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Electronic Parts and Components

## Statement of Continued Support

Message of the Speaker of the Management Board of EPCOS AG

Since 2003 EPCOS has been a member of the United Nations' Global Compact. At that time we pledged our support because the aims and objectives of Global Compact as expressed in the Ten Principles are in complete agreement with our own understanding and implementation of corporate responsibility. As a leading manufacturer of electronic components, modules and systems for all electronics industries with R&D, manufacturing and sales activities around the world, we continue to fully embrace these principles as the essential foundations for good corporate citizenship wherever we do business. Our responsibility to society and the environment is clearly documented in our Corporate Principles, from which I quote:

"We see ourselves as an integral part of the societies and national economies in which we operate and we feel a strong sense of responsibility to the norms that they uphold. We honor this commitment by exhibiting integrity in all interpersonal dealings. Ethical business behavior on the part of every employee contributes to our company's positive image.

"We respect the dignity, privacy and personality of every individual. We value the ethnic and cultural diversity of the people at our company. We work together with men and women of different nationalities, cultures, creeds and colors without prejudice. We are aware that the competence and dedication of our employees are the foundation of our corporate success. We do not tolerate discrimination, sexual or other personal harassment or offence."

These corporate principles are binding for all employees, and implemented in our various corporate governance and management systems.

Because sustainability is a long-term strategic success factor for not only EPCOS 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**

Speaker of the Management Board and CFO of EPCOS AG



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## Global Compact – Communicating Our Progress 2013

Since October 2009, EPCOS is no longer a publicly listed company, but a Member of TDK-EPC Corporation and thus 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 EPCOS' [Corporate Principles](#)<sup>1</sup>, which coincide with the principles of the Global Compact. Addressing corporate citizenship and corporate governance, they provide ethical guidelines binding on all employees. Details are also available on environmental management, employee safety and security, and various community involvements.

### Responsibility toward society

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

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

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

The following two examples stand for the broad range of CSR activities performed around the world:

- EPCOS is backing an initiative to promote the use of renewable energy in rural India through a donation of EUR 20,000 for a project that focuses on 5000 people who belong to small farming or landless families in the southern Indian state of Tamil Nadu. The aims of

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<sup>1</sup> [www.epcos.com/corp\\_principles](http://www.epcos.com/corp_principles)



the project are to reduce the use of wood as a fuel by 30 percent and to equip at least 50 percent of the target communities with smokeless ovens and solar lamps. The switch to solar lamps realized by the project will avoid around 0.1 tons of CO<sub>2</sub> per year that would otherwise be caused by using kerosene lamps. Besides contributing to a cleaner environment, these robust lamps provide a reliable light source to help children read, write and do their schoolwork even after sunset.

- The EPCOS plant in Johor Bahru, Malaysia, organized its first charity run among employees, their families and partners in the supply chain in order to raise money for the needy in the local community and promote a healthy lifestyle. Altogether, 170 people participated in the 5 km run and raised a total of approx. EUR 1,250, which was donated to the local voluntary and non-profit “Love Foundation – Home for the Handicapped Children.”

Our conviction that corporate responsibility involves a commitment to society and permanent protection of the environment is documented in our Corporate Principles. To do justice to the diversity of cultures, their values and moral precepts that we encounter, we base our conduct on high ethical standards. Our corporate culture and interpersonal relations within the company, with our customers and with business associates are molded by values such as decency, loyalty, tolerance, and respect for local customs and the law.

EPCOS' commitment to human rights, labor standards and the environment date back to its establishment in 1999 and can be traced back even further to its predecessor companies.

### **Systematic corporate social responsibility management**

In 2012 EPCOS has made further strides in embedding corporate social responsibility (CSR) in its corporate-wide management systems under the leadership of the Corporate Technology and Quality Department, which oversees the existing management systems.

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 Protection



These questions are an integral part of internal and external audits of conformance to management system requirements in the context of continuous process improvement. In the past fiscal year a total of six CSR assessment audits were successfully performed by an independent, third-party auditor. 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](#)<sup>2</sup>. Within the scope of the environmental management system, CSR assessment audits will be conducted successively at all EPCOS factories.

### **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](#)<sup>3</sup> 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 the 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](#)<sup>4</sup> 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.

