

AQ Group UN Global Compact Communication on Progress 2016



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1. Purpose



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The purpose this report is to describe AQ Group's progress with respect to the ten principles of the UN Global Compact.

2. Short description of AQ Group



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AQ Group was founded in Sweden in 1994 and consists today of about 5000 employees, with a large share working in growth countries outside Sweden. We are a global manufacturer of components and systems for industrial customers around the world.

AQ Group consists of seven business areas which are electric cabinets, wiring systems, injection molding, sheet metal processing, system products, inductive components and special technologies & engineering. We take pride in being a **Reliable** supplier by producing products with high Quality, delivered on time in a sustainable way. AQ group is actively taking part in the development of electrified vehicles in order to reduce CO2 footprint. It is possible to read more about this in our annual report.

3. Scope



This report applies to AQ Group. This report covers the period from joining the initiative in September 2012 until May 5th of 2017.

4. Statement of continued support



May 5th 2017

To our stakeholders:

I am pleased to confirm that AQ Group AB reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

In this annual Communication on Progress for 2016, we describe our actions to continually 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.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Claes Meligren'.

Claes Meligren

CEO

AQ Group AB

5. Human Rights principles

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

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



5. a) Assessment, Policy & Goals



AQ Group's goal is for all our employees and business partners to live up to the Universal Declaration of Human Rights. The goal is to have 0 reported human rights cases.

Our Core Values and code of conduct outlines the way each of us should behave and also clarifies our responsibility to report instances of human rights violations.

The code of conduct is known to all employees within the company. Also our immediate supply chain should adhere to the same principles. The principles are clearly stated in the AQ Supplier Code of Conduct.





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5. b) Implementation

All employees and external stakeholders can report violations directly by sending a message to whistleblower@aqg.se should there be any grievances with regards to human rights. However, in most cases contacting the local management team and or group management should be enough.

This year the AQ Group continually implemented its core values, which was established in early 2012, across all AQ companies. One of the cornerstones of the core values is “Courage and Respect” including the principles, “Every employee has the same status” and “We treat others as we like to be treated ourselves”. A copy of the AQ “Core Values” booklet has been handed to each employee in local language and workshops have taken place to further strengthen their understanding across the company. This together with the AQ Code of Conduct and the global policies on human rights gives guidance how to act within the AQ Group in any given situation.

Suppliers are audited using the standard AQ Group template which contains a section on human rights and they are required to adhere to the AQ Group supplier code of conduct. Suppliers who have questionable ethics are not approved as an AQ supplier.

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5. c) Measurement of Outcomes



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In AQ Group there have been no reported incidents of human rights abuses. If any issues should occur in the future they will be recorded and brought to the attention of group management and the related authorities. AQ Group is fully committed to handle any such occurrences objectively and to provide fair solutions.

In the last three years we have had 0 human rights violation reports.



6. Labour Rights Principles



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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



6. a) Assessment, Policy & Goals



Our code of conduct show clearly employee rights, compensation and responsibilities.

All employees work here willingly and no employee is forced to work overtime.

In AQ Group we have a non-discrimination policy with regards to gender, age, ethnicity, or background, and this is stated clearly in our code of conduct.

Naturally, we uphold the law and our ethical responsibility by only employing people of a legal working age.



6. b) Implementation



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The Labour Unions in the AQ Group are working well. Any issues can be discussed in this forum. This is the principle channel of collective bargaining in AQ Group.

With regards to the safety of our employees we evaluate and audit working conditions and make sure that, where necessary, the correct protective clothing and equipment is used by our employees. During workshop audits the work environment is constantly reviewed for any new or potential safety risks and appropriate actions are taken if any such cases arise.

We fully commit to providing a safe working environment. New employees receive relevant orientation training and existing employees receive continuous training at various intervals based on the need to be able to perform their respective tasks.





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6. c) Measurements of Outcomes

Of the AQ Group Board of directors there are three men and 2 female. In the AQ Group management team three are female and four are men. Company-wide, female employees represent 45% of the headcount.

AQ have since 2015 implemented a company self assessment that is done by the management of every subsidiary within the group. This gives the group management a good understanding of the labor rights status in the group as a whole. The results from this survey in 2016 show high scores on average. A gap analysis is also made in order to strengthen the subsidiaries where the score is low.

The score in 2016 was on average 2,86 where 3 is highest. No subsidiary within the group have scored lower than 2. Our target is to have an average score higher than 2.5 and that no subsidiary should have score lower than 2.

AQ Group's subsidiaries are continuously being audited by its customers. During 2016 we have passed audits from but not limited to, Volvo, Scania, Siemens, Bosch, Alstom, GE, Ericsson, Bombardier, ABB and Tetra Pak. These companies focus strongly on Corporate Social Responsibility and check for our compliance in these areas. Many of these companies can be found in the "Advanced" group of companies that adhere to the UN Global Compact principles.

