



United Nations Global Compact

2015 Progress Report



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1. The Ten Principles of the United Nations Global Compact

HUMAN RIGHTS

Principle 1: Companies should support and respect the protection of internationally proclaimed human rights within their area of influence.

Principle 2: Make sure that they are not complicit in human rights abuses.

LABOR STANDARDS

Principle 3: Companies should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Eliminate all forms of forced and compulsory labor.

Principle 5: Effectively abolish child labor.

Principle 6: Eliminate discrimination in employment and occupation.

ENVIRONMENT

Principle 7: Companies should support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage development and distribution of environmentally friendly technologies.

ANTI-CORRUPTION

Principle 10: Companies should work against corruption in all its forms, including extortion and bribery.

2. Statement of Support

Dear Sir or Madam,

SMA understands sustainability to mean combining long-term economic success while protecting the environment and being socially responsible. We assume responsibility for social development that contributes to greater social justice and preserving a livable environment. With our products, we establish the conditions for economic development that make us independent from limited energy resources.

2015 was a trying and eventful year for SMA, with significant challenges. We had to overcome the largest reorganization of the group in the history of the company. Apart from structuring our processes more efficiently throughout the value chain, we implemented a considerable staff reduction in a socially responsible manner within just a few months. We managed to do so using a process characterized by openness, fairness and cooperativeness.

In 2015, we further expanded the activities of our sustainability endeavor. The focus was to consistently apply our principles throughout the value chain. For us, preventive environmental protection means designing products so that their environmental impact is steadily reduced, from raw materials production to recycling. Having implemented a life cycle assessment allows us to identify the major spheres of activity within the product life cycle and to consider these when developing our products.

This progress report documents our activities in the areas of human rights, labor standards, environmental protection and anti-corruption. At the same time, we are thus renewing our pledge to the Ten Principles of the United Nations Global Compact, which we have committed ourselves to since 2011.

A handwritten signature in black ink, appearing to be 'P. Urbon', written in a cursive style.

Pierre-Pascal Urbon

Chief Executive Officer of SMA Solar Technology AG



3. Company Profile

SMA Solar Technology AG is a global leader in the development, production and sale of high-quality PV inverters and innovative technologies for intelligent management and efficient use of energy. SMA is represented in 20 countries. The company has a staff of over 3,500 and reached a sales volume of approximately €1 billion in 2015.

Technologically, the inverter is the most important component of a PV system. It converts the direct current generated in the photovoltaic cells into grid-compliant AC power, whether for self-consumption or utility grid feed-in. As an intelligent system manager, it also monitors both the PV array and the utility grid. SMA inverters already perform important grid management functions, which are becoming increasingly important as electricity production from renewable energy increases. SMA has been developing leading technological solutions and pioneering trends in this area for years. For instance, these include intelligent energy management at a household level, grid integration of solar power and the connection of storage facilities for more effective use of renewable energy.

SMA has an extensive range of products offering the right inverter for all module types and systems sizes worldwide: for small residential PV systems, large PV farms, grid-connected systems and off-grid and backup systems. PV system monitoring and visualization products as well as energy management solutions complete the portfolio. In addition, SMA customers throughout the world benefit from comprehensive services: from support in installation and commissioning of PV systems, to quick and simple device replacement service and a free SMA Service Line for technical questions. At the SMA Solar Academy, the company also provides training for system planners, installers, electrically qualified persons and people interested in solar power through seminars about photovoltaics.

4. Human Rights and Labor Standards

Principle 1: Companies should support and respect the protection of internationally proclaimed human rights within their area of influence.

Principle 2: Make sure that they are not complicit in human rights abuses.

Principle 3: Companies should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4: Eliminate all forms of forced and compulsory labor.

Principle 5: Effectively abolish child labor.

Principle 6: Eliminate discrimination in employment and occupation.

Values and mission statements

SMA Solar Technology AG upholds and respects internationally recognized human rights within its sphere of influence and makes sure that it is not complicit in human rights violations. Our actions in this regard are shaped by clearly defined values and principles, which are enshrined in our principles and mission statements. They are a point of reference for our employees and illustrate the values and principles we use to model our relationships with business partners, customers and the public.

