

artel



United Nations Global Compact

Communication on Progress

2022



United Nations
Global Compact

Artel Electronics LLC

November, 2022

Statement of continued support by the Chief Executive Officer

To our stakeholders,

I am delighted to confirm that Artel Electronics LLC reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.

Artel Electronics LLC is committed to promoting these principles and continuing to advance towards the UN's Sustainable Development Goals (SDGs) as we align with international best practice on ESG.

In this annual Communication on Progress (CoP), we describe our actions to improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

We also commit to sharing this information with our stakeholders using our primary channels of communication and welcome the opportunity to further engage with the UNGC and partners in the future.

Sincerely yours,

Shohruh Ruzikulov



Shohruh Ruzikulov
Chief Executive Officer
Artel Electronics LLC

Key highlights



5%[↑]

increase in **proportion of women in company**



10%[↓]

reduction in **staff turnover**



Informational legal clinic for employees



Anonymous whistle-blowing function introduced

Pioneered Uzbekistan's first **Championing Sustainability Conference** with the UN

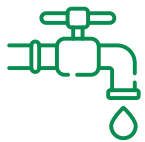




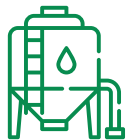
Public campaign with UNFPA **tackling gender-based violence**



Meet The Management for employees



Water provision to a Jizzakh village



Technology that saves **gas, energy and water**



Innovative Training Center opened



Mentoring scheme, school tours and university partnerships



Core Sustainable Development Goals (SDGs) Supported



Overview

In 2021/2022, Artel Electronics LLC has continued to make significant progress in its promotion of the Sustainable Development Goals (SDGs) and 10 Principles of the UN Global Compact.

The company complies with all legal requirements and respects international conventions on human rights, labor rights and anti-corruption. Furthermore, it is going above and beyond through implementing projects that positively contribute to the sustainable development of Uzbekistan.

Human Rights



The company has continued to **defend human rights principles** both internally and externally. Artel has introduced an internal legal clinic, providing information about a citizen's legal rights and recourses. Other large campaigns **champion gender equality and female empowerment.**

The proportion of women employed has risen by 5% in the last year. Other social projects include providing urgent medical care to children, water provision to rural areas, and aid in response to natural disasters.

Labor Rights



Artel respects all legislation related to labor rights. In the last year, the company has also **introduced induction courses** and safety training, and internal communications tools and protocols.

The company has also introduced an anonymous whistleblowing function for all employees, and regular **“Meet the Management”** sessions for employees to raise concerns. The company also initiated a conference on **“Championing Business Sustainability”** with the UN in 2022.

Environment



In product development, Artel continued **to introduce technology that increases efficiency** and reduces consumption of electricity, gas and water. This is also a leading direction in the company's R&D strategy.

Furthermore, the company is working to **calculate Stage 1, 2 and 3 emissions** throughout all areas of operations and is preparing the first sustainability report for 2021.

Anti-Corruption



The company has radically **overhauled corporate governance** in line with international standards, including the introduction of a supervisory board, specific committees covering areas of responsibility, and an **Independent Director.**

The company has also introduced an anti-corruption policy and **an anonymous whistleblowing function** with a **full-time compliance officer.**

Human Rights

Artel Electronics LLC

Supports and promotes the **Universal Declaration of Human Rights**.

Is committed to **preventing human trafficking** or other human rights abuses, not only within operations, but within the supply chain.

Has a **code of conduct and ethics** based on international best practice, that all employees sign up to when entering employment.

Screens potential partners and suppliers through a third-party international database for sanctions and human rights violations.

Actions



In 2021 the company **provided clean drinking water to a rural village in the Jizzakh region**. The drilled hole and reservoir can be used by the population and livestock, and prevents the punishing walk of many hours to collect water on a daily basis.

Following the floods in the Jizzakh region, **Artel** provided **28 homes a full set of household appliances** to residents who had their homes destroyed or damaged.



In 2022, the company introduced an **internal legal clinic** that provides impartial legal information to employees about their rights and where to access assistance. The project is implemented by the Artel legal team.

Each production facility provides **material and financial support to disadvantaged families** in their community on a regular basis.

Gender Equality and Gender-Based Violence

The company actively supports research by UN Women and UNFPA and have taken part in a number of surveys in **2022 on women in the workplace.**

This includes projects with Wonder Women mentoring scheme, and provided material assistance to a domestic violence clinic in Samarkand.



In 2021/2022, Artel was an active participant of the **#OrangeTheWorld** campaign in line with the **UN's 16 days of Activism against Gender-based violence**, by using its advertising space and celebrity contacts. It has also provided material assistance to a **women's shelter** in Samarkand.



Measurement of Outcomes

5%[↑]

In the last year, the company has increased the proportion of women in the workplace by 5% to 35%. The global assumed average is 30% for the manufacturing sector

10%[↓]

Staff turnover is down about 10%, showing increased employee satisfaction.

Future Goals:

Specific goals include increasing the transparency and understanding of our supply chain, furthering work on gender equality, and promoting the anonymous reporting mechanism within employees to better understand and tackle breaches of compliance.

Labor Rights

Artel Electronics LLC

Seeks to ensure the company does **not participate in any form of forced, child labor, or human trafficking** in operations or within the supply chain.

