

# **United Nations Global Compact**

## Communication on progress 2012



**The Quality Connection**

**LEONI**



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.

<b>Contents</b>	Declaration of support	3
	The LEONI Group	5
	Human rights	6
	Labour standards	8
	Environmental protection	10
	Anti-corruption	12
	Results and key figures	14

## Declaration of support

As a company operating globally, LEONI has made it its mission to ensure observance of human rights and recognised labour standards at our 93 facilities in 31 countries. This form of responsibility was already taken on in 2003 with publication of the LEONI Social Charter, continued in 2007 with the LEONI Code of Ethics and taken further forward in 2011 by joining the UN Global Compact.

The obligation under the German Corporate Governance Code, the LEONI Social Charter and the LEONI Code of Ethics constitutes a solid basis for all of LEONI's activity and commitment to fulfil the ten principles of the UN Global Compact.

Sustainability has especially high priority for LEONI. It means both a long-term business outlook and integration of ecological and social aspects in our management systems. We regard this as a contribution both to safeguarding our Company's future and towards sustainable growth of business and society. That is why we submitted the questionnaire on the Carbon Disclosure Project for the years 2005 and 2006 for the first time in 2007;

why we have certified our principal production facilities in accordance with the ISO 14001 environmental standard why we launched our Green Technology Initiative in 2009, with which we are advancing towards being the leading manufacturer of cables for environmentally friendly technologies.

Corruption prevention is managed as a key compliance field in our Compliance Management System. LEONI thereby ensures anti-corruption conduct in accordance with the principles of the UN Global Compact.

This first LEONI Global Compact Communication on Progress documents our key steps towards upholding the 10 principles of the UN Global Compact through to signing it and details our measures and results since joining in August 2011.

LEONI is committed to ongoing support of the ten principles of the UN Global Compact and to continual improvement in applying those principles.

Nuremberg, July 2012

LEONI AG  
The Management Board



Dr Klaus Probst



Dieter Bellé



Uwe H. Lamann





# The LEONI Group

**Leading cable systems manufacturer with a global footprint**

**LEONI operates worldwide, providing wires, optical fibers, cables and cable systems as well as related services for the automotive sector and other industries. The group of companies market-listed in the German MDAX index employs more than 63,000 people in 31 countries and generated consolidated sales of EUR 3.7 billion in 2011.**

Established 95 years ago, the Company now ranks among the world's largest and most successful cable manufacturers. In addition to tailor-made cable solutions, the Group is increasingly offering its customers complete systems with perfectly harmonised components – from the cable itself through to the required connectors and fixings. Ongoing growth of the Company as a provider of development work and systems is a significant trend in this respect.

## **Experience in and presence on the markets of the future**

LEONI focuses its business on the core markets of Automotive, Industry & Healthcare, Communication & Infrastructure, Electrical Appliances as well as Conductors & Copper Solutions. Its customers include well-known companies such as ABB, BMW, Bosch, Continental, Deutsche Telekom, EADS, Ericsson, Fiat, GM, IBM, Jaguar/Land Rover, Johnson Controls, MAN, Mercedes-Benz, Meyer Werft, Philips, PSA Peugeot Citroen, Renault/Nissan, Shell, Siemens, Solarworld, Volvo and VW. The Company already leads the world market as a supplier of single-core automotive cables; in the wiring systems market it occupies first place in Europe and is fourth worldwide. In addition, LEONI is among the leading manufacturers across Europe in all of its other business areas.

## **Geared to global trends**

The Company intends in the future to benefit more from global trends. These present the Company with major challenges because they frequently entail greater consumption of resources and environmental harm. At the same time, however, they provide major opportunities. LEONI is therefore, with its products and services, preparing for the change involving demography, ecology, mobility, globalisation, industrialisation and urbanisation. Especially with respect to environmental protection, LEONI aims to become the most innovative cable supplier for the 'green technology' market.

