

**Year 2011**  
**AAC Corporate**  
**Responsibility Report**

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# AAC Technologies Holdings Inc. Overview

AAC Technologies Holdings Inc. (referred to as “AAC Technologies” or “AAC”) was established in 1993 in Changzhou City, Jiangsu Province, China. Over the years, we have invested heavily into research and development, while developing innovative solutions. AAC has greatly expanded and has grown into a premier miniature component total solutions provider.

## Locations

AAC Technologies has been listed on the Hong Kong Stock Exchange since 2005. AAC’s headquarters is located in Shenzhen, China. We have over 30 subsidiaries in China and overseas. Our global



production sites, sales and sales support network has offices conveniently located worldwide, including Shanghai, Changzhou, Suzhou, Shuyang, Rugao, Beijing in China; Korea, Taipei, Singapore, Hong Kong, Japan in the Asia Pacific area; Sweden, Germany, Finland in Europe; San Jose, San Francisco and Chicago in the United States. This global, strategic network allows us to reach and serve our customers efficiently, wherever they are in the world.

### Major AAC production sites

Shenzhen



Changzhou



Shuyang



Suzhou



Rugao



Figures and data stated in this report are from the production sites in Shenzhen, Changzhou and Shuyang.

# AAC Technologies Holdings Inc. Overview

## Product Technologies

Our company began with an initial product focus on miniature acoustics, optics and wireless RF. Over the years, we have greatly expanded our product range. Our current product expertise extends to areas including life science, new materials and new energy. Our products are integrated, and has are large market share in mobile telecommunication devices, IT products, consumer electronics, new energy, automobile applications, and medical applications. We are always looking to develop and deliver the next generation of innovative products and technologies to our clients.

To promote environmental stewardship, AAC's has adopted green manufacturing processes which meets the stringent requirements of EU and North America. Our products are RoHS compliant.

AAC has obtained 12 invention patents, 177 utility model patents and 40 design patents in 2011.



## Clientele

Having provided our partners with high-quality solutions for nearly two decades, AAC has built an impeccable reputation, and maintains excellent relationships with many industry leading manufacturers, including Nokia, Motorola, Sony Ericsson, RIM. As a premier miniature component total solutions provider, AAC works closely with these partners in creating high quality, innovative solutions, which in turn creates value for customers, while strengthening our long-term, sustainable partnerships.



Clients listed in no particular order.

# AAC Technologies Holdings Inc. Overview

## Recognition from society

Our company's development and growth has made huge contribution to the local economy, as well as to the growth of the industry. We have been recognized by the government for making these positive impacts. Awards and recognition we have been received include: "Post-doctoral Programme", "Advanced Industry", "Leading Industry in Innovation", "Leading Cultural Enterprise", "Changzhou City Start Enterprise", "Silver Award for Top Taxpaying enterprise", "Shuyang Top Ten Taxpayers", "Shuyang Harmonious and Diligent Enterprise", "Shuyang Export Contribution Award", "Guangdong Province Clean Production Enterprise", "Shenzhen Enterprise New Record – Innovation Award".



Post-doctoral Programme



Leading Cultural Enterprise



Changzhou City Start Enterprise



Shuyang Top Ten Taxpayers



Shenzhen Enterprise New Record – Innovation Award

# AAC Corporate Culture

AAC has adopted the following corporate values, which act as our guiding principles.

- **Innovation** Continuous improvement, technology innovation, brainstorming

- **Integrity** Customer (broad definition) service, respect to individual, team spirit and disciplined compliance

- **Efficiency** Be able to meet deadline, customer satisfaction, flexible and prompt response

- **Responsibility** prevention in advance, procedures control, post-event evaluation, responsibilities to the society, the company, shareholders, subordinates and customers

We work to encourage our staff, and make them realize the importance of the individual's role in the success of the collective team effort.



# Social Accountability

AAC is qualified for SA8000. We place a heavy emphasis on our policy and promise of “Focusing on people, complying with laws and regulations, sustaining improvement, and contributing to the society”.

We have strived to meet this policy by improving the working environment and working conditions, strengthening labor protection, taking up social responsibilities and maintaining good relationship with workers. This has helped enhance our corporate image and our reputation as a respectable and desirable employer.



