



**Corporate Social Responsibility at PHOENIX CONTACT**

**Communication on Progress 2009 / 2010**

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For simplicity reasons, in the following the masculine form is used for persons although both genders are referred to.

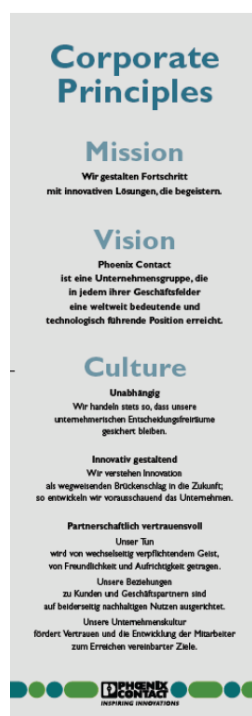
## Presentation of Company

### Founded in Germany – at home in the world

The headquarters of PHOENIX CONTACT are located in Germany. Since its foundation in 1923, the company has developed into a Global Player. With 47 own sales companies throughout the world as well as about 30 sales partners we always are close to our customers, thus creating good prerequisites for an individual and trusting partnership.

Five German production locations and five international production sites form the production network. This network ensures market proximity and flexibility with the same production competence everywhere, be it Europe, America or Asia. Throughout the world, our customers are offered the same standard – the power and competence of a global company linked with the dynamics and continuity of a privately run large medium-sized company.

### Corporate Principles



The Corporate Principles of PHOENIX CONTACT apply to the whole corporation, nationally and internationally. They are the “Constitution” and therefore the basis for communication and conduct within the company and with business partners. The Board stands up for these guidelines and values at any time, conveying them personally and continuously in extensive workshops to all executive managers by explaining the reasons behind them. On the one hand, the Corporate Principles are marked by an orientation towards innovation, on the other hand by fundamental and globally binding ethic values – a trustful relationship with business partners and employees based on partnership. For our employees, they are the basis for self-responsible action, since only mutual trust and partner-like cooperation create space for developing new innovations and inspiring customers and business partners alike.

In 2007, PHOENIX CONTACT developed the strategic goal 2020 “PHOENIX CONTACT is the most trusted brand in our industry“. We are sure that besides innovative products and solutions, trust and continuity are the existential basis to achieve a long-term and international business success. Trust within the company is the basis for long-term ethic values, sincerity and a trustful relationship with business partners

on the one hand and the conscious dealing with resources on the other hand. This requires the cooperation of both management and employees worldwide, since only a consistently excellent culture of trust founded on ethic values alongside excellent processes strengthen confidence.

## **Statement of the Board on social responsibility**

Dipl.-Ing. Klaus Eisert, CEO and Managing Partner: “Against the background of entrepreneurial responsibility – what is CSR about? Is it label or content, pretense or substance? Are we only talking about it or are we doing something? In this context, some pragmatic thoughts: Apart from the important responsibility for assets and capital of a company, entrepreneurial responsibility always focuses on people. As much as this statement has been used, as true it is.”

In addition, Klaus Eisert underlines that CSR is not only an all-round outward obligation but above all an inward obligation. CSR is no “fair-weather affair“, but especially demanded in difficult times. In the crisis year 2009, PHOENIX CONTACT proved this to be true, because with the support of everybody – the Board, executives, employees’ representatives and employees – the company was able to secure the jobs of the core workforce throughout the world. Highly motivated by this trust and the continuity, the employees now support the noticeable recovery with joint forces.

Prof. Dr. Gunther Olesch, Executive Vice President responsible for Human Resources, IT and Legal Matters, emphasizes the statement of Klaus Eisert in an article published in the trade journal “Personnel Management“ on the subject on “Social responsibility despite the crisis“, because all managers have a moral responsibility besides the objective of maximising profits. The economic crisis cannot be used as an excuse not to do so. Prof. Dr. Olesch: “All persons involved have to contribute with their declared intention, their creative energy and their moral commitment to develop our jobs, our country and the future of our children not only with words but also with actions“. Freely adapted from Hermann Gmeiner’s motto: “All the good things in the world only happen because one person does more than necessary”.

## **CSR activities**

Besides the focus of the years 2006 to 2008 “Promotion of education as basis for social security“ that is still valid, in 2009 the Board developed the additional global focus „Green Technology - Environmental protection and conservation of resources in products and processes“.