## **Tradition and progress since the 16th century**

A small wire factory in the Franconia region of Bavaria laid the foundation for today's global player LEONI back in 1569. At that time, Frenchman Anthoni Fournier began with a handful of staff in Nuremberg to produce finest gold and silver threads, known as Lyonese wares, for precious woven products. His sons opened further production facilities in the region. From these beginnings, Leonische Werke Roth-Nürnberg AG emerged in 1917. Then as now the ability to change as well as a keen sense for trends in the market and for customer requirements are among the key characteristics of the Company, which was renamed LEONI AG in 1999. Long-standing values simultaneously serve as a guide for acting in a predictable and responsible manner.



## Human rights

**Principle 1: Businesses should support and respect the protection of international human rights within their sphere of influence; and**

**Principle 2: make sure they are not complicit in human rights abuses.**

**LEONI supports and respects the protection of internationally recognised human rights within its sphere of influence and ensures that it is not complicit in human rights abuses.**

### **LEONI Social Charter and LEONI Code of Ethics**

LEONI was one of the first companies in the world to draft a Social Charter in April 2003. It applies directly to all LEONI Group companies worldwide. Ensuring employee and human rights as well as assuming social responsibility have always been integral elements of corporate policy. LEONI's European Works Council and the International Metalworkers' Federation (IMF) are co-signatories to this Charter.

In the LEONI Social Charter, the Group commits to respecting internationally recognised human rights and to support their observance. We also encourage our business partners to consider this declaration in their own business policy. We regard this as a beneficial basis for reciprocal business relationships.

In March 2007, LEONI also introduced its own "Code of Ethics". It is binding on all employees of the LEONI Group worldwide and has been made accessible to every staff member.

The Code of Ethics describes in unequivocal terms the values and the demands placed on the kind of personally responsible and honest conduct that has always guided LEONI as a business enterprise. The crux of the Code of Ethics is that LEONI employees act in accordance with the corporate rules and the statutory regulations of the legal system that applies to them. Every LEONI employee must, when newly recruited, have a corresponding clause in their service contract by which he or she undertakes to observe the LEONI Code of Ethics.


### **Courses on LEONI Code of Ethics compliance**

The mandatory training courses that we have been holding for management worldwide for several years, and which currently involve about 150 managers, were switched to the "Compliance Basics and LEONI Code of Ethics" e-learning module starting in 2011. In 2012, these courses will be offered in further languages in addition to German and English, and they will be extended to more than 10,000 employees. This will involve all LEONI staff with e-mail access. We will be using a training platform with worldwide accessibility for this purpose. The courses make our managers and staff more aware on the topic of human rights.

### **Health, safety and environmental policy**

Acting sustainably safeguards our Company's future. Specific principles for action are embedded in our health, safety and environmental policy to ensure the health and safety of everyone who works for or with LEONI. These include avoiding injury to or illness of our employees by preventive detection of risks and effective averting of threat. Acting in a safety aware manner is part of every employee's job. Adhering to all legal obligations on safety at work and other requirements is the basis for our activity and the applicable national standards are minimum requirements in this respect. LEONI undertakes to observe all pertinent laws and directives on safety at work as well as internal rules of conduct.



A man in a black polo shirt and grey trousers is operating a large blue industrial machine. He is looking at a computer monitor mounted on the machine, which displays a software interface with various data points and graphs. The machine has several control panels with buttons and switches. The background shows a factory setting with other equipment and structural elements.

## Labour standards

**Principle 3: Businesses should uphold 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.**

LEONI is committed with worldwide effect to providing a working environment for its employees that is free of discrimination in both employment and occupation, and in which there is freedom of association. The right to collective bargaining is effectively recognised. LEONI strictly rejects child and all forms of forced labour. These principles are embedded in LEONI's Social Charter.



### Measures

Part of the annual Control Self-Assessment of managers pertaining to LEONI's Social Charter involves confirming at all of the Group's 93 locations that all employees are of at least the minimum age under local law and are at least 15 years old. This ensures that child labour is never used at LEONI.

