

C.5

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 2020, produced in accordance with sections 315b and 315c in conjunction with sections 289c to 289e of the HGB.

Unless otherwise indicated, all figures refer to the continuing operations of the OSRAM Licht Group¹⁾. At the end of fiscal year 2020, it was announced that the business of OSRAM CONTINENTAL was to be restructured. The plan is for the areas of business originally brought into the joint venture by the respective shareholder companies to be separated and transferred back to them again.

On November 5, 2020, the Supervisory Board of OSRAM Licht AG resolved to reduce the Managing Board to two members and to enter into negotiations with Dr. Stefan Kampmann, Chief Technology Officer (CTO), about terminating his contract prematurely by mutual agreement. By means of a resolution circulated to its members in writing dated November 16, 2020, the Supervisory Board approved Dr. Kampmann's resignation from the Managing Board with effect from the end of November 30, 2020, and approved the signing of a severance agreement. The Supervisory Board reallocated the responsibilities among the Managing Board members with effect from December 1, 2020, assigning to the Chairman of the Managing Board (CEO) the previous responsibilities of the CTO—including Quality Management & Operations and Environmental Protection, Health & Safety—with the exception of Procurement & Supply Chain (incl. Logistics) and Information Technology, which have been assigned to the Chief Financial Officer (CFO).

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 2020, another 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.

The non-financial report for the OSRAM Licht Group for fiscal year 2020 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).

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

Fiscal year 2020 for the OSRAM Licht Group was dominated by the COVID-19 pandemic. The economic ramifications are described in section [›A.2.2 Events and Developments Responsible for the Course of Business](#) in the combined management report. Non-financial aspects, for example employee health and safety, were also impacted. The pandemic caused demand in some areas to fall significantly, and production was scaled back accordingly. This affected levels of energy consumption and emissions. Information regarding the impact on the individual aspects can be found in the relevant subchapters.

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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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The section [›A.2.2 Events and Developments Responsible for the Course of Business](#) also examines the economic impact of the COVID-19 pandemic. General information on the impact on the non-financial aspects can be found in [›C.5.1 About this Report](#).

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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. Since fiscal year 2019, potential non-financial risks have formed part of the Company-wide survey, analysis, and follow-up of risks and opportunities by risk management and have been integrated into risk reporting [›A.4.2 Report on Risks and Opportunities](#). No risk was identified in fiscal year 2020 that is very likely to have a serious negative impact on non-financial aspects. This includes potential risks for non-financial aspects as a result of the COVID-19 pandemic. We are closely monitoring global developments, including any possible further spread.

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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:

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- 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 CO₂ emissions. The data covers 99% of our environmental impacts²⁾ and the locations at which a total of 86% of all our employees are based.

Overall responsibility 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.

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.

EHS coordinates environmental rules and guidelines, monitors performance, and continuously improves the environmental management system. In addition to the Group's overarching EHS policy, the department 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. As set out in our EHS policy, which is published online, this obligation also applies to mergers and acquisitions and to related reviews.

During the reporting period, a fine of over €10,000 was imposed on OSRAM for a breach of waste water law at the Wuxi (China) facility.

c.5.4.1 Energy Efficiency

Relevance

In the face of climate change, a key aspect of OSRAM's corporate responsibility is to optimize the energy efficiency of its business. As an industrial company, OSRAM uses both primary and secondary energy, with electricity and natural gas being 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.

In addition to these optimization efforts in our manufacturing operations, OSRAM products and solutions can also help to reduce our customers' energy consumption, the resulting emissions, and energy costs. At the same time, they can make a contribution to protecting the climate. 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 power 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.

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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 aforementioned 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 portfolio's 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 in production, OSRAM is striving for continual improvement at its locations.

The OSRAM Licht Group’s target for fiscal year 2020 was 199 MWh per €1 million in revenue, slightly lower than the previous year’s level of 203 MWh per €1 million in revenue. At the time the target was set, our assumption was that market conditions would stabilize compared with 2019. The plan for fiscal year 2020 also envisaged stable capacity utilization driven by high volumes.

In the medium term, our aim remains to continually reduce the aforementioned energy consumption per €1 million in revenue across the Group [› C.5.4.2 Greenhouse Gases and Climate Change—Objectives](#).

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Action Taken, Results, and Key Performance Indicators

At 663,100 MWh, OSRAM’s energy consumption in fiscal year 2020 was significantly lower than the prior year (703,600 MWh).

Consumption in the first two quarters was still fairly similar to the level of the prior year, but we registered a sharp fall in the third quarter in particular. The impact of the COVID-19 pandemic is clear to see here: We were affected not only by measures imposed by the authorities such as temporary factory closures in China (extension of the public holiday for the Chinese New Year) and Italy (nationwide lockdown) but also by restrictions on the numbers of employees permitted to work in Malaysia. This affected the operations in Wuxi, Kunshan, Foshan (all China), Treviso, Bergamo (both Italy), Kulim and, to some extent, Penang (both Malaysia). Moreover, the pandemic led to a significant fall in demand, particularly in lines of business such as automotive and entertainment. As a result, OSRAM was forced to scale back production at a number of locations and introduce supplementary measures such as short-time working and periods of compulsory leave [› C.5.6.2 Fair Working Conditions](#). Factories closed for a number of weeks, including those in Berlin, Herbrechtingen, and Schwabmünchen (all Germany), and in the U.S.A. in Hillsboro, Warren, and Exeter.

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A further measurable reduction in energy consumption—albeit one that had little impact on the overall assessment—resulted from the shift to remote working where this was possible. Of course, this measure was primarily aimed at reducing the risk of infection.

Energy savings were again achieved in the fiscal year under review by means of a large number of efficiency measures at our locations in all three regions. For example, we optimized ventilation, cooling water, and compressed air systems and continued to replace conventional lighting systems with LEDs. Quantitative information will be provided in our sustainability report, which is scheduled to be published in January 2021.

