

Light is OSRAM



# Communication on Progress 2015



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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, in its GRI G4 report, in the sustainability chapter within its annual report and on its website. > [Sustainability at OSRAM](#)

## Company Profile

OSRAM, based in Munich, is a globally leading lighting manufacturer with a history dating back more than 100 years. The portfolio ranges from high-tech applications based on semiconductor technology, such as infrared or laser lighting, to smart and connected lighting solutions in buildings and cities.

OSRAM is a listed company and had around 33,000 employees worldwide at the end of fiscal 2015 (September 30) and generated revenue of almost €5.6 billion in that fiscal year. > [Company Profile](#)

## Sustainability at OSRAM

As a leading provider in the global lighting industry, 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.

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 a central element 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 and company-wide topic of sustainability is directly anchored at senior management level via the Chief Sustainability Officer. The tasks to be performed and focus issues are developed and prepared by the Corporate Sustainability Office together with the content owners concerned. They are then presented and discussed at the Sustainability Council, which is made up of representatives of the regions and of the heads of the corporate functions relevant to sustainability. The Council approves the proposed resolutions on sustainability to be submitted to the Managing Board. The Corporate Sustainability Office is responsible for preparing Sustainability Council meetings, and manages the process of implementing decisions. > [Sustainability Management](#)

## Statement of continued Support



Dear valued stakeholders,

For OSRAM Licht AG the Fiscal Year 2015 was a very successful year – in terms of both our business performance and our realignment. This is a remarkable result, given that we are in the midst of the transformation of the lighting market. 2015 was a year of transformation: we continued to reduce our costs, simplify structures, and optimize our portfolio in the past months. A detailed strategic review of all our activities led to the decision to transfer the lamps business into an independent legal entity.

Following the successful realignment and focus on profitability and flexibility, OSRAM launched an innovation and growth initiative – Diamond in November. The actions we have resolved include a significant increase in research and development expenditure as well as investments in the new chip plant for our Opto Semiconductor Business, in the expansion of system expertise in the Specialty Lighting business, and in the area of networked lighting in our luminaire business.

All our strategic decisions are based on our integrated concept of sustainability in which innovation is one of the key drivers.

We are about to enter one of the most exciting and interesting development phases in OSRAM's more than a century of history. With our new strategic positioning, we have taken the first steps to put the Group on track for sustainable profitability and to create value for all of our stakeholders.

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 success of our sustainability activities was repeatedly confirmed by external sources in fiscal 2015. For example, sustainability investment specialists RobecoSAM acknowledged our performance with a Bronze Class award. Our shares were listed in the Dow Jones Sustainability Index World, a key benchmark for financial investors, for the second consecutive time. We also remained a member of the FTSE4Good Index and were included in the STOXX Global ESG Leaders index for the first time. In addition, we were once again awarded oekom Prime Status, presented to companies classed as sustainability leaders in their respective sectors during the oekom Corporate Rating.

Organizationally, the interdisciplinary and company-wide topic of sustainability is directly anchored at senior management level via the Chief Sustainability Officer. Relevant topics are presented and discussed at the Sustainability Council. The composition of the Council was adapted to the requirements of our altered structure: it is now made up of representatives of all business units, as well as the heads of the corporate functions relevant to sustainability. 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.

During the last Fiscal Year, the Sustainability Council further engaged with our stakeholders in order to broaden our materiality analysis and incorporate their valued feedback. Representative members of each stakeholder

group assessed preselected sustainability topics, and the results were discussed and confirmed by the Sustainability Council. In the environmental dimension, the key topics are product responsibility, operational eco-efficiency, and climate strategy. From the social perspective, they are labor practices, occupational health and safety, and human capital management.

Compliance with existing laws and uniform Group-wide regulations is a prerequisite for business success. Infringements of existing anti-corruption or antitrust rules run counter to our core values. Our compliance system is designed to prevent potential violations or to detect existing violations and, if necessary, to introduce the appropriate preventative measures for the future.

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,

Dr. Olaf Berlien

Chairman of the Managing 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

The Corporate Sustainability Office used stakeholder engagement to expand the materiality analysis (identification and assessment of key sustainability topics) during fiscal 2015. After the Council had taken OSRAM's and stakeholders' viewpoints into account and assessed sustainability topics from both an internal and external perspective, we incorporated external stakeholders in the materiality analysis for the first time, particularly, in relation to the perspective from outside the Company. Representative members of each stakeholder group assessed preselected sustainability topics, and the results were discussed and confirmed by the Sustainability Council. Key topics in the social dimension are labor practices, occupational health and safety, and human capital management. > [Annual Report 2015, p. 70-71](#)

We are committed to the principles of the UN Declaration of Human Rights. OSRAM takes responsibility as an employer, respects the human rights of all employees, and is explicitly against child labor, and unethical and unsocial business practices. OSRAM does not discriminate by ethnic origin, gender, religion, social background, disability, political views, or sexual orientation.