## **Environment Protection**

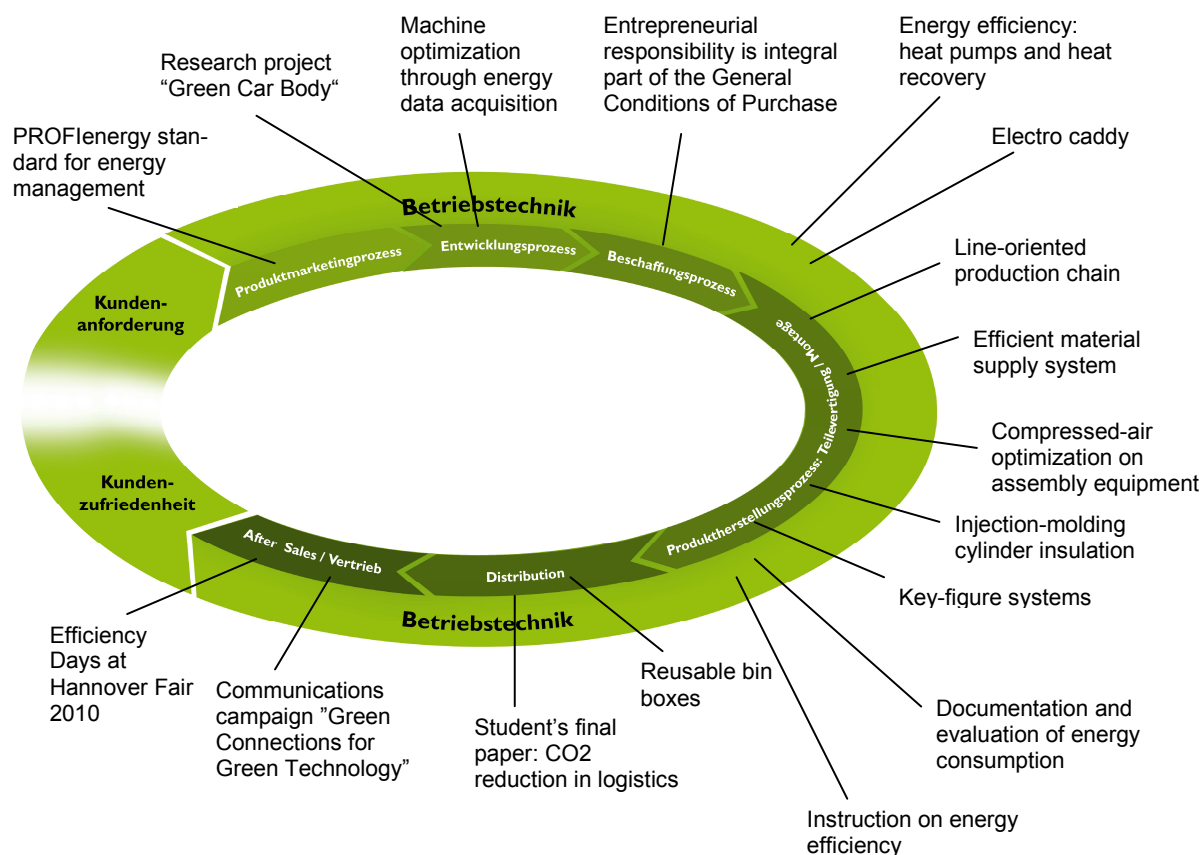
The PHOENIX CONTACT mission to create progress with innovative inspiring solutions applies to products and product solutions but also to internal processes and activities, hence also to environment protection and the efficient use of resources. The proactive approach to create a high sense of responsibility with regard to environment and resources as well as the development and distribution of eco-friendly technologies for a sustainable treatment of nature is a fundamental value and at the same time a strategic goal at PHOENIX CONTACT.

These perspectives have motivated the Board and the managing partners to establish the CSR focus “Green Technology - Environmental protection and conservation of resources in products and processes“, and communicate it within the PHOENIX CONTACT Group in 2009. Internal activities as well as the cooperation with business partners with regard to

developing and applying eco-friendly products and solutions shall bring us closer to the socially challenging goal to globally preserve our environment and make it livable.

