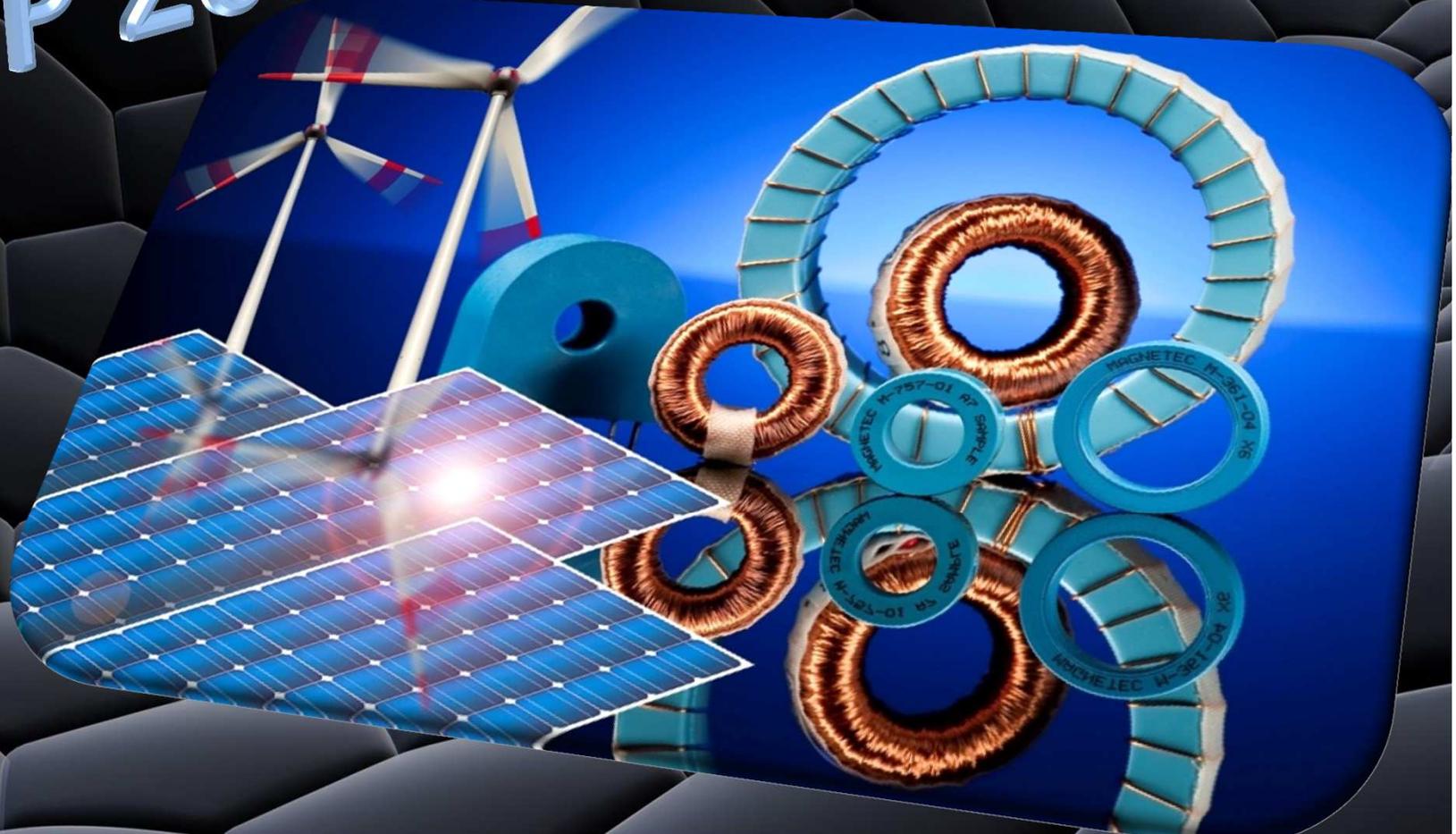


MAGNETEC GmbH

COP 2016



Efficiency is our Passion.

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MAGNET-TECHNOLOGIE

Foreword

Our Mission

MAGNETEC is a family-owned medium-size enterprise founded 1984 in Germany with approximately 400 employees world wide. We are proud of our company culture based on the ten principles of the UN Global Compact.

In the recent years MAGNETEC's business scope has more and more focused on power electronics applications related to the emerging markets of sustainable energies. Our products contribute to a significantly better energy-efficiency of our clients products and make them work reliably and safely over a long life-time in accordance with environmental and personal safety regulations.

