

Statement of support from Group Managing Director of ESCATEC

Penang, June, 2019

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 handwritten signature in black ink, appearing to read "Markus Walther".

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 enable 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 use 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, corporal punishment, mental or physical coercion or verbal abuse of workers; nor shall there be the threat of any such treatment.

d) Respecting personal privacy rights

ESCATEC recognizes personal data privacy rights. Personal data provided to ESCATEC are processed strictly for business/employment purposes only and in compliance with relevant data protection laws.

ESCATEC holds on to the principle of not disclosing personal data to third parties except only when required to do so by law and at the request of the individual providing the data.

Individuals that provide data have the right to access, review, update and correct their personal data held by ESCATEC.

HUMAN RIGHTS: Accomplishments

ESCATEC General Data Protection Regulation and Personal Data Protection Act programs

ESCATEC values the integrity of personal data and recognizes that personal data needs protection from being misused through any commercial transactions. This value has been given more attention in ESCATEC since 2017. ESCATEC adopts the standards of the Personal Data Protection Act 2010 in its Malaysian region of operating facilities. Recently in 2018, for its facilities in Europe, ESCATEC Switzerland AG adopts the standards of the European Union (E.U) 2016/679 General Data Protection Regulation (also known as GDPR).

Similar to the standards of the Personal Data Protection Act (PDPA) applied in Malaysia, the personal data collected by ESCATEC Switzerland AG may be in the form of but is not limited to the person's name, NRIC/Passport number, Nationality, Date of Birth, Address, Race, Contact Numbers, E-mails, Bank Account Number, CCTV recordings, photos, religion, alleged commission of any offence, the employment data and any other details which ESCATEC has or will collect in the course/connection of the individual's employment with ESCATEC.

ESCATEC has made programs and efforts to ensure that all personal data collected, processed and/or stored by ESCATEC may include but not limited to the following purposes:

- Provision of ESCATEC's employee benefits
- Administration and management of compensation, training, succession planning and career development
- Report and statistical data on human resources
- Disciplinary, industrial and employee relations
- Complying with legal obligations
- All other employment requirements and purposes related to or associated with the above

A crucial effort made by ESCATEC is by providing the right to request access to or correct personal data lodge with ESCATEC. Such rights can be exercised via contacting the officers of ESCATEC Human Resource Department or ESCATEC Data Protection Officer. In ensuring the personal data integrity is protected independently and in accordance to the standards of the PDPA and GDPR, the Corporate management has appointed its Corporate Regulatory Compliance Manager to be the Personal Data Officer of ESCATEC.

ESCATEC do disclose personal data to Company affiliates or third parties that perform services on ESCATEC's behalf and in doing so, ESCATEC would be implementing programs for its service providers and suppliers to comply with the GDPR and PDPA standards.

ESCATEC also gave its assurance that all personal data kept will only be as long as necessary for the purposes related to or associated with the above-mentioned purposes.

In both Malaysian and Switzerland facilities, employees and visitors are provided PDPA notice/ GDPR notice which embodies the seven (7) principles of ESCATEC's data protection commitments. All global employees of ESCATEC benefit from this effort as it gives greater assurance to the employees that their personal data will solely be used for the purposes of their employment with ESCATEC.

Combat global human rights abuses through Conflict Minerals compliance

ESCATEC's conflict minerals compliance has significantly progressed in the year of 2018, ESCATEC through its partnership with Assent Compliance has upgraded its smelter validation process by scrubbing data collected on potential smelting facilities to determine which entries are legitimate smelters of the listed material. ESCATEC has taken the strategic approach to focus on a robust smelter program. This is due to the reason Smelters are in the best position to know the origin of the material. Smelter validation will provide greater accuracy in supply chain traceability and reporting, and helps companies that work with ESCATEC gain a better understanding of the smelting industry, which will lead to better knowledge of the country of origin data.

