



# **Corporate Principles**



## **Success needs a firm hold.**

<b>Charter</b>	<b>4</b>
<b>Company Charter</b>	<b>7</b>
<b>Corporate Structure</b>	<b>10</b>
<b>Business Groups</b>	<b>10</b>
<b>Sales</b>	<b>10</b>
<b>Subsidiaries</b>	<b>11</b>
<b>Corporate Departments</b>	<b>11</b>
<b>Further elements of the management structure</b>	<b>15</b>



## Foreword

Effective October 1, 2009, EPCOS was combined with the components business of TDK under the roof of the new Japan-based TDK-EPC Corporation (TDK-EPC for short). Since the end of October 2009, TDK-EPC Corporation and associated TDK companies hold all shares in EPCOS AG. As a result of this combination, EPCOS' listing on all German stock exchanges was discontinued at the start of November 2009.



## Charter

### Our Vision

Our aim is to make the name EPCOS synonymous with outstanding technological and business performance in the field of electronics – to customers, employees and investors alike.

### Our Products

EPCOS develops, manufactures and markets electronic components, modules and systems. These products process electrical signals, control power supplies and protect electronic circuitry. They are indispensable to all electrical and electronic equipment. We offer a broad portfolio that covers both customer and application-specific solutions and standard products.

### Our Goals

EPCOS wants to generate profits and sustainably increase shareholder value. We want our customers to see us as their most reliable and innovative partner. We want to be a leader in every market that we serve and grow faster than our competitors. As a technology company driven by innovation and ongoing development, we want to play an active part in shaping progress both today and tomorrow.

### Our Strategy

EPCOS pursues a strategy of profitable growth. This strategy is rooted in our broad spectrum of technological competence, which in turn is derived from the in-depth knowledge and extensive experience of our people. The result of their research and development work is our innovative strength. Innovation keeps us competitive, enables us to grow and assures our future performance. The outcomes of our ongoing innovation give our customers crucial competitive advantages, while opening up new applications and markets. EPCOS benefits from the synergies that arise from its ability to master and combine different technologies. With our products and services we concentrate on fast-growing markets and are increasing our presence in these markets. To this end, we cooperate with partner companies and/or acquire other companies. We remain flexible and unbiased in our choice of the most favorable locations, materials and services. Where it is probable that EPCOS cannot attain a leading market position in a given business activity, we will either focus on specific market segments or abandon this business.

### Our Principles

#### **Customer Orientation**

The customer is at the center of all our efforts. Satisfied customers are indispensable to our success. We serve as partners to our customers. Our top priority is to provide products and services that help them remain competitive and become more competitive. The personal commitment and efforts of every EPCOS employee make a vital contribution to customer satisfaction.

#### **Process Orientation**

Flawless and efficient processes are imperative to enable us to satisfy the varied and ever more exacting demands of the markets we serve. We constantly improve our processes and continually work to enhance our quality, become more reliable, increase our speed and cut our costs.

#### **Investor Orientation**

Our shareholders are the owners of EPCOS AG. We do our utmost to maintain and sustainably increase shareholder value. We also satisfy their expectations with regard to complete and fair reporting as well as transparent and efficient management and supervisory structures. Our corporate governance complies with national and international standards.

#### **Employee Orientation**

Our employees are our most valuable asset. Their knowledge, experience and dedication are what make our company's success possible in the first place. We are committed to a corporate culture that gives employees the freedom to develop their creativity. We support close cooperation and enterprise at all levels and in all parts of the organization. We actively encourage our employees to channel their creativity and skills into the success of the company. We promote employees who work hard to gain new skills and are committed and willing to take decisions.

### Our Values

#### Corporate Citizenship

- On the basis of our fundamental values, our people seek to play an active part in shaping the present and the future.
- We see ourselves as an integral part of the societies and national economies in which we operate and we feel a strong sense of responsibility to the norms that they uphold. We honor this commitment by exhibiting integrity in all interpersonal dealings. Ethical business behavior on the part of every employee contributes to our company's positive image.
- Law-abiding conduct is understood as the only acceptable form of behavior in our company. Violations of the law must be avoided under all circumstances and will – regardless of the legal consequences – be subject to disciplinary action by the company.
- We respect the dignity, privacy and personality of every individual. We value the ethnic and cultural diversity of the people at our company. We work together with men and women of different nationalities, cultures, creeds and colors without prejudice. We are aware that the competence and dedication of our employees are the foundation of our corporate success. We do not tolerate discrimination, sexual or other personal harassment or offence.
- We want our performance, quality, reliability, flexibility and openness to speak for themselves. We aim to constantly improve ourselves. We know that we must be willing to change in order to remain competitive in the long run, and we act accordingly.
- We want to foster trust by acting with integrity. The dictates of integrity also apply as we strive to increase market share and purchase materials on favorable terms. We play by the rules of fair competition. We win orders with the quality of our products and competitive prices. No employee abuses his or her position for personal advantage.
- Environmental protection and the conservation of natural resources are corporate goals that command top priority. Environmentally friendly design, technical safety and health protection are key parameters of product development at EPCOS.
- Acting in conformance with these values and principles is of great importance to EPCOS. Accordingly, we judge our management on the basis of leadership principles that are rooted in these values.

