



Electronic Parts and Components

Statement of Continued Support

Message of the President and CEO of EPCOS AG

Since 2003 EPCOS has been a member of the United Nations' Global Compact. At that time we pledged our support because the aims and objectives of Global Compact as expressed in the Ten Principles are in complete agreement with our own understanding and implementation of corporate responsibility. As a leading manufacturer of electronic components, modules and systems for all electronics industries with R&D, manufacturing and sales activities around the world, we continue to fully embrace these principles as the essential foundations for good corporate citizen wherever we do business. Our responsibility to society and the environment is clearly documented in our Corporate Principles, from which I quote:

"We see ourselves as an integral part of the societies and national economies in which we operate and we feel a strong sense of responsibility to the norms that they uphold. We honor this commitment by exhibiting integrity in all interpersonal dealings. Ethical business behavior on the part of every employee contributes to our company's positive image.

"We respect the dignity, privacy and personality of every individual. We value the ethnic and cultural diversity of the people at our company. We work together with men and women of different nationalities, cultures, creeds and colors without prejudice. We are aware that the competence and dedication of our employees are the foundation of our corporate success. We do not tolerate discrimination, sexual or other personal harassment or offence."

These corporate principles are binding for all employees, and implemented in our various corporate governance and management systems.

Because sustainability is a long-term strategic success factor for both EPCOS and also for its suppliers, we partner with our customers and suppliers to create and live a culture of excellence and responsibility that is built on fundamental values such as passion, respect, integrity and discipline. Our philosophy for collaboration with our customers and suppliers is based on mutual expectations and commitments in terms of reliability, transparency, communication and also sustainability. Therefore, we also demand that our suppliers ensure that their organization and also all of their subcontractors and suppliers comply with the Ten Principles.

Our Global Compact Communicating Our Progress report outlines our activities and achievements in implementing the principles of the Global Compact.

Sincerely,

Gerhard Pegam
President and CEO of EPCOS AG

Global Compact – Communicating Our Progress 2011

Since October 2009, EPCOS is no longer a publicly listed company, but a Member of TDK-EPC Corporation and thus a TDK Group company. Even though TDK is not a member of Global Compact, EPCOS remains committed to the principles of the Global Compact as a part of its corporate responsibility. The EPCOS corporate website provides detailed information to stakeholders about the company's activities in this context. The Corporate Responsibility pages present EPCOS' Corporate Principles (www.epcos.com/corp_principles), which coincide with the principles of the Global Compact. Addressing corporate citizenship and corporate governance, they provide ethical guidelines binding on all employees. Details are also available on environmental management, employee safety and security, and various community involvements.

Responsibility toward society

A global presence and cultural diversity shape our company and our business activities. We have employees, customers and partners in many countries of the world. Together, they make up an agile network that exchanges goods, services and knowledge and commits to intercultural cooperation. This dialog provides new ideas and insights while arousing sympathy for, and creating confidence in, our company and its business policies. EPCOS maintains close contact with educational institutions around the world. Our experts cooperate in basic research with renowned universities and research institutes.

Our sales companies and regional bases are an integral part of the national economies where they operate. We also see ourselves as a good neighbor in the literal sense, purchasing goods and services locally and providing well-paid jobs by local standards. By buying local goods and services, we promote an efficient supply industry. Our local operations thus create extra jobs indirectly.

Wherever we do business, we see ourselves as a member of the local society in which we operate, and as a good corporate citizen that actively contributes to the community and its environment. Among these we count our support for local clubs, organizations and initiatives – a task that our local companies and their employees around the world fulfill with great commitment.

Examples of the diverse activities around the world:

Our subsidiary in Brazil partnered with SENAI, the national industrial training service, and awarded roundly 50 scholarships to children under the age of 18 who come from low-income families. Children and youngsters from the local community were also given an introduction to environmental protection. Special training courses taught them how to separate waste properly, for example.



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For the past nine years, our plant in Nashik, India, has been co-initiator and supporter of the Nashik Charity Run, which in the past year generated more than EUR 100,000 in proceeds. Our plant in Indonesia regularly donates textbooks and workbooks to a public library in Batam, and in Austria, our subsidiary supported cultural events such as concerts for up-and-coming young artists and various sport clubs, including a children's skiing club with over EUR 21,000.