## Equal Opportunity Employment, Wages, and Benefits

AAC is an equal opportunities employer. We treat our staff with respect and strive to protect their rights by adhering to the relevant labor laws, prohibiting the use of child labor, and assigning reasonable working hours. We have also limited strain on staff by introducing higher levels of automation for repetitive procedures. We assure reasonable protection for our staff, providing competitive wages, benefits, and social welfare. We have a well-established and detailed performance assessment management system, which provides the ability to fairly and objectively review the performance of our staff for promotion and salary purposes.

AAC cares about the daily life of the staff. At festive seasons such as Tuen Ng Festival and Mid-Autumn Festival, employees take time from work and celebrate with festivities held by the company. We also organize birthday celebrations for staff to promote a sense of belonging within our teams. During the Chinese New Year, the company arranges free shuttle buses for staff to travel home, while also allowing staff to claim return trip travel expense, making it easier for AAC staff to return to their hometowns during this Chinese New Year.

## Staff support

At AAC, we take great care to ensure that we provide adequate support for our staff, ensuring the quality of their daily lives. The company cafeteria provides healthy and nutritious food for our staff. Over the years, we have increased the amount of the meal allowance that staff could claim. Along with air-conditioned dormitories, AAC takes steps wherever possible to ensure the living quality of our staff is maintained at a high level, relative to other comparable employers.

In addition, we have also increased the frequency of shuttle buses, alleviating the traffic congestions problems, to and from work.

# Social Accountability

## Staff Cultural Activities



AAC organizes cultural performance events for its staff, including: “March 8” Womens’ Day activities, “The Rhythm of Youth, Endless energy” fun games for staff, skills contests, and continuous improvement workshops. We have also established a company library, multimedia classrooms. Also these are designed to promote the personal-growth, and

well-being of our staff. New activates and training courses such as ballroom dance and yoga are constantly being added.

To celebrate the international “March 8” Women’s Day, activities are organized in Changzhou, Shenzhen and Shuyang respectively.



Handiwork

Focusing on “Quality improvement, increased efficiency, cost reduction and customer satisfaction”, AAC holds workshops to promoting learning, and innovation.



Annual finals in 2011

AAC has established a library and reading room for staff, making learning resources easily accessible, and providing a space for learning.



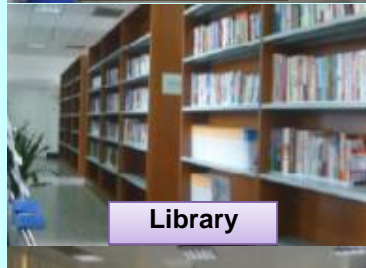
Reading room



Interesting game



Golden medal team in 2011



Library



Tug of war



Traveling to Hainan as award



Multi-media classroom



# Social Accountability

## Staff Collaboration and Communication



to further reinforce the trust between us and the staff. This promotes the effective development of the company.

AAC annually conducts staff satisfaction surveys, holds staff interviews, as well as having staff comment boxes, e-mail and phone hotline. Through all these different avenues, AAC listens actively reaches out to the staff, communicating with them, and understanding the problems they face, as well as their needs at work and daily life. By helping resolve any issues that the staff may have in a timely manner, we are able

## Enhancing Staff Ability



The company places great importance on training our staff. We continue improving our training system and flow, establishing a dedicated internal training team within AAC. We worked together with Times Bright China Education Development to develop the “Trainers’ window” platform for trainers to

easily access learning resources, providing them with the support they need to improve knowledge and skills. Meanwhile, we established the AAC Enterprise University Language Institute, which organized the “AAC professional management English training class”, helping to boost our staff’s level of English proficiency. Focusing on staff at different levels with different needs, we organized different training to satisfy their needs for work, as well as their personal development. In 2011, the



average training hours per person has increased by 22.8% compared to year 2010.

AAC also work together with different training institutes to provide opportunities for staff to pursue further studies, strengthening our position as a learning organization interested in promoting our staff’s growth.

By promoting the above activities, staff satisfaction levels has been continuously rising. In 2011, staff satisfaction levels have increased by 2% compared to 2010. At the same time, staff resignation rate has decreased by 0.7%.