#### **EPCOS.**

**An attractive company for customers, employees and suppliers.**



## Company Charter

Formed as a stock corporation under German law, EPCOS AG has three governing bodies: the Annual General Meeting, the Supervisory Board and the Management Board. In accordance with statutory requirements, the Articles of Association and the standing orders of the Supervisory Board and the Management Board, the governing bodies are subject to the following regulations.

### Annual General Meeting

The shareholders are the owners of the company. They may exercise their voting rights at the Annual General Meeting, which resolves such matters as the appropriation of net income, formal approval of the actions of the Supervisory Board and the Management Board, appointment of independent auditors, amendments to the Articles of Association, measures to increase or reduce capital, and election of members of the Supervisory Board other than those elected under the German Co-determination Act.

The Annual General Meeting is presided over by the chairperson of the Supervisory Board. Except for special cases, all resolutions adopted by the Annual General Meeting are decided by a simple majority of the votes cast. Each share has one vote.

### Supervisory Board

The Supervisory Board monitors and advises the Management Board on the conduct of business and represents the company at meetings with the Management Board. At regular intervals, the Supervisory Board discusses business development, corporate planning, corporate strategy and implementation. It examines the quarterly reports and approves the annual plan as well as the annual financial statements of EPCOS AG and the consolidated financial statements in the light of the independent auditors' report. The Supervisory Board also appoints the members of the Management Board. Certain management decisions of major importance, such as the annual plan as well as acquisitions and divestments, require the Supervisory Board's approval.

## Company Charter

The Supervisory Board consists of twelve members with equal representation of shareholders and employees. The Supervisory Board sets up committees from the ranks of its members which help it to fulfill its duties and prepare resolutions. The two most important committees are the Presidency Committee and the Auditing Committee. The Presidency Committee is mainly concerned with preparing decisions of the full Supervisory Board on the conditions of employment and compensation of members of the Management Board. The Auditing Committee primarily assists the Supervisory Board in examining the quarterly and annual financial statements of EPCOS AG and the consolidated financial statements. The committees regularly report to the Supervisory Board on their activities.

Resolutions of the Supervisory Board are generally passed by a simple majority. In the event of a tie, the chairperson of the Supervisory Board has a casting vote.

### Management Board

The business and affairs of the EPCOS Group are controlled and managed by the Management Board of EPCOS AG, and all corporate powers, including legal representation, are exercised by or under the direction of the Management Board at its sole discretion. The Management Board is committed to the interests of the company and acts in accordance with the Corporate Principles.

Under the Articles of Association, the Management Board consists of at least two members; the number of members may be increased by the Supervisory Board. At the present time, the Management Board consists of three members: the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Operations Officer (COO). Their duties include strategic alignment of the company and annual planning, the allocation of resources, and supervision of the management of the business groups and the sales organization. The Management Board is responsible for drawing up quarterly and annual financial statements for EPCOS AG and the EPCOS Group as well as for filling important vacancies in the company.

The Management Board works closely with the Supervisory Board. In written and oral reports, it informs the Supervisory Board regularly, promptly and comprehensively on all issues affecting the company as a whole, such as questions of strategy and implementation, corporate planning, business development, financial position, earnings and corporate risks. Certain management decisions of particular gravity require the approval of the Supervisory Board.





## Company Charter

The functional responsibilities of the various members of the Management Board are proposed by the President and Chief Executive Officer (CEO), who chairs the Management Board, and recorded in a function assignment plan, which is passed by all members of the Management Board and adopted after approval by the Presidency Committee. Each member has executive powers with regard to the functional responsibilities assigned to him or her under the function assignment plan. However, the President and CEO must always be kept informed of all material affairs associated with any functional responsibility and may veto action taken by other Board members. The Management Board as a whole decides on issues affecting several functional responsibilities and various issues of general importance, such as annual financial statements, business policy, corporate planning and management agreements.