Furthermore, breaches of these principles require „Human Resource Reporting“ and can also be reported directly to our Chief Compliance Officer via our internal compliance process. In addition, the Internal Audit department checks this on a random basis as a separate control factor of our Internal Control System (ICS).

### Supply chain management

In order to apply the principles of the UN Global Compact in everyday work, it is of great importance to LEONI that social responsibility is also taken into account in the context of supply relationships. This applies not only within LEONI, but also to suppliers' operations and for the Company in general. In the selection of suppliers, we have in our Wiring Systems Division therefore ever since 2006 checked candidates according to the principles of the UN Global Compact using a supplier self-audit. The supplier will receive approval to supply only if either the Social Charter and the Code of Ethics or the principles of the UN Global Compact are accepted.

In addition to our Social Charter, which suppliers already had to accept in the past as part of our General Terms and Conditions, the principles of the UN Global Compact have also been adopted in our T&Cs. Here we draw express attention to the fact that, in the event of any serious or repeated breach of the principles as detailed in the T&Cs, LEONI is entitled to terminate the supply relationship without notice.

### Diversity

Due to our Group's operations in 31 countries, our workforce includes people from many nations, cultures and ways of life. With plants in Brazil, Egypt, India and South Korea, among other places, virtually all of the world's religions, including Christianity, Islam, Hinduism and Buddhism, are represented. To promote acceptance of this diversity, training courses on the General Equal Treatment Act are regularly held at LEONI.

The Company joined the Diversity Charter in 2010. This is a project to create a prejudice-free work environment initiated by Minister of State Dr Maria Böhmer, the German federal government's officer for migration, refugees and integration. Commitment to the standards of the Diversity Charter establishes an open-minded business culture based on inclusiveness and mutual respect. Different talents in the workforce are to be recognised and deployed in a targeted way. LEONI intends thereby to contribute to establishing a climate of acceptance and mutual trust in society and to raise appreciation of embraced diversity.

This diversity is also reflected in the international nature of our management on the first four levels at LEONI, which comprise 21 nationalities. More than 40 percent of these positions are thus held by non-Germans.

### Social commitment

LEONI commits itself with donations for and sponsorship of various social projects, where we give priority to sustainability and a regional approach. In 2011, for example, we supported the 'Healthy Food for School Children' and 'City for Children' projects in Nuremberg. Overall, we promoted numerous social projects and establishments in those countries where we are represented with larger facilities. In 2011, we supported children's aid organisations, sports clubs, crèches and orphanages, among other good causes, with a total of about EUR 275,000. The single biggest donation, of EUR 100,000, went to SOS-Kinderdörfer (China and Serbia), an organisation for children in need.

## Environmental protection

**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.**

**LEONI supports protection of the environment with a precautionary approach and has several ongoing initiatives to promote greater awareness of responsibility for the environment. We therefore encourage the development and diffusion of environmentally friendly technologies.**

**LEONI regards environmental protection as a primary corporate objective. Our environmental management is geared to keeping the impact of all our processes on nature as minor as possible. The principles of our environmental policy also play a role in the selection of our suppliers.**

## Initiatives

**GREEN TECHNOLOGY** LEONI has made it its task to become the most innovative supplier of cables for 'green applications'. Aggravating shortage of resources and mounting harm to the environment make it necessary to develop processes, products and applications that are sustainable, energy-saving and environmentally compatible. We encapsulate our endeavours to improve both our value chain from an ecological aspect and, in a targeted way, to supply products for use in proven environmental technologies in our 'green technology' plan. This encompasses all products, system solutions and services that enable us to operate with more energy efficiency and to be easier on resources, thereby reducing emissions and pollution of the environment. In so doing, we rate our activities according to the following three criteria of product, process and application:

### ■ Product:

Increasing the proportion of low-emission, environmentally compatible raw materials in our cable products as well as raising the ability to recycle the processed materials and components; one example being our halogen-free LEONI EcoSense cable.

