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Communication on Progress Report 2011





Global Compact Annual Communication on Progress

Company name	ams AG
Address	Tobelbader Strasse 30, A-8141 Unterpremstaetten
Country	Austria
Membership date	21.7.2009
Number of employees	1230
Contact name	John Heugle
Contact position	CEO
Sector	Semiconductor Industry
Date	July 2012

Brief description of nature of business

As a developer and manufacturer of high performance analog semiconductors, ams is among the technology leaders in the worldwide analog semiconductor market, based on almost 30 years of analog expertise. The company's analog IC solutions and sensors support a wide range of applications in the target markets communications, consumer, industrial, medical and automotive. Our products lower power consumption and improve the user experience in mobile phones and LCD TVs, reduce radiation levels in medical imaging systems such as CT scanners, and improve safety in vehicles just to name a few examples where our products provide critical functionality in advanced electronic systems.

All efforts are focused on the corporate vision to make ams the most innovative provider of high performance analog semiconductor solutions for power management, sensors and sensor interfaces and mobile infotainment. All employees strive to realize this mission, allowing the company to retain its competitive edge.

The company's own state-of-the-art wafer manufacturing makes a decisive contribution to ensuring long-term, profitable growth. In-house wafer manufacture offers a critical strategic advantage for high performance analog ICs, enabling ams to convert its analog design expertise into outstanding products with the very best performance. In-house manufacturing is therefore a central aspect of ams' corporate strategy.



With its strict quality guidelines in development and production, ams has over a period of many years established its reputation among customers as a highly reliable partner and has created a strategic competitive advantage. Moreover, the company takes an active responsibility regarding its business activities and is a recognized leader in environmental management. The significance of corporate responsibility as an element of ams' long-term strategy is demonstrated by the company's voluntary commitment to the UN Global Compact and the clear medium-term goal of making the entire company CO₂-neutral.

ams' stakeholder approach includes responsible relationships with both customers and suppliers. In case of unforeseen events or disasters, ams is ready to provide support. Last year, the company helped a supplier and its employees cope with the flood in Thailand, preventing negative effects on ams' customers.

Statement of support

Ladies and gentlemen

This is our third communication of progress since joining the UN Global Compact and we have expanded this COP with the chapter human rights and anti-corruption. This meets all requirements specified within the COP policy. We continued our progress towards achieving a best-in-class position in our industry. ams as a designer and manufacturer of analog semiconductors can have a direct influence on reducing power consumption in the many millions of devices our products are being used in. At the same time, our focus on consumer, industrial, medical and automotive devices helps our everyday lives become safer, healthier and more convenient.

We recognized our responsibility to society and the environment early on, being one of the first semiconductor companies to focus on environmental improvements through our ISO 14001 certification. We have been ahead of our industry in ensuring compliance to RoHS (Reduction of Hazardous Substances) in all our products. Since 2003 we have reduced our production CO₂ footprint by more than 70% while significantly expanding our production capacity. In 2011 we have also completed a comprehensive worldwide analysis of our remaining CO₂ emissions including our employees' work-related footprint and have identified a remaining balance of 18,000 tons of yearly CO₂ emissions. This includes a reduction of 41% compared with 2010. We have communicated a clear goal in our annual report to become CO₂-neutral in the coming years as a result of measures we plan to implement in our business. As in our other activities we want to achieve best practices through our own efforts and generate innovative models which show such CO₂ savings can also result in increased profitability.



