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Non-financial Group Report

C.5.1 About this Report

This report is the non-financial report for the OSRAM Licht Group for fiscal year 2019, produced in accordance with sections 315b and 315c in conjunction with sections 289c to 289e of the *Handelsgesetzbuch* (HGB—German Commercial Code).

Whereas the annual sustainability report for the OSRAM Licht Group follows the standards of the Global Reporting Initiative (GRI), no framework is used for this non-financial Group report. This is due to the different definitions of materiality presented in the CSR-Richtlinie-Umsetzungsgesetz (CSR-RUG—German CSR Directive Implementation Act) and the GRI. However, we are guided by the definitions offered by the GRI framework for this report, for example for the definitions of key performance indicators.

The non-financial Group report covers key topics that are required to understand the course of business, business performance, and the position of the Company as well as the impact of its operational activities on non-financial aspects. A materiality analysis is used to help define the topics. Internal experts from all business units and relevant corporate functions evaluate the possible topics with regard to their business relevance and potential impacts, particularly when these impacts would be negative. The results are then consolidated in a workshop, validated, and approved by the Managing Board. The following key topics have been identified: energy efficiency, greenhouse gases and climate change, raw materials and substances, human rights, fair working conditions, occupational health and safety, people development, employee satisfaction and employer attractiveness, product safety, protection and security of personal data, customer relationships, and combating corruption and bribery.

The analysis described above was last carried out in fiscal year 2018. In fiscal year 2019, a review was conducted to determine whether the materiality analysis needed to be updated or modified due to any significant changes to key influencing factors both inside and outside the Company. The review showed that no significant changes had occurred that would be relevant to the business or have any significant negative impacts.

Unless otherwise indicated, all figures refer to the continuing operations of the OSRAM Licht Group[1]. As of September 30, 2019, OSRAM reported the North American luminaire service business, which was sold in the second quarter of fiscal year 2019, and the European luminaires business as a discontinued operation ❯A.2.2.3 Other Significant Events Responsible for the Course of Business. The prior-year figures have been restated accordingly and refer to the continuing operations of the OSRAM Licht Group unless otherwise indicated. As communicated in the 2018 non-financial Group report, this report—unless otherwise indicated—includes OSRAM CONTINENTAL.

The non-financial report for the OSRAM Licht Group for fiscal year 2019 is subject to review by the Supervisory Board of OSRAM Licht AG. It has also been reviewed by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft on behalf of the Supervisory Board in order to obtain limited assurance in accordance with the International Standard on Assurance Engagement (ISAE) 3000 (revised).

C.5.2 Business Model

The OSRAM Licht Group and its business model are described in sections ❯A.1.1.1 Business Model and
❯A.1.1.3 Organization and Reporting Structure in the combined management report.

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1) OSRAM Licht AG and its subsidiaries; associates are not included.

c.5.3 Non-financial Risks

Our business activities and the relationships connected to those activities have the potential to impact negatively on the environment, employees, and society. In fiscal year 2019, non-financial risks were established for the first time as part of the Company-wide survey, analysis, and follow-up of risks and opportunities by risk management and integrated into risk reporting. No risk was identified that is very likely to have a serious negative impact on non-financial aspects.

c.5.4 Environmental Aspects

As a global manufacturer, we are aware of our responsibility toward the environment and climate protection.

With regard to environmental aspects, the following topics were identified as key to the OSRAM Licht Group in the materiality analysis described in ❯ C.5.1 About this Report and in consultation with the Managing Board:

— Energy efficiency,
— Greenhouse gases and climate change, and
— Raw materials and substances.

As an industrial company, we consume natural resources and emit greenhouse gases during production. In order to fulfill our responsibility, we are committed to environmental management practices that conserve resources and to developing innovative, energy-efficient products.

For example, all production facilities and the Group headquarters maintain environmental and energy management systems that are certified to the international standard ISO 14001, while all European locations are also certified to ISO 50001. As part of its environmental reporting, OSRAM collects data on indicators such as energy consumption and CO_2 emissions. The data covers more than 99% of our environmental impacts[2] and the locations at which a total of 89% of all our employees are based.

Overall responsibility on the Managing Board for environmental protection and occupational health and safety within the OSRAM Group lies with the Chief Technology Officer (CTO), who delegates tasks and managerial authority to the head of the corporate Environmental Protection, Health, and Safety department (EHS). At regular intervals, the EHS department reports directly to the Managing Board on significant developments.

The management team of OSRAM CONTINENTAL does not formally delegate responsibility for environmental protection and occupational health and safety to a department. The operational implementation is the responsibility of EHS management at OSRAM CONTINENTAL.

EHS coordinates environmental rules and guidelines, monitors performance, and continuously improves the environmental management system. In addition to the Group's overarching EHS policy, it issues guidelines that apply across the Company and cover industrial and product-related environmental protection, occupational health and safety, the transportation of hazardous goods, and fire safety. These guidelines clearly state that compliance with environmental laws and regulations at local, regional, and global level is mandatory.

c.5.4.1 Energy Efficiency

Relevance

In the face of climate change, it is OSRAM's responsibility to optimize the energy efficiency of its business. As an industrial company, OSRAM uses both primary and secondary energy, with electricity and natural gas the most important sources of energy. Of particular relevance are the production facilities, followed by the Group headquarters and larger development centers. Increasing the energy efficiency of our business also helps to reduce costs.

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2) Estimates are made on the basis of energy consumption, which in the context of OSRAM's environmental impact is seen as the most relevant metric here.

In addition to these optimization efforts in our manufacturing operations, OSRAM products and solutions can also help to reduce our customers' energy consumption, related emissions, and energy costs. At the same time they can make a contribution to climate protection. Improving the energy efficiency of our products is therefore a key criterion in our customers' purchasing decisions and satisfaction.

Guidelines, Responsibilities & Structures, and Processes

OSRAM's Environmental Protection, Health, and Safety (EHS) department has the managerial authority to issue environmental protection guidelines, formulates policies that apply across the Group, and regularly checks that these are adhered to ❯ C.5.4 Environmental Aspects. Our business model dictates that responsibility for implementation of these central EHS guidelines lies with the business units themselves. Each business unit is also responsible for ensuring that its products are designed in an environmentally sustainable way and that energy is used efficiently both in production and when products are being used.

Group headquarters as well as all production and development locations that consume more than 1,400 megawatt-hours (MWh) per year are pursuing energy efficiency programs in order to not only reduce their impact on the environment but also keep production costs competitive. The worldwide EHS management system controls energy use in our production processes. An energy management system is mandatory for the relevant OSRAM locations. This includes assessment of regulatory requirements and of potential improvement measures.

To operate our production facilities, we generally utilize an energy mix that is both economical and environmentally friendly. OSRAM does not yet distinguish between renewable and non-renewable energy for measurement and reporting purposes. In Germany, however, we can report the amount of electricity that we obtain from renewable energy sources. Relative consumption targets are set annually at location level and aggregated into a specific global target (MWh electricity used per €1 million in revenue) for energy consumption using the budgeted figures for production and revenue. At Group level, OSRAM monitors and reviews progress toward the targets as part of the quarterly reporting cycle and the energy efficiency reviews conducted with the operational heads of the business units. We do not report on absolute targets due to our ambitions for long-term growth and the potential expansion of manufacturing capacity connected to this and due to our portfolios' shift toward products with greater vertical integration. Instead, we set our targets according to the ratio of total energy used in MWh to revenue earned. The specific metric used—MWh electricity used per €1 million in revenue—is therefore comparable over time.

We want to offer our customers transparency when it comes to improvements to the energy efficiency of OSRAM products. OSRAM conducts lifecycle assessments (LCAs) on selected products that are representative of product families and makes the results of these assessments, which are based on the ISO 14040 and 14044 environmental management standards, available to our customers and the public on the Company's website. These activities cover the majority of OSRAM's product portfolio. Across all product families, it is evident that the phase of the lifecycle in which the product is being used by the customer has the greatest impact on the environment.

Objectives

Through its energy efficiency initiatives, OSRAM is striving for continual improvement at its locations.

The OSRAM Licht Group's target for fiscal year 2019 was 194 MWh per €1 million in revenue, slightly higher than the previous year's level of 191 MWh per €1 million in revenue. This reflected the further expansion of our semiconductor production locations, in particular. We are now achieving a greater, if more energy-intensive, degree of added value here than in other business areas. The optimal energy efficiency of the new factories will only be reached at high volumes.

In the medium term, we aim to continually reduce the aforementioned specific energy consumption across the Group. This will require the current market environment for our core business to stabilize, so that we can run our production facilities at full capacity and thus with maximum energy efficiency.

Action Taken, Results, and Key Performance Indicators

At 703,600 MWh, OSRAM's energy consumption in fiscal year 2019 was slightly lower than the prior year. While consumption at our locations in Wuxi (China) and Kulim (Malaysia) was higher due to the expansion of production, the absolute KPIs were lower than the previous year at almost all locations. This is mainly due to scaled-down production following a drop in demand.