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<sup>2</sup> [www.epcos.com/certificates](http://www.epcos.com/certificates)

<sup>3</sup> [www.epcos.com/cr\\_suppliers](http://www.epcos.com/cr_suppliers)

<sup>4</sup> [www.epcos.com/procurement\\_policy](http://www.epcos.com/procurement_policy)



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### **Responsibility for our people**

We seek to actively nurture the creativity of our employees. Their health and ongoing personal development are matters of prime concern to us. Their knowledge and skills are the basis of our competence, and thus of our business success. Our personal development program, among other things, enables employees to exchange their production experience across different locations and attend production-related training courses, besides attending specialized seminars outside the company.

To prepare our best people for future leadership roles, EPCOS has established the Junior Management Circle. About two-thirds of the top management positions throughout the Group are recruited from this group. On average, 20 people a year participate in the program. As a result, they spend two years in the Junior Management Circle and represent all the Group's key functions as well as the main regions in which we operate.

### **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 CO<sub>2</sub> emissions, to minimize water consumption and waste, and to avoid introducing harmful substances into the environment as much as possible. Exemplary projects include:

- The EPCOS plant in Szombathely, Hungary, reengineered the production process in its plant by replacing the existing raw material supply installations for each individual machine with a centralized system for the plastic granulate. As a result, the 11 machines now need only one dryer instead of the previous 11. The dryer itself is equipped with one drying air preparation unit and seven heaters instead of the previous 11 each. The entire system employs a single pneumatic conveyor rather than 11 individual ones. Moreover, one dust exhaust system replaces the former nine units. The power supplies of the new centralized system are now regulated so that energy is only used when needed. Altogether, the new system contributes energy savings of about 50 percent.
- The EPCOS factory in Deutschlandsberg, Austria, implemented a series of facility management projects that achieve energy savings of up to 580 megawatt-hours per year. New systems include the use of energy-saving burners for sintering processes, a cooling tower instead of compressors, improved motor control for water pumps, and better control of moisturizers for the clean rooms.

While the world's appetite for energy is increasing, its reserves of fossil fuels are not. In the debate about climate change, calls for a reduction in carbon dioxide emissions are growing ever louder. In this context, technological solutions that improve energy efficiency are



becoming increasingly important. EPCOS offers an ever wider spectrum of products that directly or indirectly improve energy efficiency:

- Power capacitors from EPCOS 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.
- To save energy, manufacturers are increasingly switching to variable-speed drives. The frequency converters required by these installations are fitted with aluminum electrolytic capacitors from EPCOS – vital components for storing electrical energy and smoothing voltage.
- 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 household appliances, too, EPCOS contributes to easing the burden on the environment. In refrigerators, for example, special capacitors improve the way the compressor works, thereby reducing losses when electrical energy is transformed into cooling energy. This technology alone can save up to 50 kilowatt-hours per refrigerator per year – enough to run an 11-watt energy-saving lamp for more than 4,500 hours or over six months.
- Energy-saving lamps that can help cut energy consumption by about 80 percent are increasingly replacing conventional bulbs. They, while significantly extending life expectancy of the lamps. Some 20 different EPCOS products, including film capacitors, chokes, transformers and thermistors can be fitted in electronic lamp ballasts.

Our ISO 14001-compliant global environmental management system ensures the same high standards of environmental protection worldwide. This code of behavior applies to all locations. Regular audits by [Det Norske Veritas](http://www.dnv.com)<sup>5</sup>, a leading certification and environmental testing institution, monitor compliance every three years. To date, the auditors have consistently certified the effectiveness of our environmental management system. Our aim, however, is not merely compliance with all statutory and administrative requirements, but the efficient use of precious resources too. In doing so, we avoid hazardous substances and minimize waste.

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<sup>5</sup> [www.DNV.com](http://www.dnv.com)

**Better protection of the environment**

	Unit	2011 <sup>1)</sup>	2012 <sup>1)</sup>	2013 <sup>1)</sup>
Energy	megawatt-hours	479,320	483,738	<b>468,447</b>
CO <sub>2</sub> <sup>2)</sup>	tons	97,929	98,853	<b>95,758</b>
Water consumption	cubic meters	2,338,682	2,119,047	<b>2,642,431</b>
Waste	tons	7,938	10,208	<b>8,989</b>

<sup>1)</sup> The EPCOS fiscal year goes from April 1 until March 31 of the following year.