EPCOS' factory in Malaysia participated in the World Vision Child Sponsorship Program and served as sponsor for four needy children and their families, providing the children have access to clean water, better food, medical treatment, education and economic support. In addition, around 70 employees visited a home for physically and mentally handicapped children, and organized a half-day program of entertainment, including games and dancing.

The factory in Hungary supported children's sports, public music events, children's homes and the pediatric ward of a local hospital, while our plant in the Czech Republic supported the »Dog For You« foundation that makes guide dogs available to handicapped children. In Wuxi, China, our employees sold used electrical equipment, clothing and toys, and bake and sell cakes for charity.

Our conviction that corporate responsibility involves a commitment to society and permanent protection of the environment is documented in our Corporate Principles. To do justice to the diversity of cultures, their values and moral precepts that we encounter, we base our conduct on high ethical standards. Our corporate culture and interpersonal relations within the company, with our customers and with business associates are molded by values such as decency, loyalty, tolerance, and respect for local customs and the law.

EPCOS' commitment to human rights, labor standards and the environment date back to its establishment in 1999 and can be traced back even further to its predecessor companies.

Partnership for sustainability

EPCOS calls on its business partners to ensure that their organization and also all of their subcontractors and suppliers comply with the Ten Principles of the Global Compact. We rely on our suppliers to communicate and actively promote the standards of these principles throughout their entire supply chain. To promote our partnership with suppliers EPCOS set up a specific suppliers' page on the website (www.epcos.com/cr_suppliers), which offers a link to the Ten Principles and outlines our philosophy of collaboration in terms of reliability, transparency, communication and sustainability. In addition, all purchase orders issued by the company contain the statement, "EPCOS supports the UN's Global Compact Initiative and aligns all of its activities with the initiative's Ten Principles. We rely on you to comply with the standards of these principles," and refer to our suppliers' page. This statement is also a standard element in the auto-signature of all purchasing employees.



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Responsibility for our people

We seek to actively nurture the creativity of our employees. Their health and ongoing personal development are matters of prime concern to us. Their knowledge and skills are the basis of our competence, and thus of our business success. Our personal development program, among other things, enables employees to exchange their production experience across different locations and attend production-related training courses, besides attending specialized seminars outside the company.

To prepare our best people for future leadership roles, EPCOS has established the Junior Management Circle. About two-thirds of the top management positions throughout the Group are recruited from this group. On average, 20 people a year participate in the program. As a result, they spend two years in the Junior Management Circle and represent all the Group's key functions as well as the main regions in which we operate.

Responsibility toward the environment

While the world's appetite for energy is increasing, its reserves of fossil fuels are not. In the debate about climate change, calls for a reduction in carbon dioxide emissions are growing ever louder. In this context, technological solutions that improve energy efficiency are becoming increasingly important. EPCOS offers an ever wider spectrum of products that directly or indirectly improve energy efficiency:

- Power factor correction capacitors, thyristor modules and inductors are instrumental in ensuring that electrical energy is used with as little loss as possible in machinery and industrial equipment.
- In vehicles, sensors from EPCOS measure the temperature and pressure of air, exhaust gases, oil and coolants. Electronic controllers analyze this data to optimize the operation of combustion engines. Our piezo actuators likewise significantly improve the energy efficiency and environmental impact of these engines. Fitted in advanced fuel injection systems, these key components inject fuel into the engine very precisely and in fine doses. Reduced emissions and lower fuel consumption are the result.
- In household appliances too, EPCOS contributes to easing the burden on the environment. In refrigerators, for example, special capacitors improve the way the compressor works, thereby reducing losses when electrical energy is transformed into cooling energy. This technology alone can save up to 50 kilowatt-hours per refrigerator per year – enough to run an 11-watt energy-saving lamp for more than 4,500 hours or over six months. EPCOS supplies key components for both these lamps and also LED lighting, which are becoming increasingly popular due to the EU ban on incandescent light bulbs.

