

# 3 Working toward a win-win relationship with customers and suppliers: TDK's CSR procurement

TDK Group business activities are supported by the many solid relationships we have with our customers and suppliers. This article will discuss what kind of CSR policies and practices are being promoted by the TDK Group from our position as both supplier and buyer.

TDK's position in the supply chain



## Emphasis on providing responsible products from the perspective of the supply chain

In recent years, stakeholders have been turning their attention to "responsible products," so the production process, in terms of human rights, labor, and the environment, of products is being analyzed just as closely as quality. In 2004, the three big American IT companies (Hewlett-Packard, IBM, and Dell) took initiative to draft the EICC (Electronic Industry Code of Conduct). This was followed in 2006 by the Japan Electronics and Information Technology Industries Association (JEITA) drafting its own code of conduct, called the JEITA Supply-Chain CSR Deployment Guidebook. This has led to increasing interest and demands in terms of CSR in Japan.

Before a product reaches its end consumer, it starts off in the procurement stage involving the purchasing of raw materials from any number of companies. Often this process from procurement to product sale takes place across borders. TDK, as a company that manufactures and sells component products, is involved in the procurement of raw materials and the buying of prefabricated parts. TDK therefore is both a buyer and a supplier. Because TDK is a kind of "midstream" company that both procures parts as well as manufactures components and products, the importance of promoting CSR throughout the supply chain is recognized and set forth as one of our crucial activities.

## A self-check sheet to raise CSR awareness

### The supplier's responsibility

In 2009, TDK decided to make "EICC + JEITA" the cornerstone of the company's CSR activities for TDK

production sites. The company then created a "TDK CSR Self-Check Sheet" to be used at our main production sites. "Until then, customer requirements regarding quality, delivery, and costs were the main concerns. However, with the introduction of new practices concerning labor and the environment, which are reflected in the TDK CSR Self-Check Sheet, we discovered that these were things the customers wanted as well," said Yasuaki Fukuoka, who works in the Strategic Planning Department.

Since 2010, a team from the CSR Promotion Office has made annual trips to visit TDK plants, mainly in China and Southeast Asia. The CSR demands we get from our customers are not uniform and the laws and regulations and social background differ from country to country, and therefore TDK visits its overseas production sites in order to both grasp the current situation on site as well as to work to promote a stronger understanding of CSR.

"We have been increasingly seeing companies that state that unless certain CSR requests are not addressed, they will rethink their business with us. There is a diversity of values and meeting these differing values will pose a challenge in the future" Mr. Fukuoka said.

Our policy is to continue carefully communicating with all of our production sites to solve problems one by one as they come up.



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CSR audit

## Requesting answers to the CSR check sheet

### The buyer's responsibility

From the perspective of the buyer, TDK asks that its suppliers provide answers to its CSR check sheet. The check sheet is part of an online system called the Supplier Partnership System and allows for the easy exchange of information online. The TDK CSR check sheet, which was drafted in April 2012, is composed of approximately 60 items and is based on the JEITA guidelines.

"We review the check sheet every year to make it more effective. The check sheet is based on a self-regulating system so that the suppliers themselves can confirm their compliance and make self-improvements," explained Fumio Ono, who works in the Procurement Department.

In the 2012 fiscal year, 1,693 domestic companies (98%) and 1,025 overseas companies (92%) responded to our check sheet. In cases where problems are discovered, specific requests for improvements are made to those companies. Ono discusses the challenges and goals of the CSR check sheet: "In order for TDK to have better relationships with its suppliers, we must also have a very strong understanding of the background of the CSR demands and we must continue to strive to raise the level of



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our own awareness."

In addition, TDK is facing challenges in finding local suppliers that meet both our CSR demands and our requirements of materials or parts. "We are now in an age when it is no longer acceptable to manufacture products with components from suppliers that are less aware of CSR. First, TDK clearly shows the CSR requirements we attach importance to and it is crucial that TDK collaborates with suppliers and strives to meet those requirements," says Mr. Ono, looking toward the future.

TDK aims to build solid partnerships with its suppliers and maintain a win-win relationship, guided by our "Global partnership purchasing principles," that benefits both parties. In order to respect the work environment and human rights of all people involved in the supply chain, TDK is committed to engaging in active communication in its continued promotion of CSR.



Briefing sessions for suppliers

## 2012 CSR Activities Report

The TDK CSR Self-Check Sheet has been implemented every year, since 2009, at major TDK Group production sites, and CSR internal audits were conducted at some of these sites this year. TDK will continue to support these activities, while we improve in the level of CSR activities within the TDK Group.

The company continued to ask suppliers to use the existing TDK Supplier Partnership System to fill out the CSR check sheet. This allowed TDK the ability to ascertain the current situation. Revisions were also made to the CSR check sheet and CSR audits and briefing sessions were held in order to improve its own CSR activities.

In addition, regarding to conflict minerals, clear communication is recognized as the most important responsibility of the Company; and TDK both request information from their suppliers as well as provide clear answers to its customers. The company is striving to construct an internal system which is based on a strong understanding of laws and regulations to benefit CSR operations.

### Comments from the Expert

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The most challenging aspect of TDK's CSR is perhaps its CSR Supply Chain Management. This is because it is not internal but rather governed by behavior of outside suppliers. It's highly likely that it ends up a nominal system.

Therefore, the key to substantial improvements will be in mutual understanding based on a continual dialogue with buyers and suppliers. TDK is active as both a buyer and as a supplier so the company has a strong understanding of communication. TDK is committed to mutual understanding and dialogue with its suppliers. This commitment is seen in the novel self-diagnosis approach which led to the CSR check sheet, individual improvement requests, and the philosophy behind TDK's "Global partnership purchasing principles."

Meanwhile, there is room for clarification about the direction of initiatives. The disclosure of problems and their solutions has contributed to not only having a stronger commitment from suppliers, but it has increased various stakeholders confidence in TDK efforts as well. I expect to see continued progress in CSR throughout the TDK supply chain.