

Light is OSRAM



Communication on Progress 2013



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Introduction

Actions speak louder than words – following this motto, OSRAM is committed to a broad scope of sustainable actions, processes and projects. In order to communicate these sustainability efforts to our stakeholders in a transparent and comprehensible way, OSRAM reports on them in its yearly updated communication on progress.

Company Profile

OSRAM of Munich, Germany is one of the two leading light manufacturers in the world. The company's portfolio covers the entire value chain from components – including lamps, electronic control gear and opto semiconductors such as light-emitting diodes (LED) – as well as luminaires, light management systems and lighting solutions.

OSRAM has more than 35 000 employees worldwide and generated revenue of more than €5.3 billion in fiscal 2013 (ended September 30). The company's business activities have been focusing on light – and hence on quality of life – for over 100 years. As a globally operating company, we also explicitly encourage socially and environmentally responsible policies around the world - as well as sponsoring art and culture at home and abroad. [> Company Profile](#)

Sustainability at OSRAM

A responsible company is characterized by a holistic approach to sustainability – an approach that considers all three pillars of sustainability – economy, environment, society. At OSRAM, sustainability is a part of the DNA of the company, and is firmly supported by the CEO, to whom the Chief Sustainability Officer reports directly. Our corporate responsibility for sustainable development is an integral part of our corporate strategy. Therefore OSRAM, as one of the first lamp manufacturers, has set up a dedicated corporate function: “Sustainability”. [> Sustainability Management](#)

Acting sustainably as an international company requires the constant engagement with different stakeholders. Only so can we establish mutual trust, contribute to spreading sustainable concepts and receive feedback about our own actions. [> Stakeholder Dialogue](#)

The framework of our sustainability actions consists of our **OSRAM Business Conduct Guidelines (> BCGs)**. This corporate code of conduct defines group wide rules, covering the areas of human rights, labour, environment and anti-corruption. It combines important international standards (e.g. Universal Declaration of Human Rights, ILO Declaration on Fundamental Principles and Rights at work, “Agenda 21” on Sustainable Development, UN Convention Against Corruption) and clearly summarizes our basic values.

Statement of continued Support

Dear valued stakeholders,



The year 2013 was a momentous year in the history of the OSRAM Licht Group, dominated by the initial public offering and by structural and operational challenges - all mastered with equal success.

OSRAM Licht AG shares were listed for the first time on July 8, 2013, and at the end of September we were also admitted to the MDAX. These are important milestones in our Company's history, which stretches back more than a hundred years.

In this - as in all the Company's activities - we are guided by the principle of sustainability. OSRAM is responsible for its business activities all over the world. Being a responsible company means taking an end-to-end approach to sustainability.

The approach to sustainability followed by OSRAM is known as the three-pillar model, which takes into account economic, ecological, and social aspects. This holistic concept is also reflected in a variety of highlights, the year 2013 has seen. I only want to shed light on a couple of examples underlining our engagement, contributing to a sustainable future, upholding the Global Compact's principles.

During the UN Climate Change Conference COP18 in Doha, Qatar, OSRAM facilitated the Sustainable Innovation Forum. Together with a wide variety of stakeholders from academia, governments, society, and business, we discussed the interdependence of our actions and explored new potential collaboration between the different partners, mainly focused on the cities of the future.

OSRAM launches a new LED back-end production facility in Wuxi in the Chinese province of Jiangsu, where LED chips are mounted onto their housings. The factory has been designed and built along all relevant international standards concerning environmental management and facilitating state-of-the-art health and safety equipment, processes, and training.

As a global employer, OSRAM treats every employee, irrespective of nationality, with appreciation and respect. Not only do we offer fair pay and attractive additional benefits; we also provide a motivational working environment and a culture of trust. This is assisted by a global diversity program in which our complete workforce is involved through trainings and webinars. In addition, we offer all employees the opportunity to fully develop their own potential, both personally and in relation to their work. Our newly established Open Mentoring program offers employees across all levels, business areas, job functions, and national boundaries the opportunity for global, interdisciplinary exchange.