Our ISO 14001-compliant global environmental management system ensures the same high standards of environmental protection worldwide. This code of behavior applies to all loca-

tions. Regular audits by Det Norske Veritas, a leading certification and environmental testing institution, monitor compliance every three years. To date, the auditors have consistently certified the effectiveness of our environmental management system. Our aim, however, is not merely compliance with all statutory and administrative requirements, but the efficient use of precious resources too. In doing so, we avoid hazardous substances and minimize waste.

Better protection of the environment

	Unit	2008	2009 ¹⁾	2009-NFY ²⁾	2010 ³⁾
Energy	megawatt-hours	435,477	400,566	412,129	479,320
CO ₂	tons	88,096	82,199	84,910	97,929
Water consumption	cubic meters	2,125,368	2,184,013	2,000,211	2,338,682
Waste	tons	9,470	7,401	5,052	7,938

¹⁾ Fiscal year from Oct. 1, 2008 to Sep. 30, 2009.

²⁾ The period from Apr. 1, 2009 to Mar. 31, 2010. The year 2009-NFY (new fiscal year) is calculated for comparison purposes with fiscal 2010. It consists of the second half of fiscal 2009 (Apr. 1, 2009 to Sep. 30, 2009) and the short fiscal year 2010 (Oct. 1, 2009 to Mar. 31, 2010), which was necessary to align EPCOS' financial reporting cycle with that of its parent company, TDK Corporation.

³⁾ Fiscal year from Apr. 1, 2010 to Mar. 31, 2011.

In fiscal 2010 (April 1, 2010 to March 31, 2011), EPCOS' vital consumption and emissions rose compared to the previous fiscal years, attributable mainly to the significantly increased utilization of production capacity in our plants around the world as the global economy rebounded from the severe crisis, which was felt from the end of 2008 through 2009. Thus, our total energy consumption rose to 480 gigawatt-hours (412 GWh in 2009-NFY). Correspondingly, carbon dioxide emissions also rose sharply to 97,929 metric tons (85,000 metric tons in 2009-NFY), and the volume of waste was 7,938 metric tons (5,052 metric tons in 2009-NFY). Overall water consumption increased to around 2.4 million cubic meters (approximately 2 million cubic meters in 2009-NFY).

While the absolute consumption and emissions figures rose in fiscal 2010 they are actually lower relative to the sales figures. In fiscal 2010 EPCOS posted sales of EUR 1.9 billion, 47 percent higher than in the period 2009-NFY (EUR 1.3 billion). Thus, energy consumption and CO₂ emissions each dropped by approximately 20 percent per unit sales volume. In the same period water consumption also decreased by around 20 percent in relation to sales.

Consumption, emissions and waste fluctuate somewhat over the years. Viewed over the long term EPCOS' performance has developed positively. Since 2003 when EPCOS began tracking these environmental parameters, energy consumption and emissions have remained the same (despite increased production output), while water consumption has been reduced by 19 percent and waste by 39 percent.

Thus, EPCOS continues to implement measures at its various locations around the world to protect the environment.

Proactive response to rising environmental protection demands

EPCOS' dedication to the environment is summarized in seven environmental protection principles. These include assessing the environmental impact of new products and processes right from the design stage, and regular monitoring and updating of technological and organizational procedures to ensure ongoing environmental protection (www.epcos.com/environment).

Since the EU's directive on the Restriction of Hazardous Substances (RoHS) went into effect in July 2006, electrical and electronic equipment can be sold in the European Union only if it meets the requirements of this new directive. The RoHS directive aims to eliminate the use of four heavy metals – mercury, chromium, cadmium and especially lead – and also to ban the use of polybrominated biphenyls and polybrominated diphenylethers. EPCOS is fully compliant with all aspects of the RoHS directive (www.epcos.com/rohs). Moreover, EPCOS restricts the use of halogenated organic substances in its products. Wherever possible, those substances had been replaced by environmentally friendly solutions.

All products that EPCOS manufactures in, exports to, or sells in China are affected by China's law entitled Administration on the Control of Pollution Caused by Electronic Information Products (ACPEIP). EPCOS offers its customers an online service to help them comply with the requirements of ACPEIP (www.epcos.com/china_rohs).

Today's markets demand more and more information about the materials used in electronic components. Material data sheets that are also posted on the Internet provide examples of the typical composition of our product families. On request, we also supply customers with documentary evidence from certified laboratories for substances whose use is restricted in accordance with RoHS.