Diversity management

SMA's corporate culture is characterized by the values of fairness, equal treatment and respect. By signing the German "Diversity Charter," SMA has committed itself to promoting the diversity of its employees and creating a working environment in which all employees enjoy equal opportunities regardless of gender, nationality, religion or ideology, disability, age or sexual orientation.

Employees are SMA's most important resource. As an employer, part of our responsibility is to ensure equal opportunities for women and men, as well as ensuring work-life balance. Our goal is to have the same percentage of women in management positions at all levels as the share of female employees in that area. This is a particular challenge in industries focused on technology like the solar industry. To achieve this goal,



we will take comprehensive measures over the next few years to improve the working environment for our female employees. These include, for example, flexible working hours and workspace models in all areas of the company and a personnel development concept based on phase of life.

During the company's transformation, we were unable to reach our internal diversity goals to the extent we had resolved. This was a one-time outcome, however. All the projects and measures supported thus far will continue to be pursued consistently.

Employee survey

The regularly held Great Place to Work® competition was replaced by a global employee survey this year. This newly introduced method allows us to be far more accurate in establishing and implementing measures specifically aimed at SMA preventing discrimination, promoting good health and achieving additional goals for our employees.

Occupational safety and health management

Healthy, motivated and efficient employees are vital to SMA's success. Health and safety in the workplace as well as health promotion and corporate rehabilitation management are therefore not only our social responsibility, but also contribute positively to the future of the company. These three pillars of health management are integral components of the organization and are coordinated by Corporate Health Management. The Managing Board, Works Council and executives promote these principles using a continual improvement process. Our diverse health measures are tested for quality and are developed and implemented with specific target groups and needs in mind, and are also evaluated according to their health effects and efficiency. Health management at SMA is an expression of our employee-oriented corporate culture and is aimed at supporting our corporate strategy by creating a healthy workplace and continually improving it.

Occupational health and safety at SMA focuses on avoiding work-related accidents and illnesses. Here, we work according to the principle of prevention. Regular, tailored training sessions, employee involvement in work station planning and mandatory regulation of responsibilities build employee confidence in sustainable



and safe workplace design. Integrating laws, regulations and implementing technical standards into our operative procedures has always been a given for us. Processes surrounding health and safety in the workplace are governed by the BS OHSAS 18001 management system, which was introduced at the Niestetal location in 2012. Risk analysis documentation is carried out company-wide using the EHQS plus management support system. This system not only ensures that all risks, measures and responsibilities are documented; it also enables automatic detailed tracking and thus long-term documentation of all occupational safety activities.

Another important component is the promotion of health. SMA's health management is aimed at preventing chronic, unnecessary physical strain, thus minimizing the risk of illness. Our varied health measures – management training, sports, seminars, events, coaching sessions – are tested for quality and developed and implemented based on specific target groups and requirements. Some of our measures have focused on developing and implementing our prevention concept "four steps to combat burnout" and promoting hazard assessments in the area of health and safety in the workplace. A future focal point will be preventive ergonomics in the office and production areas. Our employees can also exercise on their own or take part in the wide variety of courses offered in the group's private health and fitness area.

Purchasing guidelines and supplier code

As an internationally operating company, we align our activities with nationally and internationally recognized standards. Our social and ecological responsibility increasingly extends to our choice of suppliers and business partners. In addition to quality, price and flexibility, SMA also takes social and environmental standards into account when making decisions. In this regard, as early as 2009 SMA signed the cross-sector code of conduct issued by the German Association of Materials Management, Purchasing and Logistics. In 2010, this code of conduct was supplemented by SMA's own directive for suppliers (supplier code). The SMA supplier code includes various sections relating to labor standards and laws such as the prohibition of child labor; prohibition of discrimination; working hours; wages and other social contributions; prohibition of forced labor and abuse; guarantee and protection of the freedom and right to form unions; and health and safety in the workplace. These directives are based on standards established by



the International Labor Organization (ILO). SMA added conflict minerals to its own supplier code in 2014. Our suppliers need to take suitable measures to ensure that minerals used do not come from certain regions of conflict. If requested, they must provide evidence of the origin of these materials.

