

Munich, June 30, 2015

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 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 2015

Since October 2009, EPCOS is no longer a publicly listed company, but a TDK Group Company. EPCOS 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 the 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 on all employees. Details are also available on environmental management, employee safety and security, and various community involvements.

Responsibility toward society

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

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

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

The following three examples stand for the broad range of social contribution activities performed around the world in 2014:

- EPCOS donated EUR 20,000 to the “Bundesvereinigung Lebenshilfe,” a nationally recognized non-profit association in Germany that was established in 1958 to help mentally disabled people and their families to lead normal lives. Because the ability to

understand texts is a vital element in this undertaking, EPCOS' donation, in particular, supports the association's Simplified Language project, which includes an Internet portal designed for people with mental disabilities. Thanks to EPCOS' donation, Lebenshilfe is able to pursue important projects that help mentally disabled people and their families lead normal lives.

- EPCOS Indonesia entered into a public-private partnership with Sekolah Menengah Kejuruan Negeri (SMKN1), a Vocational High School in Batam, to jointly educate young people as mechatronics specialists. The pioneering program is designed to generate a win-win situation both for the young people and education system of Indonesia, and for PT. EPCOS. It is actively supported by the Batam's Chamber of Commerce and by the Departments of Labor and Education of the Batam government. 22 students are enrolled in the vocational training program. Over the next three years the students will have five semesters of classroom education at SMKN1 and one semester of apprenticeship training at EPCOS Batam. EPCOS supports the classroom training at SMKN1 by providing teachers and sponsoring technical equipment for the classroom. During the apprenticeship semester at EPCOS Batam, trainees will receive practical work experience and theoretical training under the supervision of EPCOS department heads and internal trainers. With this program, EPCOS is helping to introduce a vocational training program to the region of Batam Island and Indonesia that is similar to the dual education system in Germany. The success of the students will be assessed jointly by SMKN1 and EPCOS, with EPCOS granting scholarships to the top 3 students. EPCOS will try to offer jobs to as many of the students as possible, who successfully complete the three-year course.
- EPCOS Hungary employed around 40 prison inmates with the aim of helping to integrate them into the world of work. These individuals work in production under the direct supervision of a suitably trained shift foreman. The aim of the project is to provide an opportunity without bias or prejudice to people who need a second chance in life. Thus, the inmates must apply for the job and are then paid for their work. The project helps inmates set themselves a goal, and thus find their way back to social norms and enabling them to make their ways back to normal life once they are released from prison. This project was awarded the first prize in the Equal Opportunities category of the nationwide "CSR Hungary 2014" competition, which is organized by Hungary's various business associations.

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 and educational issues in the communities where the factories are located.

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 2014 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 five key areas that address conformance to the coming CSR guideline:

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

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 ten CSR assessment audits had been successfully performed by an independent, third-party auditor ([DNV GL](#), a leading certification institution). A further eight sites in Europe, Brazil and Asia will be audited in calendar year 2015. The certificates of conformity with the Ten Principles of the UN Global Compact and EICC (Electronic Industry Citizenship Coalition) 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) 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. Workshops were conducted in Europe and Asia to provide CSR coordinators at all sites an improved understanding of the EPCOS' CSR objectives and processes. Workshops were also conducted to provide the management teams of the Business Groups and plants, as well as relevant members of the sales organization with both basic and company-specific knowledge about antitrust issues. In addition, e-learning tools were provided in the corporate Intranet to inform and educate all employees about the Code of Conduct and about antitrust issues. 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. This statement is also a standard element in the auto-signature of all purchasing employees.

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. Already over 90 percent of our suppliers have confirmed that no raw materials are procured from conflict regions. We actively monitor our supplier base on a regular and ongoing basis, also by means of a supplier audits. These – like our VDA 6.3 process, environmental, CSR and environmental product quality audit – were established according to rules defined jointly with TDK Corporation and standardized throughout the TDK Group.

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, 20 people a year participate in the program. As a result, they spend two years in the Junior Management Circle and represent all the Group's key functions as well as the main regions in which we operate.

Responsibility toward the environment

EPCOS is committed to protecting the environment in every way possible. As a manufacturer of electronic components, modules and 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.

A wide range of projects addressed the usage and saving of water. They included projects for the usage of rain water and the recovery of ultrapure water for production processes as well as efforts to improve the control of leakages in order to avoid wasting water. In addition, a number of projects target a reduction of waste caused by production processes.

Over the past fiscal year at least 30 projects were carried out to further improve energy efficiency and energy usage. For example, older and inefficient cooling and heating systems were replaced with state-of-the-art facilities. Moreover, the maintenance and monitoring of all kinds of infrastructural facilities such as compressors, kilns, pumps and air-conditioning systems have been improved.

To continue to reduce the impact of our activities on the environment, in the past year we have accelerated the step-by-step replacement of hazardous and toxic substances and greenhouse gases such as SF₆ (sulfur hexafluoride), TCE (trichloroethylene), R-22 (chlorodifluoromethane), and other HCFCs (hydrochlorofluorocarbons) with environmentally friendlier substances. For example, several air-conditioning systems that use the greenhouse gas R-22 were replaced. Such efforts will remain an ongoing focus of our environmental activities in the coming years.

Such efforts have been recognized by external bodies. For example, EPCOS received an award from ELCINA, the Electronic Industries Association of India for excellence in environment management at its plant in Nashik, India. In a detailed evaluation covering all aspects of the company's environmental management system, EPCOS achieved the best possible score and thus won the first prize in the annual ELCINA-EFY awards in the environmental category.