In September of 2009, Prof. Dr. Olesch presented the CSR key-subject “Green Technology” to all General Managers of the national and international subsidiaries as well as to the executive managers of all German companies. All General Managers and executive managers were asked to inform their employees and inspire them for eco-friendly and resource-saving ideas and projects. All executive managers and employees of the PHOENIX CONTACT Group were requested to take up ideas and projects concerning environment protection and resource conservation from the entire process chain or promote already existing activities with regard to Green Technology. In this connection, many innovative ideas and projects were created in the subsidiaries and business units or consistently continued in accordance with the role model function.

Selected “Green Technology” activities along the core corporate process are presented in the following diagram and table.



<b>Product marketing process</b>	Consideration of sustainability in the product marketing process, for instance development of PROFlenergy – manufacturer-independent communication profile for energy management to support mechanical and plant engineering in the significant reduction of energy consumption
<b>Development process</b>	Research project "Green Car Body": Innovation alliance on the development of energy-saving technologies for automotive manufacturing
	Machine optimization: energy data acquisition as basis of an integrated energy management: 1st energy data acquisition, 2nd analysis of energy data, 3rd optimization of machine/system (optimization of control program so that components can be switched individually to the energy saver mode) 4th constant supervision / monitoring
<b>Procurement process</b>	Corporate responsibility as well as the observance of the contents of the ZVEI Code of Conduct on social responsibility are integral part of the General Conditions of Purchase
<b>Product production process</b>	Line-oriented production chain to optimize the process quality, to recognize quality defects faster, to reduce the reject rate and to shorten transportation distances
	Material supply system for a manufacture as efficiently as possible; use of "reusable packaging" with subsidiaries and customers so that time can be saved and packaging material can be avoided
	Compressed air optimization on assembly equipment to reduce compressed air and save energy; quick detection and elimination of compressed air leakage by using an acoustic measuring instrument without interrupting the ongoing production
	Injection molding cylinder insulation; an insulation of the injection molding cylinders that is not available as standard will be retrofitted to reduce heat losses and thus minimize necessary heat output
	Introduction of key-figure systems in the production environment so that employees can read off slight fluctuations, react sensitively and quickly take measures
<b>Distribution</b>	Transportation to European subsidiaries and customers in "reusable" bin boxes to reduce packaging materials
	CO2 reduction in logistics: determine energy saving potentials to reduce CO2 emission – optimization of lightning, picking places as well as adjustment of drive motors for conveyor lines
<b>After Sales / Sales</b>	Communications campaign "Green Connections for Green Technologies" as well as participation in international (trade) fairs: presentation of PHOENIX CONTACT products to be used along the whole process chain from energy production via energy management up to use of energy in photovoltaic plants and wind power stations
	Efficiency Days at the Hannover Fair 2010 – Presentation of possibilities of energy efficiency in industrial processes
<b>Facility Management</b>	Energy efficiency: Use of heat pumps and heat recovery, eg use of residual heat from the EDP server rooms for the hot water of the staff restaurant and optimized setting of sun protection to relieve air conditioning systems
	Electro caddy for drives within the plant as well as bicycles on the company premises
	Monthly documentation of energy consumption by evaluating energy key figures
	Instruct employees with regard to energy efficiency

A project specifically focused on sustainability and therefore exemplary is the energy concept for using geothermal heat and waste heat for the air conditioning of the logistics center which has a space of 19.000 m<sup>2</sup>. Within the initiative "Deutschland Land der Ideen" (Germany, land of ideas), this concept was chosen as one of 365 "landmarks", because by using geothermal heat and cooling 808 megawatt hours of energy are saved each year, which corresponds to an electrical energy consumption of approx 200 households.



Besides the internal activities we also develop innovative products and solutions that provide our customers with potential for saving energy. Among others, PHOENIX CONTACT offers an Ethernet-based controller that reads the values of the connected counter, standardizes measured values and directly writes the data in a data-management system where they can be further evaluated. This precise registration and analysis of energy consumption, broken down into individual rooms, production areas or machine parts, is an essential prerequisite for a targeted energy management.

An example of a new product deliberately designed to save energy is the marking printer Bluemark LED which works with UV LED technology. Since this printer is ready to print without any warm-up time and does not need a fan, energy consumption is reduced by about 90 percent compared to similar printers. These examples of innovative technologies from PHOENIX CONTACT are presented, among others, in the publication "Deutsche Standards – Grün produzieren" (German standards – green production technologies), published by the German Machinery and Plant Manufacturers Association (VDMA), and promoted by the Federal Ministry of Education and Research (BMBF). This appreciation shows that with our philosophy, we decisively contribute to defining the right way to innovative energy concepts.