Our suppliers must confirm their compliance with SMA's supplier code in writing. Selected suppliers' and partners' compliance with the agreed directive is being monitored. Furthermore, the supplier code is not static but is constantly being developed and adapted to the continuously changing legal and economic conditions that SMA is subject to as a globally operating company. SMA therefore reserves the right to change the requirements of this code of conduct and to notify all suppliers in writing. One new feature is the addition of key sustainability factors to our supplier rating system. This reinforces our claim of assuming responsibility in the supply chain.



5. Environmental Protection

Principle 7: Companies should support a precautionary approach to environmental challenges.

Principle 8: Undertake initiatives to promote greater environmental responsibility.

Principle 9: Encourage development and distribution of environmentally friendly technologies.

Environmental and energy management

Increasing the use of decentralized renewable energies twice as sustainably while conserving resources describes SMA's strategic focus regarding the environment and energy. In the past, SMA's main site at Kassel/Niestetal has served as a role model in terms of conservation of resources. The focus here is and has been on using renewable energy for the energy supply in particular. The goal of supplying SMA entirely with decentralized renewable energy from the local region by 2020 is a key objective of our sustainability strategy. In this context, the SMA Climate Roadmap illustrates the continuous development and track record of flagship projects that contribute to implementation of the energy transition at SMA's headquarters.

The energy supply at its own site only involves some of the environmental impact, however, and does not include all the effects within the value chain. It will thus be crucial to implement preventive environmental protection in the future, and not merely considering the impact of internal production methods.

In 2015, we started creating product life cycle assessments. These help us illustrate how very important research and development is in reducing environmental impacts. To be able to start developing products that leave the smallest footprint possible, the areas of greatest impact must first be identified and it must be possible to develop alternatives. The results have shown us that we will need to place considerable focus on our high-emission pre-supply chain.

Sustainable environmental management and use of natural resources is a crucial component of SMA's mission statement. In addition to this, SMA's core business is the manufacture of inverters for PV systems, which contributes heavily to reducing CO₂ emissions in and of itself. Our highly efficient inverters generate



almost 100% yield utilization and do not create any direct emissions. Another key factor with a positive effect is the long service life of our products, which results in a high quality standard.

SMA Solar Technology AG production sites in Niestetal/Kassel and Denver have had their environmental management systems certified in accordance with DIN EN ISO 14001. There are no special environmental regulations for production at SMA because our environmentally friendly production methods use only very small quantities of materials harmful to the environment. These are recycled by certified disposal companies in accordance with statutory requirements. In 2013, DIN EN ISO 50001 certification of our in-house energy management was added to the environmental management system. Our energy management was successfully recertified in the 2014 fiscal year. Employing the internationally recognized certification attests to the company's particularly efficient and sustainable use of energy in production and administration. The topic of self-consumption of solar power generated decentrally is becoming increasingly important in energy management.

Sustainable energy concept

SMA's energy concept is based on three levels we use as a basis for improving energy-related performance: avoiding energy consumption, using energy more efficiently and increasing the share of renewable energies used. Using defined stages, we aim to achieve excellence on the path toward completely CO₂-neutral production. By 2020, energy is to be provided exclusively from decentralized, renewable energy sources, from within the region if possible. In addition to our own systems, other potential sources will also be used from within the region. Thanks to SMA's own ground-based PV power plant with a capacity of over 3 MWp, which was constructed in 2014 – the majority of whose yield we use ourselves – we have managed to increase the photovoltaics component of total power consumption to roughly 30% and thus close even further in on the goal we have set. Through the missionE initiative, our goal is to encourage energy-conscious behavior among our employees both inside and outside of the office to further reduce total power consumption. As part of this effort, general suggestions and ideas are distributed on how to conserve energy at work, on the go, and at home, and tools are provided such as current meters. Of particular note is the



involvement of our employees themselves, who provide suggestions for potential energy conservation throughout the company.

Up until now, figures for our greenhouse gas emissions have not been included in our sustainability reporting. That said, we have used our goals in energy and environmental management to create a basis that not only results in energy and cost savings, but also has an impact on reducing our greenhouse gas emissions. We already have an exemplary balance sheet in terms of greenhouse gas emissions at our Niestetal/Kassel site. Since 2015, we have been able to account for Scope 1 and Scope 2 GHG emissions. Our goal is also to incorporate Scope 3 emissions by 2017.