Energy savings were again achieved in the fiscal year under review by means of a large number of efficiency measures at various locations. Here are some examples:
— In Monterrey (Mexico), small mobile air compressors were used instead of the energy-intensive central supply in production areas with low demand. Furthermore, loss of cold air from temperature-controlled areas was reduced through the use of air curtains.
— In Hillsboro (U.S.A.), all the lighting in the main building was converted to a state-of-the-art LED lighting system.
— In Treviso (Italy), the vacuum supply was upgraded with variable speed driven (VSD) vacuum pumps, significantly increasing efficiency.
— In Foshan (China), the cooling water system was redesigned so that fewer pumps are needed.
— In Penang (Malaysia), the air circulation provided by the air conditioning system in the test labs was optimized, and the efficiency of cooling facilities in the production area was increased through technical measures.
— We also implemented the first efficiency measures at our newest location in Kulim (Malaysia), such as fine-tuning the settings of the air conditioning system. Where possible, we have also lowered the temperature and humidity requirements.

While absolute consumption fell slightly, a figure of 203 MWh per €1 million in revenue in fiscal year 2019 means we missed our target for energy usage in relation to revenue by around 5%. This increase is due to the aforementioned lower capacity utilization at our production locations compared to the previous year. This is particularly the case at our semiconductor locations with high infrastructure requirements (air conditioning), which has to be maintained irrespective of the production volume.

Indicators—Energy Efficiency (continuing operations)
in MWh

	Fiscal year	
	2019	2018
Primary energy	**163,600**	**171,000**
Natural gas	133,500	138,000
Liquefied petroleum gas, diesel for on-site use, heating oil, hydrogen	30,100	33,000
Secondary energy	**540,000**	**549,700**
Electricity	508,900	521,800
thereof share of renewable energy in %	25%	27%
District heating and steam	30,800	27,600
Renewable energy generated inhouse	300	300
Total (primary and secondary energy)	**703,600**	**720,700**
Target for energy consumption in MWh per € 1 million revenue	194	187
Energy consumption in MWh per € 1 million revenue	203	191

C.5.4.2 Greenhouse Gases and Climate Change

Relevance

Climate change is a global challenge that also affects OSRAM. The direct and indirect greenhouse gas emissions that result from our use of energy contribute to climate change and mainly take the form of CO_2. Greenhouse gas emissions also occur in our upstream and downstream value chain.

Guidelines, Responsibilities & Structures, and Processes

OSRAM's Environmental Protection, Health, and Safety (EHS) department has the managerial authority to issue environmental protection guidelines, formulates policies that apply across the Group, and regularly checks that these are adhered to ❯ C.5.4 Environmental Aspects. OSRAM bases its documentation and reporting on the recognized standard of the Greenhouse Gas Protocol (GHG) and the Task Force on Climate-related Financial Disclosure (TCFD) when recording CO_2 emissions under

— Scope 1   direct emissions from the use of energy sources,
— Scope 2   indirect emissions resulting from the use of secondary energy sources such as electricity or district heating, and
— Scope 3   emissions that occur up or down the value chain that are attributable to the Company, as well as upstream and downstream in our products' lifecycle, e.g., emissions resulting from the use of our products.[3]

That is why we adopt both market-based accounting ('market-based'), using the vendor-specific emission factor, and location-based accounting ('location-based'), using the regional and national grid average, when reporting our Scope 2 emissions.

Measurements of energy consumption are used to manage efforts to reduce the above-mentioned Scope 1 and Scope 2 emissions. Absolute figures are documented at location level, and, using the corresponding conversion factors, scaled in relation to revenue at global level.

Objectives

OSRAM sets itself annual targets for reducing the Scope 1 and Scope 2 (market-based) emissions caused by the Company. Consistent with our energy efficiency targets ❯ C.5.4.1 Energy Efficiency—Objectives, we have also defined a relative target for reducing CO_2 emissions in relation to revenue. This reflects the Scope 1 and Scope 2 (market-based) emissions that are attributable to OSRAM in relation to revenue.

As our targets for CO_2 emissions and energy efficiency are linked, the changes mirror each other. The OSRAM Licht Group's target for fiscal year 2019 for combined Scope 1 and Scope 2 emissions was 72 metric tons per €1 million in revenue.

Action Taken, Results, and Key Performance Indicators

At 268,900 metric tons, CO_2 emissions (Scope 1 and 2, market-based) in fiscal year 2019 reached approximately the same level in absolute terms as in the prior year, although total energy consumption fell slightly. This is predominantly attributable to expansion at the locations in Asia—particularly in Kulim (Malaysia) and Wuxi (China)—and the local, more carbon-intensive electricity mix.

As well as lowering energy consumption by raising efficiency at the individual locations ❯ C.5.4.1 Energy Efficiency, the measures taken to reduce our impact on the environment again included the targeted purchasing of energy obtained from renewable sources in Germany. During fiscal year 2019, around 127,900 MWh (previous year: 140,500 MWh) of the electricity used at OSRAM in Germany came from renewable energy sources. This avoided 54,300 metric tons of CO2 emissions (previous year: 62,900 metric tons). As consumption in Germany dropped more sharply than in Asia, the share of renewable energies in the overall use of power fell to 25% (previous year: 27%) ❯ C.5.4.1 Energy Efficiency, Table Indicators—Energy Efficiency (continuing operations).

Due to the aforementioned reasons relating to the electricity supply and the issues relating to energy consumption outlined in ❯ C.5.4.1 Energy Efficiency, the specific CO_2 target was missed by 8%, with the final figure reaching 78 metric tons per €1 million in revenue.

3) We do not report on Scope 3 in this non-financial report of the OSRAM Licht Group. We have not agreed any targets in this respect yet. Further information regarding Scope 3 will be provided in the OSRAM Licht Group's 2019 Sustainability Report, which is scheduled to be published in January 2020.

Indicators—Greenhouse Gases and Climate Change (continuing operations)
CO$_2$ emissions in metric tons

	Fiscal year	
	2019	2018
GHG Scope 1 emissions	**30,200**	**31,000**
Natural gas	26,800	27,800
Liquefied petroleum gas, diesel for on-site use, heating oil	3,400	3,200
GHG Scope 2 emissions (market-based)	**238,700**	**237,200**
Electricity	231,000	230,900
District heating and steam	7,700	6,300
GHG Scope 2 emissions (location-based)	**279,600**	**286,200**
Total GHG Scope 1 and 2 emissions (market-based)	**268,900**	**268,200**
Target for metric tons of CO$_2$ emissions from own activities (Scope 1 and 2) per € 1 million revenue	72	72
Specific metric tons of CO$_2$ emissions from own activities (Scope 1 and 2) per € 1 millions revenue	**78**	**71**

OSRAM was assessed by CDP, the world's largest climate protection ranking scheme, for the first time in fiscal year 2019 (score: C, awareness of climate change) and took part in the CDP survey for the second time.

A concept for devising an OSRAM climate strategy with longer term targets was developed in the past fiscal year. It includes an initial focus on emissions from our own business activities; in the medium term it will also cover emissions from the upstream and downstream supply chain. The proportion of renewable energy purchased also plays a role in achieving our reduction targets.

C.5.4.3 Raw Materials and Substances

Relevance
A wide range of raw materials and substances are used in the manufacture of our products, some of which remain in the products. Furthermore, the OSRAM portfolio of products requires the use of materials that could be classified as conflict materials due to their origin, for example from the Democratic Republic of Congo (DRC) and neighboring countries ❯ C.5.7 Respect for Human Rights.

OSRAM focuses on monitoring and reducing the use of hazardous and critical substances, and generally we believe that resource-efficient use of materials is important, as this has a positive impact on the environment, reduces the cost of our products, and makes them more acceptable to customers.

We work on the basis that it should be possible to market our products anywhere in the world. The raw materials and substances used in the manufacture of our products—and remaining in them—are subject to ever-increasing regulation, which is an important factor for OSRAM in its various areas of business.

Guidelines, Responsibilities & Structures, and Processes
In order to fulfill our ambition of selling our products globally, OSRAM applies the world's strictest regulations as a global standard when it comes to the substances used in its products and the associated declarations. We deviate from this approach in local markets only to a very limited extent but always comply with local law.

In line with the OSRAM Environmental Protection, Health, and Safety policy and our Group guideline on product-related environmental protection, we are committed to responsible environmental management and the efficient use of resources, and to the development of eco-friendly processes and advanced products. The relevant rules and guidelines are issued by EHS; our business model dictates that responsibility for operational implementation lies with the business units themselves. Each business unit is responsible for ensuring that its products are designed in an environmentally compatible way and that resources are used efficiently both in production and when products are being used. At the product development stage, mechanisms are built into the processes to improve products continuously and meet legal requirements and customer specifications. EHS advises the units on legal requirements and monitors compliance.