Resolutions of the Management Board are passed by simple majority. In the event of a tie, the President and CEO has a casting vote.

The President and CEO represents the company and the Management Board externally, but may delegate this function at his or her discretion to other members of the Management Board.



## Corporate Structure

To achieve our corporate objectives, we must have an efficient organizational structure that ensures the greatest possible proximity to both markets and customers, a high degree of flexibility and entrepreneurial potential.

The structure of the EPCOS Group comprises three operative units and the corporate departments, which are integrated into the TDK-EPC Group. The operative units of EPCOS comprise the business groups, Sales, and subsidiaries.

### Business Groups

The business groups are formed according to technological and/ or market requirements and organized by products. They are organizational entities to which parts of EPCOS AG, its subsidiaries, or parts of subsidiaries are assigned. Following similar criteria, business groups may be broken down into business divisions and business units.

The business groups (and the business divisions/business units, if any) are responsible for their worldwide operating results. They control and monitor the development, manufacturing and marketing activities of the product lines assigned to them. They develop their strategies in close consultation with the worldwide sales organization.

Business groups are normally headed by a number of executives who work closely together. The business administration function is always represented in business group management, one member of which acts as president of the business group. Business group management reports to the Management Board.

### Sales

The worldwide sales organization of EPCOS is integrated into the sales network of TDK-EPC and has the task of ensuring maximum market coverage with optimum economy. It is directed by EPCOS AG's Corporate Sales, whose management reports to the Management Board and includes the business administration function.

The regional sales units are organized as EPCOS sales companies, as entities of EPCOS subsidiaries or as departments of Corporate Sales. Each regional sales unit is headed by a general manager, who is assisted by a business administration manager. The managers of the sales units report to the head of Corporate Sales. Sales resources are assigned in consultation with the business groups.

## Corporate Structure

The regional sales units link the business groups. They are their equal partners and possess a high degree of empowerment. For our customers, they are the major point of contact, offering advice on all business covered by the company.

### Subsidiaries

The heads of subsidiaries, like those of the regional sales units, are also assisted by commercial managers. If the subsidiary's operations are assigned to a specific business group or to Corporate Sales, the head of the subsidiary reports to the manager of the designated organizational unit.

The reporting requirements of subsidiaries with mixed activities are determined ad hoc. Their organizational structure must reflect clear lines of accountability to the business groups or to Corporate Sales.

The business groups and Corporate Sales work in close cooperation with the subsidiaries' management on any decisions affecting the operations of the subsidiaries assigned to them.

Each subsidiary has a board, a shareholder delegation or an advisory council.

### Corporate Departments

The corporate departments support the Management Board in conducting the company's affairs, in coordination of company-wide tasks and in risk management. In addition, they establish policies and perform advisory and service functions for the business groups. In addition, Corporate Sales also has operative responsibility.

#### Corporate Sales (S)

Corporate Sales manages EPCOS' global sales organization. It owns processes such as:

- Organizational development and expansion of regional sales companies,
- Organization of order processing, sales systems, sales logistics and the underlying data processing workflows,
- Customer contracts,
- Analysis, reporting to the Management Board and financial controlling.

## Corporate Structure

### **Business Administration (BA)**

Business Administration is the process owner for controlling at the Group's business groups and subsidiaries. It is supported by Corporate Accounting, Controlling and Taxes (AC) and Corporate Finance, Subsidiaries, M&A and Insurance (FIN), both of which report to BA.

Business Administration has direct access to all key data that is needed to assess the economic position of the EPCOS Group. It reports any material findings immediately to the Management Board and helps the latter to define, introduce and complete appropriate actions. Business Administration exercises its regulatory and directive authority for all accounting and financial issues in close consultation with the Chief Financial Officer.

AC is responsible for issues such as:

- Consolidated financial statements,
- Financial reporting and controlling,
- Taxation,
- Accounting.

The business groups, subsidiaries and sales organization are responsible for efficient and functioning local accounting and controlling.

FIN is responsible for issues such as:

- Financing and cash management,
- Acquisitions,
- Corporate law matters for subsidiaries and associated companies,
- Insurance.

### **Human Resources (HR)**

Corporate Human Resources is the owner of processes such as:

- Coordination and formulation of enterprise-wide human resources policies and issues,
- Provision of efficient tools for personnel recruiting, training and development,
- Provision of personnel management support to senior executives, including handling all matters concerning labor law.

