

## 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



Electronic Parts and Components

## Global Compact – Communicating Our Progress 2012

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 ([www.epcos.com/corp\\_principles](http://www.epcos.com/corp_principles)), which coincide with the principles of the Global Compact. Addressing corporate citizenship and corporate governance, they provide ethical guidelines binding on all employees. Details are also available on environmental management, employee safety and security, and various community involvements.

### Responsibility toward society

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

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

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

Examples of the diverse activities around the world:

- Our plant in Nashik, India, celebrated the United Nations World Environment Day – a campaign for which India was for the first time chosen as the host country – by planting trees in a plot of woodland set aside specially for this purpose. Nearly all of the roughly 1,200 employees who work there took part. The planting itself was complemented by presentations and discussions on the subject of environmental protection, competitions for the best environment slogan, and much more besides.



- In order to promote environmental conservation and encourage sports activities of employees, the EPCOS plant in Wuxi, China, organized its employees to hike mountain paths twice a month October 2011 through March 2012. In one of the hikes, about 150 employees and their families joined the activity – most with their children. Equipped with gloves and bags, the participants started at the foot of the mountain and picked up litter and garbage along the path.
- Also in China, and in close cooperation with the labor union, the EPCOS factory in Zhuhai (Hongqi) conducted a donation campaign to promote the education of local young people. A large number of employees donated money, which was given to the Hongqi Middle School to improve school facilities and create a better study environment for the students.
- The EPCOS plant in Batam, Indonesia, participated in a program conducted in cooperation with the Indonesian Government, the Singapore Consulate, PSMTI (Indonesia Chinese Social Association), and Awal Bros Hospital to provide cleft lip and cleft palate surgery for the poor in Riau Archipelago Province, Indonesia. Thanks also to EPCOS' efforts at least 114 children have thus far successfully undergone the operation.
- As an expression of its corporate social responsibility, EPCOS OHG in Deutschlandsberg, Austria, donated 60 computers, complete with flat screens and software, to schools in the vicinity. The computers will be set up in the IT rooms and classrooms of an adult education center and two secondary schools. EPCOS also provides financial support for cultural events, young artists and sports clubs.

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 2011 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, the complete CSR management process has been defined and will be prescribed in a CSR guideline.



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. The CSR status identified in the completed questionnaires serves as a guide for the local management in determining the priority and speed of any necessary corrective actions.

The overall results of EPCOS' conformance to its CSR guideline have been made available to the Sales organization and is used by Sales to respond quickly, accurately and efficiently to customer inquiries.

### **Partnership for sustainability**

EPCOS calls on its business partners to ensure that their organization and also all of their subcontractors and suppliers comply with the Ten Principles of the Global Compact. We rely on our suppliers to communicate and actively promote the standards of these principles throughout their entire supply chain. To promote our partnership with suppliers EPCOS set up a specific suppliers' page on the website ([www.epcos.com/cr\\_suppliers](http://www.epcos.com/cr_suppliers)), which offers a link to the Ten Principles and outlines our philosophy of collaboration in terms of reliability, transparency, communication and sustainability. In addition, all purchase orders issued by the company contain the statement, "EPCOS supports the UN's Global Compact Initiative and aligns all of its activities with the initiative's Ten Principles. We rely on you to comply with the standards of these principles," and refer to our suppliers' page. This statement is also a standard element in the auto-signature of all purchasing employees.

### **Responsibility for our people**

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

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

### **Responsibility toward the environment**

While the world's appetite for energy is increasing, its reserves of fossil fuels are not. In the debate about climate change, calls for a reduction in carbon dioxide emissions are growing ever louder. In this context, technological solutions that improve energy efficiency are becoming increasingly important. EPCOS 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 ([www.DNV.com](http://www.DNV.com)), a leading certification and environmental testing institution, monitor compliance every three years. To date, the auditors have consistently certified the effectiveness of our environmental management system. Our aim, however, is not merely compliance with all statutory and administrative requirements, but the efficient use of precious resources too. In doing so, we avoid hazardous substances and minimize waste.