### ■ Process:

Optimising resource efficiency in our manufacturing processes by deploying energy-efficient machinery. Certifying more facilities in our global production network to the ISO 14001 environmental standard.

### ■ Application:

Expanding our range of products and solutions that are used directly in green markets and technologies or serve as input products or components for green applications, e.g. wires, cables and conductors for the solar and wind power industries.

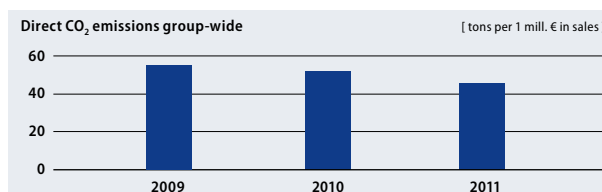
**CARBON DISCLOSURE PROJECT** LEONI participated in the Carbon Disclosure Project for the fourth time in 2011. On behalf of institutional investors, the initiative surveys the world's largest, market-listed companies on the amount of their CO<sub>2</sub> emissions, among other things. The trend in this respect shows that LEONI is well on its way towards improving its CO<sub>2</sub> readings. In the ranking of comparable companies participating in the Carbon Disclosure Project, LEONI was again at the top end relative to the number of employees and advanced to the middle

relative to sales. In the future, too, LEONI shall use the project's findings to further reduce its CO<sub>2</sub> emissions.

## Saving resources

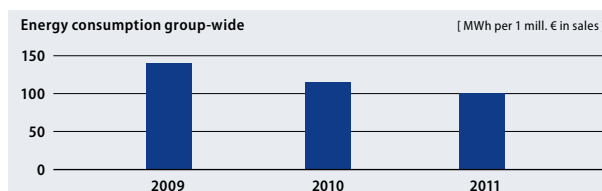
LEONI endeavours everywhere to reduce energy consumption and thereby CO<sub>2</sub> emissions. Both divisions run environmental management systems and multifaceted environmental protection activities, which are adapted to the respective requirements of their activities. In our Wire & Cable Solutions Division an energy manager has, since 2011, been ensuring more energy-efficient processes and is planning the use of recuperative energy for our production. The 'Factory of the Future', a production facility with energetically optimised production, is being planned our Roth facility. In so doing, attention is being paid to both more efficient processes and energetically sensible methods like heat recovery.

**CO<sub>2</sub>-REDUCTION** Due to our work towards CO<sub>2</sub> reduction, LEONI's CO<sub>2</sub> emissions have dropped by 14 % compared with 2010. This is reflected in the CO<sub>2</sub> emissions relative to every million euros in sales. We have set ourselves the target of reducing CO<sub>2</sub> emissions by 3 % annually.



## Energy consumption

There was a year-on-year reduction in energy consumed in 2011, yielding a saving of 14.75 %.



**RECYCLING** The EU End-of-Life Vehicle Directive ("Directive 2000/53/EC of the European Parliament and of the Council on end-of-life vehicles", dated 18 September 2000) defines the objective, among others, of broadening the recycling and the reusability of waste. LEONI has, above all due to the use of copper as a main element of its products, an ideal starting position in this respect. Copper is a 100 % recyclable material.



## Anti-corruption

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

LEONI's rules of conduct, which are laid down in the LEONI Code of Ethics, clearly reflect the anti-corruption mindset. There are clear rules concerning both the giving and receiving of gifts as well as control systems that proactively monitor observance of these rules. Furthermore, we pursued all reported suspect cases and did not find any breaches in the process.

### LEONI Code of Ethics – Prevention of corruption

The LEONI Code of Ethics stipulates that no employee anywhere in the world may offer or demand any benefit relating to preferential treatment involving a business partner.