<sup>2)</sup> For comparison purposes, the calculation of CO<sub>2</sub> emissions from the use of electrical power is based on a global conversion factor of 0.2 kg/kWh.

In fiscal 2013 (April 1, 2012 to March 31, 2013), EPCOS' vital consumption and emissions dropped by 3 percent compared to the previous fiscal years, despite an increase in the production capacity in our plants around the world. Our total energy consumption declined to 468 gigawatt-hours (484 GWh in 2012). Correspondingly, the carbon dioxide emissions also dropped to 95,758 metric tons (98,853 metric tons in 2012). The volume of waste was 8,988 metric tons (10,208 metric tons in 2012). Here we were able to increase our recycling rate to 78 percent compared to 72 percent in 2012. Our overall water consumption however rose to around 2.6 million cubic meters (approximately 2.1 million cubic meters in 2012) as a result of construction work at several of our facilities in Asia.

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 and emissions have remained the same despite increased production output, while water consumption has been reduced by 10 percent and waste by 31 percent.

Thus, EPCOS continues to implement measures at its various locations around the world to protect the environment.

**Proactive response to rising environmental protection demands**

EPCOS' dedication to the environment is summarized in seven environmental [protection principles](#)<sup>6</sup>. 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

<sup>6</sup> [www.epcos.com/environment](http://www.epcos.com/environment)





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](#)<sup>7</sup>. Moreover, EPCOS restricts the use of halogenated organic substances in its products. Wherever possible, those substances had been replaced by environmentally friendly solutions.

All products that EPCOS manufactures in, exports to, or sells in China are affected by China's law entitled Administration on the Control of Pollution Caused by Electronic Information Products (ACPEIP). EPCOS offers its customers an [online service](#)<sup>8</sup> 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](#)<sup>9</sup>.

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<sup>7</sup> [www.epcos.com/rohs](http://www.epcos.com/rohs)

<sup>8</sup> [www.epcos.com/china\\_rohs](http://www.epcos.com/china_rohs)

<sup>9</sup> [www.epcos.com/reach](http://www.epcos.com/reach)





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EPCOS avoids critical substances as much as possible at an early stage of design. The company's certified quality management system includes a material compliance management process. EPCOS introduced its Banned and Declarable Substance List as a basic document for material compliance and environmentally friendly products.

Many product and system manufacturers have no choice but to factor environmental considerations into the design of their products. Failure to do so could damage their reputation among consumers, their brand image and, hence, their business. Some of our customers therefore go beyond the requirements of law and impose their demands on the entire supply chain. EPCOS satisfies the strict environmental protection directives of Japan's Sony Group, for example. Sony buys components only from manufacturers and resellers who have been audited and certified as »Green Partners«. Samsung Electronics awarded us its »Eco Partner« at an early stage.

#### **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.

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

- **Corporate responsibility** [www.epcos.com/corp\\_resp](http://www.epcos.com/corp_resp)
- **Global Compact** [www.epcos.com/global\\_compact](http://www.epcos.com/global_compact)
- **Partnership with suppliers on sustainability** [www.epcos.com/cr\\_supplier](http://www.epcos.com/cr_supplier)
- **Procurement policy and response to conflict minerals** [www.epcos.com/procurement\\_policy](http://www.epcos.com/procurement_policy)
- **Certificates for CSR assessment audits** [www.epcos.com/certificates](http://www.epcos.com/certificates)
- **Environmental protection** [www.epcos.com/environment](http://www.epcos.com/environment)
- **Environmental management** [www.epcos.com/environ\\_management](http://www.epcos.com/environ_management)
- **Environmental report** [www.epcos.com/environ\\_report](http://www.epcos.com/environ_report)
- **Material data sheets** [www.epcos.com/material](http://www.epcos.com/material)
- **RoHS Directive of the European Union** [www.epcos.com/rohs](http://www.epcos.com/rohs)
- **China RoHS** [www.epcos.com/china\\_rohs](http://www.epcos.com/china_rohs)
- **REACH** [www.epcos.com/reach](http://www.epcos.com/reach)

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