We respect the local applicable statutory requirements regarding payment in all countries in which OSRAM conducts business. Our employees have the right to freedom of organization and assembly throughout the world. In countries where employee representatives have been established it is very important for us to work together with them as closely and constructively as possible. We strive to offer our employees a safe and secure workplace with fair conditions. Provided that job losses are unavoidable due to technological changes and associated restructuring, OSRAM strives to make them as socially acceptable as possible. > [Labor Practices](#)

Global Compact's human rights and labour principles are covered by our > [BCGs](#) and our > [Code of Conduct \(CoC\) for OSRAM Suppliers](#). Like our own BCGs, the CoC incorporates the most important international standards and conventions and addresses significant topics such as compliance, the environment, human rights, and conflict minerals. 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 of 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. In addition, we hold supplier days in various regions to exchange information with our suppliers. Another cornerstone of our supplier management is the expertise of our employees, which we expand by providing specialized training. > [Annual Report 2015, p. 72-73](#), > [Suppliers](#)

One of the aspects of a sustainable supply chain that has recently gained special relevance is the issue of "conflict minerals". We addressed this by introducing a corresponding policy and expanding our Code of Conduct for Suppliers to include this issue in 2013. We ensure the necessary transparency in our supply chain through appropriate systems and processes, which we constantly adapt and expand. > [Annual Report 2015, p. 72-73](#), > [Conflict Minerals](#)

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 assessments have to be carried out for all areas of operation by the responsible line managers, supported by trained safety representatives. 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. We introduced a new communication system in fiscal 2015 to share information. This "I care!" safety warning system is a new way to raise awareness of health and safety concerns. We also launched our "I care!" Best Practices to share excellence in the areas of environment and health and safety at OSRAM. > [Annual Report 2015, p. 77](#), > [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. In addition, we are convinced that diversity is a prerequisite for generating competitive advantage in a competitive global environment. We use and offer a range of channels to ensure that the benefits brought by this diversity are developed in a sustainable manner. For example, different employee groups can exchange information and ideas in various Group-wide networks. In fiscal 2015 we invited undergraduate and post-graduate students to Light Spectrum, an event providing information on new technical developments and attractive career opportunities at workshops in Munich, Shenzhen, and Hillsboro. > [Annual Report 2015, p. 77](#)

### **Measurement of outcomes**

The supply chain plays a key role in sustainability. It requires a high degree of flexibility, particularly in view of the technology shift. For us, sustainability in the supply chain means implementing our high environmental, social, and ethical standards in our business relationships with our suppliers. A key part of this is our CoC. > [Annual Report 2015, p. 69, 76-77](#), > [Suppliers](#)

Accidents like stumbling, falling or tripping as well as commuting accidents (accidents related to transportation on the way to work or on the way back home) 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. The effectiveness of our health and safety programs can be measured by the relevant statistics on our website: > [Health and Safety Statistics](#).

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. Our employees are one of our key resources. 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 and function. Market changes made redundancies necessary in fiscal 2015, particularly in traditional general lighting. Our employee statistics are available in our Annual Report and our website: > [Annual Report 2015, p. 76](#), > [Social Reporting](#)

## 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. This underlines the key topics in the environmental dimension resulted from our materiality analysis in fiscal 2015: product responsibility, operational eco-efficiency, and climate strategy. > [Annual Report 2015, p. 70-71](#)

Global Compact's environmental principles are covered by our > [BCGs](#), the > [CoC for OSRAM Suppliers](#) and our > [Environmental Protection, Health Management and Safety \(EHS\) 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. It is binding on all sites worldwide.

For us, 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. In order to monitor ongoing compliance with our environmental targets, we have introduced clear areas of responsibility with corresponding management powers, in line with the international ISO 14001 standard. We regularly receive a matrix certificate for this for all of our global production sites from an external body. The certificate covers all production sites worldwide and is valid until the end of 2016. > [Annual Report 2015, p. 74](#), > [Environmental Reporting](#)

In fiscal 2015 the ISO 50001 matrix certification was issued to all plants in Germany. It was resolved to introduce ISO 50001 energy management at all other European plants in order to achieve further increases in energy efficiency through systematic management. > [Annual Report 2015, p. 74](#)

OSRAM is working to reduce the use of critical substances wherever technically and economically viable, a process that also goes beyond the legal requirements. We are actively championing the introduction of globally harmonized substance restrictions. For example, we are supporting the goal of uniformly introducing the stricter, mandatory European mercury limits continued in the Restriction of Hazardous Substances (RoHS) Directive in lighting industry products worldwide, including via the Minamata Convention on Mercury. OSRAM fully complies with these limits. > [Annual Report 2015, p. 75](#), > [RoHS Directive](#)

In the past, we conducted life cycle analyses for certain typical products in order to evaluate the overall 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 2015, p. 75](#), > [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 concept of recycling at an early product development stage means that a large proportion of OSRAM's lamp components are recyclable. As a result, OSRAM ensures that over 90% of its lamp components can be recycled. OSRAM meets its obligation as a manufacturer to take back products, (e.g. under the European WEEE (Waste Electrical and Electronic Equipment) directive), by participating in organizations, companies, and foundations that were specially set up for this purpose. 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. > [Annual Report 2015, p. 76](#), > [Recycling](#)

