



**Statement of support from Chief Executive Officer of ESCATEC  
Penang, May 2021**

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 blue ink, which appears to read 'Patrick Macdonald'. The signature is fluid and cursive, written over a light blue horizontal line.

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**Patrick Macdonald**  
Chief Executive Officer  
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**

##### **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 because 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 in its supply chain and eliminate any 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 are irresponsible, and ESCATEC believes 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. Also compliance is essential for assuring the stability of corporate procurement practices by removing 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 3<sup>rd</sup> 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 categorised 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 have completed the annual audit process and have 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 Work From Home Program**

In March 2020, ESCATEC Group officially launched the Global Work from Home Standard Operating Procedure (SOP). This SOP documents work from home arrangements, the process for requesting work from home privileges and its approval process workflow. Also, to set the right expectations, responsibilities and conduct for employees working from home to ensure they are connected and able to perform the employment contractual obligations at home as they are in the office. This Work from Home SOP is applicable to all employees of ESCATEC who request for working from home or in response to work safety and health. This transparent and documented procedure demonstrates ESCATE’s continuous efforts in respecting the employees human rights to a safe and flexible working environment.

## **ESCATEC demonstrates appreciation to its employees**

Globally, ESCATEC demonstrates its great appreciation to its employees and numerous events are organised annually with 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.

### Employee Engagement and Satisfaction

ESCATEC carries out an annual employee engagement and satisfaction survey. The management of ESCATEC are firm believers that employee satisfaction is directly correlated to organisational efficiency.

Results of the survey are used by the Human Resource department to initiate improvements and further improve the "culture of positivity" in the organisation, this includes regular reviews of the employee compensation and benefits package so employees can increase their incomes and work-life satisfaction.



## Celebration of Diverse Cultural and Religious Festivals

ESCATEC Penang has a very diverse work force composed of at least 15 nationalities from European and Asian countries. Activities and festivities are frequently organised to acknowledge and celebrate the diverse cultures and religions practised amongst its employees.





### **ESCATEC Covid-19 Response for its Employees**

Since March 2020, the Malaysian Government declares various forms of nationwide “Movement Control Order” (MCO) that severely curtails business operations and movement of people. Other countries, including Switzerland, also impose measures to mitigate the spread of COVID-19. ESCATEC immediately implements strict new Standard Operating Procedures in Malaysia & Switzerland to safeguard the health & safety of its employees. This includes the compulsory wearing of face masks, daily temperature taking and social distancing.



ESCATEC employees willingly adopt the “new normal” to keep operations running.



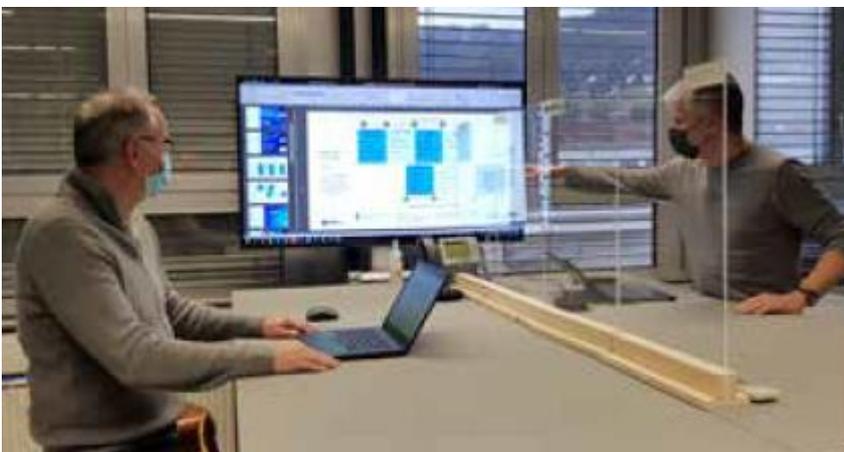
ESCATEC was able to maintained production even with the implementation of government movement control restrictions , there was a cooperative relationship between ESCATEC and its employees to establish and implement strict new health & safety SOPs, deal with the process of getting government approval, working from home, and keeping the production & shipments going.