Corporate mobility management

Corporate mobility management within SMA, which has already received a number of accolades, is also part of climate and environmental protection. It raises employee awareness about environmentally friendly mobility options for getting to and from work and intelligent choices for transport between SMA locations.

In 2015, the Deutsche Umwelthilfe e.V. (German Environmental Aid Organization) again awarded SMA with a prize for our mobility concept and particularly praised the company fleet as a good example of climate protection in the area of mobility. In its fleet, SMA limits the CO₂ emissions of its vehicles to 120 g/km. A bonus-malus system provides an enhanced incentive to reduce CO₂ emissions further. By promoting eMobility along with supplying decentralized renewable energies at the Kassel/Niestetal site, we are providing a sustainable alternative to traditional combustion engines. As a result, SMA has modernized its charging infrastructure for electric vehicles and increased the number of charging points to 16. Employees can charge electric vehicles there for free. Two of these charging points can also be used by the public free of charge. Further expansion is planned in 2016.

SMA's corporate mobility management is also being expanded to include a pilot project for leasing company bicycles. Cyclists lead healthier lives, protect the environment and save a significant amount of money as compared to those traveling by motor vehicle. The tax incentives from a deferred salary within the lease make it more enticing to switch to biking rather than driving cars to work. This is helping us further



increase our percentage of cyclists and to place less of a burden on the environment by having less individual motorized transportation.

6. Anti-Corruption

Principle 10: Companies should work against corruption in all its forms, including extortion and bribery.

Compliance

Compliance, the observance of legal requirements and internal directives, has gained increasing importance at SMA over the last few years. Rapid growth and increasing internationalization have made SMA's business operations much more complex. SMA is active in an increasing number of countries and must therefore observe an ever-increasing number of different laws. Compliance issues are thus also receiving more and more public attention. A company's reputation and economic success can suffer significant damage if compliance laws are violated. This is why a risk-oriented and preventive compliance strategy is now more important than ever.

The Group Compliance department issued the SMA business principles and directives globally to counter potential risks. Basic work sequences and processes were derived from these and implemented globally. Therefore, in the context of their work for SMA, all employees are obligated to act ethically and in accordance with the laws and regulations of the legal system of their country. These regulations and obligations are consolidated globally by mandatory business principle training sessions. Group Compliance is responsible for keeping the Managing and Supervisory Boards regularly informed on overall developments in the area of sustainability including updates on projects, processes and suspected cases of nonsustainable practices.

Employees with compliance issues or suspected cases can use hotlines and internet sites provided to obtain information and report potential violations. They can do so anonymously and in the various national languages spoken at our sites. Our newly launched working group "Schedule of Legal Provisions" helps executives to identify and implement the laws and directives that are essential in their field of responsibility.

7. Overview Table

Human rights and labor standards (Principles 1 –6)	
Directives and systems	Measures and objectives
<ul style="list-style-type: none"> ▪ Occupational safety and health standards: 	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> ▪ Optimize working conditions ▪ Ensure safety of machinery and systems ▪ Prevent accidents and health risks <p><u>Sample measures:</u></p> <ul style="list-style-type: none"> ▪ Regularly train and instruct all employees ▪ Continually conduct hazard assessments, audits and inspections ▪ Train first aid assistants and fire safety team ▪ Perform evacuation drills ▪ Emergency management ▪ Appoint safety officers
<ul style="list-style-type: none"> ▪ Corporate health management 	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> ▪ Optimize employee health behavior ▪ Prevent chronic strain ▪ Reduce the risk of chronic illnesses <p><u>Sample measures:</u></p> <ul style="list-style-type: none"> ▪ Annual health day on specific topic ▪ Sports events and regular programs offered as part of company-facilitated sports activities ▪ Wide range of courses on promoting good health and prevention ▪ Health coaching ▪ Executive training sessions on healthy leadership – for you and for others ▪ Work-life balance activities <ul style="list-style-type: none"> ▪ Reducing or maintaining a low absence rate due to illness