Against a backdrop of ever stricter requirements, we use a special IT application that allows us to monitor the use of critical substances at component level and to ensure that our electrical and electronic devices are legally compliant. We refine the application continually.

The OSRAM Index List Environment (ILE) contains information on prohibited, restricted, and declarable substances. Our own developers and the suppliers of materials employed in our products use this information to help avoid, reduce, and declare the use of hazardous substances.

In order to fulfill our responsibility along the entire supply chain, we also involve our suppliers. They are required to promptly provide the necessary declarations and information for the qualification of new parts as well as for changes in relevant laws.

Responsibility for the aforementioned conflict materials lies with Procurement, which at Managing Board level also falls under the remit of the Chief Technology Officer (CTO). Because of the close association with risks of human rights abuses, this area is explained in detail in ❯C.5.7 Respect for Human Rights.

Objectives

We have made it our goal to monitor the use of critical substances at component level to ensure that, in the face of increasingly strict regulatory requirements, we can sell our electrical and electronic devices around the world without further development.

We also aim to gradually reduce the amount of critical raw materials and substances we use, particularly conflict materials, and replace them with alternative materials where technically possible and commercially feasible. OSRAM strives for full transparency with regard to conflict minerals for its entire purchasing volume and is committed to dealing with the issue in accordance with OECD guidelines ❯C.5.7 Respect for Human Rights.

Action Taken, Results, and Key Performance Indicators

In fiscal year 2019, we refined and improved our special IT application that allows us to continually monitor and improve the use of critical substances and components in accordance with our global requirements. These improvements mainly concern the simplification of communications from the supply chain, in particular. Changes in the regulatory environment were incorporated.

The focus was on updating the data for the revised RoHS Directive (2015/863/EU; Restriction of Hazardous Substances), which prohibits the use of four new substances. We were again able to significantly reduce the gaps in the information, data, and declarations provided electronically by our suppliers. This enables us to assess risks and product conformity more quickly and to react promptly and appropriately.

In accordance with our business model, responsibility for initiatives aimed at improving the use of materials lies mainly with the individual business units. Here is an example: Within the framework of the ORCA funding project of the Bundesministerium für Bildung und Forschung (BMBF—German Federal Ministry of Education and Research), OSRAM is working with partners to develop alternatives to the use of rare earth elements in LED phosphors.

Our suppliers are required to comply and keep up to date with the regulations that are relevant to our markets. We carry out regular supplier audits to ensure that they meet this obligation, among other things.

Due to the close association with human rights, all measures and results relating to conflict materials are described in ❯C.5.7 Respect for Human Rights.

c.5.5 Social Aspects

As a global brand manufacturer, we see ourselves as part of society and aim to positively influence society through our products and solutions. OSRAM has always been driven by a desire to improve people's quality of life, whether by putting the first electric lights in towns and cities nearly 100 years ago or by increasing safety on roads with the first dipping headlights for cars. Today, the technological shift toward LED-based lighting systems and digitalization is opening up countless new possibilities that go far beyond the simple binary of 'light on, light off.' Our objective is to take full advantage of these possibilities. We look to maintain strong relationships with our customers and offer them quality across the board, including when it comes to product safety and data security.

With regard to social aspects, the following topics were identified as key to the OSRAM Licht Group in the materiality analysis described in ❯ C.5.1 About this Report:

— Product safety,
— Protection and security of personal data, and
— Customer relationships.

These topics that have been identified as key for OSRAM from a societal perspective are extremely disparate and are subject to a variety of different external factors. For this reason, they are handled separately from one another in different parts of the OSRAM organization. The growth of digitalization, and the resulting focus on data privacy, give these three topics particular relevance for OSRAM, as do the ongoing changes in the lighting market. Each topic is examined in more detail in the following sections.

C.5.5.1 Product Safety

Relevance

OSRAM strives to offer a high level of quality, safety, and reliability in its products and solutions. The Company's reputation plays a key role in ensuring that our business remains successful over the long term. Our customers in the automotive industry set particularly high standards that must be upheld in order to retain their business.

The lighting market is undergoing constant technological change and is not globally homogeneous. Regulations regarding product safety are often specific to individual countries. In order to bring our products to market quickly while also complying with all rules and regulations, we need to coordinate these requirements at global level and take them into account at an early stage.

Guidelines, Responsibilities & Structures, and Processes

We are committed to complying with all legal requirements, standards, and norms relating to products and their safety, including labeling, that apply in the individual regions and countries in which we operate, and to implementing changes in good time. Product safety at OSRAM starts with product development; it plays a role in the procurement and production process, and is a key aspect for our customers during the product lifecycle.

At Managing Board level, responsibility for product safety and quality lies with the Chief Technology Officer (CTO), who has assigned the relevant tasks and managerial authority to the head of the corporate Quality Management department. The corporate Quality Management department is responsible for setting up and maintaining a quality management system, for issuing regulations that apply across the Group, and for routinely monitoring compliance with these regulations. Our core practices are described in the quality manual and quality policy and are publicly available. The guidelines and processes cover, for example, product safety, product development, and how we deal with defective products and any necessary escalation measures. Operational responsibility for implementing legislation and internal rules regarding product safety and quality lies with the CEOs of the individual business units. At regular intervals, the Quality Management department reports directly to the CTO on significant developments. The CTO is also informed immediately of any incident that has been classified as a critical quality issue by the responsible business unit.

Significant developments and critical issues at OSRAM CONTINENTAL are reported to the CEO, who reports to the shareholders via the Advisory Board.

When a matter relevant to product safety is reported, we immediately check and assess risks using a risk assessment matrix. The EU General Product Safety Directive (GPSD, 2001/95/EC), which sets out a structured framework for risk assessment, provides the global basis for our evaluation of potential product safety violations and of action plans to remedy such violations. As soon as any product safety risks are identified, appropriate processes are triggered to contain and eliminate these risks as quickly as possible.

Our processes and management systems are regularly certified to ISO 9001 and, for automotive customers, also to IATF 16949. In addition, OSRAM conducts regular internal audits of its factories, processes, and suppliers so that deficiencies can be identified and corrected at an early stage, before customers are affected.

Objectives

We strive to sell our products globally. We therefore endeavor to identify new legal requirements, standards, and norms that are relevant to our business in a timely and routine manner and apply them to our internal product safety specifications.

Action Taken, Results, and Key Performance Indicators

We had our processes and management systems recertified to ISO 9001 in fiscal year 2019. All locations supplying automotive customers were additionally certified to IATF 16949. Individual measures were taken at business unit level as well.

In fiscal year 2019, we succeeded in our goal of identifying new legal and regulatory requirements, standards, and norms in a timely and routine manner and applying them to our internal product safety specifications.

During fiscal year 2019, the Quality Management department received a report of potential violations concerning the impact of a product line sold in North America on the health or safety of our customers and, as a result, initiated a recall of the products in accordance with the internal guidelines.

C.5.5.2 Protection and Security of Personal Data

Relevance

The shift in the lighting market toward semiconductor-based technologies and photonics solutions is opening up new business opportunities that OSRAM would like to take full advantage of ❯ A.1.1.1 Business Model. This changing market is also characterized by ever greater digitalization, which presents opportunities, but also risks. The scope of personal data being processed is growing all the time as more and more web-based apps and products become available. At the same time, more and more regulatory requirements have been introduced concerning the protection, integrity, and availability of personal data. We aim to protect any personal data that we collect and to ensure that the way it is used is in compliance with the law.

Guidelines, Responsibilities & Structures, and Processes

OSRAM has embedded data privacy in its business principles and internal policies, and introduced a data privacy management system (DSMS) in fiscal year 2018 to achieve its goals. Data protection encompasses the privacy of personal data pertaining to employees and customers, but also to our business partners and their customers. Our actions in this regard are guided by the requirements of national and international data privacy laws. Our data privacy guideline reflects these legal requirements and covers the entire Group. Applicable to all employees, it contains mandatory core principles and practical guidance for the handling of personal data and defines in more detail the general principles of data privacy set out in our Business Conduct Guidelines.

The data privacy organization is a global function and forms part of the compliance organization. The head of Group Data Privacy is responsible for the Group-wide DSMS and its implementation in the OSRAM Group companies. Data privacy coordinators are named in the Group companies or, if necessary, data privacy officers are appointed. The head of Group Data Privacy reports to the Managing Board on all developments. Data privacy is also routinely covered in the Chief Compliance Officer's reports to the Managing Board and the Audit Committee of the Supervisory Board.

OSRAM's data privacy organization has the managerial authority to issue Group-wide data privacy guidelines, formulates policies that apply across the Group, and regularly checks that these are adhered to.

