent” of the Data Subject
- 2) Data Subject shall be informed the purpose of how their Personal Data will be used and processed
- 3) Personal Data shall not be disclosed to third parties without the consent of the Data Subject
- 4) Data User is responsible to ensure the safety of the Personal Data from any misuse by taking practical steps
- 5) Personal Data shall not be kept longer than is necessary for the purpose.
- 6) Data User shall take steps to ensure Personal Data is accurate, complete, not misleading and kept up to date
- 7) Data Subject shall be granted access to his/her Personal Data

In the Malaysian facilities, employees and visitors are provided personal data protection notice which embodies the seven (7) principles of data protection mentioned above. All employees of ESCATEC benefits from this effort as it gives greater assurance to the employees that their personal data will solely be use for the purposes of their employment with ESCATEC. The Human Resource department has also enhanced the security features of their facilities to give stronger security measure for personal data stored and kept. ESCATEC human resource department in Malaysia also received training in giving better safeguards to employee’s personal data.

Combat global human rights abuses through Conflict Minerals compliance

Beginning the year of 2017, ESCATEC has given significant attention to the extensive human rights concerns associated with mining minerals sourced from conflict-affected locations, the sale of which can contribute to the perpetuation of armed violence, instability, insecurity and associated human rights violations. Though ESCATEC, as a purchaser of component parts, is many steps removed from the mining of conflict minerals (i.e. we do not purchase raw ore or unrefined conflict minerals or conduct purchasing activities directly with Covered countries), ESCATEC has an influence of its supply chain. By having a strong program in place, ESCATEC is able to identify and address actual or potential risks in the supply chain to protect against the adverse effects which may be associated with their mineral sourcing activities.

Due to ESCATEC’s position as an industrial example, ESCATEC is committed in ensuring ethical sourcing and has made significant progress in developing supply chain transparency. ESCATEC’s Conflict Minerals Policy, is posted on its public website at the following link: <http://www.escatec.com/en/corporate-profile/corporate-governance>.

ESCATEC’s overall conflict minerals programs are based on the **five-step** framework of the OECD (The Organisation for Economic Co-operation and Development) Guidance, which consist of the following steps:

- Step 1:** Maintain strong company management system
- Step 2:** Identify and assess risks in the supply chain
- Step 3:** Design and implement a strategy to respond to identified risks
- Step 4:** Evaluate 3rd party audit of smelters’ and refiners’ due diligence practices when required
- Step 5:** Evaluate its supply chain due diligence



In October 2017, ESCATEC has appointed an external compliance service provider, Assent Compliance Inc which specialises in data collection, analysis and reporting to strengthen its conflict minerals program. The service provider is also a member of the Responsible Minerals Initiative (RMI) and an active member of the UN Global Compact.

The service provider surveyed in-scope ESCATEC suppliers using the Conflict Minerals Reporting Template (CMRT), in accordance with the Organisation for Economic Co-operation and Development (OECD) guidance and industry standards, through scheduled, automatic supply chain communications sent electronically. The service provider then reviews the collected data against RMI member smelter data.

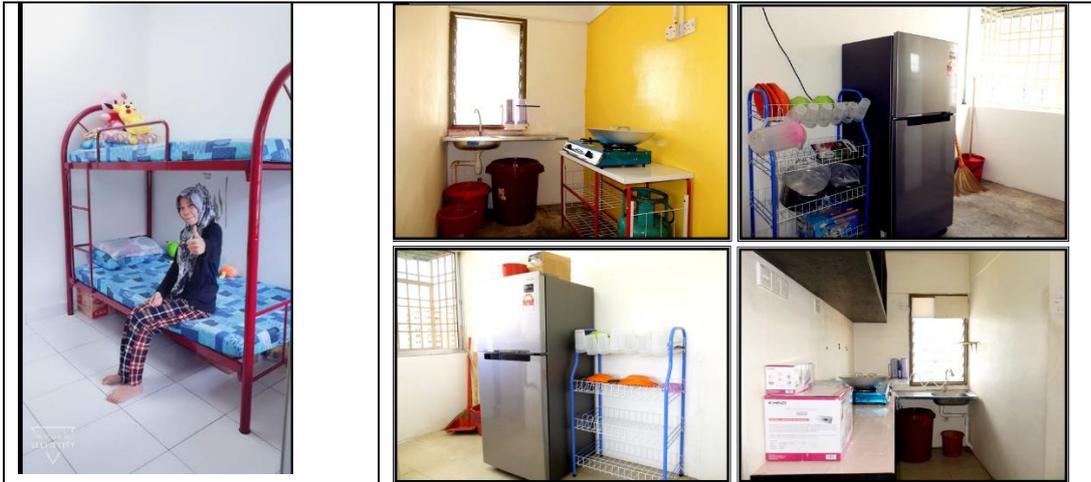
The service provider assist ESCATEC in conducting a risk analysis for tin, tungsten, tantalum and gold (3TGs) through its supply chain as part of its due diligence activities related to mineral sourcing from conflict-affected regions. Additionally, ESCATEC and the service provider evaluate supplier responses and provide feedback in order to achieve year-over-year improvement in responsible mineral sourcing and compliance with Section 1502 of the Dodd-Frank Act, with the goal of ending human rights violations and environmental damage in conflict-affected countries.