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7. 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



7. a) Assessment, Policy & Goals



In our Environment Policy we publically share our environmental viewpoint: “Our business and processes are designed in such a way that energy and resources are used efficiently and waste and rest products are minimized over the life cycle of our products.

We support duty of care by avoiding material and methods which can lead to environmental and health risks when suitable alternatives are available.

The environmental goals are set by the local management teams and reviewed regularly during board meetings.



7. b) Implementation



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Environmental concerns and improvements is part of our daily work and continuously discussed during monthly meetings in our subsidiaries'. We conduct risk analysis when necessary and work, as stated in our code of conduct, to support the precautionary principle by avoiding materials and methods related to possible environmental- and health risks when other alternatives are available.

We also share best practices between our site through our CEO weakly news letter. An example of this is the widespread implementation of LED lighting in most of the AQ production units and offices in order to reduce electricity consumption.



7. c) Measurement of Outcomes



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AQ Group sites have been approved in accordance with ISO 14000. Now 80 % of the group's production units are certified according to ISO 14001. All units are securing that national environmental laws are followed. This is secured on group management level through the AQ Group Self Assessment procedure. The environmental score for 2016 was 2,875 where 3 is highest.

Some of the concrete actions that have been done in the past years to improve the environment,

- AQ is supporting the World Wildlife Foundation
- AQ have implemented electrical vehicles that transport goods to and from our production facilities in Västerås and Uppsala.
- Many of the AQ factories have implemented LED lighting in the workshop.
- AQ have three production sites that have installed solar panels or heating devices.
- All AQ's facilities in Sweden are powered with renewable energy.
- Many of AQ's production facility reuse the heat generated from production processes to heat the factory.



8. Anti-Corruption Principles



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



8. a) Assessment, Policy & Goals



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AQ Group puts great emphasis on building trust and long lasting relations with our employees, customers and suppliers. It lies in our business ethics to always follow laws and regulations as a minimum requirement in all countries we operate.

We do not, under any circumstances, accept bribery, extortion or any other kind of corrupt activities. It is stated in our code of conduct that we shall always conduct good business ethics and that we do not offer rewards or benefits, which are in conflict with laws or regulations, to customers, suppliers or authority representatives.

Every employee that are involved in business transactions receive training on our code of conduct and our supplier code of conduct which clearly indicates our stance on corruption: “If an employee is offered a gift, a bribe, an illegitimate commission, or any other form personal payment, it must not be accepted.” Also, a preliminary evaluation of the risk of corruption was made. The biggest risks come in the form of supplier/customer gifts and bribes.

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8. b) Implementation



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It is all managers' responsibility to inform employees about our anti-corruption policy and code of conduct. All managers shall furthermore encourage employees to report on indications of any type of violation in regards to these policies. Such reports can be done anonymously to the whistleblower@aqg.se in accordance with our Whistleblower Policy. This year we have received two reported cases. The AQ group management team have analyzed them and found that they were without ground.

In order to prevent the identified risks we commit to several actions:

- Implementation of a rigorous procurement process including cross-functional approval of suppliers.
- Periodic market research of prices of key materials to be compared against existing purchasing prices.
- Review of expense claims.
- Addition of the Global Compact logo and description into our company presentation to disseminate this knowledge to our new and existing supply chain partners and customers



8. c) Results



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Regarding the aforementioned examples of corruption: We make it clear to our employees and supply chain partners that we will not accept behavior of this kind. If it ever were to happen in AQ Group the relevant disciplinary and/or legal action would be taken against the guilty parties. There have been no indication of violation of our anti-corruption principles in 2016.

Audits from senior management take place at various intervals to check that standard procedures are being followed. And to cement these principles the management of each subsidiary need to commit to our principles in our yearly self assessment.

In 2016 the whistleblower@aqg.se email and policy have also been implemented in order to make it safe to report violations for internal and external stakeholders.





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9. References

AQ Group Core Values

<http://aqq.se/download/841-3E40E7AA08822158B47874AAEC5E4142/AQ%20Core%20Values%20EN.pdf>

AQ Group code of conduct

<http://aqq.se/download/1097-FDB69B0D062F3D9263E558233CF47C37/Code-of-Conduct-eng.pdf>

AQ Group supplier code of conduct

<http://aqq.se/download/1085-581F6B44E90E850AA2BAF7C01231F260/AQ-Supplier-Code-of-Conduct--rev.1-Policy-ID-9386.pdf>

AQ Sustainability guidelines

<http://aqq.se/en/aq-group/sustainability>

AQ Policys

<http://aqq.se/en/aq-group/policies>

AQ Whistleblower

Please contact us at whistleblower@aqq.se if you would like to report a violation of the AQ code of conduct or national laws and legislation. Your identity will be protected.



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