With all this we want to underline our membership in the UN Global Compact and reaffirm our commitment regarding human rights, working conditions, environment and corruption.

Sincerely yours,
Wolfgang Dehen

Chairman of the Management Board of OSRAM LICHT AG and OSRAM GmbH

Human Rights and Labour Principles

Human Rights: Businesses should

- Principle 1: support and respect the protection of internationally proclaimed human rights;
- Principle 2: make sure that they are not complicit in human rights abuses.

Labour: Businesses should uphold

- Principle 3: 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.

Assessment, Policy, Implementation

Global Compact's human rights and labour principles are covered by our [> BCGs](#) and the OSRAM Code of Conduct for Suppliers ([> CoC](#)). Additionally a clause in the Purchase and Order Conditions states the contractors' obligation to respect the basic rights of its employees and to procure a safe work environment. They shall observe the prohibition of child labor according to the Declaration of the International Labour Organization on basic labor principles.

Adherence is evaluated in our supplier qualification process by several tools and requested to our suppliers: supplier self-disclosures in which relevant data on corporate responsibility criteria is queried and supplier audits are carried out by an impartial external auditor on the basis of the self-disclosures and other specific risk-based criteria. [> Suppliers](#)

It is a policy of OSRAM to provide a safe and healthful work environment for all employees in order to minimize the risk of work-related injuries and illnesses which can result in human, environmental and economic loss. This requires strict management and is achieved through the application and documentation of proper safeguards to processes, equipment, methods and procedures and by providing employees with the training necessary to perform their jobs safely. Everyone working in the organization has the duty and responsibility to constantly be attentive to safety. In order to continually monitor the degree of achievement of our objectives for health and safety, we set up a management system according to the internationally recognized standard OHSAS 18001. This standard was developed in response to demands for a recognizable occupational health and safety management system. The overall aim of this standard is to support and promote occupational health and safety practices in balance with socio-economic needs. The implementation of this management system is obligatory for all OSRAM sites. The certification of individual sites is being rolled out. [> Health and Safety](#)

OSRAM uses a number of different ways to increase awareness of diversity issues within the Company. For example, every three months diversity webinars (Internet seminars) are carried out. In addition, we encourage exchanges between employees via the online communities in our intranet, so that they can learn from each other and encourage innovation across all areas of the Company. OSRAM aims to promote diversity and make it a normal and central element of our corporate culture. In recognition of the importance of this, we appointed a Chief Diversity Officer. [> Annual Report 2013, Financial Report, p. 62](#)

Measurement of outcomes

For OSRAM, a qualified and motivated workforce is an essential factor to the company's sustained success. How we treat our employees is the most direct indication of our understanding of human rights and fair labor practices. Only by setting a good example can we convince our suppliers to do the same. As a global employer, OSRAM firmly stands by its commitment to treat all employees equally and offer them benefits based on their performance. Our human resource statistics provide relevant information about our employees such as region, function, employment type. > [Social](#)

The effectiveness of our health and safety programs can be measured by the following relevant statistics. In comparison to previous years the numbers of occupational accidents are relatively constant within OSRAM GmbH. With ten accidents per 1000 employees in 2013 we are way below the industry average. Not only can this be explained by the intensive training that has been conducted by superiors and health and safety officers, but also by an increasing awareness of the importance of safety throughout the workforce. Improved machine safety, already during the planning and construction phase of machines, also helped to decrease incidents over the last years.