While absolute consumption fell slightly, as described above, a figure of 218 MWh per €1 million in revenue in fiscal year 2020 means we missed our target for energy usage in relation to revenue by nearly 10%. The impact of the COVID-19 pandemic is also evident in this indicator. Capacity utilization at our production sites decreased once again from the third quarter or even earlier, as had also been the case in the previous year. This underutilization of capacity does not correlate linearly with either the reduction in energy consumption or the decline in revenue. This is particularly the case at our semiconductor locations with high infrastructure requirements (air conditioning), which have to be maintained irrespective of the production volume.

Indicators – Energy Efficiency

in MWh

	Fiscal year	
	2020	2019
Primary energy	156,900	163,600
Natural gas	131,800	133,500
Liquefied petroleum gas, diesel for on-site use, heating oil, hydrogen	25,100	30,100
Secondary energy	506,200	540,000
Electricity	476,800	508,900
<i>thereof share of renewable energy in %</i>	27	25
District heating and steam	29,100	30,800
Renewable energy generated inhouse	300	300
Total (primary and secondary energy)	663,100	703,600
Target for specific energy consumption in MWh per €1 million revenue	199	194
Specific energy consumption in MWh per €1 million revenue	218	203

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 CO₂. Greenhouse gas emissions also occur in our upstream and downstream value chain. OSRAM accepts this responsibility and has set itself the target of ensuring that its own operations (Scope 1 and 2) are climate neutral by 2030.

Guidelines, Responsibilities & Structures, and Processes

OSRAM's Environmental Protection, Health, and Safety (EHS) department has the power 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 Disclosures (TCFD) when recording CO₂ emissions under

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- **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 further up or down the value chain that are attributable to the Company, as well as upstream and downstream in our products' lifecycle, for example 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 determine the 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

In November 2019, OSRAM announced a Company-wide climate objective of reducing the carbon footprint (Scope 1 and 2) of its own operations to zero by 2030. This is to be achieved through energy efficiency measures, the use of renewable energies, and, as a last resort, by compensating for any remaining emissions with certificates and associated climate protection projects. In the medium term, the plan is also to cover emissions from the upstream and downstream supply chain. OSRAM will continue to set itself annual targets for reducing its Scope 1 and Scope 2 (market-based) emissions. Consistent with our energy efficiency targets [➤ C.5.4.1 Energy Efficiency – Objectives](#) we have also defined a relative target for reducing CO₂ 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.

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3) Further information regarding Scope 3 and the TCFD's recommendations will be provided in the OSRAM Licht Group's 2020 Sustainability Report, which is scheduled to be published in January 2021.

As our targets for CO₂ emissions and energy efficiency are linked, the changes mirror each other. The OSRAM Licht Group's target for fiscal year 2020 for combined Scope 1 and Scope 2 emissions was 76 metric tons per €1 million in revenue.

To implement our climate strategy, we will introduce a climate roadmap featuring specific emission values not to be exceeded. This roadmap has not yet been definitively adopted. However, we have already introduced a new KPI entitled 'Deviation from the roadmap'. For fiscal year 2020, we set ourselves the target of not emitting, in absolute terms, more greenhouses gases than we did in the previous year (265,500 metric tons of CO₂). When calculating this figure, we excluded the Chennai (India), Manila (Philippines), Augsburg, and Regensburg-West (both Germany) locations, which are no longer included in our reporting. These facilities were either sold or closed or fell below the threshold of our criteria with regard to their environmental relevance.

Action Taken, Results, and Key Performance Indicators

At 236,300 metric tons, CO₂ emissions (Scope 1 and 2, market-based) in fiscal year 2020 were significantly below the level of the previous year in absolute terms (268,900 metric tons) and also 11% below our first targeted step toward being climate-neutral (265,500 metric tons).

In order to achieve the new objective, we decided in Germany that we will now only purchase electricity obtained from renewable sources (where it is possible for us to purchase this directly). Since the start of calendar year 2020, the Regensburg, Berlin, Herbrechtingen, and Schwabmünchen locations and the Group headquarters in Munich (all Germany) have been supplied with carbon-neutral electricity.

In fiscal year 2020, around 130,100 MWh (previous year: 127,900 MWh) of all the electricity used at OSRAM in Germany came from renewable energy sources. This avoided 52,400 metric tons of CO₂ emissions (previous year: 54,300 metric tons). The share of renewable energies within overall electricity consumption rose to 27% (previous year: 25%) [› C.5.4.1 Energy Efficiency, Table of Key Performance Indicators—Energy Efficiency.](#)

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The year-on-year reduction described above, adjusted for the former locations that are no longer reported on, is the net result of several contributions: Approximately 50%, or 14,600 metric tons of CO₂, is attributable to the purchasing of electricity obtained from renewable sources in Germany. The impact of the COVID-19 pandemic and the associated decline in energy consumption also had a substantial impact, which is described in [› C.5.4.1 Energy Efficiency.](#) The aforementioned efficiency measures at the locations also helped to lower emissions, by 2,900 metric tons of CO₂ [› C.5.4.1 Energy Efficiency,](#) as did local decarbonization of the electricity grids, for example in the East China region.

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Due to the issues relating to energy consumption and the achievement of the specific energy KPI outlined in [› C.5.4.1 Energy Efficiency,](#) the specific CO₂ target was missed by 3%, with the final figure reaching 78 metric tons per €1 million in revenue. However, this shortfall was smaller than in the previous year, primarily because of the purchase of electricity obtained from renewable sources in Germany.

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Indicators—Greenhouse Gases and Climate Change

CO₂ emissions in metric tons

	Fiscal year	
	2020	2019
GHG Scope 1 emissions	29,200	30,200
Natural gas	26,500	26,800
Liquefied petroleum gas, diesel for on-site use, heating oil	2,700	3,400
GHG Scope 2 emissions (market-based)	207,100	238,700
Electricity	200,000	231,000
District heating and steam	7,100	7,700
GHG Scope 2 emissions (location-based)	260,500	279,600
Total GHG Scope 1 and 2 emissions (market-based)	236,300	268,900
Target for metric tons of specific CO ₂ emissions from own activities (Scope 1 and 2) per €1 million revenue	76	72
Metric tons of specific CO₂ emissions from own activities (Scope 1 and 2) per €1 million revenue	78	78

In fiscal year 2020, OSRAM was assessed by CDP, the world's largest climate protection ranking platform, for the second time. It improved its score from C ('awareness') to B- ('management'). OSRAM took part in the CDP survey again in fiscal year 2020. The results are expected during the course of fiscal year 2021.

