

COMMUNICATION ON PROGRESS (COP) 2018

UN Global Compact

Reporting period 2017/8—2018/7

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1. Statement from CEO of continued support of UN global compact

I am pleased to see the development of EAST in regards to the ten principles of the Global Compact and how well the work done in our company for the last 8 years fit very well into these 10. Principles.

Last year it was decided by the Board members of EAST to enter as a member of UN Global Compact. These 10 Principles is already a key focus for our shareholders, so taking this step seems quite natural to our management and organization.

We should all admit that we can do better and together with other companies we should make the world a better place to live and do business. Guidelines as proposed by UN Global Compact will help guide companies in the right direction.

A lot of policies and procedures are already in place at EAST. Few more need to be added in the years ahead include a description of our practical actions, new procedures and policies, and as an important part, if possible, is to measure the outcome of the new actions and if they are met. Some of these actions can be difficult to measure, but just to accept we can do better and agree on the right quantitate progress is as important and a measurement.

We reaffirm our support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption. In this our first annual Communication on Progress, we describe our actions to integrate the Global Compact and its principles into our business, culture and daily operations. We are also committed to share this information with our stakeholders using our primary channels of communication.

Thank you and hope you will enjoy our second COP.



Mr. Elo Nielsen
CEO, Elo Automated

2. EAST Profile

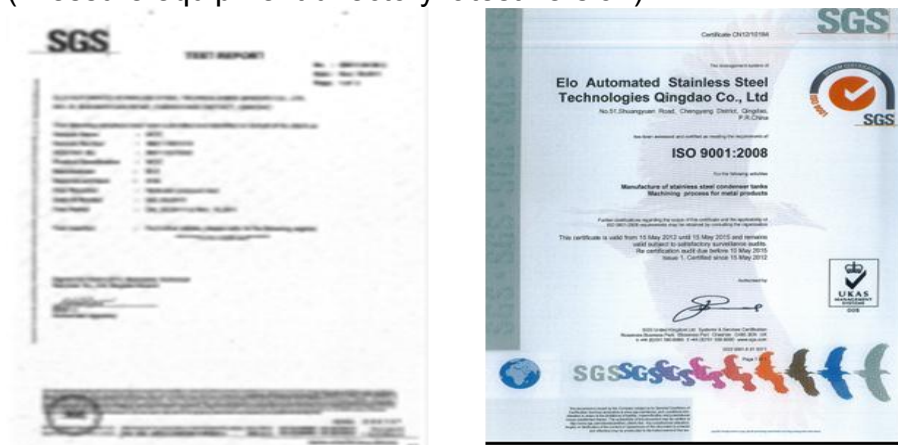
EAST was established in 2008 and is situated in Chengyang District, Qingdao, PRC.

EAST develops and manufactures solutions for Air treatment, cooling and heating systems in stainless steel, Aluminum, copper and other materials. We have the resources, we know the procedures and we have that special creative ability that allows us to convert our clients' initial thoughts into profitable solutions.

Craftsmen and engineers are working together. As engineers, we understand our customers' technological needs and requirements. All of our engineers are at the forefront of their field and can actively and accurately participate in solving complex problem definitions.

EAST goal is to position itself as an integrated partner and participate in development of existing or new products with special focus on Long term and close relationships.

EAST has set up quality assurance system and passed ISO9001:2008 auditing. In addition, EAST also satisfies the requirements of modules D1 PED 2014/68/EU (Pressure equipment directory latest version)



The certification is in compliance with the above standards. Its objective enables EAST to control the quality of products and ensure the customer's complete satisfaction with all EAST solutions. The quality control system covers all orders in the production process.

3. Human rights

Principle 1: Businesses should support and respect the protection of

Internationally proclaimed human rights; and

Principle 2: make sure they are not complicit in human rights abuses.

EAST and its management team are committed to support and to protect the Universal Declaration of Human Rights within their business activities and will also influence our business partners to follow these principles.

All business partners will undergo a screening for their compliance to the 10 Principles and action taken.

Company's policy can neither permit nor tolerate any kind of discrimination and/or harassment of its employees on board or discrimination on race, ethnic origin, gender, religion or belief, disability, age and so on.

Company has established EAST Employee Handbook and ELO Business Ethics Handbook. In these two handbooks company describes detailed human rights for all employees and all our employees were already received related training.

Within its management system EAST has established a reporting procedure called Rational Suggestion Scheme since 2011 that enables and encourages all employees to report any non-conformity or complaint regarding international or internal rules and regulations of Human rights.

Every December Company conducts an auditing called CSR, these auditing cover the five aspects of Human rights, Labor, Environmental, Anti-corruption and Supply-chain /supplier management.

No issues and problems were reported and discovered over the last year through the Rational Suggestion Scheme and CRS auditing regarding Human right.