Other environmental activities comprise promoting the Marine Stewardship Council's sustainable fishing which includes using sustainable fish in staff catering and encouraging employees worldwide to reflect on the state of the oceans and use available information so they can make proper choices when shopping for seafood. In addition, all paper used in the company is recycled and all wood products purchased adhere to the Forest Stewardship Council guidelines. We pursue clear activities in human resources and employee relationship management taking our very stringent standards in Austria and ensuring all ams locations reflect the same values. We have also established avenues where employees can voice their grievances anonymously and directly into senior management from anywhere in the world. In addition, we continue to invest in our people on a worldwide basis in training and education to further their professional development. In the coming year we intend to modify our audit system for suppliers and begin to audit for adherence to the UN Global Compact principles as part of our regular audit program. Suppliers who violate and do not redress violations will be phased out of our supply chain. As part of our social responsibility, we also sponsored local improvement programs to aid families in need in the Philippines, in India and, following the tsunami in Japan. We provided medical supplies and water proof bags to over 1500 employees of our suppliers in Thailand as well boats and pontoons.

We have clear goals for continuous improvement in our company. Last year's merger with TAOS in the USA further expanded our investment in R&D and our focus on winning new customers in markets worldwide. These investments in new products are critical to solving major problems as most of our investments go into reducing power consumption in electronic devices, improving alternate energies, reducing petrol consumption and increasing the safety of cars, and detecting diseases earlier with lower risk.

Our activities in the coming year will begin the implementation phase of the reforestation project after detailed feasibility studies were conducted last year in Uganda and the Philippines which are coupled with efforts to protect wildlife in deforested areas. We are also evaluating further technical solutions including thermal projects with the aim to reduce our dependency on natural gas consumption which will be another major step towards our strategic goal of becoming CO₂-neutral.

John A Heugle
Chief Executive Officer (CEO)



The 10 Principles – Our Progress

Human Rights

Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights.
Principle 2	Business should ensure that they are not complicit in human rights abuses.

Our Commitment to human rights

The observance of human rights represents a fundamental value for ams that must never be compromised and is non-negotiable. Race, religion and sex do not influence our business decisions or the selection of employees. As an international acting company it is our philosophy - one company, one standard. That means we bring our standards to our global subsidiaries. ams has a non-tolerance policy regarding human rights violations in our direct and indirect relationships with all stakeholders.

A brief description of our Processes or Systems

We continuously inform and sensitize our employees to recognize any abuses and empower all employees to report and stop any violations. Additionally we have installed an anonymous helpline to report any violations.

Labour Standards

Principle 3	Business should uphold the freedom of association and the effective recognition of the right to collective bargaining
Principle 4	Business should support the elimination of all forms of forced and compulsory labour
Principle 5	Business should support the effective abolition of child labour
Principle 6	Business should support the elimination of discrimination in respect of employment and occupation

Our Commitment or Policy

ams respects and complies with the fundamental employment rights set out in international conventions of the United Nations (UN), the International Labour Organisation (ILO), the



Organisation for Economic Cooperation and Development (OECD) and the UN Global Compact Initiative within our area of influence.

We strive to be one of the most attractive companies to work for and to be a fair and responsible employer that promotes equal opportunities, modern forms of employee development and offers a positive and dynamic working environment. By expanding the company with our new Business Unit Optical Sensors and Lighting(OSL) which was the culmination of our merger with TAOS we have expanded our global opportunities.

A brief description of our Processes or Systems

In 2009, we published a Code of Conduct binding on all employees worldwide which integrates the Global Compact principles. For all employees, including our new additions, we integrated the Code of Conduct into the staff appraisals 2012. We have a global set of practices in our employee relations, demonstrating our commitment to best practices in HR management.

Actions implemented in the last year / planned for next year

In 2011 we kept the section “Code of Conduct” in our staff appraisal process. With the implementation of the moderated intranet forum (where employees can voice their grievances anonymously) public feedback to all employee questions were given. In addition we expanded internal tools and systems for employees’ exchange and feedback including our employee representatives. The annual staff appraisals were held with all employees and managers to support effective communication and to safeguard employee career development.