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 minerals due to their origin, for example from the Democratic Republic of Congo and neighboring countries [▶ C.5.7 Respect for Human Rights](#).

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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 minerals lies with Procurement, which at Managing Board level 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](#).

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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 continually reduce the amount of critical raw materials and substances we use, particularly conflict minerals, and replace them with alternative materials where technically possible and commercially feasible. OSRAM strives for full transparency with regard to classic conflict minerals (and since fiscal year 2020 also cobalt) 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](#).

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Action Taken, Results, and Key Performance Indicators

In fiscal year 2020, we refined and improved our special IT application that allows us to continually monitor 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.

A key development was the introduction of new evaluation functions used for preparing the reports that are required by the amended European Waste Framework Directive and its implementation in the respective national laws from January 2021. In this context, the European Chemicals Agency (ECHA) developed a database called SCIP in which every product containing substances of very high concern (SVHC) must be entered. This rule puts a considerable and challenging burden on the electrical engineering industry because of the requirement to report lead, which is contained in almost all electronic equipment, and to do so as early as component level. With the exception of the retailers that actually sell the products to consumers, all companies along a supply chain that manufacture, import, or trade products are legally required to make declarations in the SCIP database.

At OSRAM, the Digital Business Unit is the most significantly affected as almost all its products are subject to the disclosure requirements. In the Automotive Business Unit, products are disclosable if they contain electronics. Traditional lamps are therefore excluded.

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. Changes in the regulatory environment were incorporated.

In accordance with our business model, responsibility for initiatives aimed at improving the use of materials lies mainly with the individual business units. The Digital Business Unit, for example, has since 2017 gradually transitioned away from printed circuit boards (PCBs) with coatings containing heavy metal (such as silver and nickel) and now mainly uses more eco-friendly alternatives, despite the constraints that these present such as limited storage ability.

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 minerals are described in [>C.5.7 Respect for Human Rights](#).

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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 over 100 years ago or by making roads safer in the mid-1920s 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](#):

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- 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. To ensure that we keep this promise to our customers, these principles are firmly anchored within the Company and make an important contribution to the long-term success of the business. 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. We 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.

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 rules that apply across the Group, and for routinely monitoring compliance with these rules. Our core practices are described in the quality policy, which is publicly available. The guidelines and processes cover, for example, product safety and how this is taken into account in 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. Relevant internal and customer-oriented measures have been specified and may result in information being provided to customers or even a product recall.

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. Most new suppliers from whom products are purchased directly are audited as part of the preparations for entering into a business relationship as prescribed by VDA 6.3.

Objectives

OSRAM markets its products worldwide. One of our most important objectives is to ensure that our products do not cause anyone harm.

Action Taken, Results, and Key Performance Indicators

We had our processes and management systems recertified to ISO 9001 in fiscal year 2020. All locations supplying automotive customers were additionally certified to IATF 16949. Due to travel restrictions imposed by governments and local authorities to contain COVID-19, some audits were postponed to a later date. This was done in consultation with our certification body TÜV Süd.

In fiscal year 2020, the Quality Management department received no indications of potential violations concerning the impact of our products on the health or safety of our customers and therefore achieved the aforementioned objective of delivering safe products to our customers.

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 this data and information. We aim to protect any personal information that we collect and to ensure that the way it is used is in compliance with the law.

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Guidelines, Responsibilities & Structures, and Processes

OSRAM has embedded data privacy in its business principles and internal policies. The data privacy management system (DPMS) forms part of the compliance management system.

At OSRAM, the head of Group Data Privacy has the power to issue Group-wide data privacy guidelines, formulates guidelines that apply across the Group, and regularly checks that these are adhered to in the OSRAM Group companies where data privacy coordinators have been named or, if necessary, data privacy officers have been appointed. As part of the compliance organization, data privacy is a global function. 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.

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.

We require our employees to treat personal data and information confidentially. We also provide classroom-based and online data privacy training. The training is mandatory for employees with specific job descriptions. The global HR system is used to determine who these people are (essentially 'white collar' employees). All our business partners that handle sensitive data are required 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. Suspected data breaches can be reported using the whistleblowing system 'Tell OSRAM' [› C.5.8 Combating Corruption and Bribery](#). Reports can also be made through the usual internal company channels, such as the relevant Compliance Officer, Corporate Compliance, or the line manager.

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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.

Action Taken, Results, and Key Performance Indicators

In fiscal year 2020, the existing DPMS was updated and integrated into the compliance management system. Existing compliance system processes were supplemented with relevant data privacy modules. For example, data privacy is now an integral component of the compliance risk assessments and the classroom-based compliance training [› C.5.8 Combating Corruption and Bribery](#). Data privacy management, meanwhile, has become more effective and more efficient through the use of the established structures of the compliance management system.

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In fiscal year 2020, the Group-wide binding corporate rules (BCRs) were updated and their language was brought into line with the General Data Protection Regulation. Since 2013, the BCRs have provided the legal basis for the transfer of personal data between all OSRAM Group companies and are to be agreed by all Group companies with OSRAM GmbH.

The online training on data privacy, which was most recently provided in fiscal year 2018, was updated in line with the current regulatory environment in fiscal year 2020 with a view to it being carried out again worldwide at the beginning of fiscal year 2021. This is consistent with the new three-year cycle for compliance training.

At OSRAM CONTINENTAL, data privacy training was provided to 208 employees online and 19 employees face to face in fiscal year 2020.

Various means of communication were used at OSRAM to raise awareness of data privacy. The COVID-19 pandemic and associated restrictions meant it was not possible to implement all the planned measures. For example, the compliance and data privacy day in September 2020 featuring external and internal guests did not take place. Web-based internal and external communication activities such as web chats and data privacy advisory sessions were provided instead.

