

Light is OSRAM



Communication on Progress 2014



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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 around 34,000 employees worldwide and generated revenue of more than €5.1 billion in fiscal 2014 (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

As a solution provider for products and systems, we base our strategic decisions on a holistic and integrated concept considering all three pillars of sustainability – economy, environment, society – which is setting the framework for all our thoughts and actions.

Our Mission

We provide our major stakeholders with a comprehensive and transparent picture on the positioning of OSRAM, as far as sustainability is concerned, and are an acknowledged and reliable partner, promoting sustainability within the lighting industry and beyond. > [Sustainability at OSRAM](#)

Our corporate responsibility for sustainable development is an integral part of our strategy. Along with our brand and strategy, corporate culture is an integral part of the OSRAM identity. The "Innovative – Respectful – Entrepreneurial" corporate values define our understanding of how we should interact with each other and with others. They are reflected in our daily behavior and in facts and figures that define OSRAM as a business. For us, being innovative means contributing to social responsibility by making our products more energy-efficient. This is also in line with the "Respectful" value which stands for our careful use of resources and which governs our dealings with colleagues, customers, suppliers, investors, and the public. We promote the ability to think as entrepreneurs among all our employees and managers, which motivates us to always give our best to create added value for all stakeholders. 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 – beside the OSRAM identity – 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.

Organizationally, the interdisciplinary topic of sustainability is directly anchored with senior management via the Chief Sustainability Officer. The tasks to be performed and the focus issues are developed and prepared by the relevant department – the Sustainability Office – together with the responsible specialists, and presented and discussed on the Sustainability Council. The latter approves the proposed resolutions on sustainability to be submitted to the Managing Board. As a result of the going public, the Sustainability Council has been reorganized and already convened in its new constellation in the current fiscal year. > [Sustainability Management](#)

Statement of continued Support

Dear valued stakeholders,



The year 2014 was a challenging, but above all successful year for our Company. We met our targets and laid the essential groundwork for a successful future.

The industry trend of a technology shift from traditional to semiconductor-based lighting comes up with new challenges, engaging the whole organization. Nonetheless all changes are made in the light of our holistic approach to sustainability based on the three pillars - economic, ecological, and social sustainability.

Our business culture is an integral part of our OSRAM identity, along with our brand and strategy. Our corporate values “innovative – respectful - entrepreneurial” define our understanding of how we should interact both internally and with external contacts.

OSRAM is responsible for its activities throughout the world. This includes our portfolio, our business operations, our dealings with customers and suppliers, but also our own production activities in relation to the environment and resources, as well as occupational health and safety. In all of these areas, we help to reduce negative impacts and strengthen positive effects using appropriate management systems and organizational measures. The fact that we were listed for the first time in the Dow Jones Sustainability Index (DJSI) World 2014 is testament to the success of these measures.

Our Sustainability Council was reorganized in 2014. It is composed of regional representatives and representatives of the business units, together with the heads of central functions relating to sustainability issues. The council is chaired by the Chief Sustainability Officer, and representatives from other relevant functions may also be invited to attend, depending on the issues being addressed and if a particular need arises. With this structure we ensure a broad support for the attainment of our sustainability goals and the contribution towards the principles and goals of the UN Global Compact.

The recently renewed external certifications for our most relevant locations can be mentioned as example for our efforts towards a structured sustainability management. Those encompass environmental management, specifically in the area of energy efficiency, but also social criteria like health and safety management for our employees and beyond. It remains essential and fundamental to our business success that we comply with all relevant local legislation and uniform group rules. Our compliance system is designed to prevent potential violations of existing anti-corruption or antitrust provisions through the use of internal guidelines and training, to detect any violations that may have already occurred, and if necessary to take steps to prevent these from happening in future.

Our underlying holistic understanding of sustainability best materializes in our Off-Grid project in Kenya. We were awarded the German Innovation Prize for Climate and Environment in the category entitled “Climate and Environmental Protection Technology - Transfer to Developing and Emerging Countries” for our “Umeme Kwa Wote” off-grid lighting concept, that was launched in 2008 for people without access to electricity and is now being expanded. The first of five more “WE!Hubs”, as they are known, was opened in March 2014 by OSRAM and its project partners on the shores of Lake Victoria.