For the past several years there have been training courses on this topic for all 150 managers on LEONI's first four management levels, which from 2011 were switched to the "Anti-corruption" e-learning module. In 2013 this course will additionally be expanded to all pertinent staff worldwide and offered in more languages. This will concern approximately 3,500 LEONI employees. We will be using a training platform with worldwide accessibility for this purpose. This course has further sharpened our managers' awareness concerning the prevention of corruption.

Automated compliance audits by means of Control Self-Assessments and a statement of undertaking to be submitted by each manager on an annual basis provide the prevention of corruption with a further safeguard.

### Compliance management system

LEONI has developed its own compliance system that comprises the key compliance fields. This also includes the compliance field of 'anti-corruption', which is overseen by a compliance field manager. The compliance programme breaks down by the three processes of avoidance, detection and response.

**AVOIDANCE** The avoidance process is based on the risk policy stipulated by the Management Board and the statement of our Management Board on compliance with the following key points:

- Neither corruption nor breaches of competition law, export control, the LEONI Social Charter or the LEONI Code of Ethics are tolerated in the LEONI Group.
- We use neither bribes nor cartel agreements to win a contract.
- Every staff member and every manager is obliged to apply all necessary measures within the Company to refrain from and avoid infringements of the law.

Compliance within the risk management system at LEONI is controlled and monitored at corporate level by the Corporate Compliance Committee, which meets regularly with the participation of Management Board members. The risk management

reporting system provides for reporting of the compliance risks across all levels of the Company. The avoidance process comprises various e-learning modules, among them the module on the compliance field of prevention of corruption, various explicit statements of undertaking and the Control Self-Assessment process of the respective managers, the integrated compliance status reporting as well as the internal whistleblower system. Staff were informed worldwide in this regard that any compliance breaches can and should be reported directly to the Chief Compliance Officer.

As a matter of principle, LEONI uses function separation to rule out any accounting manipulation. A strict double verification principle provides corruption-relevant processes with additional safeguard.

**DETECTION** The detection process comprises the areas of 'internal audits' by the Internal Audit department, 'compliance field-related audits' and 'clarification of deviations' by the respective compliance field managers as well as external audits. The Internal Audit department uses the Control Self-Assessments as a template for compliance and ICS audits. External audits comprise structured, regular spot checks, which are carried out either alone or in close collaboration with companies specialising in compliance matters and internal control systems, such as accounting and law firms that operate internationally.

**RESPONSE** In the event of a compliance breach, either the Chief Compliance Officer or the responsible compliance field manager will notify the Management Board. The Management Board will decide on the suitable and appropriate measures and designate the person responsible for their immediate implementation. Responses can involve, for example, repeated training courses, ad hoc audits by either internal or external auditors and/or sanctions available under employment law for the responsible staff members. Both the Management Board and the Corporate Compliance Committee continuously review the compliance system for possible ways of improving it. In addition, the information and notices provided by staff and operational managers also result in ongoing improvement of the whole compliance programme.

➤ The LEONI Code of Ethics is published on [www.leoni.com](http://www.leoni.com)

➤ See also "Courses on LEONI Code of Ethics compliance" under item 3 "Human rights".