Next year EAST will continue addressing the importance of Human rights to our employees and business partners, continue encouraging our employees and business partners to raise issues or activities that violates Human rights principles, and we also encourage our suppliers to sign up to the UN Global Compact.

During last year we evaluated 3 suppliers and no findings found referring to global compact. East will continue evaluating 2 or 3 suppliers and try to get them to follow the UN global compact.



4. Labor

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 labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

EAST reiterates that all employees shall be treated in a fair and correct manner according to relevant international and national rules and regulations. We have created suitable and applicable working terms and conditions.

Our Handbooks of Employee and Business Ethics state the rights, compensation and responsibilities for all employees in the side of Labor. For any violations referring to Labor employees are liable and free to report them to HR Manager using Rational Suggestion form.

We reaffirm zero tolerance for child labor, compulsory labor and discrimination of employment and occupation. We encourage employees for collective bargaining.

We conduct CSR auditing annually to evaluate company's performance and take related corrective actions for those findings in the coming days.

Annual Leave policy has implemented in our company. Each employee has a contract stating the terms and conditions of service and clear pictures of current job description.

We have established Safety Stock rules in order to control OT and actual monthly average OT in last year is under limits of national regulations.

No violation was found during CSR auditing regarding Labor last year and 5 rational suggestions about working conditions were raised and corrected last year.

No lost-time accident happened in last year.

Next year we will focus on health and review our regulations about PPE and increase the investment of PPE if necessary and continue implementing ISO9000, CSR auditing and Rational Suggestion Scheme to strive our company for Excellence.

5. Environmental

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.

EAST recognizes that all our activities have a potentially harmful impact to the environment. Elo reiterates that we accept social and moral responsibility for a continual improvement of our impact on the environment.

EAST will make concrete decisions to ensure the environment is a key consideration in all activities undertaken by Qingdao Elo.

EAST is assessing all identified environmental risks that may emerge within its business activities. Further, Elo is committed to continuously improve its employees' awareness and abilities not only but also in regard to environmental protection.

Elo will:

- Prevent noise through effective preventive maintenance
- Take effective measures to reduce pollution
- Work out related rules to reduce the amount of waste, energy and water consumption.
- Continue recycling and reusing packaging materials.
- Train and motivate our employees to realize their environmental responsibilities and engage in activities of environmental protection.

Last year, the recycling rate of wooden pallet, packaging box and copper plug was

more than 85%, exceeded our expectation of 80%.

A new electric forklift is on board and we plan to replace current diesel forklift because of CO2 emission.

Exhaust system assembled with filters for welding area is erected and exhausted air inspected by local authorized officer meets the National standard.

Invested in new production line where flame heating for brazing has been replaced by new advanced induction brazing system. Induction heating does not burn any fossil fuels. Induction is a clean process and because we operate without flux it is a non-polluting process. We improve our employees working environment by eliminating smoke, waste heat and nearly all noxious emissions.

CRS auditing was conducted in Dec, 2017 and no non-conformity issues regarding environment were emerged.

Next year we will continue strengthening the training for stakeholders and our clients to improve their sense of environmental protection. We plan to implement new round CSR auditing in Dec,2018 .

Next year we will continue tracking the consumption of power,gas,water and others, then give our action plan to lower down the usage.

6. Anti-Corruption

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

EAST is committed to oppose fraud, extortion and bribery or any other forms of corruption within its daily business activities.

The company has implemented an internal control system that ensures that business activities are supervised on a regular and transparent base.

All contracts are handled by a reviewing process before being forwarded to the appropriate customers and suppliers within EAST.

Any secondary employment or additional business of employees of Elo must be reported to the company and is subject to approval in order to reduce possibilities of contradictions of interest. Salaries paid by Elo aim to ensure that employees are able to support themselves without the need of an additional income, Elo will adjust this salary accordingly based on index of consumption published by local government.

An employee in EAST and her/his relatives shall not accept compensation, loans, entertainment or gifts of more than nominal value, commissions, property or anything else of personal financial or other advantage, from outside parties in connecting with any transactions in which the company might have an interest , without making full disclosure to the company.

Employees in EAST should be motivated to acquire goods and services and make transactions for the company on terms most favorable to the company. Disclosure should be made to the company if an employee or any of her/his immediate

relatives has an ownership interest in a business that is a supplies or customer, or is performing services of any kind for, or is otherwise compensated by, such a business.

All employees on board have signed these rules after the training of EAST Business Ethics Handbook.

EAST has not been involved in any cases or events regarding corruption and bribery. Our books and accounts are subjected to statutory external audit annually. These audits are used as one of the methods of identifying any suspicious payment which could be related to corruption and bribery behavior. There has been no such incident reported after auditing in last year.