With this Communication on Progress we want to highlight our commitment to the UN Global Compact and in continuously supporting broader sustainable development goals.

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. Strict management and the orderly documentation and monitoring of processes, equipment, methods, and procedures, together with appropriate training programs, are essential to implementing OSRAM's commitment to providing a safe, healthy working environment for all employees and to minimizing the risk of accidents at work or of employment-related illnesses. All OSRAM employees have an obligation and responsibility to be mindful of safety at all times, wherever they are. In order to monitor ongoing compliance with our occupational safety targets, we have introduced a management system that meets the requirements of the internationally recognized OHSAS 18001 standard.

Risk assessment has to be carried out for all areas of operation by the responsible line managers, supported by trained safety representatives. They assess the potential risks that may arise in each activity and propose countermeasures to reduce them. The measures are systematically announced and implemented, and regularly monitored. In addition, we have established occupational health and safety committees at all relevant sites, in accordance with local legal requirements or on a voluntary basis. [> Annual Report 2014, Financial Report, p. 98, > Health and Safety](#)

Diversity for OSRAM means creating the opportunity for employees from different cultures, and with different backgrounds, religions, genders, and skills to work together and to create competitive advantage. Our diversity program ensures that employees with the same experience and qualifications have the same career opportunities, irrespective of their personal background, gender, or nationality. The program comprises global projects, initiatives, and training programs. Using webinars that are accessible worldwide, the program aims to promote different ways of thinking, as well as greater understanding of diversity within the organization. Every year, our Women Leadership Forum offers 25 female staff from across the world the opportunity to meet male

and female role models from senior management and focus on building their own leadership skills. > [Annual Report 2014, Financial Report, p. 98](#)

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. 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 Reporting](#)

As a global enterprise with a broad product portfolio, highly motivated, performance-driven employees are crucial to the successful development of our business, particularly against the background of the fundamental technology shift in the lighting market. Market changes made redundancies necessary in fiscal 2014, particularly in traditional general lighting, and we are trying to manage these in as socially responsible a manner as possible. In a parallel development, OSRAM is building capacity in business areas with future potential, for example in Opto Semiconductors. > [Annual Report 2014, Financial Report, p. 92-93](#)

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 2014 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.

Ecological factors are extremely important to us as a global manufacturing company. For OSRAM, environmental protection includes a sustainable approach to energy saving, water conservation, waste disposal and chemicals, as well as monitoring emissions. In addition, great importance is placed on environmentally friendly design and product recycling. The company has established environmental policies, guidelines, and targets that are mandatory for all operating sites worldwide. In order to monitor continuously how well we are implementing our environmental policies and meeting our targets, we have established an organization with clearly defined areas of responsibility and a systematic management system as prescribed by the international ISO 14001 standard. OSRAM's matrix certificate was renewed in August 2014 following an external audit. The certificate covers all production sites worldwide and is valid until the end of 2016. > [Annual Report 2014, Financial Report, p. 90](#), > [Environmental Reporting](#)

In order to comprehensively address the issue of energy consumption in our own production facilities and identify all potential savings, OSRAM initiated a special project at the start of fiscal 2013, aimed at increasing energy efficiency. This is being implemented by a cross-functional expert group. Detailed investigations were carried out in the 23 most important production sites in America, Asia, and Europe, with a view to uncovering potential energy savings. The experts and their local partners started by defining initial improvement measures together with the help of energy consumption analyses. In a second step, they examined the extent to which the measures they had developed could be implemented profitably, in order to generate energy savings and at the same time create more cost-effective production processes. Successful measures and projects are being transferred to other sites by sharing best practice. It must be emphasized here that these measures cover the entire spectrum from small interventions amounting to a few thousand Euros through to very large projects amounting to several million Euros.