Though ESCATEC, is only a purchaser of component parts, ESCATEC has a purchasing power to influence corporate practices on its supply chain from having sourcing activities with Covered countries that have human rights abuses and war-conflict funding. ESCATEC believes that the public has a right to know which smelters are ignoring major human rights concerns in their operations. Smelters that profit from such abuses and nature are irresponsible, and believe this way of generating revenue is both unethical and inhumane. Transparent reporting provides the public with such information and sets a reasonable ethical bar for the industry to achieve, so the rule is essential to assuring the stability of corporate procurement practices because it removes a major geopolitical business risk.

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 a 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 to diligence



Through the partnership of ESCATEC and Assent Compliance, a smelter validation program is implemented in ESCATEC's supply chain management. Smelters are categorized as follows:-

Legitimate Smelter	It has been verified as a smelter/refiner by a third party, such as the Responsible Mineral Initiative (RMI), trade association, or independently by the service provider, Assent Compliance through direct outreach.
Non-legitimate Smelter	It has been confirmed not to be a 3TG smelter/refiner. It is likely sub-tier supplier of ESCATEC.
Undetermined Smelter	It is a new entry that is not confirmed as Legitimate or Non-legitimate. These profiles require further investigation via research and outreach programs.

ESCATEC also has progressed to make the Responsible Minerals Initiative (RMI) standard smelter list as a reference to verify legitimate smelters. The service provider, Assent Compliance Inc. is also a member of

the Responsible Minerals Initiative (RMI) and an active member of the UN Global Compact. Because of ESCATEC's service provider active membership with the RMI, ESCATEC is able to leverage on the Responsible Minerals Assurance Process (RMAP) which offers an independent, third-party audit that determines which smelters and refiners can be validated as conflict-free. The smelters in the RMAP are labelled depending on the status within the audit process as shown below:

Compliant	Smelters that has completed the annual audit process and has been verified to have conflict-free sources.
Active	Smelters that are in the process of being audited, or have committed to begin the audit process.



ESCATEC receives the certificate of recognition from UNGC

In January 2019, ESCATEC's facilities in Malaysia was awarded a certificate of recognition from the UNGC Network Malaysia for being a human rights enabler in Malaysia.

This certification is a recognition given to UNGC members in Malaysia that support's the UNGC Malaysian Network programs in enhancing the leadership in Human Rights Reform initiatives in Malaysia and across ASEAN and also to position ESCATEC as an enabler of "sustainable business" in Malaysia.

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For being
Human Rights Enabler
in Malaysia

Presented on
22 January 2019

ESCATEC demonstrates appreciation to its employees

Globally, ESCATEC demonstrates great appreciation to its employees and numerous events are organised annually to the employees of ESCATEC to remind them that they are part of ESCATEC's success. Every region of operation has its own employee events. Below are some of the examples of employee appreciation events that were conducted.

ESCATEC Switzerland AG

Appreciation gifts to employees of ESCATEC for the great commitment and success in ESCATEC Switzerland AG.



The Human Resource department and management of ESCATEC Switzerland AG surprised all employees personally with a Santa Claus bag filled with nuts, chocolate and mandarins. Employees were trading Santa clause poem/verse and giving a positive cheer in the work place.