The foreign subsidiaries are also consistently pursuing the subject of "Green Technology". Some examples of this are the following:

## USA

PHOENIX CONTACT USA hosts an "Employee Earth Day" event for its employees. Every employee is invited to bring along old electrical appliances to have them disposed of professionally. Along with comprehensive information on environment protection by means of proper disposal, environmental awareness was promoted in a targeted way by underlining the company's interest in these matters, including the private environment.

## South Africa

PHOENIX CONTACT South Africa and a cooperation partner carried out an innovative and energy-efficient building automation in the new headquarters of Netbank, for which they were awarded the "Green Star SA - Office" – a distinction by the "Green Building Council of South Africa".

With other activities presented hereinafter, the subsidiaries adhere to the internal CSR focus on "Green Technology":

<b>China</b>	"Innovative Connection Accelerate Wind Power Industry" - Conference with manufacturers of generators of wind turbines for presenting latest technologies	Raise environmental awareness by presenting low-emission technologies and solutions in the field of renewable energies
	Cooperation project wind park – the first complete solution with "IT-Powered Automation"	
<b>Japan</b>	Participation in Japanese initiative on energy saving "Team Minus 6 %" for preventing global warming	Reduction of energy and emissions
<b>Middle East</b>	Reduction of data volumes in email traffic	Environment protection
	Optimization of lightning	
<b>Russia</b>	Optimization of loading times to avoid traffic jams	Environment protection
<b>Denmark</b>	Presentation of low energy consumption of certain products	Raise environmental awareness by presenting low-emission technologies
<b>France</b>	Employment of an industrial manager "Environment" for supporting Green Technology applications and ecology	Raise environmental awareness
	Select suppliers in accordance with our environmental policy	
<b>Great Britain</b>	Optimization of energy consumption of electrical appliances	Environment protection; reduction of energy and emissions
<b>Netherlands</b>	Reduction of energy consumption: optimization of heating and air condition	Raise environmental awareness
<b>Switzerland</b>	Winner of the national Building Automation Award 2009 in Switzerland (Award for the sustainable, energy-efficient and use-oriented technical building automation concept)	Environment protection and reduction of emission
	Electric bicycle as vehicle for short distances	
	Natural garden with seal of quality on the company premises	

At the international General Managers Meeting at the beginning of 2011, all Green-Technology projects 2009/2010 will be presented to the whole international Management of the PHOENIX CONTACT Group as Best Practices. In this most important meeting of the Group, the Executive Board will initiate the further expansion of the focus on Green Technology.

## Employees

Dipl.-Ing. Klaus Eisert, CEO and Managing Partner, manifested in a keynote speech at the ZVEI (German Electrical and Electronic Manufacturers' Association) on the subject of social responsibility that people are at the center of entrepreneurial responsibility, which PHOENIX CONTACT actively demonstrated in the worldwide year of



crisis 2009. The concept of a “trusting relationship based on partnership” that is rooted in the Corporate Principles was the basis for the decision of the Executive Board to secure the core workforce of the Group throughout the world and to call for other creative cost-cutting measures.

In regular staff meetings, the employees were informed by the Board itself on the situation of the company and important decisions. Throughout the world, the Management ahead along with the employees voluntarily accepted salary cuts to support job security. With the recovery of the worldwide economy in 2010, these salary components were then gradually introduced again by the Board. Precisely this systematic and committed securing of jobs was honored by the external distinction “Employers for Engineers”, in which PHOENIX CONTACT was awarded the first place in the category “Job Security”.