ESCATEC ensures the hostels/accommodations of its foreign workers are humane and suitable

In 2017, ESCATEC has been conducting internal audits on all of its foreign workers accommodation to ensure the Worker dormitories provided by ESCATEC are maintained to be clean and safe, and are provided with appropriate emergency, adequate ventilation, and reasonable personal space. This has made a positive impact on the living conditions of our foreign workers and any physical issues in the worker dormitories are attended to in a recorded manner since the implementation of the internal audits.





Company sponsored Employee Programs

ESCATEC continues to promote company sponsored activities to improve health awareness among employees, with activities as such: Zumba, Badminton, Bowling, Hiking and 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

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, 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.

ESCATEC also 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.

LABOUR PRINCIPLES: Accomplishments

ESCATEC bears the foreign worker’s burden of levy

In 2017, ESCATEC has begun efforts to progressively eliminate the burden of levy fees on its foreign workers even before the new Malaysian legislation is implemented in 2018. ESCATEC understands that its foreign workers often are financially burdened by the levy fees imposed by the relevant authorities. It is ESCATEC’s intention and plan that its foreign workers do not have any obligation to work for ESCATEC due to the levy debt. Such efforts as this has made a positive impact on ESCATEC’s foreign workers not to feel any obligation or being put in a position of forced labour.

Responsible Business Alliance (“RBA”)

The RBA, formerly known as the Electronic Industry Citizenship Coalition, is a nonprofit of leading electronics companies dedicated to improving social, environmental and ethical conditions in their global supply chains. RBA members commit and are held accountable to a common Code of Conduct and utilize a range of training and assessment tools to support continuous improvement. The RBA is comprised of more than 110 electronics companies and directly employing over 6 million people. In 2018, ESCATEC’s group has adopted the Responsible Business Alliance (“RBA”) Code of Conduct as a benchmark of its internal standard operating procedures in regards to labour, ethics, environment impact, health and safety and corporate social responsibility management system. Our initiatives include:-

No.	Element of RBA	Initiatives
1.	Freely chosen employment	As part of the hiring process, workers are provided with a written employment agreement in their native language that contains a description of terms and conditions of employment prior to the worker departing from his or her country of origin.
2	Young Workers	ESCATEC does not use child labour in any stage of manufacturing. In ESCATEC, the term “child” refers to any person under the age of 15, or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest.
3	Working Hours	ESCATEC monitors the workweeks of individual employees and ensuring that it does not exceeds the maximum set by local law. A workweek should not be more than 60 hours per week, including overtime, except in emergency or unusual situations. ESCATEC workers are allowed at least one day off every seven days.
4	Wages and Benefits	ESCATEC ensures that compensation paid to workers comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. In compliance with local laws, our workers are compensated for overtime at pay rates

		greater than regular hourly rates.
5	Non-Discrimination	Workers are provided with reasonable accommodation for religious practices. In the absence of such facilities due to space limitations, ESCATEC shall ensure that reasonable time allowance is provided to employees for religious practices.
6	Freedom of Association	In conformance with the regional law, ESCATEC respects the rights of its workers to form and join trade unions, to bargain collectively and to engage in peaceful assembly as well as respect the right of workers to refrain from such activities. Workers and/or their representatives are be able to openly communicate and share ideas and concerns with management regarding working conditions and management practices without fear of discrimination, reprisal, intimidation or harassment.

In terms of future plans and goals, ESCATEC would be conducting its 2018 internal audits to the standards of the latest RBA Code of Conduct so that ESCATEC may identify any risk and improvements for its corporate social responsibility efforts.