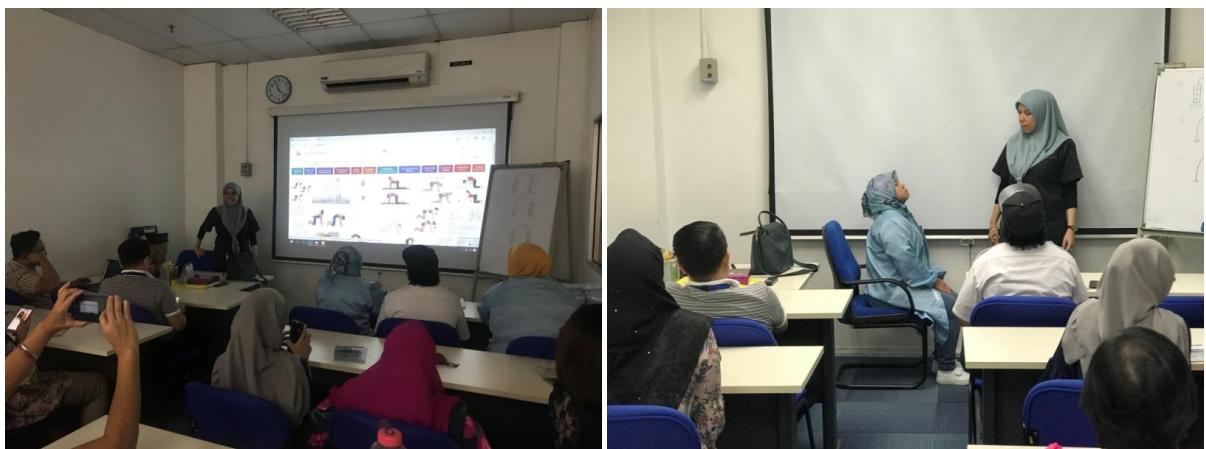
Also, a Christmas party event was followed where the theme was “relaxed and sociable”, the General Manager of ESCATEC Switzerland AG personally expressed her gratitude to all of the employees for their performance and commitment.

ESCATEC Mechatronics Sdn Bhd

In August 2018, EMM had invited the Department of Occupational Safety & Health Johor, Malaysia to conduct an awareness talk to its line managers on the topic of industrial hygiene and ergonomics. This effort taken has improved awareness among employees on accident prevention.



Apart from industrial hygiene and ergonomics awareness programs for employees, ESCATEC Mechatronics Sdn Bhd in December 2018 had organized a health talk on the management of back pain and knee pain. This has resulted in the employees to understand better the causes and symptoms and more importantly to prevent the back and knee injuries.



In 2018, The National Social Security Organisation (PERKESO) organized a Activ@Work Challenge to the manufacturing industries of Johor and ESCATEC Mechatronics Sdn Bhd was active during the 3-month participation. The objective of the program was to encourage employers to help their employees to stay active wherever they may be and even at the workplace. There were a total of 59 employees who have participated in the national Challenge and ESCATEC Mechatronics Sdn Bhd

emerged in the Top 3 Employer under the Small Category while two ESCATEC Mechatronics Sdn Bhd staff were at the 6th Place and 7th place.

ESCATEC Mechatronic Sdn Bhd also encouraged its employees to contribute to the community/social welfare and recently organized an annual blood donation campaign with the Malaysian government Hospital Sultanah Aminah. There were a total of 64 participants and 45 eligible donors.



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

Combating child labour and encouraging technology development to children

ESCATEC Switzerland AG has always condemned industries that use child labour in its production. Recently in ESCATEC Switzerland AG has taken an interesting approach to discourage child labour by having a technology exposure learning program for the children during the National Future Day in Switzerland.

The children were given a company tour through ESCATEC Switzerland AG. They were able to witness different departments like production, engineering, clean room and manufacturing operations at work. They were given the opportunity to be up close with the clean room's tools.

The children were also given an opportunity to learn to solder, unpack packages and scan products. ESCATEC partnered LIBS to benefit the children in learning /exposing to technological skills. The children were able to create their own electronic circuit boards which activate lights.



ESCATEC encourages feedback and confidential reporting protection

ESCATEC Mechatronics Sdn Bhd has recently improved the complaint/ grievance procedure by implementing confidential grievance/ employee feedback form at common areas, lobby area and locker areas of the

facilities. This will encourage employees to raise any concerns and ESCATEC is able to demonstrate human rights recognition of its employee through this improved procedure. This procedure resulted in no findings on violation of human rights by both internal and external independent Auditors.



ESCATEC bears the foreign worker's burden of the levy

In 2018, ESCATEC has begun efforts to progressively eliminate the burden of SOCSO (social security) contribution of its foreign workers. ESCATEC understands that its foreign workers often are financially burdened by the numerous employment fees imposed by the relevant authorities. It is ESCATEC's intention and plans that its foreign workers do not have any obligation to work for ESCATEC due to the employment debt. Such efforts as this have 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 documented standard in regards to labour, ethics, environmental impact, health and safety and corporate social responsibility management system. Our initiatives include:-

No.	Element of RBA	Initiatives
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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 exceed 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 a peaceful assembly as well as respect the right of workers to refrain from such activities. Workers and/or their representatives are 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.