### Rückblick 2009 - Human Resources

1. Arbeitszeitkonten auf minus 140 Stunden ausgebaut
2. Personalumbesetzungen
3. Keine Neueinstellungen
4. Tarifierhöhung auf 1.12.2009 verschoben, Fahrgeld ausgesetzt
5. Kurzarbeit
6. Weiterbildungsmaßnahmen mit 1300 Teilnehmer in der Kurzarbeit
7. **Ziel erreicht: keine Kündigungen**
8. **Übernahme der Auszubildenden**



### Rückblick 2009 - Human Resources



- Besondere Human Resources Ziele in 2009
  - Erhaltung von Motivation und Vertrauen bei den MitarbeiterInnen besonders in der Krise
  - ... weil wir unsere Mitarbeiter für den nächsten Aufschwung brauchen!
  - ... weil wir eine soziale Verantwortung für sie tragen!
  - ... weil wir es besser machen wollen als der Wettbewerb!
- Deswegen alle 2 Monate Informationen an die Belegschaft



## Health management



With a company health management and company health centers at larger locations, the Board of PHOENIX CONTACT underlines the responsibility for the health of its employees also within the operational environment. At the same time this is an investment into competitiveness, especially with regard to the demographic development, as well as a relief for governmental social systems and hence also a relevant societal contribution. Besides equipment-supported training; cardiovascular training and nutrition counseling, employees are offered Nordic Walking, relaxation courses, Pilates and therapeutic climbing. The health program 50 plus makes older employees familiar with sports activities; special courses for “active families” reconcile health aspects with a work-family balance, since employees may participate with their whole family.



PHOENIX CONTACT also actively promotes the participation of employees and teams in mass sports events in the respective regions of company locations. By providing sportswear and assuming contribution fees, mass sports activities are promoted while the popularity of sports in society is strengthened at the same time.



External activities like running groups, volleyball, cycling and even dragon boat races are regularly supported.

## Diversity

As a globally positioned company, PHOENIX CONTACT welcomes the diversity of cultures. In the communication with international subsidiaries, customers and business partners, intercultural competence, the assignment of employees with other cultural backgrounds and personal international experience of our employees are particularly valuable. For raising the awareness of our employees we offer intercultural basic trainings and constructive culture-specific workshops.

To assume social responsibility, PHOENIX CONTACT supports the qualification of young people with immigrant backgrounds to facilitate their entry to the training and labor market. Co-operations with regional secondary schools such as the “Aubikom” project; the patronage of Executive Vice President Prof. Dr. Gunther Olesch for the “Horizon” project to integrate refugees and persons entitled to stay into the labor market, or the participation in the first international Cooking Olympics for intercultural understanding are just a few examples.

PHOENIX CONTACT was presented as Best Practice company in the EU project “Several CSR models in Europe and several ways of promoting diversity in businesses” (01.12.2008 – 31.05.2010).

## Training possibilities– Junior Business Unit

The training provided by PHOENIX CONTACT shall ensure a high quality standard by means of innovative qualification concepts and guarantee a future-oriented and demand-oriented human resources planning in many qualified jobs and integrated degree programs. This requires holistic learning in vocational training, whereby a comprehensive occupational competence is acquired that comprises technical and social, methodological and personal competences. This is difficult to realize in a mere technical training.

For this reason, PHOENIX CONTACT created a “Junior Business Unit“, and so a small company was founded within a large company. This company is not based on virtual money and fictional goods like in a business game, here we have real flows of money and goods. The specific purpose of the Junior Business Unit is to develop young professionals who oversee complete company and business processes. With a real budget, which must be managed economically, entrepreneurial thinking and acting is encouraged since all the necessary business processes are represented.



The Junior Business Unit has been an integral part of the training program at PHOENIX CONTACT for the last five years and is made up of three business fields: Internship supervision, support of the regional knowledge and learning platforms of and for students and trainees as well as learning supports. All business segments are budgeted and managed by the trainees in sole responsibility who are in close interaction with schools and other educational and training institutions, thus also experiencing societal challenges. In 2009, the “Junior Business Unit“ of PHOENIX CONTACT received the Young Talent Award by the network ZENIT e.V. (Technology and Promotion Consulting) for an outstanding promotion of young talents.

## PHOENIX CONTACT COLLOQUIUM



A connection between “life-long learning“ and leisure activities is created by the annual PHOENIX CONTACT Colloquium, a joint event organized by PHOENIX CONTACT and the University of East Westphalia-Lippe for interested staff and visitors alike. The goal is to offer impulses, ideas and backgrounds for students and the regional public in free and generally accessible lectures, thus providing a contribution to addressing socially relevant issues.

## Summer School for employees' kids

The successful PHOENIX CONTACT Summer School was again carried out this year with over 150 children of employees ranging from the 8th to the 13th grade. The kids had the choice between the modules Application Training, Active English, Hands-on Technology (electrical and metal industry) as well as Corporate Management.