During fiscal year 2020, 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/erasure, which were responded to adequately and within the period of time prescribed by law. During the fiscal year under review, we did not need to report any data breaches to the competent supervisory authorities.

Indicators—Protection and Security of Personal Data

	Fiscal year	
	2020	2019
Employees (FTE)	21,400	23,500
Number of employees trained (in-person and online)	304	11,304
Data privacy-related inquiries from authorities	–	–
Customer complaints	–	–
Requests for information		
in time	5	5
not in time	–	–
Privacy incidents		
without sanctions	–	2
with 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.

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The Global Sales Excellence function organizes measures aimed at further improving the efficiency of sales processes and structures across all business units. It also coordinates and implements Company-wide initiatives and projects. The head of Global Sales Excellence reports directly to the Chairman of the Managing Board (CEO).

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. Once the results of the survey have been analyzed, the business units define and implement appropriate measures.

Because of its customer and production structure, OSRAM CONTINENTAL does not participate in the OSRAM customer survey. The customers of OSRAM CONTINENTAL are individually served by a dedicated key account management system.

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. We measure quality in this area using the Customer Loyalty Index (CLI). 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.

Once the customer survey in fiscal year 2019 had been completed and the results analyzed, the business units defined measures specific both to particular customers and customers generally, and are now monitoring their implementation. The objective for fiscal year 2020 was to implement improvement measures derived from the 2019 customer survey.

The Next Generation Sales corporate program was initiated in fiscal year 2019 so that we can continue to serve our customers in ever-changing sales channels while at the same time reaping efficiencies in the sales process. The objective is to expand on the level of digital interaction with customers. In part through the introduction of the new B2B sales portal (online ordering system for corporate customers), we would like to further increase the proportion of revenue that is generated online beyond that achieved in fiscal year 2020; the target is 80%.

The modules that had already been launched to set up a new online ordering system for corporate customers and a customer relationship management (CRM) system were supplemented with further modules in fiscal year 2020—with the aim of being able to offer customers the full range of digital services.

Action Taken, Results, and Key Performance Indicators

The improvement measures derived from the 2019 customer survey will continue to be implemented within the business units until the next survey begins in fiscal year 2021.

In fiscal year 2020, the activities of the Global Sales Excellence function focused on optimizing existing structures and establishing sales management criteria and KPIs to be applied across the Company.

The customer segments and service catalogs defined in the previous fiscal year are in the process of being introduced in the Automotive and Digital Business Units.

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 having already commenced at the end of September 2019. This was implemented for the relevant business units in Europe in fiscal year 2020. A further roll-out for APAC, NAFTA, and LATAM is planned for fiscal year 2021. Various functionalities are also being worked

on during this period. Additional modules (digital services management and digital marketing) were added to the scope of the project in order to provide customers with the full range of digital services and interaction options. This will also help with the COVID-19-related restrictions on direct customer contact.

Implementation was delayed on the whole, partly because of COVID-19 and partly because of the aforementioned expansion of the project scope. The approximate timeframe for implementation was therefore extended by approximately six to eight months. The overall implementation and refining of the system—as well as of the related processes—is scheduled to last around three years and is being carried out on a flexible basis.

In fiscal year 2020, we fell just short of the target defined in the Next Generation Sales program of increasing the proportion of revenue generated from orders made using digital media to 80%.

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:

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- 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.

 Page 3

Human Resources 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 has delegated this area of responsibility to the head of Environmental Protection, Health, and Safety (EHS) [C.5.6.1 Occupational Health and Safety](#).

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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 power 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. As set out in our EHS policy, which is published online, this obligation to comply with relevant laws and regulations concerning occupational health and safety also applies to mergers and acquisitions and to related reviews.

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 4 Environmental Aspects](#).

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The Wuxi, Kunshan DO, Kunshan OSRAM CONTINENTAL, and Foshan locations (all China) as well as the locations in Penang and Kulim (both Malaysia) and Bergamo (Italy) and the headquarters in Munich (Germany) are externally certified according to the ISO 45001 standard for occupational health and safety management. 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. The plant in Foshan was additionally certified to BSCI, an internationally recognized standard for social accountability, for the first time. 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. Our responsibility for occupational health and safety also encompasses employees of external companies who are working at our locations. However, because we do not specifically record how many of them there are or how many hours they work, the aforementioned figure only covers our own permanent employees.

At the abovementioned 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 and the company doctors. Managers are also provided with regular training on these matters. The quality and completeness of the risk assessments are audited internally and externally as described above. Risks at OSRAM can be of an ergonomic, mechanical, radiation-related, or chemical nature, for example.

In addition, we have formed occupational health and safety committees in line with local legal requirements or on a voluntary basis and these committees meet regularly and in accordance with local requirements. The committees consist of representatives of local management, employee representatives, and members of the medical team. Their resolutions are recorded in corresponding minutes and adopted measures are followed up.

Furthermore, all OSRAM employees have an obligation and responsibility to be mindful of safety, at their place of work. Because we have an occupational health and safety management system certified to ISO 45001, our employees are instructed to report hazardous situations (and can do so without fear of reprisals) and know they can put themselves out of harm's way without needing to ask permission. The employees are also included in the process of creating and updating the risk assessments and of conducting a review into the incidents using 5 Whys Analysis.

OSRAM employees are informed of hazards in their workplace when they join the Company and then regularly thereafter. If they change jobs internally, they can only commence their new activities once they have been retrained.

OSRAM also attaches importance to the health and medical care of its employees outside of work. We therefore offer health insurance in countries where such insurance is not legally mandated. Comprehensive insurance is in place for business trips. The locations also offer various local programs aimed at promoting good health in general.

Our suppliers are required to adopt and sign our Code of Conduct. New suppliers must also fill out an online questionnaire on aspects of sustainability, including occupational health and safety, that is evaluated by Procurement, if necessary with the involvement of EHS. In addition, randomly selected suppliers are requested to undergo external corporate responsibility audits [› C.5.7 Respect for Human Rights](#). We have placed greater focus on outsourced processes and their impact on environmental protection and occupational health and safety since the introduction of the corresponding ISO 14001 and ISO 45001 standards. To this end, the central EHS department worked with Procurement to develop and distribute a specific annex to the procurement policy.