Main activities in staff development are based on “leadership at ams”:

1. Through our actions we set an example of high standard for our employees.
2. The value of each employee’s job is clearly conveyed to our staff together with the goals of the company. Through this we increase the cooperation and liaison between departments.
3. In the process of continual improvement to achieve the highest possible quality in everything we do, we recognize that mistakes cannot be avoided. Recognizing and highlighting these mistakes is necessary so that root causes can be identified and repeating of mistakes avoided.
4. We allow our employees a large sense of independence within their areas of responsibility in order for them to accomplish their jobs effectively. At the same time we offer help and advice if asked for.
5. We believe in the competence and knowledge of our employees and include them in decision making processes as early as possible.



6. We stick to our promises and agreements. We inform promptly if due to unforeseen circumstances an agreement can no longer be met.
7. We assume responsibility for the on-going development of our staff and are responsible for the development of our own technical and social skills. We use staff appraisals as a critical element in the feedback process.
8. We highlight good performance as actively as poor performance.
9. We evaluate employees on agreed performance goals and hold responsibility for our staff's overall well-being.
10. Supporting our goal to achieve a "best in class" company, we are committed to identifying all problems, including those outside of our area of responsibility. We take on an active role to solve these problems.

2011 we introduced the Technical Career Path for the engineers in our new design centers. ams provided in 2011 direct and immediate community aid for families in Japan (see COP 2011). ams also provided donations of new computers to schools in Austria as well as the Philippines. 2011 we offered a new high standard health check program to all employees in Austria. 2012 was the second payout of the profit sharing incentive program for all employees worldwide which is part of our range of compensation benefits. The program provides for a direct distribution of a share of profits to our employees based on the company's annual operational result and additional financial indicators

Measurable Results or Outcomes

Development of employee turnover:

The turnover driven by employees continued to decline in our European locations over the past several as a result of all HR related measures implemented. In our main Asian manufacturing sites we were able to reduce the turnover, however we are still faced with aggressive hiring by companies outside of these home countries. The turnover worldwide continued to be in the single digit percentage range.



Environment

Principle 7	Business should support a precautionary approach to environmental challenges
Principle 8	Business should undertake initiatives to promote greater environmental responsibility
Principle 9	Business should encourage the development and diffusion of environmentally friendly technologies

Our Commitment to Environment

For ams, environmental protection is more than just a concept or an opportunistic activity. In 1996 we were one of the first 10 companies in Austria which had implemented an environmental management system according to the European Eco Management Scheme (EMAS). One year later we achieved certification according to ISO 14001. All production and test facilities are today certified according to the latest ISO 14001 standard.

We are committed to responsible, visionary environmental management with the aim of contributing to the conservation of an environment worth living in. We recognize that human activities are contributing to global climate change and we will continue to pursue activities to significantly lower our company's impact on CO₂ production. We plan to optimize our carbon balance including the relevant impact of all company employees. To this end, we have defined the clear goal of becoming fully carbon neutral as a company.

We motivate our employees through information and training on environmental awareness and relevant activities. As a special task we also take steps to make our employees aware of the severe depletion of the oceans' marine wildlife and promote consumption of fish based on the guidelines of the Marine Stewardship Council. We also promote the protection of forests by committing to the guidelines of the Forestry Stewardship Council in order to guide our activities.

A Brief Description of Our Program

Carbon dioxide reduction program

CO₂ emissions are generated by several of our business activities. These include the production itself where we run equipment and maintain the clean room with electrical energy, the usage of natural gas to heat fresh air, heat buildings and generate process heat, the transportation of goods and the usage of perfluorinated gases in the production process.



In 2009 we set up a carbon dioxide emission reduction program. Following the first step - the evaluation of all carbon dioxide emissions in our production sites (Unterpremstaetten, Austria, and Calamba, Philippines) including related transportation - we are now evaluating state-of-the-art reduction measures on the technical level. Additionally, we are pursuing concepts to achieve CO₂-neutrality by other measures such as reforestation.