MAGNETEC is supporting the UN Global Compact since 2007 – and will continue to do so in the forthcoming years. In this COP we have summarized our achievements of all our locations during 2016.



Dr. Martin Ferch
managing director
MAGNETEC GmbH

Langenselbold, January 2017

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Human rights principles

“Businesses should support and respect the protection of internationally proclaimed human rights.”

Top Management, HR and production planning altogether are acting and monitoring on daily basis to optimize the resources and the workload satisfying the customer expectations as well as preventing overtimes and extra work assuring the balance between working and private life. The 2016 rate is 0.4 % on average in MAGNETEC Hungary.

We pay special attention to the health of the employees. This year we have conducted screenings for the major health risk factors free of charge for the employees, and organized a full-day presentation of healthy lifestyle choices.

We pay special attention to occupational safety.

We have received no fine or negative feedback in this respect.

A social safety net has been established to support employees in need. E.g. a food allowance, transport allowance, extra support in difficult situations etc. system is in place.

Donation has been running and there was no negative escalation or even suspicion happened since foundation of the company.

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Human rights principles

“Businesses should make sure they are not complicit in human rights abuses.”

All activities of MAGNETEC Group are defined by adherence to the law, paying attention to social conditions. Mission and vision of MAGNETEC unambiguously formulate that the group intends to establish an alliance with the best possible partners in compliance with all applicable law, regulation, directives contributing the proclaimed initiatives.

MAGNETEC is well aware of its social responsibility concerning human rights and understands that its business behavior has an influence on the society and the environment. In order to warrant a peaceful, fair and sustained use of our worldwide resources MAGNETEC publicly confirms to distance itself from any source of conflict minerals from mines which are being financed or supported by armed groups or there is a potential risk, possibly a well known violation of human rights abuses like Democratic Republic of the Congo or its neighbor countries (Dodd-Frank-Act).

No evidence, recognition or internal/external report in human rights abuses in 2016. There is escalation neither from MAGNETEC's customers nor from its suppliers.

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Labour principles

"Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining."

MAGNETEC provides a free opportunity for the employees to express their views and make proposals through their representatives. There is a Works Council with regulated rights and in regular contact with the management of the company. The employees are continuously informed of any changes and their views are taken into consideration in all matters affecting the employees. A separate annual agreement has been concluded between the management of the company and the Works Council, which includes an annual plan forming the basis of the employee benefit system. MAGNETEC makes no discrimination between its employees, temporary agency workers or candidates.

The management of the company uses various communication tools to provide information. E.g. Quarterly information on the economic, business news of the company and other events affecting the social background. MAGNETEC is also promoting and encouraging the employees to arrange collective programs like package tour, sport event, leisure activity that certainly assisted by the company.

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Labour principles

" Businesses should uphold the elimination of all forms of forced and compulsory labour. "

The management of the company is doing a lot to strengthen the relationships between the employees, and to allow their families to obtain information about the workplace of a member of the family, thus strengthening their ties to MAGNETEC. In September 2016 we held an open day, and the annual results have also been celebrated at a special event. In 2016 MAGNETEC Hungary asked the views of the employees on an satisfaction questionnaire, which will form the basis for developments in the next business year.

The management of the company makes every effort to ensure that its employees understand the objectives of the company, understand the written documents, and receive clear communication. MAGNETEC rejects everything that is not based on well-informed free choice. It has and is committed to an open and transparent business policy and communication. A separate organization is employed for the implementation of the occupational safety and environmental objectives, and the achieved results are openly communicated. The company places great emphasis on the training of employees, on the development of professional, managerial, communication and team working skills.

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Labour principles

" Businesses should uphold the effective abolition of child labour. "

All MAGNETEC locations rejects child labour, it does not employ employees under the age of 18. However, it provides an opportunity for practical training. This year MAGNETEC Hungary received 13 high school students for practical training, allowing them to gain different experiences to facilitate their choice of further studies.

At the final meeting the students classified MAGNETEC as an excellent workplace.

The employees received the students with kindness, with good example and helpfulness, thus supporting the effort to provide a clear picture of the world of work to prospective employees.

There was no evidence accepting children volunteers or hiring children for any kind of job role since the foundation of the company

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Labour principles

" Businesses should uphold the elimination of discrimination in respect of employment and occupation. "

The management of the company has clear requirements, and they are openly communicated to the employees and candidates. It rejects everything that discriminates or would discriminate in the field of employment. Transparent records are kept of both the candidates and the employees. The management of the company is doing a lot to ensure that the employees have an appropriate vision, know the objectives of the company, and they themselves can identify with them.