OSRAM works with UNEP's public-private partnership "en.lighten-initiative" to promote more efficient lighting. The initiative focuses on emerging and developing countries. A billion people are benefitting from regulations for sustainable lighting in well over 60 partner countries thanks to the work carried out on the initiative to date. > [Annual Report 2015, p. 42](#), > [en.lighten](#). In addition, we are a member of the Global Off-grid Lighting Association (GOGLA) and are helping to shape the development of the off-grid lighting market. > [Annual Report 2015, p. 78](#), > [GOGLA Website](#)

As a leading provider in the global lighting industry, we occupy a strong position in research and development (R&D), particularly in the fast-growing LED business. The shift in the lighting market means that this business is constantly growing in significance. > [Annual Report 2015, p. 71](#)

### Measurement of outcomes

The following performance figures mentioned in our Annual Report 2015 comprise all locations, which exceed defined thresholds for parameters such as energy consumption, waste disposal or water consumption.

Our Energy Efficiency Project, under which a global active team has been devoted to implementing energy-saving and efficiency measures at all plants since 2013. The team continued to devote itself to energy-saving measures with the same high level of commitment in fiscal 2015, enabling a roughly 3% increase in global energy productivity at the end of the fiscal year. This relates to both primary and secondary energy consumption, further reducing the Company's worldwide CO<sub>2</sub> emissions.

Actual primary energy consumption fell significantly to 3,649,000 GJ (gigajoules) compared with 4,226,300 GJ in the prior year. Similarly, total electricity consumption saw a moderate reduction to 2,588,867 GJ (previous year: 2,887,563 GJ). This directly impacted CO<sub>2</sub> emissions, which amounted to 203,559 tons (previous year: 233,891 tons) for primary energy consumption and 369,019 tons (previous year: 386,271 tons) for electricity.

We commissioned a further combined heat and power (CHP) plant in Eichstätt at the beginning of 2015. It joins the existing CHP plants in Regensburg, Herbrechtingen, and Schwabmünchen. This enables us to achieve sizeable savings that are not only welcome from an environmental perspective, but also cut costs. 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. Further CHP plants are currently being planned, for example for Schwabmünchen, to support our plants with electricity, heat, and process cooling generated onsite. > [Annual Report 2015, p. 70 and 74](#), > [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.

We again recorded a significant reduction in absolute water consumption in fiscal 2015. Water consumption was 3,288,299 m<sup>3</sup> in the past fiscal year (previous year: 3,816,694 m<sup>3</sup>), a year-on-year reduction of 528,395 m<sup>3</sup> (14%). > [Annual Report 2015, p. 70 and 75](#), > [Water Management](#)

Prevent waste, recycle waste, dispose of waste: these principles in this order are a key component of our approach to waste management in our plants, and they also make economic sense. In the past fiscal year, OSRAM produced 30,665 tons of recyclable waste worldwide (previous year: 35,689 tons) and 11,396 tons (previous year: 13,195 tons) of waste for disposal. The absolute reduction in both types of waste is attributable among other things to past plant closures and relocations that have already been performed. > [Annual Report 2015, p. 76](#), > [Recycling](#)

We responded to the shift in the lighting market by further increasing the proportion of R&D expenditure for LED-related topics in the past fiscal year. This moderate increase is only apparent on an adjusted basis, since R&D transformation costs had an increased effect in the traditional business in fiscal 2015.

We have systematically aligned part of the Corporate Innovation function on the area of forward-looking lighting technologies, and in particular on networked and intelligent light, in order to safeguard our position as an innovation leader in this development area as well. For example, new structures were developed allowing technical specialists to work together with market experts to better understand the new market requirements and to rapidly incorporate these into products. Numbers and additional details concerning R&D can be found in our Annual Report: > [Annual Report 2015, p. 69 and p. 71-72](#)

In our award-winning Umeme Kwa Wote off-grid lighting project in Kenya, we completed the construction of all eight planned energy stations in collaboration with our project partners in the past fiscal year. > [Annual Report 2015, p. 78](#), > [OSRAM Off-Grid Lighting](#)

## 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](#).

Compliance with existing laws and with uniform Group-wide regulations is part of our DNA and is a prerequisite for business success. Infringements of existing anti-corruption or antitrust rules run counter to our core values. OSRAM's compliance system is designed to prevent potential violations or to detect existing violations and, if necessary, to introduce the appropriate preventative measures for the future (Prevent – Detect – Respond). The system's key components are codes of conduct for employees and managers, topic-specific training and communication, and risk assessments and inspections at OSRAM's units.

**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 and external contacts have the option to report securely and anonymously 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. > [Annual Report 2015, p. 69 and 71](#), > [Compliance](#)

### Measurement of outcomes

In fiscal year 2015, the compliance organization received a total of 64 notifications of potential compliance violations. 11 compliance investigations were finalized as a result of which disciplinary steps were taken against 19 employees. An additional 60 existing matters were closed following detailed assessment. A total of 5,558 employees around the world received personal compliance training in the past fiscal year. We also introduced mandatory web-based training for sensitive functions. > [Annual Report 2015, p. 69 and p. 71](#), > [Compliance](#)

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