We require our employees to treat personal data and information confidentially. The specific rules are described in our data privacy guideline. In addition, we provide web-based training on data privacy to all employees who have access to an email account. All our business partners that handle sensitive data are also equired to train their employees accordingly. This applies in particular to our service providers and suppliers.

Despite the high technical and organizational security standards that we have in place, data breaches cannot be completely ruled out. OSRAM is required by law to promptly notify the relevant regulatory authorities if it is believed that a personal data breach has occurred. Since fiscal year 2018, suspected data breaches can also be reported via the existing whistleblowing system 'Tell OSRAM' ❯ C.5.8 Combating Corruption and Bribery.

Objectives

Our objective is to protect the personal data of our employees and customers, as well as that of business partners and their customers, in all our products and processes and to avoid breaches of data privacy. Numerous technical and organizational mechanisms are in place to help us achieve this.

To help us meet this challenging objective in an international and heavily regulated environment, we have defined supporting objectives. As well as looking to ensure that our policies and training materials comply with the applicable laws and regulations, we want to reach a point where any OSRAM employee who comes into contact with personal data in the course of their work undergoes regular basic training. It is also our goal to integrate all new locations, either newly established or added as a result of acquisitions, into the data privacy organization within twelve months and to train the new employees accordingly.

Action Taken, Results, and Key Performance Indicators

In fiscal year 2019, the Group guideline on data privacy was brought into line with the current laws and regulations and the processing register was updated. Privacy policies and consent forms for employees, customers, and shareholders were also revised and data privacy requirements were integrated into the product development processes.

The basic online training on data privacy, which is provided regularly—most recently in fiscal year 2018—is currently being updated in line with the current regulatory environment and with a view to it being carried out again in fiscal year 2020.

During the reporting period, all locations and parts of companies brought into the OSRAM Licht Group within the preceding twelve months were integrated into the data privacy organization and the relevant employees were trained accordingly. A total of 11,304 employees received training via the web-based training tool or a classroom-based session.

Data privacy training was provided to 21 employees of OSRAM CONTINENTAL in fiscal year 2019.

Various means of communication were used to raise awareness of data privacy among employees. OSRAM held another data privacy and compliance day, for example. Employees at headquarters were given the opportunity to participate in panel discussions and visit stands where they could find out about data privacy and about services offered by the data privacy department.

During fiscal year 2019, we did not receive any inquiries related to data privacy from the competent supervisory authorities. No complaints were made by customers either. We received five requests for information, which were answered adequately and within the period of time prescribed by law. During the fiscal year under review, we reported two data breaches to the competent supervisory authorities. Because of the action that we had already taken, the supervisory authorities put the reports on file and refrained from issuing any sanctions.

C.5.5.3 Customer Relationships

Relevance

Our customers' requirements are changing significantly as technology shifts toward LED-based lighting systems. This transition is also resulting in a shift from a purely product-driven business to a modular and project-based business that is very different in character.

Digitalization is also becoming increasingly important within the sales and procurement channels, although we still have to contend with large differences in the degree of digitalization in specific industries and with specific customers.

Particularly in light of current changes in the industry, OSRAM strongly focuses on managing customer relationships in an efficient and targeted manner and in a way that takes advantage of the structures of the Group.

Guidelines, Responsibilities & Structures, and Processes

The operating activities covered by our business model are essentially organized into three business units: Opto Semiconductors (OS), Automotive (AM), and Digital (DI) ❯A.1.1.1 Business Model. Each business unit's sales function is specifically geared to the requirements of its customers and markets and, as the direct interface to our customers, has operational responsibility for sales. This business model enables us to operate in the relevant markets in a targeted and market-oriented manner.

The Global Sales Excellence function was established in fiscal year 2018 in order to make sales processes and structures more efficient. It coordinates and implements Company-wide initiatives and projects as well as measures that are applicable to all business units. The head of Global Sales Excellence reports directly to the Chairman of the Managing Board.

OSRAM attaches great importance to obtaining regular and structured customer feedback on matters such as the satisfaction and loyalty of the customers involved. We continuously incorporate this feedback into the improvement of our processes and structures. Approximately every two years, a worldwide customer survey on the relevant customer touchpoints with OSRAM is carried out for all business units.

OSRAM CONTINENTAL only commenced operations in summer 2018, so the plan is to carry out a survey of its customers' satisfaction levels at a later point in time.

Objectives

One of our primary sales goals, in addition to winning new customers by breaking into new markets, is to further expand business with existing customers and to strengthen existing customer relationships so that together we can develop new business opportunities. Since fiscal year 2017, we have been using the Customer Loyalty Index (CLI) to measure quality in this area. The CLI is calculated on the basis of responses to questions posed in the biannual customer survey regarding overall satisfaction and likelihood of recommendation and can lie within a range of 0 to 100. With OSRAM currently in a phase of transformation, we strived to maintain the CLI score in fiscal year 2019 at the very high level of 81 that we had achieved in the previous customer survey in fiscal year 2017. It was also once again our goal to outperform our best competitors in the relevant KPIs.

In order to continue being able to serve our customers in ever-changing sales channels while at the same time reaping efficiencies in the sales process, it was our goal in fiscal year 2019 to set up a new B2B sales portal (online ordering system for corporate customers) as part of our Next Generation Sales corporate program as well as a new customer relationship management (CRM) system to help us manage customer relationships in a targeted and efficient manner. We would like to use the introduction of the new B2B sales portal to significantly increase the proportion of our revenue that is generated online and to systematically build on our objectives. The intention is to greatly simplify the online purchasing process for our customers and to provide greater transparency with regard to products, variants, and availability, etc. CRM is being introduced in part to pool sales-related information and to make this readily available in a user-friendly system.

Because of its customer and production structure, OSRAM CONTINENTAL is not currently part of Next Generation Sales. The customers of OSRAM CONTINENTAL are already individually served by a dedicated key account management system.

Action Taken, Results, and Key Performance Indicators

In fiscal year 2019, we integrated the Global Sales Excellence function, which had been established in fiscal year 2018, even more closely into the operational sales units and increased the focus on sales structures. Our objective is for this to have a positive impact on our customer relationships in what is a challenging market environment. For example, new ABC customer segments were defined in the sales organization of several business units and corresponding service catalogs were implemented.

We made particularly good progress with the projects related to the introduction of the B2B sales portal and CRM, with roll-out of the new sales support software commencing at the end of September 2019.

The overall implementation and refining of the system—as well as the related processes—will last around two years and is being carried out using an agile method.

In fiscal year 2019, OSRAM once again conducted a worldwide survey of customer satisfaction and loyalty. Once the survey has been completed and the results analyzed, the business units define measures specific both to particular customers and customers generally, and monitor their implementation. The survey is submitted to the OSRAM Managing Board for approval, which is informed on a case-by-case basis of the results and the action taken by the business units. At 81 out of a possible 100 points, OSRAM was able to maintain its CLI score at the very high level achieved in 2017.

Indicators—Customer Relationships (continuing operations) without OSRAM CONTINENTAL

	Fiscal year		
	2019	2017 (last survey)	Target 2019
Customer Loyalty Index (CLI)[1]	81	81	>= 81
Range (minimum)	0	0	
Range (maximum)	100	100	
Best competitors' average[2]	68	65	

1) The CLI is calculated from the evaluation of satisfaction and the recommendation readiness of the customers. The evaluation is done by the customer during the survey using a an 11-point scale (0 to 10). The rating is transformed to a scale from 0 (minimum) to 100 (maximum). Indicated is the average value of the customer ratings.
2) In each customer interview conducted as part of the survey, a value for OSRAM's best competitor is recorded. The results of the individual 'best competitors per customer' are aggregated to a competitor value that is then compared with the OSRAM value (CLI).

C.5.6 Employee Aspects

Our Human Resources (HR) work plays a key role in our efforts to drive sustainability. We believe that employees who are satisfied, successful, and also healthy provide the necessary foundation for achieving long-term commercial success.

With regard to employee aspects, the following topics were identified as key to the OSRAM Licht Group in the materiality analysis described in ❯C.5.1 About this Report and in consultation with the Managing Board:

— Occupational health and safety,
— Fair working conditions,
— People development and, as a result of this,
— Employee satisfaction and employer attractiveness.

HR work at OSRAM is currently facing two major challenges. Firstly, the lighting industry has been in transition for a number of years now and OSRAM is becoming a high-tech player in the photonics sector ❯A.1.1.1 Business Model. Secondly, we are faced with an increasing shortage of skilled workers in many of the regions in which we operate. OSRAM's HR work is therefore hugely important to the continued success of the business, which is why the Chairman of the Managing Board (CEO) also serves as the Company's Labor Relations Director.