### Better protection of the environment

	Unit	2010	2011	2012
Energy	megawatt-hours	412,129	479,320	<b>483,738</b>
CO <sub>2</sub>	tons	84,910	97,929	<b>98,853</b>
Water consumption	cubic meters	2,000,211	2,338,682	<b>2,119,047</b>
Waste	tons	5,052	7,938	<b>10,208</b>

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

In fiscal 2012 (April 1, 2011 to March 31, 2012), EPCOS' vital consumption and emissions rose marginally compared to the previous fiscal years. This is due mainly to the significantly increased utilization of production capacity in our plants around the world as the global economy continued to rebound from the severe crisis, which was felt from the end of 2008 through 2010. Thus, our total energy consumption rose slightly to 484 gigawatt-hours (480 GWh in 2011). Correspondingly, carbon dioxide emissions also rose slightly to 98,853 metric tons (97,929 metric tons in 2011), and the volume of waste was 10.208 metric tons (7,938 metric tons in 2011). Overall water consumption however dropped to around 2.1 million cubic meters (approximately 2.4 million cubic meters in 2011).

While the absolute energy consumption and emissions figures rose in fiscal 2012 they are actually lower relative to the mass of sold components, reflecting EPCOS' ongoing efforts to make the most efficient use of our resources as possible. Energy consumption and CO<sub>2</sub> emissions each dropped by approximately 1 percent relative to the mass of components sold, while the same period water consumption decreased by around 12 percent in relation to the mass of components sold. The amount of waste remained stable.

## Energy and water consumption relative to the mass of sold components

	Unit	2011	2012	Difference
Energy	megawatt-hours <sup>1)</sup>	3.98	<b>3.92</b>	<b>-1%</b>
Water consumption	cubic meters <sup>1)</sup>	19.40	<b>17.16</b>	<b>-12%</b>
Waste (hazard free)	Tons <sup>1)</sup>	0.10	<b>0.10</b>	<b>0%</b>

<sup>1)</sup> Per metric ton of products sold

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 27 percent and waste by 22 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. These include assessing the environmental impact of new products and processes right from the design stage, and regular monitoring and updating of technological and organizational procedures to ensure ongoing environmental protection ([www.epcos.com/environment](http://www.epcos.com/environment)).

Since the EU's directive on the Restriction of Hazardous Substances (RoHS) went into effect in July 2006, electrical and electronic equipment can be sold in the European Union only if it meets the requirements of this new directive. The RoHS directive aims to eliminate the use of four heavy metals – mercury, chromium, cadmium and especially lead – and also to ban the use of polybrominated biphenyls and polybrominated diphenylethers. EPCOS is fully compliant with all aspects of the RoHS directive ([www.epcos.com/rohs](http://www.epcos.com/rohs)). Moreover, EPCOS restricts the use of halogenated organic substances in its products. Wherever possible, those substances had been replaced by environmentally friendly solutions.

All products that EPCOS manufactures in, exports to, or sells in China are affected by China's law entitled Administration on the Control of Pollution Caused by Electronic Information Products (ACPEIP). EPCOS offers its customers an online service to help them comply with the requirements of ACPEIP ([www.epcos.com/china\\_rohs](http://www.epcos.com/china_rohs)).

Today's markets demand more and more information about the materials used in electronic components. Material data sheets that are also posted on the Internet provide examples of the typical composition of our product families. On request, we also supply customers with



documentary evidence from certified laboratories for substances whose use is restricted in accordance with RoHS.

Compared with RoHS, Regulation (EC) No. 1907/2006 of the European Parliament and of the Council concerning the registration, evaluation, authorization and restriction of chemical substances (REACH) applies to a much wider sector of industry. The purpose of the regulation is to ensure a high level of protection for human health and for the environment. This includes the promotion of alternative methods of assessing the potential risks posed by substances. Under the REACH regulations, manufacturers and importers of substances must obtain all the data needed to assess the substances they produce or import. They must also demonstrate convincingly that their substances are safe to handle for all identified uses and thus harmful effects on human health and the environment can be avoided. Registration is required for each substance produced or imported in quantities of one metric ton or more per year per manufacturer/importer. This is done with the ECHA, the European Chemicals Agency, which is based in Helsinki, Finland.

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

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

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

### **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





---

Electronic Parts and Components

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**

##### **Corporate responsibility**

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

##### **Global Compact**

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

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

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

##### **Environmental protection**

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

##### **Environmental management**

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

##### **Environmental report**

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

##### **Material data sheets**

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

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

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

##### **China RoHS**

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

##### **REACH**

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

---