Further to that, ESCATEC recently participated in the 2019 RBA Foundation Regional Forum on Force Labour. The participation of the said Forum has strengthened ESCATEC's programs in combating force labour.

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

ESCATEC's California Proposition 65 Program

The Safe Drinking Water and Toxic Enforcement Act (also known as Proposition 65) is an environmental protection regulation designed to protect residents and the environment from excessive exposure to harmful chemical carcinogens and other toxins. It was introduced in California in 1986, Proposition 65 requires the Californian state to publish and maintain an updated list of chemicals known to cause cancer, birth defects and/or reproductive harm. That list includes close to 1,000 chemicals found in pesticides, food, drugs, solvents and a range of common household products, along with many chemicals used or discharged by the manufacturing and construction industries.

California Proposition 65 requires that clear and reasonable warnings be provided to individuals in California before exposing them to a chemical known to the State of California to cause cancer or reproductive toxicity ("Proposition 65 Chemical") unless the exposure is below an established safe harbour level.

In 2019, ESCATEC has expanded its environmental compliance programs to include California Proposition 65. ESCATEC's program on this requires some of its suppliers to declare and ensure that the parts/components provided to ESCATEC are in compliance with the thresholds and requirements of California 65's 1000

chemicals list. This effort has made ESCATEC contributor in combating the use of products which contains such harmful chemical toxins.

ESCATEC's EU Ship Recycling Regulation Program

EU SRR Regulation No. 1257/2013 is a regulation that attempts to reduce the negative impacts of ship recycling, by requiring ships above 500 gross tonnes, calling at a port or anchorage of a Member State to (i) maintain an EU SRR inventory, if the flag of the ship belongs to an EU member state; (ii) maintain an approved IHM Part I inventory, if the flag of the ship belongs to a non-EU member state.

ESCATEC in supporting this environmental Regulation, required its plastic suppliers to declare their product/component level material composition to determine the existence of EU SRR. This effort will contribute to the environment when the ships are recycled as it would be recycled with a minimum impact on the environment.

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

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 are provided to ESCATEC's supply chain on the importance of complying with ESCATEC's REACH and RoHS program. This has resulted in ESCATEC's supply chain to conduct more due diligence on the REACH and RoHS parts compliance.

ESCATEC receives a certificate of recognition from UNGC on climate change

In January 2019, ESCATEC's facilities in Malaysia are also awarded a certificate of recognition from the UNGC Network Malaysia for being a climate change enabler in Malaysia.

This certification is a recognition given to UNGC members in Malaysia that support's the UNGC Malaysian Network programs in enhancing the leadership in Climate Change Reform initiatives in Malaysia and across ASEAN and also to position ESCATEC as an enabler of "sustainable business" in Malaysia.

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e-Gate/Property Pass and ban on plastic items in ESCafe

ESCATEC Mechatronics has implemented the e-Gate / Property Pass system effective in January 2019 as one of the environmental management programs. This system has effectively reduced the paper consumption.

Further to that, ESCATEC Mechatronic Sdn Bhd's canteen (also known as ESCafe) has implemented a ban on "single-use" plastic items such as straws, cups, forks and spoons in November 2018 as an effort to reduce/eliminate the use of plastic kitchen/utensil items.



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:-

- waste segregation
- hazardous waste (PCB waste and potting waste) reduction,
- plastic runner reduction,
- paper usage reduction
- 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 is conducted to evaluate the performance of the environmental management system. Annual Management Review on the performance of the environmental management system and ISO 14001 Recertification Audits by certification bodies such as SGS.

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 the alignment of energy usage to working hours. Penang facilities have achieved a 30% reduction in electric consumption in terms of KWH per sale

In 2018, 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.