Human Resources (HR) is responsible for the key topics identified above, with the exception of occupational health and safety. HR at OSRAM is organized on a global basis, and overall responsibility for HR matters and HR organization lies with the Chief Human Resources Officer, who reports directly to the Chairman of the Managing Board. Occupational health and safety at OSRAM falls under the remit of the Chief Technology Officer (CTO), who had delegated this area of responsibility to the head of Environmental Protection, Health, and Safety (EHS) ❯C.5.6.1 Occupational Health and Safety.

OSRAM's global HR guideline aims to establish worldwide standards in the area of HR. It contains firm rules for employees and managers on the hiring process, diversity, talent acquisition, people development, training, remuneration, and benefits.

C.5.6.1 Occupational Health and Safety

Relevance
OSRAM is committed to offering its employees a safe and healthy working environment. Minimizing the risk of occupational illnesses and accidents at work forms part of this. In this way, we not only fulfill our responsibility to society as a whole but also reduce economic losses.

Guidelines, Responsibilities & Structures, and Processes
OSRAM's Environmental Protection, Health, and Safety (EHS) department has the managerial authority to issue guidelines related to occupational health and safety and formulates relevant policies that apply across the Group. The occupational health and safety guideline applies across the Company, and appropriate training and monitoring processes have been implemented for its compliance.

Overall responsibility for occupational health and safety lies with the Chief Technology Officer (CTO), who has delegated tasks and managerial authority to the head of the corporate EHS department 〉C.5.4 Environmental Aspects.

This year, the Wuxi, Kunshan DO, Kunshan OSRAM CONTINENTAL, and Foshan locations (all China) as well as the locations in Chennai (India), Penang and Kulim (both Malaysia), and Bergamo (Italy) and the headquarters in Munich were still externally certified according to the OHSAS 18001 standard for occupational health and safety management. In fiscal year 2019, we began with the transition to the new ISO 45001 standard. The transition is scheduled to be completed by the end of the calendar year. Our internal guidelines require the other production facilities to also maintain a management system for occupational health and safety in accordance with the ISO 45001 standard. Compliance is monitored by internal audits. Development and sales locations with more than 50 employees operate a reduced management system and contribute data to the health and safety indicators. The EHS department includes in its reporting a selection of locations that do not quite reach this threshold but might do so in the future, and our reporting therefore covers 96% of our employees.

At the aforementioned locations, the responsible managers must carry out a risk assessment for each area of activity in accordance with internal guidelines and with the support of trained safety officers. We have also established occupational health and safety committees in accordance with local legal requirements or on a voluntary basis. Furthermore, all OSRAM employees have an obligation and responsibility to be mindful of safety, wherever they are.

Objectives

Our goal is to offer our employees a safe and healthy workplace. In order to meet this goal, we aim to continually improve the parameters that impact on health and safety.

OSRAM records work-related injury data at its locations as a basis for calculating the internationally recognized key metrics Lost Time Injury Frequency Rate (LTIFR) and Severity Rate (SR).

Targets are set for each individual location. For LTIFR, the target is based on achieving a reduction relative to the average figure for the past three years. The SR target factors in the regional average duration of absence per injury. The regional and global targets are then aggregated from the individual values.

For fiscal year 2019, we set ourselves a global LTIFR target of 0.30 (previous year: 0.28). The SR target for fiscal year 2019 was 7.53 (previous year: 9.45). We already expect a zero-injury rate at non-production locations.

Action Taken, Results, and Key Performance Indicators

A host of activities and measures focused on occupational health and safety were initiated and carried out in our regions in fiscal year 2019. These included special work safety days and newsletters that were distributed centrally and locally with the aim of improving the sharing of best practice, including in the raising of safety awareness and the optimization of personal safety equipment.

We achieved the targets that we had set ourselves for fiscal year 2019. The comparatively low LTIFR of 0.29 was below the target, for example, and in line with the low figure attained in fiscal year 2018 (0.28). There was no rise in the number of workplace accidents, but there was a decrease in the number of hours worked.

The SR of 6.04 was well under the figure for the previous year (9.45) and was below the target as well. As we had to factor in absences in fiscal year 2019 that were related to accidents from the previous year, the SR did not match the level of fiscal year 2017 (5.42). We cannot directly influence medically justified absences, so we continued to work on reducing the overall accident rate in fiscal year 2019. The long-term trend shows that the result for the previous year does not reflect a systematic problem, but rather a coincidental chain of accidents.

No fatal workplace accidents occurred in the fiscal year under review.

Indicators — Health and Safety (continuing operations)

	Fiscal year		
	2019	2018	Target 2019
Rate of occupational accidents with days of absence (LTIFR)[1]	0.29	0.28	0.30
Severity rate (SR)[1]	6.04	9.45	7.53
Occupational accidents with lost days	75	75	

1) The LTIFR represents the number of accidents at work resulting in at least one day lost in relation to the total number of working hours during the fiscal year. The SR represents the total number of days lost in relation to the total number of working hours during the fiscal year. Both KPIs are scaled to 200,000 working hours, excluding commuting accidents.

C.5.6.2 Fair Working Conditions

Relevance

Fair working conditions are a cornerstone of how we conduct our business and the basis of good and fair collaboration. We aim to offer every employee a working environment that is free from violence and discrimination, and in which each person is respected as an individual. Priorities in our efforts to create fair working conditions include, in particular, promoting diversity, fair pay and company benefits, and open and fair collaboration between employers and employees.

Having a diverse workforce is of great importance to us as a global company. We firmly believe that diversity has a positive effect on our business, as relationships with international customers and suppliers require cultural awareness, and that diverse teams have a strong ability to innovate. In times where skilled workers are increasingly scarce, being able to offer an open working environment and fair pay with suitable company benefits is very important to qualified applicants. We conduct an open and fair dialog and find an appropriate balance between the interests of employees and employers, particularly during OSRAM's current transformation phase, which involves restructuring of the workforce › C.5.6 Employee Aspects.

Guidelines, Responsibilities & Structures, and Processes

In order to offer fair working conditions to our employees around the world, we make use of, and commit ourselves to, international frameworks such as those provided by the International Labour Organization (ILO) and the UN Global Compact. We are committed to giving our employees the right to freedom of association and the possibility of concluding collective agreements.

These and other principles, such as respect for the personal dignity, privacy, and personal rights of each individual and a zero-tolerance approach to discrimination, are set out in our Business Conduct Guidelines (BCG) and apply to all employees and members of OSRAM's Managing Board and Supervisory Board. The guidelines govern our dealings with each other and with our customers, shareholders, business partners, and the public. Potential violations of the behavioral requirements set out in the BCG can be reported via the whistleblowing system 'Tell OSRAM'. All reports are followed up › C.5.8 Combating Corruption and Bribery. The new cultural values were defined in fiscal year 2018 based on the ongoing realignment of OSRAM (#TheNewOSRAM) and focus on how employees should work together and how leadership at OSRAM should be structured.

The Code of Ethics was implemented at OSRAM CONTINENTAL in fiscal year 2019. The code defines the values that shape the company's social actions and help it to act lawfully and ethically. The Code of Ethics also provides guidance on how to interact responsibly with one another in the workplace, for example.

In order to fulfill our responsibilities along the entire supply chain, we require our suppliers to comply with the rules and obligations enshrined in the OSRAM Code of Conduct for Suppliers, and to provide their employees with working conditions that conform to this › C.5.7 Respect for Human Rights.

At OSRAM CONTINENTAL, the requirements to be met by suppliers with regard to fair working conditions and respect for human rights are set out in OSRAM CONTINENTAL's Code of Ethics.

Our corporate diversity activities are embedded in the HR organization. We place great value on developing our culture of diversity and on meeting the needs of the local workforce. Increasing the number of women in managerial roles is a key aspect of this.

There are currently no targets for diversity at OSRAM CONTINENTAL.

We value our employees and treat them with respect, and part of this includes offering them fair pay. Our remuneration system is designed so that pay is commensurate with performance and does not discriminate on the basis of gender or other characteristics. It is our responsibility to comply with local legal requirements in relation to pay. In Germany, the collectively agreed remuneration system forms the basis for equal pay among workers covered by this scheme. Roles that are above the pay scale are also treated equally, with non-discriminatory criteria used to determine the level of remuneration. In addition, OSRAM uses a clearly defined incentive system to boost employee performance. Depending on the national rules and regulations, OSRAM offers discretionary benefits over and above the legal requirements in areas such as health and accident insurance, occupational pension provision and other forms of deferred compensation, parental leave, maternity rights, and in Germany also an employee share program in fiscal year 2019.

Collective agreements are in place at our largest European companies in terms of number of employees[4]. We work closely with these companies' employee representatives (whether works councils or trade unions). In Germany, for example, this has resulted in a large number of works agreements.

Objectives
In fiscal year 2019, the existing whistleblowing system 'Tell OSRAM' was expanded so that violations of our fair working environment principles can also be reported via the system. We aim to analyze the reports and identify Company-wide prevention measures.