# AAC Environmental Management

In our attempt to promote environmental stewardship, AAC has established an environmental management system which promotes energy-saving, reduction of pollutants and prevention of pollution, so as to protect the environment. We have incorporated these environmental-friendly measures and best-practices into a coherent environmental management system which we have applied throughout our organization.

## Environmental Management System

AAC has put a lot of effort into the implementation of its environmental policy. Steps were taken to carefully identify and assess the environmental factors. Targets and indicators were established. Solutions were then developed to reduce energy usage and energy loss, while also reducing the amount of waste generated. These steps are designed to ensure that resources are fully utilized. Meanwhile, regular internal audits are carried out on internal management systems to ensure full compliance.



In 2011, AAC implemented low-carbon emission standards. We are committed to the sustained development and implementation energy-saving measures in our operations, including:

### 1. Saving electricity

1 ) By using a single water chiller for multiple magnetizers, rather than one chiller per magnetizer, we have been able to reduce the number of chillers used, which greatly reduce electricity consumption. Satisfactory cooling is maintained making the necessary changes to the system.

2 ) Better monitoring of the central air-conditioning system, which automatically switches off the chiller when a target temperature is reached.

3 ) Renovation of the central air-conditioning system of the Technologies Building. Changes were made to the fixed-flow system of pumps and chiller water pumps, converting to an inverter-controlled flow system which is more efficient, saving energy.

# AAC Environmental Management

## Environmental Management System



4 ) By promoting energy-saving at each individual department. We have set up a system where a dedicated person is responsible for energy consumption in a given area. They look for situations such as lights switched on in empty area, or situations which are deemed to be wasting energy. The result has been significant savings in energy use.

### 2. Saving Water Resources:

By adjusting the gas boilers' operation in dormitories, the valve only opens when the water is heated to 80 degrees or above, so as to prevent the release of large amounts of warm water before it is sufficiently heated, thereby increasing overall efficiency, thus saving energy.

3. AAC has reviewed its carbon emission in 2010, while obtaining certification by a third-party. AAC will continue to make efforts to reduce carbon emissions, contributing to the improvement of the environment.

Despite the increased energy consumption in 2011 due to changes of our product offering, expansion of the production area, and growth in the number of staff, we have successfully decreased the electricity usage per unit of production by 0.11%, and we have successfully decreased the water usage per unit of production by 0.01% as compared to 2010. We attribute these savings to the above energy-saving practice. In 2012, AAC will continue to enhance its energy-saving policies, while pursuing lower carbon emissions. We will work towards achieving our target of reducing the energy loss indicator's unit production value by 3%!

# AAC Environmental Management

## Green Products

Since 2005, AAC has established operation guidelines for controlling environmental substance. Our policy is focused on **Green materials, Green production procedure and Green Products**. This policy in-line with the international guidelines including: “2002/96/EC WEEE order”, “2011/65/EU RoHS order”, “Reach order”, as well as other related laws and regulations. We are also able to cater to specific customer requests regarding the use of certain substances in our products. In 2011, we successfully attained the third-party certification of QC080000.

Since establishing our internal environmental substance testing center in 2005, AAC has continuously worked to improve capabilities of the testing center. Our center conducts testing for RoHS restricted substance, halogens, specific phthalates and SVHC substances. Through sample monitoring of incoming raw materials, as well as inspection of finished products, we are able to ensure that AAC’s products meet international laws and regulations, as well as the customers’ needs in regards to environmental substances.

Through effective execution of our environmental substances management policies, we have achieved 100% pass rates in our finished goods environmental substances inspection.



# AAC Health, Safety and Working Conditions

AAC is committed to abiding by safety laws and regulations, improving safety equipment, promoting a culture of safety, improving the working environment, and reducing risks of injury at work. AAC works hard to maintain a healthy and safe working environment for all our staff.

## Device Operation Safety Management

AAC regularly organizes safety training for its staff to demonstrate to them the safe operation procedures of machines. Daily inspections of machines are carried out. The on-site safety supervisor regularly carries out safety training for all production staff and is available at all times to ensure that safe operations practices are used. Upon discovering potential risks, measures are taken immediately to rectify the situation, eliminating risks and ensuring safe production.

