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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



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## Global Compact – Communicating Our Progress 2010

EPCOS has communicated its progress to stakeholders in various corporate publications. The EPCOS corporate website provides detailed information on the company's commitment to the Global Compact. The Corporate Responsibility pages present EPCOS' Corporate Principles ([www.epcos.com/corp\\_principles](http://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 around the world fulfill with great commitment. For example, our subsidiary in Deutschlandsberg, Austria, promoted youth teams in local sports clubs with around 16,000 euros in the past year, while EPCOS in Singapore supported a residential home for the elderly with approximately 16,000 euros.

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](http://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.

### **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. Women currently account for about one-third of the participants.

### **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 already generates more than a quarter of its sales with 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, which are becoming increasingly popular due to the EU ban on incandescent light bulbs beginning in 2012, and also for modern high-intensity discharge (HID) automotive headlights.

Our ISO 14001-compliant global environmental management system ensures the same high standards of environmental protection worldwide. This code of behavior applies to all locations. 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	2007	2008	2009
Energy	megawatt-hours	448,134	435,477	<b>400,566</b>
CO <sub>2</sub>	tons	91,830	88,096	<b>82,199</b>
Water consumption	cubic meters	2,123,453	2,125,368	<b>2,184,013</b>
Waste	tons	9,585	9,470	<b>7,401</b>

In fiscal 2009 (Oct. 1, 2008 to Sep. 30, 2009), EPCOS' vital consumption and emission levels dropped markedly, attributable mainly to the decreased utilization of production capacity in our plants around the world as a result of the global economic crisis. Our energy consumption fell by 8 percent to approximately 400 gigawatt-hours (435 GWh in 2008). We also reduced our carbon dioxide emissions by 7 percent to about 82,000 metric tons (88,000 metric tons in 2008). The volume of waste was reduced by 22 percent to approximately 7,400 metric tons (9,500 metric tons in 2008).

Overall water consumption, however, increased by 3 percent to around 2.2 million cubic meters (approximately 2.1 million cubic meters in 2008). This rise is due almost completely to construction activities at our plants in Hongqi and Zhuhai, both in China. Consumption of water for all other EPCOS' locations dropped by 8 percent. If the additional construction-related water usage in FY 2009 at Hongqi and Zhuhai is excluded, EPCOS' water usage corresponds to the declining long-term trend.

Moreover, EPCOS also reduced its consumption of the greenhouse gas sulfur hexafluoride (SF<sub>6</sub>). In 2003 already EPCOS signed a voluntary agreement and has drastically lowered its consumption through continual improvements in process engineering: from 2003 until 2009 our factory in Heidenheim/ Germany, has cut its consumption of SF<sub>6</sub> by 90 percent through modifications to the production of power capacitors.

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](http://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](http://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](http://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 Guidance for downstream users document. EPCOS offers its customers a comprehensive online service about REACH ([www.epcos.com/reach](http://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.

### **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.

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## **Links to resources on EPCOS' website**

### **Corporate responsibility**

[www.epcos.com/corp\\_resp](http://www.epcos.com/corp_resp)

### **Global Compact**

[www.epcos.com/global\\_compact](http://www.epcos.com/global_compact)

### **Partnership with suppliers on sustainability**

[www.epcos.com/cr\\_supplier](http://www.epcos.com/cr_supplier)

### **Environmental protection**

[www.epcos.com/environment](http://www.epcos.com/environment)

### **Environmental management**

[www.epcos.com/environ\\_management](http://www.epcos.com/environ_management)

### **Environmental report**

[www.epcos.com/environ\\_report](http://www.epcos.com/environ_report)

### **Material data sheets**

[www.epcos.com/material](http://www.epcos.com/material)

### **RoHS Directive of the European Union**

[www.epcos.com/rohs](http://www.epcos.com/rohs)

### **China RoHS**

[www.epcos.com/china\\_rohs](http://www.epcos.com/china_rohs)

### **REACH**

[www.epcos.com/reach](http://www.epcos.com/reach)

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