On July 13, 2017, the Managing Board set the target for OSRAM Licht AG for the proportion of women in the first level (senior managers) and second level (employees above the pay scale) of management in Germany at 34% and 30% respectively. Both targets are to be reached by June 30, 2022. For the Group as a whole, the Managing Board set the target for both levels in Germany to be achieved by June 30, 2022, at 17.5%. Twice a year, we record the gender ratio in countries where the Group has more than 400 employees in order to increase the number of women in managerial roles internationally as well. Our objective is to further increase the number of women in managerial roles while taking regional circumstances into account. As a German technology company, OSRAM initiates and participates in activities aimed at making technology careers more attractive to women and girls in order to achieve this objective over the long term.

Restructuring remains an essential step in OSRAM's transformation outlined above. Where job cuts are unavoidable, OSRAM strives to minimize the social impact and to consult its employees at the earliest stage possible.

Action Taken, Results, and Key Performance Indicators
Overall, there was one reported indication of a possible violation of the principle of fair working conditions in fiscal year 2019. This report was recorded and analyzed systematically, and no violation of the principle of fair working conditions was identified. We are currently working on specific prevention measures, including training and flyers, to ensure that fair working conditions can be achieved in all sectors and regions.

In the past fiscal year, there were numerous activities to make technical roles at OSRAM more attractive to women and girls, in particular. For example, the first 'Girls' Day' was held in Munich in fiscal year 2019, in which 40 girls with an interest in technology took part. We also visited fairs such as herCAREER and women&work in Germany. Globally, the share of women in first level management roles was 15% as of September 30, 2019, while the figure for second level management roles increased to 22%. As of September 30, 2019, the proportion of women across the Group in the first and second levels of management in Germany stood at 12.2% and 17.6% respectively.

OSRAM CONTINENTAL is excluded from the calculation of the target figures for the Group as a whole.

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4) These are Germany, Italy, Slovakia, and the Czech Republic; Bulgaria is excluded.

Indicators—Share of Female and Male Employees (continuing operations)

	First management level[1]		Second management level[2]		Total workforce	
	Fiscal year		Fiscal year		Fiscal year	
	2019	2018	2019	2018	2019	2018
Female	15%	16%	22%	20%	46%	48%
Male	85%	84%	78%	80%	54%	52%

1) Senior managers who belong to the executive level of the organization.
2) Managers above pay scale.

With regard to the transformation of the Company, we succeeded in agreeing a future concept for the German locations with the employee representatives in Germany during fiscal year 2018. The talks were held not only in the committees required by the Betriebsverfassungsgesetz (BetrVG—German Works Constitution Act), such as the Economic Committee and the General Works Council, but also in a steering committee set up for this purpose. The steering committee, in which representatives of the Group Works Council and of the labor union participate, discusses developments resulting from the transformation at a very early stage and highlights the consequences for employment. Information is provided first-hand by members of the Managing Board, by the head of Operations, and by the head of HR.

The bulk of the measures were implemented in fiscal year 2019 in line with the plan, which runs until the end of fiscal year 2020. Its implementation involves both job cuts and employee training. This program provides employees with the training they need to meet the new job requirements and so to be assigned to other tasks. OSRAM has made a central training budget available for this purpose. Where job cuts were necessary, we made sure that they were voluntary redundancies with the minimum possible social impact. Early retirement, in particular, played an important role alongside termination agreements. We have so far been able to avoid termination notices through the extensive use of pre-retirement part-time employment arrangements and the aforementioned skills training.

OSRAM CONTINENTAL is not part of OSRAM's transformation process.

C.5.6.3 People Development

Relevance

Employee training and continuing professional development are key factors in the future success of our business. OSRAM and the labor market are undergoing a transition ❯ C.5.6 Employee Aspects. We want to keep our employees' skills up to speed with ongoing changes in industry and the workplace by providing opportunities for professional development, and thus improve their long-term engagement.

We also believe it is part of our role as a corporate citizen to provide training for young people in many of the countries in which we operate and in doing so give them access to the world of work at an international company.

Guidelines, Responsibilities & Structures, and Processes

People development at OSRAM is an essential strategic approach to maintaining and improving our competitiveness over the long term. Our objective, based on the business-specific requirements, is to fill positions with the right people and make the best use of each employee's individual talents and skills.

People development at OSRAM includes educational and training opportunities, a range of career paths, and programs for high-potential employees.

Employees have many opportunities for professional and personal development throughout their career at OSRAM, from vocational training and the management trainee program to subject-specific training and management and specialist programs.

Human Resources (HR) is responsible for people development at OSRAM.

Our apprenticeships play a major role in securing the next generation of employees. We currently provide training in eight recognized technical trades, one commercial occupation, and four degree apprenticeships. In fiscal year 2019, 134 (previous year: 139) young people were employed at OSRAM as part of their training or degree apprenticeship, 128 (previous year: 133) of them in Germany.

In addition to providing training, OSRAM continually and systematically works on employee development. This involves a regular and structured dialog between employee and line manager. For non-pay-scale employees and selected employee groups, this forms part of the established GROW process. The process encourages close dialog between line manager and employee, and also involves top management.

We offer our entire workforce a comprehensive general training program with numerous opportunities for professional development and skills upgrading. The program is reviewed once a year and modified if necessary. It is particularly important during the current transformation phase to give our employees the opportunity to get involved in specialist areas of increasing importance to OSRAM, such as digitalization, as well as in customer and project management.

We offer our employees a range of development opportunities to match their individual skills profile under the Leadership, Key Expert, and Project Management global career paths. Employees are nominated for our high-potential programs, the aforementioned career paths, and the accompanying development programs as part of the GROW process. The high-potential programs are used to develop our most talented individuals at global and local level.

Training and career development programs and talent management are being established and implemented at OSRAM CONTINENTAL.

Objectives

To remain competitive in a changing industry and employment landscape, we need to identify at an early stage the skills that the Company will need in the future so that wherever possible we are able to fill vacancies, including senior roles, internally.

Action Taken, Results, and Key Performance Indicators

We established structures and processes in fiscal year 2019 to ensure that we can adequately fill our management positions, and we regularly review and adapt these as required. As a result, we have developed a global talent management strategy and introduced a new learning management system, for example.

In fiscal year 2019, OSRAM invested €7.53 million in its employees' continuing professional development.

The revised and newly created processes and programs were introduced in the past fiscal year in line with our objectives. The new learning management system has significantly improved user-friendliness, and further countries will be included and have access to it in the future. In fiscal year 2019, the content of both the local 'GoFurther!' and the global high-potential programs was revised and an executive program was launched. Thanks in part to these activities, we were able to significantly increase the number of management and senior management positions filled by internal candidates.

Indicators—Recruitments of Management Positions (continuing operations)

	Fiscal year	
	2019	2018
Number of recruitments—senior management positions[1]	37	29
thereof internal recruitments	31	12
Number of recruitments—management positions[2]	254	250
thereof internal recruitments	189	51
Number of recruitments—total management positions	**291**	**279**
Thereof total internal recruitments	**220**	**63**

1) Senior managers who belong to the executive level of the organization.
2) Managers above pay scale.

The international OSRAM management trainee program 'Light Up' was also carried out in fiscal year 2019.

C.5.6.4 Employee Satisfaction and Employer Attractiveness

Relevance
Our employer attractiveness, i.e., how we are perceived internally and externally as an employer, is a key determinant of the long-term success of the organization, particularly in light of our transformation and the development of the labor market ❯ C.5.6 Employee Aspects. We believe that employee satisfaction and our attractiveness as an employer are an indicator of how we treat our employees, and is heavily influenced by ❯ C.5.6.1 Occupational Health and Safety, ❯ C.5.6.2 Fair Working Conditions, and ❯ C.5.6.3 People Development.

Guidelines, Responsibilities & Structures, and Processes
We have defined an employer positioning that is aligned with our corporate goals and that provides a strategic framework for our HR work. This is set out and described in an employer branding guide[5] in order to provide uniform standards across the Group.

We carry out a global survey in order to gauge employee satisfaction and engagement. To obtain further feedback from employees, we hold regular events such as town hall meetings with OSRAM's management and run webcasts with the Managing Board and other members of management. We incorporate the feedback received into our HR work, which we strive to continually improve based on what our employees tell us.

OSRAM also regularly takes part in or supports training days, graduate fairs at universities, and other relevant events in order to communicate our employer positioning and present OSRAM as an employer of choice.

Objectives
During the Company's current transformation, our objective is to match the employee satisfaction levels of other companies that are undergoing change, with a view to maintaining our strong appeal as an employer in the labor market. We hope to achieve this through the successful transformation of our Company, underpinned by HR activities with a long-term focus. In terms of employer attractiveness, our objective for fiscal year 2019 was to continue to be certified as a 'Top Employer' by external institutes and to remain highly popular with the target group of potential employees. A further objective was to expand our social media activities to ensure that our attractiveness receives widespread attention.