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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 2020, we set ourselves a global LTIFR target of 0.28 (LTIFR reported in previous year: 0.29). The SR target for fiscal year 2020 was 6.82 (SR reported in previous year: 6.04). We already expect a zero-injury rate at non-production locations.

Action Taken, Results, and Key Performance Indicators

Occupational health and safety measures were again carried out at local and global level in fiscal year 2020. They included special work safety days and newsletters that were distributed centrally and locally with the aim of improving the sharing of best practice on raising safety awareness and optimizing personal safety equipment. Unfortunately, these activities had to be heavily curtailed due to the COVID-19 pandemic. This was mainly because the pandemic led to an increase in the workload of EHS employees at the locations.

OSRAM faced up to the challenges of the COVID-19 pandemic with a war room team at Group headquarters and local crisis management teams at the locations. The team at headquarters comprised the operational heads of the business units and representatives of the Communications, HR, EHS, Travel Safety, and Procurement functions. This team reported regularly to the team leader (who reports directly to the CEO) on all matters pertaining to the crisis.

In the context of health and safety in the workplace, the focus was on preventing clusters of infection at OSRAM. Local rules and regulations were observed and implemented to this end. There were general rules for the Company as a whole. However, location-specific instructions were also issued that took into account local conditions. These measures included rules on social distancing and hygiene as well as steps to restrict contact by implementing special shift patterns and reconfiguring workstations in production areas, prohibiting travel to other OSRAM locations, requesting essential external visitors to complete a self-declaration, and asking office workers to work from home. The implementation of the measures was supported by regular communications to keep employees informed.

The success of these efforts is reflected in the fact that although there were cases of positive tests among OSRAM employees, these did not result in any clusters of infection within the workforce. This also meant that no facilities had to close for long periods for quarantine reasons or due to a public order specific to that location, but only had to close in individual cases for commercial reasons or because of a national lockdown.

For reasons of consistency, we did not adjust our KPIs for occupational health and safety, the LTIFR, or the SR, because of the pandemic. They are instead scaled in line with the contractually agreed working hours. These hours were not adjusted despite the imposition of short-time working, compulsory leave, and factory shutdowns, making it more likely that the figures would be on the low side.

However, we still failed to achieve the targets set for fiscal year 2020. The LTIFR of 0.37, for example, was clearly higher than the target figure. At 84, the number of occupational accidents significantly exceeded the 75 recorded in the previous year. The biggest factor here was an incident involving an ammonia leak in Kulim (Malaysia) that led to 28 employees having to be admitted to a local hospital for monitoring. Of the accidents reported, one was so serious that the employee in question has not recovered, or is not expected to recover, within six months.

The SR of 6.62, however, was below the target. Although we registered unusually high numbers of lost days in the Americas region, this KPI improved in the EMEA and APAC regions despite the incident in Kulim.

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

During the reporting period, there were no recognized cases of occupational illness (previous year: two cases).

In the reporting period, no relevant penalties or fines amounting to more than €10,000 were imposed on OSRAM for breaches of occupational safety regulations.

Indicators – Occupational Health and Safety

	Fiscal year		
	2020	2019	Target 2020
Rate of occupational accidents with days of absence LTIFR ¹⁾	0.37	0.29	0.28
Severity rate (SR) ¹⁾	6.62	6.04	6.82
Number of accidents resulting in absence from work	84	75	
Number of high-consequence accidents ²⁾	1	–	
Number of cases of recognized occupational illness ³⁾	–	2	

- 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.
- 2) Accidents that results in an injury from which the worker cannot, does not, or is not expected to recover fully to pre-injury health status within six months.
- 3) Occupational diseases are illnesses suffered by employees as a result of their professional activity and which are recognized as such by authorities or insurance carriers. OSRAM thereby adheres to local legislation with regard to the responsible authorities and procedures to follow.

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. Not only do relationships with international customers and suppliers require cultural awareness but diverse teams also have a strong ability to innovate. Moreover, 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. 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](#).

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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, sexual harassment, and other personal attacks are set out in our Business Conduct Guidelines (BCG) and apply to all employees and board members. 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](#). Possible breaches can also be reported through the usual internal company channels, such as the relevant Compliance Officer, Corporate Compliance, or the line manager.

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OSRAM's cultural values have been in place since 2018 and focus on how employees work together and how leadership should be organized at OSRAM.

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 in doing so to provide their employees with fair working conditions [› C.5.7 Respect for Human Rights](#).

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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.

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 forms of deferred compensation.

Collective agreements are in place at our largest European companies in terms of number of employees⁴⁾. 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.

At OSRAM CONTINENTAL, the Code of Ethics provides guidance on how to interact responsibly with one another in the workplace. It also sets out what is expected of suppliers with regard to fair working conditions and respect for human rights.

Objectives

Our objective is to avoid incidents that represent a breach of fair working conditions. Since fiscal year 2019, it has been possible to report breaches of our principles of fair working conditions via the existing whistleblowing system 'Tell OSRAM'. The reported incidents are then analyzed so that appropriate preventive measures can be put in place.

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 proportion 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. To achieve this objective, OSRAM exploits its cachet as a technology company in Germany to initiate and participate in activities—such as dedicated job fairs and events—that aim to make technology careers more attractive to women and girls.

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.

In consultation with employee representatives and works councils, we responded swiftly to developments related to the global COVID-19 pandemic and endeavor to take appropriate account of employees' interests as well. Our objective is to protect the health of our employees in the workplace while also factoring in the economic climate for the Company. We are therefore looking to secure the financial situation of the Company and safeguard jobs.

Action Taken, Results, and Key Performance Indicators

A total of two indications of possible violations of the principle of fair working conditions were reported via 'Tell OSRAM' in fiscal year 2020. They were recorded and analyzed systematically, and no violations of the principle of fair working conditions were identified. We are currently continuing to work on specific prevention measures, including training and flyers, to ensure that fair working conditions can be achieved in all sectors and regions.