## Emergency Fire Alert System

Each production area in AAC is equipped with an emergency fire alert system, which comprises of an automatic sprinkler system, automatic fire brigade notification system, fire hoses, industrial grade fire extinguishers, emergency lamps, and emergency exit lamps etc. These comprehensive preventative measures can help greatly in the event of emergencies.

The on-site safety supervisor and firemen inspect the systems through monthly inspections, conducting maintenance as necessary. Regularly patrolling of the production site helps eliminate any potential risks. By regular training in fire safety including evacuation, usage of fire extinguishers, fire hoses, as well as local fire drills, the effectiveness and efficiency of the fire alert system is increased.



## Management of Hazardous Chemicals

The storage, transportation and usage of hazardous chemicals are strictly regulated by the relevant guidelines. Training is provided to all staff members according to the characteristics of each chemical. The on-site safety supervisor also closely monitors the use of hazardous materials in order to minimize the dangers of working with, and handling these chemicals.

# AAC Health, Safety and Working Conditions

## Occupational Health Management

AAC cares a great deal about the health of our employees. In working to provide a safe and healthy workplace, we strictly adhere to all relevant laws and regulations.

We constantly monitor the air quality of the workplace, and positions which may lead to occupational issues, proper safeguards implemented to reduce risks. We provide relevant safety training for our staff, in accordance with company safety guidelines.

For high-risk positions, staff receives annual body check to ensure their health.

In 2011, AAC did not experience any significant industrial incidents. Any light injuries at work were taken care of in a timely manner. As an enterprise with a high sense of social responsibility, AAC pays much attention to staff's health and safety, so as to boost the personal growth of staff as well as the growth of the company's business in a harmonious way.



# AAC Supply Chain Management

## Relationship with Suppliers

AAC is one of the most respected manufacturers in the micro-acoustics industry. Over the years, we have established a large client base of major manufacturers, while building a stable supply chain. In 2011, purchase amounts and sales amounts hit record highs. We will continue striving for excellence.

One of the keys to our success is maintaining excellent working relationships with our suppliers. AAC actively communicates and collaborates with suppliers to establish a win-win strategic partnership. We take steps, and assign dedicated personnel to ensure our suppliers get the assistance they need, to facilitate improvement in quality, delivery time and costs while minimizing environmental impact.

Through information exchange, training and site visits, AAC promotes proactive communication with suppliers to establish trusted partnerships.

## Supply Chain Corporate Responsibility ( CR )

As a socially responsible company, we take steps to ensure that our suppliers also adhere to the strict laws, regulations, and guidelines that we adhere to.

We regularly organize training and information exchange seminars with our supplying partners to inform them of the latest developments in the relevant laws and regulations. Furthermore, we have signed environment substance management control responsibility agreements with suppliers, emphasizing to them the importance AAC places on social responsibility.

In 2012, we will continue these efforts in cooperating with suppliers to further improve and optimize our supply chain management in a socially responsible manner.







### **Our findings**

On the basis of our methodology and the activities described above, it is our opinion that:

- No on-site collected evidence has come to the attention of Bureau Veritas to indicate that the statements in the "2011 AAC Corporate Responsibility Report" are inaccurate.

### **Remarks**

- This "verification statement" only directed at with "verification statement" together attached to the "2011 AAC corporate responsibility report".
- This " verification statement " total 16 pages (including "verification statement" itself and "2011 AAC corporate responsibility report").

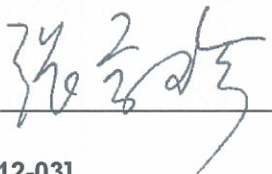
### **Statement of independence, impartiality and competence**

Bureau Veritas is an independent professional services company that specialises in Quality, Health, Safety, Social and Environmental management with almost 180 years history in providing independent assurance services.

No member of the assurance team has a business relationship with the company. We have conducted this verification independently, and there has been no conflict of interest. Bureau Veritas has implemented a Code of Ethics across the business to maintain high ethical standards among staff in their day to day business activities.

The assurance team has extensive experience in conducting assurance over environmental, social, ethical and health and safety information, systems and processes, has over 12 years combined experience in this field and an excellent understanding of Bureau Veritas standard methodology for the Assurance of Sustainability Reports.

### **BUREAU VERITAS CERTIFICATION**

  
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[2012-03]