Action Taken, Results, and Key Performance Indicators
The employee survey planned for fiscal year 2019 was delayed due to financial considerations. We intend to conduct the survey in fiscal year 2020 instead.

Global measures resulting from the 2017 employee survey were completed in the previous year. In fiscal year 2019, measures at global level were integrated into the campaign #TheNewOSRAM.

5) OSRAM CONTINENTAL does not currently have an employer branding guide.

The target of retaining our certification as a Top Employer was achieved in fiscal year 2019, with certificates awarded in Germany, China, Malaysia, and the U.S.A. We also added further platforms to our social media presence, and can now showcase OSRAM as an attractive employer on Twitter, Instagram, and Xing as well as on LinkedIn and Facebook as before.

c.5.7 Respect for Human Rights

Relevance
As an international company with diverse products and complex global value chains, we know that our business relationships present the risk of human rights violations, especially for potentially more vulnerable groups such as migrant and temporary workers. Furthermore, the OSRAM portfolio of products requires the use of materials that could be classified as conflict materials due to their origin, for example from the Democratic Republic of Congo (DRC) and neighboring countries ❯ C.5.4.3 Raw Materials and Substances.

We do not tolerate any form of modern slavery, child labor, forced labor, or human trafficking, whether within our own business or at our suppliers and business partners. We have also put processes and policies in place to ensure that standards for environmental and social accountability are met by our own locations and by our suppliers.

Guidelines, Responsibilities & Structures, and Processes
We outline our approach to respecting human rights in the OSRAM human rights guideline. We respect and support internationally recognized human rights at all of our locations and are committed to the principles of the United Nations (UN) Human Rights Charter, which we actively support as a member of the UN Global Compact.

The human rights of OSRAM employees are enshrined in the Business Conduct Guidelines and the new human rights guideline introduced in fiscal year 2019. The guideline is based on the Universal Declaration of Human Rights, the fundamental conventions of the International Labour Organization (ILO), the principles of the UN Global Compact, and the Guiding Principles for Business and Human Rights (UN). We place an obligation on all OSRAM employees to implement the guideline in an appropriate way in their area of responsibility.

The OSRAM CONTINENTAL Code of Ethics contains requirements regarding respect for human rights ❯ C.5.6.2 Fair Working Conditions.

HR coordinates our due duty of care with regard to human rights and our employees. The head of HR (Chief Human Resources Officer) reports directly to the Chairman of the Managing Board, who also serves as the Labor Relations Director. The HR department has the managerial authority to issue human rights policies and coordinates how compliance with these policies is monitored.

In order to fulfill our responsibility along the entire supply chain, we also involve our suppliers in the process. We place a duty on them to comply with the rules and obligations of the OSRAM Code of Conduct for Suppliers, which includes respect for human rights and ensuring that compliant working conditions are in place. We use various instruments and processes to help our suppliers implement our Code of Conduct for Suppliers and to monitor compliance with it. Based on the analysis of our procurement volume with regard to social risks, each year a selection of suppliers are requested either to submit an up-to-date corporate responsibility audit or to have it carried out, or to prove compliance with corporate responsibility requirements by means of equivalent certifications (ISO 14001 in combination with ISO 45001 or OHSAS 18001).

Since fiscal year 2019, it has also been possible to report potential human rights breaches via the existing whistleblowing system 'Tell OSRAM' ❯ C.5.8 Combating Corruption and Bribery.

The OSRAM portfolio of products also requires the use of materials that are classified as conflict minerals due to their potential origin ❯ C.5.4.3 Raw Materials and Substances. In order to properly discharge our human rights responsibilities in this area too, we have put in place appropriate due diligence processes for procurement. Responsibility for the issue of conflict minerals lies with the Purchasing department, which is assigned to the Chief Technology Officer (CTO) and reports directly to him. OSRAM has been a member of the Responsible Minerals Initiative (RMI) since 2017. The sharing of information and insights within the RMI is helping us to continuously improve our due diligence on conflict minerals. RMI training materials are available to our suppliers via an online training portal. When purchasing raw materials, OSRAM makes sure that it uses qualified sources. For example, all our directly commissioned smelters for conflict minerals are RMI certified.

Objectives

A comprehensive Group-wide policy regarding respect for human rights was introduced for the first time in fiscal year 2019. Our aim is to regularly review it against developments in the regulatory environment and adapt it as required. Our objective for fiscal year 2019 was to integrate human rights risks into the OSRAM risk management system and to complete the internal audit.

Since fiscal year 2019, it has also been possible to report potential human rights breaches via the existing whistleblowing system 'Tell OSRAM'. As well as investigating each report, we want to systematically analyze the reports and derive appropriate measures from them. This is how we aim to raise awareness of this important topic within the organization and prevent human rights violations.

Our existing suppliers provide us with the results of the corporate responsibility audits outlined above or of comparable certifications. We aim to systematically analyze the results and derive measures from them in order to continually minimize the risk of human rights breaches.

We strive for full transparency with regard to conflict minerals for our entire purchasing volume and are committed to dealing with the issue in accordance with OECD guidelines. For a number of years, we have been working on investigations into country of origin and on due diligence checks of the smelters in our supply chains. Our long-term objective is to establish the conflict-free status of all products within the portfolio. We have already achieved this status for the product portfolio of the Opto Semiconductors Business Unit, and hope to maintain this status in the future. Our objective for fiscal year 2019 was to achieve a conflict-free portfolio for the Automotive Business Unit.

Action Taken, Results, and Key Performance Indicators

Our departments continued to monitor the relevant national and international legal frameworks on human rights in fiscal year 2019. Our human rights guideline was published on our website in January 2019.

The OSRAM CONTINENTAL Code of Ethics contains requirements regarding respect for human rights but currently is not published externally ❯ C.5.6.2 Fair Working Conditions.

Human rights risks can be reported as part of the enterprise risk management process. Questions regarding human rights risks have also been included in the company level control questionnaire, which is used in the annual evaluation of the local control system of all consolidated entities by the relevant CEOs and CFOs. In the past fiscal year, a process for continually monitoring human rights risks and appropriate management processes was introduced to enable an annual risk assessment.

For the first time, it was also possible to report potential human rights breaches via the existing whistle-blowing system 'Tell OSRAM' in fiscal year 2019. We received two notifications of possible violations in total in fiscal year 2019, with a geographical focus on the APAC region and concerning human rights matters. These reports were recorded and analyzed systematically, and no violation of human rights was identified in either case. We are currently working on measures, such as information material for managers and employees, to raise awareness of the new option to report human rights violations via 'Tell OSRAM'.

As part of the relationship with our existing suppliers, we also evaluated the results of the corporate responsibility audit and/or other certifications that were requested. The audit's geographical focus in fiscal year 2019 was on China and Malaysia. We are working with our suppliers on continual improvement based on the findings of the analysis.

To date, we have not yet fully succeeded in establishing, together with our suppliers, the conflict-free status of all products within the portfolio. We made some progress, but we did not manage to achieve conflict-free status for the portfolio of our Automotive Business Unit during the reporting period.

As part of our activities to promote respect for human rights, we also pursue region-specific topics that are identified by our risk analysis. Corporate responsibility in the supply chain, for example, was a topic of panel discussions at this year's supplier day.

C.5.8 Combating Corruption and Bribery

Relevance

OSRAM is committed to preventing corruption and bribery as well as to fair competition. We believe that sustainable business success can be achieved only through lawful and responsible practices. Bribery and corruption are an impediment to healthy markets and hold back economic growth and the development of the affected society. Our open corporate culture and the established and effective compliance management system are key components in our endeavors.

Guidelines, Responsibilities & Structures, and Processes

OSRAM's compliance management system is designed to prevent possible violations of the applicable anti-corruption and antitrust laws. To this end, a compliance guideline supplements, and defines in more detail, the conduct rules on tackling corruption and dealing with competitors that are set out in the Business Conduct Guidelines. The compliance management system follows the management system methodology described in the IDW AssS 980 assurance standard.

From an organizational perspective, the compliance management system consists of employees at the head-quarters and in the regions. The Compliance department has the managerial authority to issue guidelines, specifies content and processes, and regularly monitors compliance. The Chief Compliance Officer reports directly to the Chairman of the Managing Board. As part of its remit to supervise management functions, the Supervisory Board monitors the effectiveness and appropriateness of the compliance management system. At OSRAM, this task is assigned to the Supervisory Board's Audit Committee, to which the Chief Compliance Officer reports on a quarterly basis, or on an ad-hoc basis.

Compliance risk assessments focused on anticorruption and antitrust law are regularly carried out in selected entities and areas of the business in order to identify compliance risks and make continuous improvements to the Group-wide compliance management system. Each management team and the compliance organization also conduct regular controls of tool-based processes for dealing with business partners and entertainment, for example. These controls form part of our internal control system.