The local human resources departments are responsible for routine local personnel issues.

## Corporate Structure

### **Information Technology and Logistics (ITL)**

Corporate Information Technology and Logistics is the process owner for issues such as:

- Definition of centralized and cross-business group logistics processes and their translation into business processes,
- Operation and ongoing development of central IT systems,
- Coordination of enterprise-wide IT activities and processes,
- Information security and data protection.

Responsibility for local organization, information and logistics issues rests with the local facilities of the business groups and subsidiaries.

### **Legal Department (LD)**

The Corporate Legal Department owns the processes that govern the provision of advice to the Management Board, the operating units and the corporate departments on all aspects of law (with the exception of labor law). LD also provides legal advice to the Supervisory Board.

The head of Corporate Legal Department also acts as Chief Compliance Officer (CCO). The CCO's responsibility is to supervise Group-wide compliance with laws and with »EPCOS Reporting Principles«, and to ensure that the code of conduct and rules laid down in the »Corporate citizenship« section of the said document are observed. The CCO is assisted by a deputy, the head of the corporate department Internal Audit, and by the compliance officers assigned to the following issues: export controls, customs, environmental protection, occupational safety, radiation protection, data protection, information security and antitrust law. Further support is provided by EPCOS' regional compliance officers. The latter are the individuals who head the internal audit units at each location.

### **Internal Audit (IA)**

Corporate Internal Audit is the process owner for issues such as management audits, process audits and ad-hoc investigations, which as a rule are performed on behalf of the Management Board. In addition, IA coordinates auditing activities throughout the Group's subsidiaries and bears managerial responsibility for all enterprise-wide activities relating to the Sarbanes-Oxley Act.

Irrespective of these duties, the business groups and the sales organization are responsible for the proper execution of operating processes.

## Corporate Structure

### **Technology and Quality (TQ)**

Corporate Technology and Quality owns processes such as:

- Ongoing improvement of the Group's quality and environmental management systems,
- Maintenance and ongoing development of central quality tools and process directives,
- Coordination of consistent quality reporting,
- Conclusion of cross-business group quality assurance and technical agreements and preparation of statements in response to general technical inquiries from customers,
- Coordination and monitoring of cross-business group quality assurance programs,
- Coordination of the certification of quality and environmental management systems,
- Coordination of technological cooperation with partners, patent owners and licensors,
- Coordination of patent-related issues.

In addition, TQ represents the EPCOS management on issues of occupational safety, fire protection, environmental protection and product safety.

### **Corporate Center (CC)**

The Corporate Center consists of two areas of responsibility, Corporate Planning and Corporate Communications.

Corporate Planning uses market analysis and research methods to provide and continually update the database that supports strategic planning both for the Group as a whole and for its individual business groups. Corporate Planning is the process owner for issues such as:

- Research, analysis, editing and documentation of data and information that is of relevance to the Group's business, especially with regard to the economic situation, industries served, target markets, customers and competitors,
- Identifying and analyzing potential cooperation partners,
- Exploring and evaluating new business opportunities.

Corporate Communications creates customized content and formats for its target audiences and employs state-of-the-art communication technologies and platforms to continually inform them about EPCOS. The strategic goals are to motivate and persuade both internal and external audiences for the company, to support the marketing of our products, to report on business development, and to protect and strengthen our good reputation. Corporate Communications owns the processes for issues such as:

## Corporate Structure

- Brand management,
- Editing and publication of product news, technical articles, technical product literature, as well as financial and corporate news and articles,
- Editing and production of financial and annual reports,
- Organization and realization of participation at trade shows and the execution of advertising campaigns,
- Ongoing development of both the functionality and content of EPCOS' electronic communication platforms.

### Further elements of the management structure

#### **Corporate Controller**

The CFO is the corporate controller of the EPCOS Group. The corporate controller has direct access to information required to assess the economic situation of the business groups and subsidiaries as well as the authority to issue guidelines and directives for all accounting and financing issues. The corporate controller is obliged to report regularly to the President and CEO and, if required, to the entire Management Board. Any material findings must be reported to the Management Board immediately.

Executive appointments in business administration within the EPCOS Group and executive development measures in business administration require the prior approval of the corporate controller.

#### **Executive Committee**

The Executive Committee serves as a forum of discussion that addresses all major issues of importance to EPCOS as a whole and business development in the business groups and subsidiaries. The Executive Committee consists of the Management Board, the presidents and heads of business administration of the business groups and of Corporate Sales, and the heads of other corporate departments.

The Executive Committee is convened by the President and CEO.