## Customers and business partners

A trustful relationship based on partnership with business partners and customers is reflected in the strategic objective for the year 2020 - "PHOENIX CONTACT is the most trusted brand in our industry". The long-term development and extension of a trusting relationship with business partners and customers requires the in-house culture of trust and the involvement of all executive managers and employees. A worldwide customer survey has shown that we are on the right track, because our customers appreciate the technical know how, the quality of the products, the reliability of delivery and the commitment of PHOENIX CONTACT employees.



## ZVEI's Code of Conduct

PHOENIX CONTACT chairs the Executive Board Working Group on "Corporate Social Responsibility" of the Association of Electrical and Electronics Industry (ZVEI), in which ZVEI's Code of Conduct was developed. In September 2009, PHOENIX CONTACT was one of the first companies to sign ZVEI's Code of Conduct. The ZVEI Executive Board Working Group will now promote the further propagation of the Code of Conduct and related tools for its implementation and has already accomplished the recognition of ZVEI's Code of Conduct by the German Federation of Employers' Association as one of two cross-industry appropriate Codes of Conduct.

## Society



PHOENIX CONTACT assumes social responsibility towards the regions where it operates. For this purpose, sustainable projects are initiated and supported. Important examples of this are the following:

### Responsible partner for the Lippe region in Germany

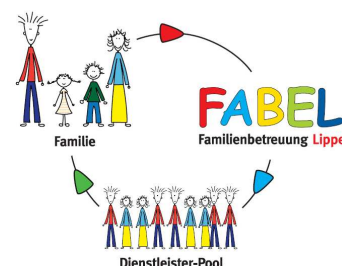


PHOENIX CONTACT supports the initiative of the Bertelsmann Foundation "Responsible Partner for Lippe" with a focus on education, jobs and life quality. Employees of PHOENIX CONTACT are actively involved in the working groups "Lipper are fitter" and "FABEL – Family Support in Lippe" or have assumed the chairmanship.

The working group “Lipper are fitter” focuses on “Mature Talents“, and in this connection raises the awareness of both employers and employees with regard to the demographic change. Employment beyond the sixtieth year of life must not be seen as a threat but as a chance. In a survey of employers and employees the working group found out that the demographic trend is present in the minds, but future challenges are not yet accepted in practice. Two thirds of the employees surveyed are willing to work until retiring age or even beyond. However, they attach conditions to this willingness for which there is a need to raise awareness.



The working group “FABEL – Family Support Lippe” contributes to reconciling family and work by offering a targeted orientation and transparency on existing services like child care, help with family problems and care for relatives in need of care. The pilot service “FABEL-Service” offers participating companies and their employees valuable contacts to professional service providers and care facilities for all individual questions about family matters. The pilot service is financed by all participating companies, among others PHOENIX CONTACT, and thus is free for the employees.



## GET2Project

Due to the global economic situation, the year 2009 was marked by cost-cutting measures; jobs were hardly created. Even for skilled staff and university graduates it was partially difficult to find work. With a long-term personnel strategy, PHOENIX CONTACT was able to secure the employment of the core workforce worldwide despite cost and capacity reductions and even counteract the general trend with the “GET2Project“. GET2Project stands for Graduate Experience & Training and enabled 20 university graduates to a qualified entry to the world of work. To this end, PHOENIX CONTACT offered qualified, 6 months long ambitious projects and targeted training programs. Upon completion of the project many young graduates found an employment on a permanent basis.

## School co-operations

PHOENIX CONTACT supports schools in the regional environment through career guidance and technical contributions, and provides students with application training and computer courses to improve their educational profile.

In the “Aubikom“ project, each year the training capacity of 12 to 16 secondary school students is promoted.

The project lasts 30 months, during which the usually teenage pupils take part in four hours training and promotional activities per week outside their school lessons. All participants receive a certificate at the end of the project. In this connection, PHOENIX CONTACT provides up to 5 training places in technical areas and takes on young people from the Aubikom project who otherwise would not meet the requirements for a vocational training.

Promoted are social skills, by which we understand key qualifications like capacity for teamwork and communication, commitment, dedication as well as reliability and responsibility. In addition, professional basic knowledge like application-oriented mathematics, German and basic technical knowledge is taught. Since the learning units partly take place within the company the students can even gather first occupational experience.