<ul style="list-style-type: none"> ▪ "Diversity Charter" 	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> ▪ Increase the proportion of female employees at all levels in the company, particularly in management and technical positions <p><u>Measures:</u></p> <ul style="list-style-type: none"> ▪ The gender diversity project includes various measures such as flexible working hours and workspace models and a personnel development concept based on phase of life.
<ul style="list-style-type: none"> ▪ SMA Supplier Code ▪ Code of conduct issued by the German Association of Materials Management, Purchasing and Logistics 	<ul style="list-style-type: none"> ▪ Continuous development of the supplier code to adapt to changing legal and economic conditions ▪ Addition of conflict materials. If requested, our suppliers must demonstrate that no conflict materials are contained in supplied products. ▪ Audit review of the requirements confirmed in writing by the suppliers ▪ Assessment of the sustainability performance of the supplier onboarding process
Environmental protection (Principles 7-9)	
Directives and systems	Measures and objectives
<ul style="list-style-type: none"> ▪ SMA mission statement ▪ SMA sustainability mission statement ▪ Environmental and energy policy 	<ul style="list-style-type: none"> ▪ Orientation guidelines ▪ Raising employee awareness on these directives by providing information
<ul style="list-style-type: none"> ▪ Environmental management 	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> ▪ As large a reduction as possible in environmentally harmful resources used within all processes throughout the value chain ▪ Compliance with all environmentally relevant legislation and ordinances within all processes throughout the value chain ▪ Continual improvement of the company's environmental performance. Preventive environmental protection should play a key role in this process. <p><u>Sample measures:</u></p> <ul style="list-style-type: none"> ▪ Creation of a life cycle assessment for an inverter ▪ Calculation of our global direct and indirect

	greenhouse gas emissions
<ul style="list-style-type: none"> ▪ Corporate mobility management 	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> ▪ Optimize company processes to save CO₂ costs and working hours ▪ Employee motivation, enhanced image and competitive advantage through efficient, environmentally conscious and socially acceptable mobility ▪ Reinforcing and establishing the eMobility business field <p><u>Sample measures:</u></p> <ul style="list-style-type: none"> ▪ Reduction of CO₂ emissions to below the legal threshold through use of a company fleet including a bonus-malus system ▪ Improvement of the eMobility infrastructure. Enhancing and increasing charging options – eMobility using renewable energies. ▪ Creating a project for our employees to lease bikes
<ul style="list-style-type: none"> ▪ Energy management 	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> ▪ Prevent non-essential energy consumption in all processes along the value chain ▪ Optimize energy use for all areas of application, including through the use of SMA's own expertise and energy-conscious user behavior ▪ Increase share of renewable energies, particularly through decentralized photovoltaic energy ▪ Measures for energy efficiency and use of renewable energies should also be sustainable in terms of finances <p><u>Sample measures:</u></p> <ul style="list-style-type: none"> ▪ Load profile management: through precise analysis of load profiles for individual buildings; peak loads were identified and analyzed, and power anomalies were reduced. The results are continuously being carried over to additional buildings. ▪ The photovoltaics component of total power consumption was increased to roughly 30%. ▪ SMA obtains CO₂-neutral electricity, which is

	<p>increasingly originating from regional decentralized renewable energies.</p> <ul style="list-style-type: none"> ▪ missionE – the concept for raising employee awareness on more efficient energy use at work is being successively implemented.
Anti-corruption (Principle 10)	
Directives and systems	Measures and objectives
<ul style="list-style-type: none"> ▪ Compliance management 	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> ▪ Detect compliance risks early on, prevent legal violations and thus avoid compliance damage <p><u>Sample measures:</u></p> <ul style="list-style-type: none"> ▪ Clear assignment of contact persons around the world ▪ Global compliance helpline for all employees to answer questions on legally compliant conduct ▪ Global speak-up line for all employees to collect anonymous tips on major violations ▪ Regular compliance training
<ul style="list-style-type: none"> ▪ SMA Business Principles ▪ Anti-corruption directive ▪ Antitrust directive ▪ Guidelines on managing legal matters ▪ Directive on gifts ▪ Directive on invitations ▪ Directive on donations and sponsorship ▪ Directive on competencies and the awarding of contracts 	<p><u>Objectives:</u></p> <ul style="list-style-type: none"> ▪ Reduce risk of corruption in dealing with our stakeholders <p><u>Measures:</u></p> <ul style="list-style-type: none"> ▪ Raising employee awareness on these directives by providing training and information