We began introducing an energy management system that conforms to the ISO 50001 standard in all of our German production facilities halfway through 2013. On the one hand, the systematic analysis of potential savings confirmed that the German plants already had a very high level of energy efficiency maturity, but on the other, it also helped us to pinpoint and implement further improvements. By the end of 2014, we will have ISO 50001 matrix certification for all of our production facilities in Germany. The energy management system at our Molsheim site in France was also awarded external ISO 50001 certification in 2014. > [Annual Report 2014, Financial Report, p. 91](#)

The volume of legislation and regulations governing the use and declaration of certain hazardous substances in electrical and electronic devices - such as the EU's RoHS Directive, which restricts the use of certain hazardous substances in electrical and electronic equipment, and the regulation concerning the Registration, Evaluation,

Authorization and Restriction of Chemicals (REACH) - is increasing worldwide. Due both to this 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. OSRAM is also actively involved in the introduction of globally harmonized, mandatory mercury limits for lighting, based on the strict legislation in the European Union.

We conducted life cycle analyses for certain typical products, in order to evaluate the impact of OSRAM products on the environment. The methodology used for these analyses was based on the international ISO 14040 and ISO 14044 standards. > [Annual Report 2014, Financial Report, p. 92](#), > [Life Cycle Analysis](#)

The aim of product recycling is to recover as many sorted materials as possible, in order to conserve limited resources and to protect the environment through the professional disposal of hazardous substances. Anticipating the issue of recycling at an early product development stage means that over 90% of OSRAM's lamp components are recyclable. The collection and recycling of used discharge lamps, for example, is regulated in European countries by EU Directive 2002/96/EG WEEE (Waste Electrical and Electronic Equipment) and implemented by specially established organizations, companies, and foundations. Fluorescent lamps and discharge lamps contain small amounts of mercury and valuable raw materials. LED lamps and luminaires also contain valuable raw materials, along with electronic components. This is why it is important that the products are collected and recycled or disposed of safely. > [Recycling](#)

Above and beyond its work in and with associations, OSRAM works with UNEP's public-private partnership initiative, en.lighten, to promote more efficient lighting. The en.lighten initiative focuses on emerging and developing countries and already encompasses over 60 partner countries which are committed to sustainable lighting technologies. In the course of these activities, OSRAM was able to demonstrate how lighting can contribute to doubling energy efficiency in the world by 2030 to a global audience at the Sustainable Energy For All Forum (SE4ALL), initiated by the UN Secretary-General. > [Annual Report 2014, Financial Report, p. 46](#)

Additionally OSRAM is applying its expertise in the off-grid sector, to help expand the Global Off-Grid Lighting Association (GOGLA). As the number of members steadily increases, they are working together to find sustainable lighting solutions for off-grid regions. > [Annual Report 2014, Financial Report, p. 94](#)

In 2008, OSRAM launched a unique project on Lake Victoria, Kenya, for producing light independently from a grid-based power supply - "Off-Grid Lighting". Inhabitants can lease batteries for energy-saving lamps, luminaires and other electrical devices such as cell phones for a small fee and at the same time recharge them in an environmentally friendly way at solar-powered energy hubs specifically built for this purpose. The project also covers other important issues such as cleaning polluted drinking water and accessing modern information and communication technology. Beyond that, the project addresses another important sustainability challenge – the purification of unsafe drinking water. Rural areas are connected to centers all around the world through access to computers, the internet and mobile phone charging stations. After a pilot phase with three energy stations – known as O-HUBs – the project has been extended enormously by adding five additional energy stations, known as WE!Hubs. > [OSRAM Off-Grid Lighting](#)

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.

Research and development expenses amounted to €331.4 million in fiscal 2014 (previous year: €341.2 million). At 6.4%, R&D intensity (the ratio of research and development expenses to consolidated revenue) remained on a par with the previous year's figure (6.5%), which was negatively impacted by transformation costs to a much greater extent. In fiscal 2014, LED products accounted for around 75% (fiscal 2013: approx. 62%) of our R&D expenses. The number of employees in R&D was around 2,400 as of September 30, 2014 (previous year: approx. 2,500). > [Annual Report 2014, Financial Report, p. 88](#)

The following performance figures comprise all locations, which exceed defined thresholds for parameters such as energy consumption, waste disposal or water consumption. For locations not operating in the current fiscal year, the values of the prior year period were eliminated and shown on a comparable basis.