Actions Implemented in the Last Year / Planned For Next Year

The consequent usage of exhaust air cleaning systems for production gases (perfluorinated gases) leads to a continuous reduction of our carbon dioxide equivalent emissions to levels of under 10 percent of the comparable emission levels without air cleaning. 100% of all production exhaust gases are fed into abatement systems and destroyed by thermal degradation. In 2011 we installed additional abatement systems to guarantee an uninterrupted operation. Despite an increase in production load and due to different technical improvements, we were able to reduce our total carbon dioxide equivalent emissions in 2011 compared to 2010 – see picture total CO₂ equivalent emissions below.

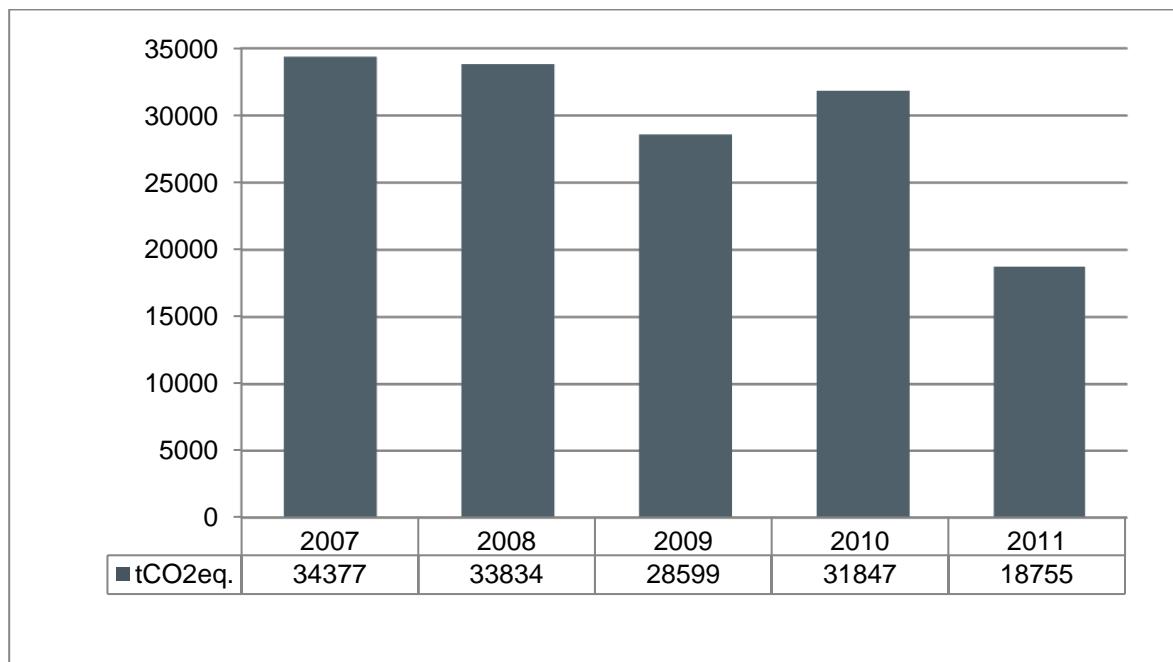
In 2011 we changed also our electricity supplier and therefore the consumption from conventional electricity to 100% renewable electricity made of hydropower. This leads to a reduction of approximately 9000 tons indirect CO₂ emissions. Further we started feasibility studies for possible reforestation activities in Uganda and Philippines together with consulting experts. Our goal is to reforest an area under sustainable conditions together with local communities by developing a solid business in an economically viable way.

The optimized utilization of existing chilling systems and avoiding operation of absorption chillers leads to a reduction of natural gas consumption by 7% compared with 2010.