Accidents like stumbling, falling or tripping as well as accidents related to internal transportation make up nearly half of all occupational accidents. Our aim is being accident-free – to this end, the accident prevention measures are constantly being improved in our plants. Above that, the OSRAM health and safety committee committed itself to intensify trainings to further reduce the frequency and severity of occupational accidents. > [Health and Safety](#)

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

Assessment, Policy, Implementation

For OSRAM, assuming social and corporate responsibility includes protecting the environment, ensuring occupational health and safety, and preserving natural resources. Global Compact's environmental principles are covered by our > [BCGs](#), the > [CoC](#) for OSRAM Suppliers and > [EHS Policy and Guidelines](#). Our EHS policy provides a framework for action and the setting of objectives, targets and programs for environment, health and safety topics. Our EHS guidelines define binding requirements and principles for the global EHS management system.

We have introduced a global, integrated, and centrally controlled environmental protection and occupational health and safety management system in accordance with the internationally recognized standards ISO 14001 (for environmental management) and OHSAS 18001 (for occupational health and safety management). By recording environmentally relevant data, such as energy and water consumption, waste volumes, and emissions, the system allows us to identify areas for improvement and implement the relevant measures. All major OSRAM locations have ISO 14001 certification. Regular certification audits enable us to check whether our management guidelines are actually implemented in practice. We use the findings of these audits to enhance our environmental protection and occupational health and safety. In addition, the effectiveness of the management systems described is evaluated annually in a global multi-site certification performed by independent experts. > [Annual Report 2013, Financial Report, p. 60](#)

> [Environmental Reporting](#)

In order to assess the environmental performance of OSRAM products, life cycle analyses of several specific products were conducted, representing certain product groups. The method for these analyses was an assessment as outlined in the international standards ISO 14040 and 14044. Apart from the primary energy consumption, the impact on the environment was evaluated in specific categories. > [Life Cycle Analysis](#)

During the past fiscal year, we again maintained a dialog with numerous organizations and associations, participated in initiatives, and developed long-term partnerships. For example, in 2012 OSRAM joined the Global LEAP and GOGLA sustainability initiatives, which aim to make access to sustainable energy and efficient lighting solutions possible worldwide, particularly in off-grid locations. Together with Global Nature Fund, Siemens Stiftung, and our two Kenyan partners Thames Electricals and Light for Life, we are able to contribute and share the knowledge and expertise gained through our experience with our [WE!Hub project](#) in Kenya. In the area of conventional, grid-based lighting, we further strengthened our longstanding involvement in the industry association Lighting-Europe and the UNEP initiative [en.lighten](#). In addition to introducing or switching over to efficient lighting technologies, our commitment extends to recycling. This allows us to generate synergies for energy-efficient and sustainable lighting in both industrialized and developing countries, and to actively contribute to encourage the development and diffusion of environmentally friendly technologies. > [Annual Report 2013, Financial Report, p. 55](#)

Due both to the increasing legislation and regulations governing the use and declaration of certain hazardous substances in electrical and electronic devices worldwide - such as the EU's RoHS Directive, which restricts the use of hazardous substances in electrical and electronic equipment, and regulation concerning the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) - and to our own commitment to sustainability,

OSRAM works continuously, and at considerable effort, to reduce the use of critical substances such as lead and mercury beyond legal requirements, wherever technically and economically viable. Through the newly founded LightingEurope association, OSRAM is also actively involved in the introduction of globally harmonized, mandatory mercury limits for lighting. The template for this is the strict legislation in the European Union. > [Annual Report 2013, Financial Report, p. 59](#)

Measurement of outcomes

Economic sustainability is the prerequisite for giving a company the chance to implement an effective holistic approach to the entire triple bottom line. At OSRAM, our economic sustainability is based on our innovative and efficient product portfolio.

In fiscal 2013 LED based products generated 29% of OSRAM's total revenue and accounted for around 62% (fiscal 2012: approx. 60%) of the total research and development expenses. As of September 30, 2013, around 2 500 employees worked at OSRAM's 36 worldwide research and development locations. By saving energy, efficient lighting solutions offer both economic advantages and environmental benefits. > [Annual Report 2013, Financial Report, p. 57 et seq.](#)

To measure the degree of achievement of OSRAM environmental protection objectives, environmental data is systematically recorded on a corporate level. We started this process with European factory sites, and continually rolled out the tracking system, until - in 2005/06 - we reached full coverage of all relevant OSRAM sites. Data is regularly collected and used to compile reports on the amount of resources and energy consumed. Environmental reports contain information on specific and absolute water consumption, changes in carbon dioxide emissions, energy consumption, and the volume of waste produced at each plant. We have managed to reduce energy consumption significantly over the course of the past years.

