

Munich, July 9, 2018

Statement of Continued Support

Message of the Chairman of the Management Board 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 TDK Group Company and, thus, subsidiary of 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 citizenship wherever we do business. Our responsibility to society is clearly documented in the TDK Code of Conduct, from which I quote:

“The TDK Group recognizes its role in resolving social issues through creativity and contributing to society. The TDK Group will continue to respect human rights, comply with relevant laws and regulations and international rules, and will discharge its social responsibility with a strong sense of ethical values for the purpose of creating a sustainable society. 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 not only our company but also the entire supply chain, 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,

Signed by

Joachim Zichlarz

Chairman of the Management Board and CEO of EPCOS AG

EPCOS AG

Global Compact – Communicating Our Progress 2018

EPCOS, a TDK Group Company, is 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 the [TDK Code of Conduct](#), which specifically provides the standards and guidelines for compliance with all laws, regulations and social norms, to be followed by TDK and its consolidated subsidiaries, as well as all directors, officers, employees and company auditors who are members of the TDK Group. The corporate ethical philosophy and the corporate standards of business conduct detailed in the TDK Code of Conduct are in full agreement with the principles of the Global Compact. Addressing corporate citizenship and corporate governance, they provide ethical guidelines binding for 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.

The following examples stand for the broad range of social contribution activities performed around the world in 2017:

- EPCOS established a sponsorship program with the Baden-Wuerttemberg Cooperative State University (DHBW) in Heidenheim, Germany, under which the company will contribute a total of 100,000 euros to the school over the next four years. The money will

go toward the cost of setting up a new building and a student campus. EPCOS and the university have collaborated on the training of students in the fields of industrial business management and mechanical engineering since 1984. The students spend these three years alternating between classes at the university and on-the-job training at various departments in the company – sometimes at EPCOS' head office in Munich, and even abroad. They thus get to know a wide range of functions and processes, all of which gives them useful orientation for their subsequent career choices. Ten students are currently enrolled for these courses in Heidenheim.

- EPCOS Zhuhai in China is helping the Zhuhai Technician College to train needy students. As part of the three-year dual educational program, EPCOS is providing a professional teacher and equipment for the college, as well as apprenticeships at the company during the third year. In addition, EPCOS Zhuhai will provide scholarships in order to help students who need financial support.
- EPCOS Nashik in India conducted water conservation activities in order to mitigate the effects of the ongoing drought conditions in the region. In a public-private partnership with the Nashik Collectorate Office, the plant sponsored the heavy earth moving equipment that was needed in four villages in Kalwan and Satana Tehsil in the Nashik district. The earth moving equipment was used to widen canals and desilt the reservoirs, thus increasing their capacity.
- As a part of the ongoing efforts of EPCOS Batam in Indonesia to reduce plastic waste, more than 150 EPCOS Batam employees and their families, along with employees of partner company PT WIK and local villagers, cleaned the Sembulang Beach and conducted an awareness training session to increase awareness to Sembulang leaders and schools. With the effort, EPCOS Batam joined the global Bye Bye Plastic Bags initiative, a UN-recognized NGO that coordinates plastic cleanup and educational activities around the globe. EPCOS Batam will also conduct a pilot project of waste management system for Sembulang village. The project goal is to help Sembulang become a role model for waste handling in villages all over Indonesia and enable these best practices to be duplicated in other local communities.
- The plant of EPCOS subsidiary, Becromal in Akureyri, Iceland, launched a carbon footprint offset project. In order to further improve its environmental performance and demonstrate a real commitment to the local environment, employees in Akureyri will plant enough trees in order to neutralize CO₂ emissions caused by their own business trips. Through the process of photosynthesis trees use sunlight to synthesize nutrients from carbon dioxide and water. In doing so, they store carbon in the form of wood and release oxygen into the atmosphere as a by-product.

All of these activities are an integral part of TDK Corporation's overall Social Contribution Activities initiative. Because of long-term success and focus on environmental issues in the communities where the factories are located, TDK recognized the activities in Indonesia and Iceland with TDK Group Social Contribution Activities Awards.

We are convinced that corporate responsibility involves a commitment to society and permanent protection of the environment. 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.

Systematic corporate social responsibility management

In 2017 EPCOS has continued to make further strides in embedding corporate social responsibility (CSR) in its corporate-wide management systems under the leadership of the Corporate Technology and Quality Department.