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. Four products exemplify the success of EPCOS' environmentally conscious product development process.

- The company received an Innovation Award in 2014 from the Society of Plastic Engineers for the design of a discharge air temperature sensor that is supplied to the Ford Motor Company. The new sensor features an all-plastic body that weighs nearly 40 percent less than the previous metal-plastic design and makes it easier to recycle. The new sensor's faster response time also leads to improved climate system function and better fuel economy.
- Developers of a new current sensor eliminated the winding and potting needed in the previous generation to achieve a 36 percent reduction in weight. Moreover, the amount of solder material in the products leads to a reduction in the amount scarce materials (silver) used to manufacture the sensors. Without the potting process the energy needed to manufacture the sensors was also reduced. Thanks to a new design that eliminates the copper winding and the secondary compensation current, less energy is consumed during operation of the component. Moreover, the plastic parts are easier to disassemble, thus improving the product's recyclability.
- A new series of aluminum electrolytic capacitors was designed with high gain anodes, which offer the same capacitance with a smaller volume. The result is a 10 percent reduction in volume using 2 percent less electrolyte and 6 percent less raw materials overall. Because the winding time during the manufacturing process was reduced by 10 percent, the amount of energy required to manufacture the same capacitance as in the previous generation was likewise reduced. The new capacitor features a 4 percent reduction in power losses during operation. Moreover, the technical improvements to the new series lead to a longer lifetime.
- The design of the DSSP[®] package (die-sized SAW package) for SAW filters needs no encapsulation with polymer materials, thus cutting the component weight almost in half. In addition, the efficiency of the dicing process was improved significantly by increasing the wafer size, thus saving energy in the manufacture of the SAW filters. The previously necessary galvanic process was eliminated in order to achieve a disposal rate of zero for waste containing substances of high concern (SVHC). As a further advantage of the manufacture of the SAW filters without the encapsulation, the new die-size component facilitates the reuse and recycling of the materials.

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:

- LED lamps and lighting systems that can help cut energy consumption drastically compared to conventional lighting technologies, while significantly extending life expectancy of the lamps: 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 LED lighting fixtures.
- EPCOS power capacitors are used in high-voltage DC transmission systems, for example. This technology enables power to be transmitted across long distances – from offshore wind farms to the coast, for instance – in a way that is economical, kind to the environment and minimizes losses.
- EPCOS piezo actuators, which are the heart of modern fuel injection systems, help to boost the energy efficiency of automobiles. Car manufacturers use piezo fuel injection systems for both diesel and gasoline engines in order to control the fuel injection process more precisely, and thus the amount of fuel injected more finely. This permits more efficient combustion with lower harmful emissions.
- EPCOS sensors are used in engine management, for example, to measure the temperature of operating fluids and to measure the vapor 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. Moreover, the company has introduced sensors that contain no environmentally harmful lead or halogens.

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. Moreover, we introduced as a first step an enhanced energy efficiency program and started with factories in Germany to implement an ISO 50001-certified energy management system.

Better protection of the environment

Key environmental indicators in absolute values

| | Unit | 2013 ¹ | 2014 ¹ | 2015 ¹ |
|------------------------------|----------------|-------------------|-------------------|-------------------|
| Energy | megawatt-hours | 468,447 | 520,719 | 547,032 |
| CO ₂ ² | tons | 95,758 | 103,533 | 109,406 |
| Water consumption | cubic meters | 2,642,431 | 2,519,831 | 2,897,609 |
| Waste ³ | tons | 8,989 | 9,587 | 11,622 |

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

² For comparison purposes, the calculation of CO₂ emissions from the use of electrical power is based on a global conversion factor of 0.2 kg/kWh.

³ Non-hazardous waste

In fiscal 2015 (April 1, 2014 to March 31, 2015), TDK experienced growing demand. As a result, the production capacity at EPCOS was further expanded and more products were manufactured. Due to the increase in production volume, EPCOS' vital energy consumption and emissions increased by 5 percent compared to the previous fiscal year. Our total energy consumption rose to 547 gigawatt-hours (521 GWh in 2014). Correspondingly, the carbon dioxide emissions were also higher in absolute terms at 109,406 metric tons (103,533 metric tons in 2014). The volume of non-hazardous waste was 11,622 metric tons (9,587 metric tons in 2014). This increase was caused largely by the scrap from a building that burned down in May 2014 and alone created an estimated 1200 tons of waste. Nevertheless, we maintained our recycling rate for non-hazardous waste at a rate of above 80 percent: 82 percent in fiscal 2015 compared to 84 percent in 2014. Our overall water consumption increased to about 2.9 million cubic meters (approximately 2.5 million cubic meters in 2013).

In relation to the company's value added (sales minus cost of materials plus/minus inventory change), however, EPCOS was able to make further gains in all of these areas. Energy consumption and carbon dioxide emissions declined by 13 percent, while water consumption was reduced by a 4 percent relative to the value added. Non-hazardous waste remained at the same level as in fiscal year 2014. Without the waste from the building that was torn down, this value would have improved by 10 percent.

Consumption, emissions and waste fluctuate somewhat over the years. Viewed over the long term EPCOS' performance has developed positively. Since 2003 when EPCOS began tracking these environmental parameters, energy consumption per added value has been reduced by around 26 percent. This parameter tends to rise when business is slow, reflecting the fact that energy can be used more efficiently when a higher volume of products are manufactured and production capacity is better utilized.

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.

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](#). 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 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.

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 for ISO/TS 16949 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. 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.

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 Directive of the European Union www.epcos.com/rohs
- China RoHS www.epcos.com/china_rohs
- REACH www.epcos.com/reach