Measures introduced under the energy efficiency program, reduced actual primary energy consumption OSRAM-wide to 4,226,300 GJ (gigajoules) compared with 4,461,486 GJ in the previous year. Measures of our energy efficiency program also contributed to this. Similarly, total electricity consumption was reduced to 2,887,563 GJ (previous year: 2,952,985 GJ). This directly impacted CO₂ emissions, which fell to 233,891 tons (previous year: 247,597 tons) for primary energy consumption and 386,271 tons (previous year: 399,101 tons) for electricity. OSRAM was therefore able to achieve significant improvements in this area as well.

For example, by installing combined heat and power (CHP) plants in Schwabmünchen and Regensburg in Germany, we achieved sizeable savings that are not only welcome from an environmental perspective but also produce extra cost savings. These CHP plants not only use directly produced waste heat for heating and providing process heat - they also use absorption refrigeration systems to transform this thermal energy into process cooling. This raises the efficiency level of CHP plants considerably, since process cooling is required in our production facilities all year round. Another almost identical plant is currently being built for the production facility in Eichstätt, Germany and will come into operation at the beginning of 2015. > [Annual Report 2014, Financial Report, p. 91](#), > [Environmental Reporting](#)

In the area of lighting manufacturing, water is mainly used for cooling and pollution is therefore minimal. However, responsible and conservative use of water is still very important to us. We make sure that contaminated water is either purified by us or fed into local waste water treatment plants. In addition, we have set ourselves the target of reducing our overall water consumption. For example, in the process introduced in our plant in Bruntál in the Czech Republic, the rinsing water that is used in the manufacture of lamp filaments can be fully recycled. Over the past few years, we have recorded a reduction in absolute water consumption. In fiscal 2014, water consumption was 3,816,694 m³ (previous year: 3,955,956 m³) This represents a reduction of 139,262 m³ (3,5%) compared with the previous year. > [Annual Report 2014, Financial Report, p. 91](#), > [Water Management](#)

Prevent waste, recycle waste, dispose of waste: these principles in this order are a key component of our approach to dealing with waste in our plants, and they also make economic sense. 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 the past fiscal year, OSRAM produced 35,689 tons of recyclable waste worldwide (previous year: 36,784 tons) and 13,195 tons (previous year: 10,934 tons) of waste for disposal. The increase in waste for disposal was caused by changes at the recycling companies and by temporary changes in waste quantities in connection with factory closures and relocations. > [Annual Report 2014, Financial Report, p. 91](#), > [Recycling](#)

In December 2013, OSRAM was awarded the German Innovation Prize for Climate and Environment in the category entitled "Climate and Environmental Protection Technology - Transfer to Developing and Emerging Countries" for its "Umeme Kwa Wote" off-grid lighting concept. The prize was awarded by the German Federal

Ministry for the Environment and the Federation of German Industries (BDI). The prizewinning concept for this off-grid project was launched in 2008 in Kenya for people without access to electricity and is now being expanded beyond the three existing solar-powered energy stations. The first of five more “WE!Hubs”, as they are known, was opened in March 2014 by OSRAM and its project partners in Honge on the shores of Lake Victoria. Among other things, the stations rent out battery-operated LED lighting solutions. > [Annual Report 2014, Financial Report, p. 94](#)

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 fiscal 2014, the compliance organization received a total of 71 notifications of possible compliance violations (previous year: 64 notifications). In all, 15 compliance investigations were carried out (previous year: 17), following which disciplinary steps were taken against nine employees (previous year: eleven employees). In addition, a further 71 previous notifications (previous year: 62 notifications) were brought to a close following investigation. [> Compliance at OSRAM](#)

Contact Sustainability

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