CSR coordinators for all EPCOS manufacturing locations worldwide track the CSR status of their respective plants using a comprehensive questionnaire that is based on globally established and promoted standard questionnaires. This CSR questionnaire, which goes beyond the scope of the Ten Principles of Global Compact, covers the following key areas that address conformance to the coming CSR guideline:

- Labor
- Ethics
- Health and Safety
- Environment

These questions are an integral part of internal and external CSR assessment audits of conformance to management system requirements in the context of continuous process improvement. In the previous fiscal year a total of seven CSR assessment audits had been successfully performed by an independent, third-party auditor ([DNV-GL](#), a leading certification institution). A further 13 sites will be audited in calendar year 2018. The certificates of conformity with the Ten Principles of the UN Global Compact and RBA (Responsible Business Alliance, formerly EICC) recommendations for CSR management are posted on the [EPCOS website](#). CSR assessment audits will be conducted concurrently with the audits for the environmental management system (ISO 14001) and the energy management system (ISO 50001) in EU sites by an external consultant successively at all EPCOS factories. They will be repeated at least every three years.

The ongoing training of CSR coordinators, the management team and employees is a further focus of the company's CSR management. For example, a workshop was conducted in Malaysia for our plants in Southeast Asia in order to provide CSR coordinators an improved understanding of the EPCOS' CSR objectives and processes. In addition, e-learning tools were provided in the corporate Intranet to inform and educate all employees about CSR and

business ethics. The objective of all these measures is to ensure full compliance with the TDK Code of Conduct by members of the management teams and all employees.

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, 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.

In order to ensure that the company's sourcing is compatible with its corporate principles EPCOS established a general guideline for all employees involved in dealing with external suppliers, service providers, partners or any other third party with the intention of purchasing goods or services. The EPCOS [Procurement Policy](#) addresses the fair and impartial selection and evaluation of sources and the company's policy on quotations.

The Procurement Policy also includes EPCOS' position on Conflict Minerals – tantalum, tin, tungsten, and gold obtained from mines and areas controlled by armed rebels in the Democratic Republic of the Congo (DRC) or in adjoining countries. These groups have been conducting illegal mining and smuggling of minerals to fund their rebel activities. These actions not only serve to further conflict, but constitute violations of human rights through forced labor and the abusive treatment of local people. EPCOS has no intention of supporting the above-mentioned illegal activities and violations of human rights. We place a high priority on communication in our supply chain with regard to such Conflict Minerals, and therefore require our suppliers to disclose such information and, if appropriate, share it with our customers.

Responsibility for our people

Measures have been implemented in order to ensure adherence to company labor rules. For example, to protect juvenile workers and preclude excessive working hours, the age and working hours of all persons employed in our company are subject to regular checks, as are also the living conditions of workers who reside in dormitories.

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, 30 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.

To further improve protection for employees' health and safety at work, EPCOS has introduced and maintains an occupational health and safety management system at its production facilities in conformance with OHSAS 18001 (the Occupational Health and Safety Assessment Series). As part of the program, every workplace has been assessed to identify possible threats, provide preventive protection against accidents, and minimize risks. These risk factors not only include mechanical and electrical dangers, hazardous substances, fire risks, and physical stresses and strains, but also psychological factors such as changing working shifts. As part of the management system, occupational safety officers have been appointed for each production facility to oversee and ensure compliance with the occupational safety rules and regulations that have been harmonized for all EPCOS production sites.

Responsibility toward the environment

EPCOS is committed to protecting the environment as much as possible. As a manufacturer of passive components and electronic systems with factories located around the world, EPCOS is continually improving its production processes to conserve energy and reduce CO₂ emissions, to minimize water consumption and waste, and to avoid introducing harmful substances into the environment as much as possible. To support this process the company's production sites worldwide conduct environmental programs and projects on a regular basis.

In the course of the past fiscal year EPCOS has initiated and completed nearly 70 projects and actions to increase its energy efficiency and thus minimize its negative impact on the environment. Some examples are:

- Compressed air systems were improved at four of our plants around the world, resulting in noticeable energy savings. For example, we were able to save a total of 310 MWh at our facilities in Málaga, Spain; Kutina, Croatia; Šumperk, Czech Republic; and Gravataí, Brazil.
- Nine production facilities continued to upgrade their lighting by replacing older fluorescent lights with more energy-efficient LED systems.