OSRAM has several tools at its disposal for dealing with corruption-related risks. For example, we review and classify certain business partners according to particular criteria, such as the prevalence of corruption in the country in which the partner operates, and require them to comply with anticorruption rules. Our suppliers must sign the Code of Conduct for Suppliers, which prohibits corruption and bribery.

Another element of OSRAM's compliance management system is the whistleblowing system 'Tell OSRAM', which employees and third parties can use to report breaches of compliance rules, anonymously if they so wish. Reports can also be made through the usual internal company channels, such as the relevant Compliance Officer, Corporate Compliance, or the line manager. All reports received by OSRAM are followed up. Retaliation against whistleblowers will not be tolerated. Internal compliance investigations are carried out if there are concrete indications of wrongdoing. Once the investigation is complete, the Compliance department recommends measures to address any identified deficiencies and monitors their implementation. In the event of misconduct on the part of our employees, OSRAM may take disciplinary action in accordance with labor law.

A further key component of our compliance management system is our employee training program, as part of which we conduct classroom-based and online training sessions focused on anticorruption and antitrust law. The training courses are mandatory for all senior-level employees and for all employees working in sensitive functions (particularly sales, purchasing, and marketing).

Regular communication activities are carried out to raise awareness among employees and to strengthen the compliance culture. They highlight the commitment of management to compliance and the relevance of compliance to OSRAM.

OSRAM CONTINENTAL, which was founded in fiscal year 2018, introduced a compliance management system in fiscal year 2019. This is also designed to prevent breaches of the applicable anticorruption and antitrust laws and is based on the OSRAM CONTINENTAL Code of Ethics.

Objectives

Our overarching objective is to systematically combat corruption and bribery, to follow up on all suspected breaches, and to enforce consequences if a breach is confirmed.

In order to meet this objective, we need an effective compliance management system that reflects the organizational structure of the OSRAM Licht Group and the relevant regulatory environment. We therefore engaged an auditor in fiscal year 2019 to audit our compliance management system pertaining to anticorruption and antitrust law, and certify it in accordance with the IDW AssS 980 assurance standard.

A modern training program is a key component of our compliance management system. That is why we want to reflect the current regulatory environment and OSRAM organization in our classroom-based and online training sessions, and provide our employees with the most comprehensive training possible.

Action Taken, Results, and Key Performance Indicators

In fiscal year 2018, we engaged an auditor to audit our compliance management system pertaining to anti-corruption and antitrust law in accordance with the IDW AssS 980 assurance standard. A significant part of the audit took place in fiscal year 2018 and focused on OSRAM GmbH as the largest operating company and home of the corporate functions. The adequacy, implementation, and effectiveness of the OSRAM Licht Group's compliance management system was certified without qualification in accordance with the IDW AssS 980 assurance standard in October 2019.

Targeted communication measures were taken in fiscal year 2019 to raise awareness among the employees. For example, a video interview with the CEO on the importance of compliance to the Company's success was published on the intranet, and compliance-related questions were raised in panel discussions with internal experts.

In fiscal year 2019, we adapted our training program to the current regulatory requirements and incorporated insights from the successful audit of the compliance management system. The following table provides information on our anticorruption training activities.

Indicators—Compliance Training focusing on Anti-Corruption (continuing operations)

	Fiscal year	
	2019	2018
Employees (OSRAM Licht Group; FTE)	23,500	26,200
Number of employees trained (in-person and online)	6,686	4,926
thereof in EMEA	2,722	1,305
thereof in APAC	2,588	3,216
thereof in Americas	1,376	405

There were 27 reports of possible compliance violations in fiscal year 2019 (previous year: 41). In total, six cases had disciplinary consequences in fiscal year 2019 (previous year: three).

Indicators—Compliance incidents[1] (continuing operations)

	Fiscal year	
	2019	2018
Employees (OSRAM Licht Group; FTE)	23,500	26,200
Reports on possible compliance violations	27	41
Compliance investigations (substantial)	14	20
Disciplinary consequences	6	3
Closed incidents from previous reportings	31	43

1) Compliance incidents encompass especially all possible allegations of a violation of criminal or administrative law related to OSRAM's business activities.

C . 6

Independent Auditor's Limited Assurance Report

The assurance engagement performed by Ernst & Young (EY) relates exclusively to the German PDF version of the non-financial group report 2019 of OSRAM Licht AG. The following text is a translation of the original German Independent Assurance Report.

To OSRAM Licht AG, Munich

We have performed a limited assurance engagement on the separate non-financial group report of OSRAM Licht AG according to § 315b HGB ("Handelsgesetzbuch": German Commercial Code), consisting of the disclosures in chapter C.5 "Non-financial Group Report" as well as the sections A.1.1.1 "Business Model" as well as section A.1.1.3 "Organization and Reporting Structure" in the group management report being incorporated by reference (hereafter non-financial group report), for the reporting period from 1 October 2018 to 30 September 2019. Our engagement did not include any disclosures for prior years.

A.   **Management's responsibility**

The legal representatives of the Company are responsible for the preparation of the non-financial group report in accordance with §§ 315c in conjunction with 289c to 289e HGB.

This responsibility includes the selection and application of appropriate methods to prepare the non-financial group report as well as making assumptions and estimates related to individual disclosures, which are reasonable in the circumstances. Furthermore, the legal representatives are responsible for such internal controls that they have considered necessary to enable the preparation of a non-financial group report that is free from material misstatement, whether due to fraud or error.

B.   **Auditor's declaration relating to independence and quality control**

We are independent from the entity in accordance with the provisions under German commercial law and professional requirements, and we have fulfilled our other professional responsibilities in accordance with these requirements.

Our audit firm applies the national statutory regulations and professional pronouncements for quality control, in particular the by-laws regulating the rights and duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their profession [Berufssatzung für Wirtschaftsprüfer und vereidigte Buchprüfer] as well as the IDW Standard on Quality Control 1: Requirements for Quality Control in audit firms [IDW Qualitätssicherungs-standard 1: Anforderungen an die Qualitätssicherung in der Wirtschaftsprüferpraxis (IDW QS 1)].

C. **Auditor's responsibility**

Our responsibility is to express a limited assurance conclusion on the non-financial group report based on the assurance engagement we have performed.

We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). This Standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether the non-financial group report of the Company has been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB. In a limited assurance engagement the assurance procedures are less in extent than for a reasonable assurance engagement and therefore a substantially lower level of assurance is obtained. The assurance procedures selected depend on the auditor's professional judgment.

Within the scope of our assurance engagement, which has been conducted between September and November 2019, we performed amongst others the following assurance and other procedures:

— Inquiries of employees regarding the selection of topics for the non-financial group report, the risk assessment and the concepts of OSRAM for the topics that have been identified as material,

— Inquiries of employees responsible for data capture and consolidation as well as the preparation of the non-financial group report, to evaluate the reporting processes, the data capture and compilation methods as well as internal controls to the extent relevant for the assurance of the non-financial group report,

— Identification of likely risks of material misstatement in the non-financial group report,

— Inspection of relevant documentation of the systems and processes for compiling, analyzing and aggregating data in the relevant areas, e.g. Environmental Protection, Health and Safety in the reporting period and testing such documentation on a sample basis,

— Analytical evaluation of disclosures in the non-financial group report,

— Inquiries and inspection of documents on a sample basis relating to the collection and reporting of selected data,

— Evaluation of the presentation of disclosures in the non-financial group report.

D. **Assurance conclusion**

Based on our assurance procedures performed and assurance evidence obtained, nothing has come to our attention that causes us to believe that the non-financial group report of OSRAM Licht AG for the period from 1 October 2018 to 30 September 2019 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB.

E.   **Intended use of the assurance report**

We issue this report on the basis of the engagement agreed with OSRAM Licht AG. The assurance engagement has been performed for the purposes of the Company and the report is solely intended to inform the Company as to the results of the assurance engagement and must not be used for purposes other than those intended. The report is not intended to provide third parties with support in making (financial) decisions.

F.   **Engagement terms and liability**

The "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated 1 January 2017 are applicable to this engagement and also govern our relations with third parties in the context of this engagement (www.de.ey.com/general-engagement-terms). In addition, please refer to the liability provisions contained there in no. 9 and to the exclusion of liability towards third parties. We assume no responsibility, liability or other obligations towards third parties unless we have concluded a written agreement to the contrary with the respective third party or liability cannot effectively be precluded.

We make express reference to the fact that we do not update the assurance report to reflect events or circumstances arising after it was issued unless required to do so by law. It is the sole responsibility of anyone taking note of the result of our assurance engagement summarized in this assurance report to decide whether and in what way this result is useful or suitable for their purposes and to supplement, verify or update it by means of their own review procedures

Munich, November 20, 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft
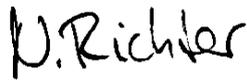
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