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

In the past fiscal year, there were numerous activities to make technical roles at OSRAM more attractive, particularly to women and girls. The Company participated in the herCAREER job fair in Germany, for example. Events and job fairs had to be cancelled in the second half of fiscal year 2020 due to the global COVID-19 pandemic.

Globally, the share of women in first level management roles was 17% as of September 30, 2020, while the figure for the second management level was 21%. As of September 30, 2020, the proportion of women across the Group in the first and second levels of management in Germany stood at 13.9% and 17.3% respectively.

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

Indicators—Share of Female and Male Employees at OSRAM

	First management level ¹⁾		Second management level ²⁾		Total workforce	
	Fiscal year		Fiscal year		Fiscal year	
	2020	2019	2020	2019	2020	2019
Female	17%	15%	21%	22%	47%	46%
Male	83%	85%	79%	78%	53%	54%

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, an agreement on a socially responsible restructuring program was reached with the employee representatives in Germany in March 2020 and again in July 2020. The agreement covered the Group-wide program Fit for the Future 2 and also the consolidation of locations by moving cinema lamp production from Eichstätt to Berlin (both Germany). 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. As well as members of the Managing Board, the head of Strategy, and the head of HR, the steering committee comprises representatives of the Group Works Council and of the labor union. The committee discusses developments resulting from the transformation at a very early stage and highlights the consequences for employment.

The bulk of the measures were implemented in fiscal year 2020 in line with the plan, which runs until the end of fiscal year 2021. The implementation of the program involves not only job cuts but also employee training. As such, it 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. Compulsory redundancies were not required where job cuts were necessary. It was possible to implement the measures on a voluntary basis and with the minimum possible social impact. Early retirement played a particularly important role alongside termination agreements and the creation of interim employment companies.

Although OSRAM CONTINENTAL is not part of the transformation processes at OSRAM that are described in this chapter, the changes to the market conditions did prompt it to implement its own restructuring programs in fiscal year 2020.

As early as March, OSRAM reached a Group-wide agreement relating to the COVID-19 pandemic with the employee representatives in Germany. Agreements with local works councils on provisions for remote working, short-time working, factory shutdowns, and the using up of working hours credits and vacation entitlement were reached in parallel to this. Representatives on both the employee and employer side are engaged in constant dialog so that they are able to respond to new developments in the global pandemic while also taking appropriate account of employees' interests.

Short-time working was imposed at all locations in Germany. Furthermore, employees whose pay has been collectively agreed and who are contracted to work 40 hours a week had their weekly hours reduced to 35.

At many international locations, steps were taken that successfully safeguarded jobs in spite of the collapse in revenue caused by the COVID-19 pandemic. Short-time working was also imposed at our international production facilities and particularly in the factories that supply the automotive industry. A handful of sales units also imposed short-time working. These units did, however, put in place special measures such as reduced working hours, allowances in lieu of leave, reductions in working time accounts, compulsory leave, and cost savings (e.g. on operating costs). In the context of health and safety, special mention should also be made of the efforts to avoid a negative financial impact on employees as a result of potential site closures due to public orders > [C.5.6.1 Occupational Health and Safety](#).

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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.

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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 nine recognized technical trades, one commercial occupation, and six degree apprenticeships. In fiscal year 2020, 136 (previous year: 134) young people were employed at OSRAM as part of their training or degree apprenticeship, 125 (previous year: 128) 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 senior management.

We offer our entire workforce a comprehensive general training program with numerous opportunities for professional development and skills upgrading.

A range of development opportunities are available to our employees 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 established GROW process. The high-potential programs are used to develop our most talented individuals at global and local level.

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. The global talent management strategy that was developed as a result was successfully introduced throughout the Company in fiscal year 2020. A new recruitment tool was also launched and extensively implemented in fiscal year 2020.

In fiscal year 2020, OSRAM invested €3.51 million (previous year: €7.53 million) in its employees' continuing professional development. The expenditure for fiscal year 2020 was below the level of the previous year because the COVID-19 pandemic prevented many of the activities from being carried out.

The COVID-19 pandemic also meant that some of the planned classroom-based seminars had to be switched to virtual sessions at short notice, while others had to be cancelled or postponed to the new calendar year. The existing program of virtual training courses was expanded. Particularly in light of our Company's current transformation, it is important to provide our employees with the opportunity to learn new skills in areas such as digitalization and agile working.

The COVID-19 pandemic also had an impact on the career paths, with the related development programs having to be postponed to fiscal year 2021 because of the restrictions. This affected all dates in the respective programs from March 2020.

Development review meetings encompassing different levels of management were affected too. They were suspended in fiscal year 2020. The nominations were made as a result of individual discussions or meetings between management and HR involving only a small number of people.

The local program for high-potential employees, GoFurther!, the global program for high-potential employees, and the recently launched Executives program were all successfully implemented in fiscal year 2020.

The general deterioration of the markets, driven in part by the COVID-19 pandemic, was also reflected in the number of appointments to management positions. The number of new appointments fell from a total of 291 in fiscal year 2019 to 264 in fiscal year 2020. The proportion of these appointments that were made from within the Company edged up from 75.6% in fiscal year 2019 to 78.0% in fiscal year 2020.

Indicators – Recruitments to Management Positions

	Fiscal year	
	2020	2019
Number of recruitments – senior management positions ¹⁾	22	37
thereof internal recruitments	16	31
Number of recruitments – management positions ²⁾	242	254
thereof internal recruitments	190	189
Number of recruitments – total management positions	264	291
 thereof total internal recruitments	206	220

1) Senior managers who belong to the executive level of the organization.

2) Managers above pay scale.

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 increasing shortage of skilled workers > [C.5.6 Employee Aspects](#). We believe that employee satisfaction and our attractiveness as an employer are indicators 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](#).

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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 guide⁵⁾ in order to provide uniform standards across the Group.

The main way in which we gauge employee satisfaction and engagement is by carrying out a global survey. 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 already strong appeal as an employer in the labor market.