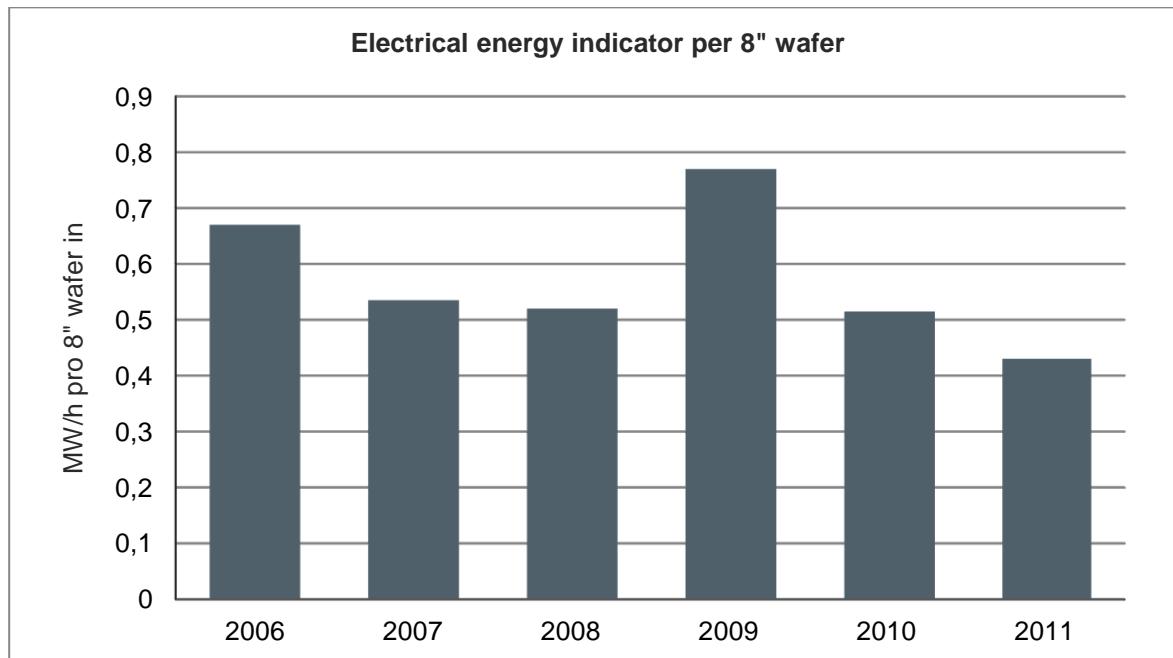
In 2012 we will continue our running environmental protection activities and we will also have a strong focus on energy saving. For example we will retrofit LED-lamps on parking lots in Austria to substitute mercury-vapour lamps by 25% of all outside lamps.

Measurable Results or Outcomes

Total CO₂ equivalent emissions



In order to optimize ams' carbon dioxide balance by minimizing the impact of machinery and company employees, ams initiated a greenhouse gas (GHG) project. The initial goal of this project was to make a GHG inventory of primary and secondary emissions sources. The project included identifying, analyzing and evaluating all company related GHG activities. It required calculating the resulting emissions from primary and secondary energy sources, business travel, everyday employee commuting and product shipment. The purpose was to create an overall balance sheet in order to determine the main contributors, to evaluate the mitigation potential of different influences, and develop a list of possible short term and long term measures which allows optimizing the greenhouse gas (GHG) balance sheet.

Electrical energy consumption indicator per 8" wafer

Related to the 8" wafer equivalents produced on site which were started in production, an average of 0.43 MWh per wafer was consumed in 2011. Compared to 2010, this represents a decrease of 16 %, which can be attributed to increased load of production and our running energy efficient program. The value in 2009 is related to worldwide economic crisis.

Anti Corruption

Principle 10	Business should work against corruption in all its forms, including extortion and bribery
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In 2011 ams started its anti-corruption program. We developed a companywide guideline which led to a nomination of a compliance officer. The responsibility of the compliance officer is to clarify open questions and investigate critical situation. The compliance officer is also part of our corporate CSR board. Due to Austria's legal regulations we signed an agreement between the works council and management. Now we have very strict worldwide rules regarding these matters and we have also installed a tool which can be easily used to report incidents.

This COP will be published on our website www.ams.com



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.