Maximizing energy efficiency is one of the essential pillars of EPCOS environmental efforts. In order to achieve all targets concerning the minimization of energy consumption, EPCOS is going to extend its certified ISO 50001 energy management system to all production sites located in the European Union.

Focus on eco-design in product development

Another chief concern of EPCOS is to treat our resources with care. EPCOS works continuously to increase its resource efficiency in the design and manufacture of products. In order to determine and document the eco-friendliness of products compared to previous generations the company conducts an internal assessment as a part of the product design process. The analysis covers the amount of materials and energy used in the production process, the energy consumption of the finished products in operation and the recyclability of the products at the end of their life cycle.

EPCOS follows the example of TDK and calculates the contribution its products make toward reducing the company's CO₂ balance. Each product's per annum CO₂ emissions based on the energy and material used to produce it and the energy the product consumes in operation over its projected lifetime are compared with the per annum CO₂ emissions of a benchmark product – either the product's predecessor or an exemplary standard product in the market. The difference represents the positive impact of the product on the company's CO₂ savings. In 2017, EPCOS again achieved a balance between all of the CO₂ it emitted and the sum of all CO₂ savings for all products.

Energy efficient portfolio

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. Thus, EPCOS offers an ever wider spectrum of products that directly or indirectly improve energy efficiency. Examples of EPCOS products in environmental friendly applications include:

- Some 20 different EPCOS products, including protection devices, film capacitors, chokes, transformers and thermistors can be fitted in the electronic lamp ballasts and control electronics of energy-saving LED lighting fixtures. Compared to conventional lighting technologies, LED lamps and lighting systems can help cut energy consumption drastically, while significantly extending life expectancy of the lamps.
- A new MnZn-based PC200 ferrite material, which is characterized by low losses at high frequencies, was developed specifically for power supplies and frequency converters that operate with new, fast-switching power semiconductors. The outstanding properties of this material will enable considerably more compact power supplies to be designed in future. At the same time, its efficiency is improved due to the low losses of the ferrite material.

- EPCOS offers innovative power capacitors based on a piezo-ceramic material that features an unrivalled combination of capacitance density and ripple current capability, which enables compact and lightweight traction inverter solutions that save space and energy in electric vehicles.
- Our sensors are used in engine management, for example, to measure the temperature of operating fluids and to measure the pressure in exhaust recirculation systems.
- In both cars and household appliances, EPCOS products contribute to easing the burden on the environment. Extremely precise temperature sensors with fast response times enable automotive and home air-conditioners and refrigerators, for example, to be controlled exactly, thus saving energy.

Besides helping to improve energy efficiency, EPCOS products also help protect the environment from harmful emissions and substances. For example, the company has introduced sensors that contain no environmentally harmful lead or halogens. In addition, we have developed new robust, high accuracy fuel pressure sensors that are resistant to aggressive fuels. They are used in evaporation emissions control systems that prevent fuel vapor from being discharged into the atmosphere and thus help carmakers to conform with new emissions legislation. The precision pressure sensors monitor the tank pressure either during electrical driving mode or when the vehicle is resting and are able to detect very small deviations.

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 DNV-GL 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

EPCOS is a fast developing company and has undergone significant changes in the last year. For example, nearly the entire Systems, Acoustics, Waves Business Group (SAW), including three production plants, was carved out of EPCOS in order to form the RF360 joint venture with Qualcomm Corporation. In addition, EPCOS subsidiary Becromal with two plants in Milan, Italy, and Akureyri, Iceland, were fully integrated into EPCOS' 14001 management systems and financial reporting. Due to the very different types of production and energy consumption of Becromal and SAW, data in the environmental and energy reporting of 2018 and the previous years are not comparable. The SAW production processes were very energy-efficient with a high added value. By contrast, the production processes at Becromal are very energy intense with a low added value. Nevertheless, the Becromal factory in Iceland is CO₂ neutral as it uses electricity generated by renewable energy sources and do not contribute to CO₂ emission of EPCOS. Due to these major

differences, it does not make sense to compare the current data with that of previous years. Therefore, a new base for environment and energy data was calculated in 2017, which more accurately reflects the current structure of EPCOS.

Key environmental indicators in absolute values

	Unit	2017 ¹	2018 ¹
Energy consumption	megawatt-hours (MWh)	1,098,551	1,205,452
CO ₂ ²	tons	254,261	240,575
Water consumption	cubic meters	5,362,902	5,495,309
Non-hazardous waste	tons	17,029	16,360

¹ The EPCOS fiscal year goes from April 1 until March 31 of the following year.