In terms of employer attractiveness, our objective for fiscal year 2020 was to continue to hold Top Employer certification from external institutes and to remain highly popular with the target group of potential employees. We also set ourselves the goal of revising our global careers website in order to maintain our appeal and target prospective applicants even more effectively. Although our recruitment activities were scaled back due to the significant decline in demand and the economic consequences, we continue to compete for talent in the STEM disciplines⁶⁾.

Action Taken, Results, and Key Performance Indicators

The employee survey originally planned for fiscal year 2019, and delayed to fiscal year 2020, was not carried out due to various developments. The COVID-19 pandemic, in particular, had a significant impact on the day-to-day work of our employees. A regular survey would therefore not have provided any comparable results. The takeover by ams was, and still is, a prominent topic. To provide optimum support for the necessary changes, global 'pulse checks' are carried out with a random selection of employees instead of a worldwide survey of the entire workforce. Every six weeks or so, these are used to gauge the current mood and identify employees' information requirements.

The pandemic-related restrictions meant that the physical dialog formats that had previously been used, such as town hall meetings, became much more digital in nature and were carried out virtually.

The target of retaining our Top Employer certification was achieved in fiscal year 2020, with certificates awarded in Germany, China, Malaysia, and the U.S.A. In addition, we received an award for our new careers website from market research company Potentialpark, which named it the third-best careers website in Germany. This ranking represented an improvement of 45 places compared with the previous year. The mobile version of the site was ranked sixth. In the overall rankings for global recruitment communications, we came in 13th place worldwide.

The COVID-19 pandemic led to a number of job fairs either being cancelled or postponed to 2021.

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 potentially be classified as conflict minerals due to their origin, for example from the Democratic Republic of Congo and neighboring countries. To a very small extent, for example in a traditional automotive product line, cobalt is used in OSRAM products > [C.5.4.3 Raw Materials and Substances](#).

5) The guide is not applicable to OSRAM CONTINENTAL.

6) STEM stands for science, technology, engineering, and mathematics.

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 policy. We respect and support internationally recognized human rights at all of our locations and are committed to the principles of the United Nations 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 human rights guideline. The latter is based on the Universal Declaration of Human Rights, the United Nations' Guiding Principles for Business and Human Rights, the fundamental conventions of the International Labour Organization, and the principles of the UN Global Compact. We place an obligation on all OSRAM employees to implement the guideline in an appropriate way in their area of responsibility.

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 (CEO), who also serves as the Labor Relations Director. The HR department has the power to issue human rights policies and coordinates how compliance with these policies is monitored.

In the past fiscal year, a process for continually monitoring human rights risks and appropriate management processes was implemented in order to produce an annual risk assessment. It incorporates not only macro-economic factors but also internal risk factors. The process is also integrated with enterprise risk management, meaning that human rights risks can be reported within the enterprise risk management process. Questions regarding human rights risks are also 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.

Once a year, an internal stakeholder workshop usually takes place at which various functions analyze the results of the risk assessment together with HR in order to identify measures and initiatives for the organization and workforce. The specified risk areas are also reviewed to check they are up to date. Unfortunately, the COVID-19 pandemic prevented the workshop from being held in fiscal year 2020.

If violations occur, they can be reported using the whistleblowing system 'Tell OSRAM' [C.5.8 Combating Corruption and Bribery](#). Reports can also be made through the usual internal company channels, such as the relevant Compliance Officer, Corporate Compliance, or the line manager. All indications are systematically analyzed and any necessary measures are initiated.

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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). In summer 2020, we joined the Responsible Business Alliance (RBA), an industry coalition of leading electronics companies that have committed to abiding by a code of conduct focused on sustainability and to improving aspects of corporate social responsibility. Since becoming a member, we have been using the RBA's online platform to track audits and are gradually updating our existing process. As a first step, we linked up with the suppliers that are already registered on the RBA's online platform and in doing so were given access to their RBA audits, which all apply the RBA VAR (validated audit report) standard. Measures derived from the RBA audits that have been carried out are sent directly to the supplier via RBA Online. The supplier can make updates on the platform and customers such as OSRAM can monitor progress in implementing the measures.

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 fulfill our human rights responsibilities in this area too, we have put in place appropriate due diligence processes for procurement. Since fiscal year 2020, we have also been reviewing our supply chains according to the status of cobalt smelters used and have been asking relevant suppliers of ours for this information.

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Responsibility for the issue of conflict minerals lies with the Procurement 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

Our aim is to regularly review the Group-wide guideline regarding respect for human rights against developments in the regulatory environment and adapt it as required.

The avoidance of human rights abuses is a key objective for us. As well as investigating each notification of a potential breach of human rights, for example those that are submitted to OSRAM via the whistleblower system 'Tell OSRAM' or any of the other aforementioned channels, our goal is to systematically analyze notifications of suspected cases 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 work with suppliers was significantly affected by the COVID-19 pandemic. Together with our suppliers, we sought to minimize the economic and the resulting social impact of the pandemic on all stakeholders. During the pandemic, we largely dispensed with external audits in order to protect the health of all concerned, to take account of travel restrictions, and to avoid burdening suppliers with the additional workload required by the audits. This is why fewer corporate responsibility audits than normal were carried out in fiscal year 2020.

We strive for full transparency with regard to conflict minerals, including cobalt, for our entire purchasing volume and are committed to dealing with the issue in accordance with the OECD Due Diligence Guidance for Responsible Mineral Supply Chains. 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 strive to maintain it in the future.

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 2020. This resulted in us reformulating our statement on the Modern Slavery Act so that it also covers the future requirements of other countries.

In fiscal year 2020, human rights were the subject of an internal audit for the first time. The audit focused on the degree of awareness of the human rights guideline among the workforce.

A global human rights training program was also developed. Implementation of the program is scheduled to commence in fiscal year 2021.

As part of our activities to promote respect for human rights, we also pursue region-specific topics that are identified by our risk analysis. For example, we hosted a virtual event for our HR colleagues in China in order to provide information on the subject of human rights. We also organized a session aimed at sharing best practice between Germany and China. Other activities were cancelled due to the COVID-19 pandemic.