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 in 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's Restriction of Hazardous Substances Directive ("RoHS") and Registration, Evaluation, Authorisation and Restriction of Chemicals Regulation ("REACH") Program

REACH has grown exponentially in scope and impact over the last decade. Implemented with the goal of protecting people and the environment from potentially harmful chemical substances, the REACH makes industry responsible for managing the risks of these substances in the market, and for providing the relevant safety information to users and consumers. It also prioritizes the progressive phase-out of the most dangerous chemicals in products once suitable alternatives are found. RoHS was introduced to improve the welfare of consumers, distributors, manufacturers, and the environment. Since the early 20th century, chemicals have been introduced into manufacturing for their useful properties such as the luminescence of radium or the low melting point of 60/40 lead-tin alloy. Due to their relatively recent introduction into production use, the harmful effects of such chemicals has not been widely understood, which has resulted in years of unnecessary exposure of both people and the environment to dangerous materials. RoHS is there for humanities' safety and health. Though there is no immediate threat from substances such as lead and beryllium oxide, the issue with such chemicals is their long term exposure. Global humanity isn't the only one affected by non-RoHS compliance, once non-RoHS compliant products has been used and is no longer needed (broken, outdated, etc.), it is usually thrown away either to a recycling center or a landfill. While workers in a recycling facility use protective equipment, a landfill is just a hole in the ground. As time goes by, water can carry trace amounts of the harmful substances and pollute the ground over time. Harmful substances don't usually degrade (such as lead and mercury) and so continue to run through the ground. Eventually, they will find themselves in places such as the ocean and underground water reserves which can further pollute wildlife and food sources.

ESCATEC is constantly improving its REACH and RoHS programs to ensure that the parts obtained from suppliers for the assembly of products are REACH and RoHS compliant. ESCATEC due diligence program on REACH and RoHS does not stop at receiving declarations from its supply chain but requires lab reports and at times full material disclosure information of the manufactured parts.

In October 2017, ESCATEC has appointed an external compliance service provider, Assent Compliance Inc to strengthen its REACH and RoHS programs. The service provider, on behalf of ESCATEC would monitor all of the relevant suppliers to provide the product/parts data and certificates. Awareness and training is provided to ESCATEC's supply chain on the importance of complying with ESCATEC's REACH and RoHS program. This has resulted ESCATEC's supply chain to conduct more due diligence on the REACH and RoHS parts compliance.

Prime Minister's Hibiscus Award 2017

ESCATEC continually strives to reduce environmental impacts by integrating environmentally conscious practices into our day to day activities. Recently, ESCATEC's facility in Johor has participated in the Prime Minister's Hibiscus Award 2016/2017.

The Prime Minister's Hibiscus Award (Anugerah Hibiscus Perdana Menteri), is the premier private sector environmental award for business and industry in Malaysia. The Award is jointly organised by four of Malaysia's leading private sector non-profit organisations concerned with corporate environmental management and performance, namely

- The Business Council for Sustainability & Responsibility Malaysia (BCSRM)
- Environmental Management & Research Association of Malaysia (ENSEARCH)
- Federation of Malaysian Manufacturers (FMM)
- Malaysian International Chamber of Commerce & Industry (MICCI)

The Award is endorsed by the Ministry of Natural Resources and Environment (MNRE), Malaysia and supported by the Department of Environment (DOE) and the private sector. Business and industrial sectors are principal sources of investment and drivers of economic growth and are rightfully the key players in ensuring sustainability in environmental management.

The specific objectives of the Award are to:

- Provide business and industry with the opportunity of an independent evaluation of their environmental commitment, management and performance
- Stimulate business and industry initiatives by encouraging them to assume a proactive role in environmental management practices
- Recognise the achievements of participating organisations as exemplary model for others to emulate

This Award presents ESCATEC an opportunity for public recognition of industry's environmental accomplishment and leadership and serves to create environmental awareness amongst industries that have yet to demonstrate environmental stewardship.

ESCATEC's facility in Johor not only participated in the Prime Minister's Hibiscus Award 2016/2017 but has succeeded in achieving the award for **Notable Achievement in Environment Performance**.



Environmental Management Program

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

- a) waste segregation
- b) hazardous waste (PCB waste and potting waste) reduction,
- c) plastic runner reduction,
- d) paper usage reduction
- e) electricity usage reduction

Line Managers will communicate, monitor and ensure effective implementation of the environmental programs so that the environmental objectives and targets are achieved. Annual environmental management system internal audit are conducted to evaluate the performance of environmental management system. Annual Management Review on the performance of environmental management system and ISO 14001 Recertification Audits by certification bodies such as SGS.

In 2017 we have made improvements in the area of waste management through the ESCATEC Environment, health and safety management program.

Among some of the notable improvements achieved in the Johor facilities are:-

- 15% reduction in SW418 (Discarded or off-specification; inks, paints, pigments, lacquer, dye or varnish products containing organic solvent); and
- 70 % reduction in A4 paper usage

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

In 2017, all of our ESCATEC business units are certified of the new ISO 14001:2015 for environmental management systems.

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.

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 an annual management audit and the findings are reported to the board of directors. There have been no audit findings related to violation of, or deviation from, the anti-corruption policy.