² The calculation of CO₂ emissions from the use of electrical power is based on supplier-specific conversion factors.

In fiscal 2018 (April 1, 2017 to March 31, 2018), TDK experienced strongly growing demand for its products. As a result, the production capacity at EPCOS was further expanded and more products were manufactured. Due to the increase in production volume, EPCOS' energy consumption increased by 9.7 percent to 1205 gigawatt-hours compared to 1099 gigawatt-hours in the previous fiscal year. By contrast, the carbon dioxide emissions declined in absolute terms to 240,575 metric tons (254,261 metric tons in 2017), thanks to the fact that a growing share of EPCOS' energy is generated from renewable sources (now 60%). Renewable energy sources (for example, hydroelectric power in Deutschlandsberg, Austria, and geothermal energy in Akureyri, Iceland), create zero carbon dioxide emissions.

The weight of non-hazardous waste declined to 16,360 metric tons (17,029 metric tons in 2017), and we were able maintain our recycling rate for non-hazardous waste at a level above 90 percent. In total, non-hazardous waste decreased by 3.9 percent compared to fiscal year 2017. Our overall water consumption increased to about 5.5 million cubic meters (approximately 5.4 million cubic meters in 2017).

Key performance indicators in relation to added value

	Unit	2017 ¹	2018 ¹	Difference
Energy consumption	megawatt-hours/1000 EUR	1.11	1.12	+1.2%
CO ₂ emissions	kilogram/1000 EUR	257	224	-12.7%
Water consumption	cubic meters/million EUR	5,416	5,121	-5.5%
Non-hazardous waste	tons/million EUR	17.2	15.2	-11.4%

¹ The EPCOS fiscal year goes from April 1 until March 31 of the following year.

In relation to the company's added value (sales minus cost of materials plus/minus inventory change), however, EPCOS was able to make further improvements in the area of water consumption, CO2 emissions, and non-hazardous waste, respectively. With the exception of a slight 1.2 percent decline in energy efficiency, we were able to strongly improve the effectiveness of EPCOS' utilization of natural resources compared to 2017. The relative water consumption decreased by 5.5 percent, and the plants succeeded to reduce the total amount of non-hazardous waste relative to the added value by 11.4 percent. The main reasons for the drop in energy efficiency were the energy-intensive processes at Becromal, combined with a positive business development. At the same time, however, CO2 emissions relative to added value decreased by 12.7 percent. As already indicated, the main reason for this is that the consumption of electrical energy in Iceland accounts for approximately 46 percent of EPCOS' total energy demand. This electricity is generated by CO2 neutral sources such as hydroelectric power and geothermal energy. Whenever reasonable, the company wants to purchase 'green' energy and minimize the CO2 emissions caused by energy consumption. By the fiscal year 2018, about 66 percent of the total electrical energy consumed was generated from renewable sources.

EPCOS' environmental performance has developed very positively and we are confident that we will be able to reach our goal of even further reducing our impact on the environment.

Proactive response to rising environmental protection demands

EPCOS' dedication to the environment is summarized in our [environmental management 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.

Since the EU's directive on the Restriction of Hazardous Substances (RoHS I) 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 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. In the meantime, the RoHS I Directive has been replaced by the RoHS II Directive. EPCOS is fully compatible with all aspects of the [RoHS II Directive](#). Moreover, EPCOS restricts the use of halogenated organic substances in its products. Wherever possible and economically feasible, 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 "Management Methods for the Restriction of the Use of Hazardous Substances in Electrical and Electronic Products," and known as China RoHS II. EPCOS offers its customers an online service to help them comply with the requirements of [China RoHS II](#).

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 implementing 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](#).

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 can 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.

Active involvement in associations – part of our CSR 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 CSR policy.

Links to resources on EPCOS' website

- Global Compact www.epcos.com/global_compact
- TDK Code of Conduct www.epcos.com/coc
- Corporate responsibility www.epcos.com/corp_resp
- Partnership with suppliers on sustainability www.epcos.com/cr_supplier
- Procurement policy and response to conflict minerals www.epcos.com/procurement_policy
- Certificates for CSR assessment audits www.epcos.com/certificates
- 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 II Directive of the European Union www.epcos.com/rohs
- China RoHS II www.epcos.com/china_rohs
- REACH www.epcos.com/reach