It provides the same conditions for employees with the same qualifications and skills. It operates an internal recruitment system in order to provide the same conditions for its employees. An internal career system is in place, providing an opportunity for internal advancement. The company is proud of the MAGNETEC culture successfully operating for many years, ensuring a relaxed, family atmosphere and lawful operation for every employee. No discriminative approach, harassment, abuse of authority or position, cheating, misleading have been reported or recognized in 2016.

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Environmental principles

“Businesses should support a precautionary approach to environmental challenges.”

MAGNETEC holds the ISO 14001 certificate since 2006 and all products are in conformity with the REACH and ROHS requirements. Furthermore, we are making sure not to incorporate conflict materials according to CRMT which we update regularly and communicate with our business partners. In 2016 the company paid special attention to reducing environmental loads. First of all, an energy audit was successfully completed at the beginning of the year, to explore opportunities for energy reduction. An action plan was developed for this. The second major step was a full environmental screening, and an action plan was developed for this as well. In 2016 MAGNETEC Hungary joined the environmental clean-up campaigns launched by the Municipality. Due to its favourable location, it pays special attention to the protection of birds, by installing bird feeders, and to the protection of wild animals. The newly hired employees receive training on the commitment of MAGNETEC to environmental sustainability, and the objectives and tasks are covered in the annual refresher training. We pay special attention to the individual training of the employees, and to ensuring that they are committed to protecting the environment in their private life as well. In 2016 MAGNETEC China reduced waste of Lead Free Tin by 14%

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Environmental principles

" Businesses should undertake initiatives to promote greater environmental responsibility"

In 2016 development objectives that reduce the environmental load were given priority among the development targets of MAGNETEC Hungary. In 2016, as a new direction of development, development largely focused on the establishment of technologies that on the one hand increase the service life of the products, and on the other hand use alternative more environment-friendly materials . In 2016 the development objectives included:

- The development of a more environmentally friendly and more stable production technology for current transformer products encapsulated in synthetic resin. The comparison of the characteristics of alternative materials, the testing of their compatibility and the service life of the newly developed prototypes, the production of prototypes. Climatic testing, the selection of a new material(s).
- The development of EMC products with a new design and improved magnetic properties, in line with the customer demand for increased service life, for a new generation (e.g. SiC, GaN) of power electronics applications. Creation and evaluation of prototypes.

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Environmental principles

" Businesses should encourage the development and diffusion of environmentally friendly technologies. "

The product range of the company is fundamentally based on NANOPERM alloys, therefore it is particularly important to set objectives that help to reduce the environmental load by means of new technologies. In 2016 a number of technological developments were made, aimed at the installation of an environmentally friendly technology:

1. A new generation automatic winding machine was purchased and put into operation, with minimum waste and maintenance needs.
2. The reduction of the number of heat treatment furnaces started, they were replaced with new generation MAQL furnaces with a lower energy consumption and more precise programmability/process stability.
3. A computer controlled gluing dispenser has been installed feeding defined and constant amount of glue at the minimum but sufficient level of consumption.

In addition, we performed continued measurement of the amounts of waste and defined targets for their reduction – including electrical energy consumption.

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Anti-corruption principle

“ Businesses should work against corruption in all its forms, including extortion and bribery „

The philosophy of the MAGNETEC Group clearly rejects any corruption, and makes a statement to that effect in the annual reports. The structure, organization of the internal processes excludes any opportunity for and any form of corruption, bribery and extortion. Commitments to both suppliers and employees are made in the form of written contracts.

MAGNETEC completely disassociates itself from all forms of corruption, and maintains the fairness of business with all possible means.

Supplier contracts are revised and renewed detailing the reason of contract termination in case of violation may happen as well as encouraging them to implement such commitments. Business partners are investigated by the time of pre-selection with regards to business background, foundation, ownership in the publicly available government databases. Beside the contract elements, MAGNETEC is refusing any means of corruption, extortion, bribery or illicit payment having a “Zero-tolerance” policy and acting accordingly within the whole Group. No evidence was reported or revealed in 2016. Internal and external audits did not find any deviation.

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Our international management team during the 2016 annual strategy workshop with MAGNETEC's 100% electrical vehicle TESLA Model S