As early as January 2020 – even before the WHO and the Malaysian and Swisszerland government announced COVID-19 as a global pandemic, ESCATEC had already implemented measures to reduce the risk of the disease spreading among employees. This included providing 3-ply face masks daily to everyone, taking everyone’s temperature before allowing entry, providing hand sanitisers in various locations and encouraging their regular use, boosting the number of health & safety briefings, and increasing the cleaning & disinfection of restrooms. As a consequence of our ESCATEC’s action, ESCATEC was able to cope well when the Movement Control restrictions.

ESCATEC made other changes including adjusting the layout of the cafeteria to prevent close contact, rescheduling break times to reduce the number of employees in the cafeteria, reducing the number of people who could be in a meeting room at one time, and closing all passenger lifts. Even the buses & vans used for employee transportation were instructed to observe social distancing rules.



ESCATEC's facilities in Switzerland adjusted its work culture and enforced changes to prioritise health above all. This includes enforced daily temperature taking on all employees, compulsory to regularly use sanitiser dispensers installed on every floor, and regular scheduled disinfecting bathrooms & meeting rooms.





ESCATEC appointed MCO ambassadors in its facilities in Johor to ensure that all health & safety SOPs are closely followed. Additional employees were assigned to areas that needed extra support, staggered breaks were introduced as a social distancing measure, and cross-training was provided to operators who were not familiar with the new product lines. ESCATEC Safety Officers provided countless briefings and making sure every employee adhered to the rules.

All of ESCATEC's assembly lines incorporate social distancing requirements. Partitions were set-up between work stations, re-layouts were optimised and productivity levels improved via Kaizen projects.



**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 recognise 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 to reach jointly acceptable solutions.

ESCATEC is 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**

**Responsible Business Alliance (“RBA”)**

The RBA, formerly known as the Electronic Industry Citizenship Coalition, is a nonprofit coalition 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. 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
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 can openly communicate and share ideas and concerns with management regarding working conditions and management practices without fear of discrimination, reprisal, intimidation or harassment.
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**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 Rare Earth Elements Compliance Programme**

Here in ESCATEC, we are sensitive to the need to avoid using materials harmful to health and the environment. Rare Earth Elements (REEs) are one example of such materials. REEs are naturally found in very low concentrations in the natural environment, but near mining and industrial sites, the concentrations can rise to many times the normal background levels.

Once in the environment, REEs can leach into the soil where their transport is determined by numerous factors such as erosion, weathering, pH, precipitation, groundwater, etc. Acting much like metals they can speciate depending on the soil condition, eventually slipping into the food chain by first getting absorbed by plants which are subsequently consumed by livestock and people.

ESCATEC also expanded its environmental compliance programs to include Rare Earth Elements. ESCATEC requires its suppliers to declare and ensure that the parts/components provided to ESCATEC which are manufactured through rare earth elements process are sourced from facilities that are audited and safe. This effort has made ESCATEC a contributor in combating the use of products which contain such harmful chemical toxins.



### **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's 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.

Over the past four (4) years, 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. Assent Compliance also is a very active member of the United Nations Global Compact and there annual UNGC Reports can be publicly obtained from the United Nations Global Compact website.

### 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. An annual environmental management system internal audit is conducted to evaluate the performance of the environmental management system.

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 airconditioning 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

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**

**ESCATEC Anti-Corruption initiative**

ESCATEC has an internal Anti-Corruption initiative to strengthen any corruption risk and gaps with the organisation. This initiative is based on the “T.R.U.S.T” module which is summarised below:

Five (5) Guidelines	Brief Description
<b>Top-level Commitment</b>	Directors, partners or anyone concerned in the management of the Corp. affairs should be directly involved to ensure the Corp. complies with the applicable anti-corruption laws and regulations.
<b>Risk Assessment</b>	Risk assessments should be conducted at regular intervals to identify the evolving risks of corruption. The findings of these assessments should be documented and reviewed.
<b>Undertaking Control Measures</b>	Appropriate contingency measures, which include due diligence and stringent financial controls, to address corruption risks identified should be in place.
<b>Systemic Review, Monitoring and Enforcement</b>	The effectiveness and efficiency of the Corp's anti-corruption policies are reviewed and assessed.
<b>Training and Communication</b>	The Corp's anti-corruption policies are not only disseminated both internally and externally, but regular and relevant trainings are provided to the Corp members and external stakeholders.

The Anti-Corruption programmes and activities prepared strengthens ESCATEC’s corporate governance culture and builds upon the UNGC principle of conducting ethical business.

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.