## Results and key figures

LEONI guidelines and systems	Results & key figures
Principles 1 – 2: <b>Human rights</b>	
<ul style="list-style-type: none"> <li>■ The obligation to uphold internationally recognised human rights is laid down in the LEONI Code of Ethics and the LEONI Social Charter.</li> <li>■ The e-learning module on the LEONI Code of Ethics subject area contributes to sharpening the awareness among management and staff of human rights.</li> <li>■ Embedded in the health, safety and environmental policy are principles for action that ensure the health and safety of everyone who works for or with LEONI.</li> </ul>	<ul style="list-style-type: none"> <li>■ Every LEONI employee is, upon being recruited, handed or given access to the LEONI Code of Ethics.</li> <li>■ 2800 staff and managers worldwide have completed an e-learning course on the topic of “Compliance Basics and LEONI Code of Ethics”. By the end of 2012, a total of more than 11,000 of our managers and staff are to have completed this course. The course will be repeated annually.</li> </ul>
Principles 3 – 6: <b>Labour standards</b>	
<ul style="list-style-type: none"> <li>■ Courses are held at LEONI on the General Equal Treatment Act to ensure a working environment that is free of discrimination.</li> <li>■ The right of association as well as equal opportunity and equal treatment are assured in LEONI’s Social Charter.</li> <li>■ Through this participation in the Diversity Charter LEONI ensures diversity and mutual respect.</li> <li>■ In the selection of suppliers, a Control Self-Assessment ensures that suppliers accept the principles of the UN Global Compact or alternatively the LEONI Social Charter and the LEONI Code of Ethics.</li> <li>■ Our principles on observing labour standards are also embedded in our T&amp;Cs.</li> </ul>	<ul style="list-style-type: none"> <li>■ The 2800 staff and managers who have so far completed the “Compliance Basics and LEONI Code of Ethics” e-learning module were hereby also taught the principles of the LEONI Social Charter that concern labour standards. This course is to be expanded to a total of 11,000 staff and managers by the end of 2012 and will be repeated annually.</li> <li>■ Furthermore, people on the first four management levels will complete this course when they join the Company, also outside the annual schedule.</li> </ul>



LEONI guidelines and systems	Results & key figures
<p>Principles 7 – 9: <b>Environmental protection</b></p> <ul style="list-style-type: none"> <li>■ LEONI condenses its efforts towards saving resources and sustainability in the product, process and application areas under the term 'green technology'.</li> <li>■ Through the progressing certification of our plants we guarantee that they adhere to the ISO 14001 environmental standard.</li> <li>■ Via renewed participation in the Carbon Disclosure Project we both record CO<sub>2</sub> emissions and gain knowledge on ways to reduce them.</li> <li>■ LEONI participates in the "Our Cars" <a href="http://www.unsere-autos.de/">http://www.unsere-autos.de/</a> initiative and thus in projects to recycle them, such as the EU End-of-Life Vehicle Directive, for example.</li> </ul>	<ul style="list-style-type: none"> <li>■ Our sales of products and solutions for green technology grew by about 33 % in 2011, to € 223.1 million.</li> <li>■ Sales of products that are made in environmentally certified facilities or using energy-efficient plant and machinery increased by 38 % to € 2,972.4 million.</li> <li>■ In our Wire &amp; Cable Solutions Division 43 % of the facilities are certified to the ISO 14001 environmental standard, while the figure in the Wiring Systems Division is 36 %.</li> </ul>
<p>Principle 10: <b>Anti-corruption</b></p> <ul style="list-style-type: none"> <li>■ The LEONI Code of Ethics stipulates clear and binding rules on combating corruption.</li> <li>■ Through function separation LEONI ensures that situations at risk of involving corruption are avoided.</li> <li>■ Alongside other tools for controlling compliance, an e-learning module on 'anti-corruption' is incorporated in the Compliance Management System.</li> </ul>	<ul style="list-style-type: none"> <li>■ People on the first four management levels, i.e. approx. 150 managers, have already completed the 'anti-corruption' e-learning module.</li> <li>■ Our guide on prevention of corruption, the LEONI Code of Ethics, has been made available to all managers and staff worldwide and has also been translated into 19 languages.</li> <li>■ In 2011, Deloitte &amp; Touche audited LEONI's compliance management system (CMS) according to the new 'IDW PS 980 Principles of proper auditing of compliance management systems' auditing standard.</li> </ul>

➤ See also 2011 Annual Report LEONI AG, page 97.

**LEONI AG** Marienstrasse 7  
90402 Nuremberg  
Germany  
Telephone +49 (0)911-2023-0  
Telefax +49 (0)911-2023-455  
E-mail [info@leoni.com](mailto:info@leoni.com)  
[www.leoni.com](http://www.leoni.com)