Compared with RoHS, Regulation (EC) No. 1907/2006 of the European Parliament and of the Council concerning the registration, evaluation, authorization and restriction of chemical substances (REACH) applies to a much wider sector of industry. The purpose of the regulation is to ensure a high level of protection for human health and for the environment. This includes the promotion of alternative methods of assessing the potential risks posed by substances. Under the REACH regulations, manufacturers and importers of substances must obtain all the data needed to assess the substances they produce or import. They must also demonstrate convincingly that their substances are safe to handle for all identified uses and thus harmful effects on human health and the environment can be avoided. Registration is required for each substance produced or imported in quantities of one metric ton or more per year per manufacturer/importer. This is done with the ECHA, the European Chemicals Agency, which is based in Helsinki, Finland.

EPCOS has been preparing to implement the REACH requirements since the end of 2006, thus ensuring that it will be able to comply with these within the set time limit. Also, EPCOS was involved at a very early stage in the process of developing the REACH regulations. For

example, EPCOS supported studies into the impact of REACH on the German economy and helped to draft the final document, Guidance for downstream users. EPCOS offers its customers a comprehensive online service about REACH (www.epcos.com/reach).

EPCOS avoids critical substances as much as possible at an early stage of design. The company's certified quality management system includes a material compliance management process. EPCOS introduced its Banned and Declarable Substance List as a basic document for material compliance and environmentally friendly products.

Many product and system manufacturers have no choice but to factor environmental considerations into the design of their products. Failure to do so could damage their reputation among consumers, their brand image and, hence, their business. Some of our customers therefore go beyond the requirements of law and impose their demands on the entire supply chain. EPCOS satisfies the strict environmental protection directives of Japan's Sony Group, for example. Sony buys components only from manufacturers and resellers who have been audited and certified as »Green Partners«. Samsung Electronics awarded us its »Eco Partner« at an early stage. Samsung's suppliers must not only supply environmentally friendly components, but must also use environmentally friendly packaging materials to deliver them.

Systematic corporate social responsibility management

In 2010 EPCOS has made further strides in embedding corporate social responsibility (CSR) in its corporate-wide management systems. Under the leadership of the Corporate Technology and Quality Department, which oversees the existing management systems, the complete CSR management process has been defined and will be prescribed in a CSR guideline.

CSR coordinators were established for all EPCOS manufacturing locations worldwide, initially a total of 21 sites. In a first step these sites completed a self-assessment in order to determine the company's current baseline status. This self-assessment and all subsequent internal and external audits are based on a comprehensive CSR master questionnaire that covers five key areas that address conformance to the coming CSR guideline:

- Labor
- Ethics
- Health and Safety
- Environment
- Information Security and Protection

The CSR master questionnaire goes beyond the scope of the Ten Principles of Global Compact. In the future these questions will be an integral part of internal and external audits of conformance to management system requirements in the context of continuous process improvement.



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A master questionnaire with the overall results of EPCOS' conformance to its CSR guideline will be made available on the corporate Intranet. This will provide transparency to EPCOS employees concerning the company's CSR performance and enable Sales to respond quickly, accurately and efficiently to customer inquiries.

Active involvement in associations – part of our environmental policy

EPCOS plays an active role in numerous committees, workgroups and commissions in the electronics industry, such as the International Electrotechnical Committee (IEC) and the German Electrical and Electronic Manufacturers' Association (ZVEI Zentralverband Elektrotechnik- und Elektronikindustrie). This enables us to identify future trends in legislation that may affect our business and helps us respond quickly and comprehensively to any resultant laws. Actively shaping future regulations and standards is part of our corporate environmental policy.

Links to resources on EPCOS' website

Corporate responsibility

www.epcos.com/corp_resp

Global Compact

www.epcos.com/global_compact

Partnership with suppliers on sustainability

www.epcos.com/cr_supplier

Environmental protection

www.epcos.com/environment

Environmental management

www.epcos.com/environ_management

Environmental report

www.epcos.com/environ_report

Material data sheets

www.epcos.com/material

RoHS Directive of the European Union

www.epcos.com/rohs

China RoHS

www.epcos.com/china_rohs

REACH

www.epcos.com/reach