Aligns with **ILO Core Conventions on Freedom of Association and Collective Bargaining** and **Core Conventions on the Prohibition of Discrimination**.

Complies with a minimum-wage standards and all legislation relating to maternity and disability or otherwise. The company seeks to provide working flexibility when required, possible and appropriate.

Has a **Code of Conduct** that prohibits all harassment and abuse, discrimination or otherwise.

Provides a **healthy working environment** for all employees and seeks to comply with all domestic laws and international standards of occupational health and safety relevant to all different sites of operations.



In 2022 the company hosted a delegation of staffers from US Congress to it's manufacturing facility in Rohat, to **showcase sustainable development in the private sector in Uzbekistan**.

Activities

Training and Development



In late 2021, the company opened an **Innovative Training Center**. The center provides a number of training courses, including on IT, languages and technical education, to employees. It has also partnered with multiple domestic and international universities.

The company sponsors leading **chess school SkyChess**, and has sponsored for a number of leading students to continue their chess education and compete in international tournaments.



Artel has **introduced a mentoring scheme**, where our top management provides career advice to university students.

Whistleblowing and Compliance

A full-time **compliance officer has been appointed**, that sits within the legal department and monitors the company's compliance with its legal requirements, sanctions, and internal policies.

The company has **introduced an anonymous whistleblowing function**. This allows employees to report any human rights and labor rights violations or infractions within the company directly to the management. Each case is raised immediately with senior management and investigated fully.

The compliance officer **reports regularly directly to senior management** and appropriate actions are taken accordingly.

Employee Support



The company has introduced a **“Meet the Management”** programme, where any employee from all locations has an opportunity to raise a grievance directly to senior management. This can include infractions of the Code of Conduct, suggestions for improvements, or personal concerns.

Employees on lower incomes are **regularly provided with additional support** for themselves and their family. Support based on personal needs is provided on a discretionary basis.

Measurement of Outcomes

10% ↓

Staff turnover is down 10%, showing increased employee satisfaction.

Future Goals:

Further increase labor standards and employee satisfaction including by raising awareness of whistleblowing tools.



Environmental Principles

Artel Electronics LLC

Is committed to **sustainable growth** and understands its duty to the environment.

Screens suppliers using international database Factiva. As part of this process, any scandals including environmental scandals are increasingly likely to be uncovered.

As a household appliance manufacturer, the company is aware that its environmental impact does not only apply to its operations, but the entire life cycle of the products it produces.



Activities

Research and Development (R&D)

The company is increasingly adding technology to its products **focused on increasing efficiency and reducing consumption of gas, electricity and water**. This includes technology that means refrigerators can function effectively with low voltage and Simfonia technology that saves gas usage in stoves.

The company is innovating in various directions, including the **optimization of supply chains** and the use of renewable power in appliances.

Tree-Planting

As part of the national “Yashil Makon” initiative, the company **planted over 4000 trees** in and around Tashkent.

The initiative is not only intended to create a better environment for residents, but also contribute to the reduction of carbon emissions.



4000+



Measurement of Outcomes

The company is working with ESG consultants to **assess its entire environmental impact**. This includes **products, logistics, manufacturing and business operations**. As part of this project, the company will calculate its Stage 1,2 emissions and estimate of Stage 3 emissions.

Following this, the company will **design and implement a strategy** to steadily lower emissions over the coming years.

Many of Artel's appliances now have efficiency innovations included as standard, and they are **popular within the consumer base**.

Future Goals:

The company will publish its first Sustainability Report in the first half of 2023, and design and implement a 1-3 year sustainability strategy targeted at reducing emissions. Artel will continue to contribute to local and national initiatives aimed at helping the environment.

Anti-Corruption

Artel Electronics LLC

Is **committed to tackling corruption** within all areas of the company's operations.

Supports the **UN Convention against Corruption** and commits to observance and promotion of all national laws, including those tackling corruption.

Has a **zero-tolerance policy** to instances of corruption and is working to wipe out instances throughout all operations, irrespective of geography and area of activity.

Activities



Whistleblowing and Compliance

In 2022, the company introduced a comprehensive **Anti-Corruption Policy** based on international best practice, that sets out strict guidelines for employees and partners, as well as protocols for dealing with cases of potential or actual corruption.

The company has introduced **a full time compliance officer** who is responsible for ensuring that the company and its partners, operate in compliance to the law.

The company uses **international professional databases** to ensure that the company deals with partners of a reputable reputation.

The company has introduced an **anonymous whistleblowing function**. This allows employees to report any corruption violations or infractions within the company directly to the management. Each case is raised immediately with senior management and investigated fully.

Corporate Governance Transformation

In 2021/2022 the company **overhauled the corporate governance structures** to align with international best practice with the assistance of international consultants. This has included the introduction of a **professional supervisory board**, committees relating to different functions, and regular meetings to ensure streamlined information flows and oversight of the business practices.

Independent Director Mr. Kim Uy Tak, former Vice President of Samsung Electronics, **now sits on Artel's supervisory board.**

Measurement of Outcomes



The company is complying with all new standards introduced through the corporate governance project. The supervisory board and other committees meet regularly and maintain good oversight of the company's operations.

Future Goals:

Artel wishes to continue to tackle instances of corruption including through raising awareness about whistleblowing functions. The company is also exploring partnerships with state and international organizations to benefit from knowledge sharing and best practice.



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