Employees of OSRAM CONTINENTAL worldwide are trained on their duty of care with regard to human rights on the basis of the Code of Ethics.

In fiscal year 2020, we did not receive any indications of human rights breaches via the whistleblowing system 'Tell OSRAM'.

The COVID-19 pandemic prompted us to focus on the resilience of our global supplier network in fiscal year 2020. An intensive consultation process took place with the aim of minimizing the economic fallout in our supply chain and working with our suppliers to come up with sustainable solutions. With only a few exceptions, we managed to keep the supply chain running and therefore ensured the continuation of the business relationships, albeit with lower volumes.

We largely dispensed with external corporate responsibility audits because of the COVID-19 pandemic. The geographical focus of the audits and self-assessments that were carried out in spite of this remained on China and Malaysia in fiscal year 2020.

The vast majority of our products do not contain cobalt. In fiscal year 2020, as a further step toward having a conflict-free supply chain for this substance, a cobalt reporting template was drawn up for the few products of ours that do contain cobalt (see due diligence description above). The template creates transparency in the supply chain by facilitating the sharing of information on the country from where the minerals originate and the smelters that are used. As a result of adopting the template, we have now achieved transparency in the majority of our products with regard to the use of cobalt.

Overall, we have not yet been able to fully establish, together with our suppliers, the secured conflict-free status of our entire portfolio.

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 functioning 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 of key importance in our efforts to combat corruption and bribery.

Guidelines, Responsibilities & Structures, and Processes

OSRAM's compliance management system is designed to prevent possible violations of the applicable anti-corruption and antitrust laws. The Business Conduct Guidelines set out mandatory rules for employees that are aimed at tackling corruption and ensuring appropriate competitive behavior. They are supplemented, and defined in more detail, by the compliance guideline. The compliance management system follows the management system methodology described in the IDW AsS 980 assurance standard.

From an organizational perspective, the compliance management system consists of employees at the headquarters and in the regions. The Compliance department has the power to issue guidelines, specifies content and processes, and regularly monitors compliance. The Chief Compliance Officer reports directly to the Chairman of the Managing Board (CEO), who is the member of the Managing Board responsible for compliance. 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 current developments and potential risks on a quarterly and 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 at an early stage and make continuous improvements to the Group-wide compliance management system. An in-depth compliance check also forms part of the decision-making process for mergers and acquisitions. In addition, the management teams of each entity and the compliance organization conduct regular controls, for example of tool-based processes for dealing with business partners and hospitality. 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 use the Corruption Perceptions Index to review and classify our business partners according to the prevalence of corruption in the country in which they operate. We use an external provider's database to check whether there are any indications that the partner is involved in corruption, fraud, or other criminal acts. We also require our partners to adhere to rules aimed at preventing corruption. 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 are followed up. Retaliation against whistleblowers will not be tolerated. If there is specific evidence, internal compliance investigations are conducted. 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 is mandatory for employees with specific job descriptions. The global HR system is used to determine who these people are (essentially 'white collar' employees).

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.

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 and business model of the OSRAM Licht Group as well as the relevant regulatory environment.

A modern training program is a key component of our compliance management system. That is why we want to reflect the current regulatory environment in our classroom-based and online training sessions, and provide our employees with the most comprehensive training possible. However, our compliance organization always ensures the focus is on the organizational structure and business model of our Group.

Action Taken, Results, and Key Performance Indicators

The adequacy, implementation, and effectiveness of the OSRAM Licht Group's compliance management system (anticorruption and antitrust modules) was certified without qualification in accordance with the IDW AsS 980 assurance standard in October 2019.

We reconfigured our compliance organization in April 2020, incorporating insights from the successful review of the compliance management system. This organizational change also allowed the Compliance Officer to focus more on the business units and their business models.

To strengthen our compliance responsibility on the supplier side too, we joined the Responsible Business Alliance (RBA), an industry organization that is committed to driving social responsibility among companies that are involved in global supply chains > [C.5.7 Respect for Human Rights](#).

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Targeted communication measures were taken in fiscal year 2020 to raise awareness among our employees. For example, a newsletter featuring relevant compliance content was published on the intranet and sent to all managing directors of Group companies as well as other management personnel. However, the COVID-19 pandemic and associated restrictions meant it was not possible to implement all the planned measures. For example, the compliance and data privacy day in September 2020 featuring external and internal guests could not take place.

To improve the documentation and traceability of our classroom-based and online courses, all mandatory compliance training courses were made available worldwide via our learning management system (LMS) in the middle of fiscal year 2020 > [C.5.6.3 People Development](#). The process for running the training was also automated. A three-year cycle was set for all training courses and the target group was extended to all 'white collar' employees.

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The following table provides information on our anticorruption training activities.

Indicators – Compliance Training focusing on Anti-Corruption

	Fiscal year	
	2020	2019
Employees (FTE)	21,400	23,500
Number of employees trained (in-person and online)	4,426	6,686
thereof in EMEA	1,729	2,722
thereof in APAC	2,377	2,588
thereof in Americas	320	1,376

There were 26 reports of possible compliance violations in fiscal year 2020 (previous year: 27). In total, two cases had disciplinary consequences in fiscal year 2020 (previous year: six).

Indicators – Compliance Incidents¹⁾

	Fiscal year	
	2020	2019
Employees (FTE)	21,400	23,500
Reports on possible compliance violations	26	27
Compliance investigations (substantial)	17	14
Cases with disciplinary consequences	2	6
Closed incidents from previous reportings	23	31

1) Compliance incidents encompass especially all plausible 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 2020 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", A.1.1.3 "Organization and Reporting Structure", A.2.2 "Events and Developments Responsible for the Course of Business" and A.4.2 "Report on Risk and Opportunities" in the group management report being incorporated by reference (hereafter non-financial group report), for the reporting period from 1 October 2019 to 30 September 2020. 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 Qualitätssicherungsstandard 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 2020, 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, aggregating and validating 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 2019 to 30 September 2020 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 26, 2020

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft



Nicole Richter
Wirtschaftsprüferin
(German Public Auditor)



Hans-Georg Welz
Wirtschaftsprüfer
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