In fiscal 2013 we reduced the primary energy consumption to 4 552 136 GJ (fiscal 2012: 4 973 304 GJ) and electricity usage to 3 019 758 GJ (fiscal 2012: 3 122 478 GJ). There is a direct correlation between reductions in specific energy consumption and CO₂ emissions. We reduced the CO₂ emissions resulting from the combustion of fossil energy sources in our production sites to 252 609 t (fiscal 2012: 271 483 t) and the emissions caused indirectly by the consumption of electrical energy to 413 740 t (fiscal 2012: 466 412 t). > [Environmental Reporting](#)

For OSRAM it is of great importance to use water responsibly and sparingly. Thus we make sure to either clean polluted water ourselves or redirect it to local sewage plants. Furthermore we consider the scarcity of this precious resource in all our production processes. This is why we are proud to have seen water consumption decline in absolute numbers over the past years. In fiscal 2013 we reduced the water usage to 4 041 534 m³ (fiscal 2012: 4 945 123 m³). > [Water Management](#)

OSRAM avoids producing waste wherever possible. Our lamps only contain the minimum required amount of environmentally hazardous substances and we avoid unnecessary packaging or materials. We continue to develop our products to make them as recyclable as possible. When engineering new products, we reduce the amounts of toxic substances or replace them entirely with environmentally friendly substances. In fiscal 2013 we reduced waste for recycling to 37 460 t (fiscal 2012: 43 569 t) and waste for disposal to 12 455 t (fiscal 2012: 12 830 t).> [Recycling](#)

Anti-Corruption Principles

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

Assessment, Policy, Implementation

Global Compact's anti-corruption principles are covered by our [> BCGs](#) (i.a. referring to the UN Convention Against Corruption and other international instruments) and the [> CoC](#) for OSRAM Suppliers.

Our compliance system is designed to prevent, detect, and respond to potential violations of existing anticorruption and antitrust provisions based on internal guidelines and trainings (Prevent–Detect–Respond).

Prevent: The OSRAM Business Conduct Guidelines define group wide rules of conduct, specifically on efforts to combat corruption and on proper conduct when engaging in competition. In addition, we address compliance-related risks through various IT tools. For example, we classify our business partners based on certain risk indicators, such as the level of corruption in the country in which the relevant business partner operates. We have also introduced country-specific tools addressing issues relating to giving and receiving gifts and hospitalities, sponsorships, donations, and memberships. All compliance regulations are continuously evaluated with regard to their practicability and adjusted or further developed if necessary. To ensure the implementation of our compliance system, multiple face-to-face and web-based trainings have been conducted.

Detect & Respond: In order to detect and respond to compliance violations, we rely on the whistleblower hotline "Tell OSRAM". Furthermore, all employees have the option to report violations to our compliance organization. We follow up on any indication of a violation. An internal compliance investigation is launched if justified by concrete evidence. Upon completion of an investigation, we propose remedies for the identified deficits and supervise their implementation. We also respond to detected misconduct with employment-law disciplinary sanctions. We monitor, evaluate and improve the OSRAM compliance system on a continuous basis.

Measurement of outcomes

In the fiscal year 2013, the compliance organization received 64 reports of potential compliance violations. During the fiscal year 2013, the compliance organization concluded 17 compliance investigations. In the course of investigations, disciplinary actions were taken against 11 employees. Beside the 17 concluded investigations, 35 compliance proceedings could be closed after having examined the allegation. [> Compliance at OSRAM](#)

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