

3 Society and environmental considerations in the supply chain

The Social Problems behind Conflict Minerals: The Human Rights Situation in the Democratic Republic of the Congo

As a midstream company, TDK recognizes the importance of promoting CSR throughout the supply chain. Following the enactment of the Dodd-Frank Act in the United States in 2010, TDK has been promoting its response to conflict minerals. Here we report on an explanatory meeting held in April for all responsible personnel in TDK which covered conflict mineral countermeasures and the social problems behind these efforts.

The social situation surrounding conflict minerals

Conflict minerals are mineral resources produced illegally in the Democratic Republic of the Congo and neighboring countries. These mineral resources have become a global issue, because they are a source of funding for armed groups and fuel conflicts and violations of human rights. The US Financial Regulatory Reform Act (Dodd-Frank Act) - enacted in July 2010 to improve accountability and transparency in the financial system - aims to sever the financial sources of armed groups by making it obligatory for listed companies in the United States to declare information on their use of the four minerals* produced in these regions.

A final rule stipulating the details of the legislation was approved in August 2012, and the Act went into effect in 2013. Thus, in order to fulfill their obligation to disclose information, it has become essential for listed companies in the United States to carry out surveys of their supply chains. For components manufacturers, including TDK,

sincere efforts to respond to the issue of conflict minerals and to disclose information to customers is now an essential condition for the continuation of business.

*Tin, tantalum, tungsten, and gold

The human rights situation in the Democratic Republic of the Congo

Thirty-four people attended the explanatory meeting, including those responsible for the conflict mineral response in each business group and other related personnel. Before the sharing of information on the specific countermeasures, the organizers thought it was extremely important for participants to learn about the background to the legislation, in other words, to understand what is currently happening in the Democratic Republic of the Congo, and to learn about the background to the affluence we enjoy. Therefore, TDK invited Ms. Reiko Taniguchi of Amnesty International Japan to the meeting to speak about the human rights situation in the Democratic Republic of the Congo. The

Participants listening to Ms. Taniguchi's speech

participants listened attentively to her talk, which described the unimaginably wretched conditions in that country, and afterwards made such comments as, "I was really shocked to hear about what is happening in the Democratic Republic of the Congo." Once again, they acknowledged TDK's heavy responsibility to address the issue of conflict minerals.

The following is a summary of Ms. Taniguchi's speech.

Background to the conflict mineral regulation: the wretched situation in the Democratic Republic of the Congo

The background to the conflict mineral regulation is the serious violation of human rights that is rampant in the Democratic Republic of the Congo. The Democratic Republic of the Congo has been called "the country that has everything except peace." It is a treasure house of nature with abundant natural resources and wildlife. But because of the conflict involving these abundant resources, it is one of the poorest countries in the world and conditions there are terrible. Among them, the violation of human rights, and especially sexual violence against women, is a serious problem. Even today, nearly a decade after the end of the Second Congo War, there are said to be more than 1,100 incidents of sexual violence every day. Even compared with the chaos in other conflict regions, sexual violence here is prominent and extreme. There were an estimated 200,000 victims during the war, and the number of victims since the war is said to be more than 400,000.

One of the reasons why terrible conditions are continuing even after the war has ended is the delay in postwar stabilization. In the Democratic Republic of the Congo, the UN stabilization mission is not functioning, and the perpetrators of crimes are rarely brought to justice. Indeed, even investigations of incidents do not make much headway.

A major reason for the deterioration in public security is that armed conflicts have broken out over mining rights in the mining regions. The armed groups force nearby villagers and children, at gunpoint, to work and mine the minerals. These minerals are then smuggled out and the proceeds used to purchase weapons and ammunition. In order to maintain their control of the mining regions, they bring in more weapons and ammunition and enlist child soldiers, thereby further escalating the conflict. It is a vicious circle.

Companies are certainly not unconnected to this terrible situation. The Congo war, which took the lives of 5.4 million people, was a conflict over resources. After the war was over, the United Nations named and blamed more than 20 European and US companies operating in Africa in such fields as finance and transportation for fanning the fires of conflict. Unfortunately, this fact was not reported widely in Japan at the time. The attitude of Japan is completely different to that of Europe and the United States, who place extreme importance on crimes against humanity. The United States was moved into action out of the belief that the violation of the human rights of women and children, who are innocent and have no means to resist, is a threat to humanity as a whole. The Dodd-Frank Act, enacted to regulate financial service practices, also contains important measures to end the violation of human rights in connection with financial systems. We do not know how effective the



Ms. Reiko Taniguchi

Fundraising Coordinator,
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observance of this law will be in changing the human rights situation in the Democratic Republic of the Congo, but without doubt it is an important first step towards improving the situation. It is very meaningful for Japanese companies, after learning about and understanding the conditions behind the legislation, to contribute.

TDK's response to conflict minerals

TDK commenced conflict mineral countermeasures in 2010 and, taking note of the final rule and industry trends, has been laying the groundwork for a specific response. In light of the final rule, adopted in August 2012, and industry trends, TDK has been revising its setup, roles, and survey methods. Furthermore, in April 2013 the TDK Group established a policy on conflict minerals* stipulating the basic stance of

1. not purchasing, either directly or indirectly, any minerals that could become financial sources for armed groups in the Democratic Republic of the Congo and neighboring countries and, if such purchases come to light, taking steps to eliminate them;
2. implementing a comprehensive survey across the whole supply chain; and
3. endeavoring to solve common issues in cooperation with industrial organizations.

In the explanatory meeting, participants shared information about specific methods and unanimously affirmed their intention to make a sincere response from now on.

*Details of the policy are carried on the TDK website:
http://www.global.tdk.com/csr/social_responsibility/csr02210.htm

Congo War

- | | |
|-----------|--|
| 1960 | Independence |
| 1965 | Administration of Joseph Mobutu takes power |
| 1994 | Rwandan Genocide |
| 1996-1997 | First Congo War |
| 1998-2003 | Second Congo War (the "Great War of Africa") |

Republic of the Congo

TDK Steadily Evolves CSR Activities with the Aim of Solving Social Problems

In order to tackle social and environment problems using the full weight of the whole supply chain, collaboration within industry circles and with others is essential. CSR Promotion Office General Manager Sachiko Nagahara talks about TDK's efforts so far and plans for the future.

Fulfilling our responsibility as a midstream company

Generally speaking, companies in the electronics industry have supply chains extending around the world. Responding to labor, human rights, and environmental problems, which could occur anywhere in the supply chain, is an important theme that TDK should tackle. In the belief that our mission is to firmly understand conditions within the company and our sphere of influence, to make improvements, and to establish a setup for preventing risks, TDK conducts activities based on the three pillars of self-checks, on-site audits, and training.

Since TDK is a midstream company in the supply chain, it has the position of both supplier and buyer. As a supplier providing products to customers, we carry out self-checks on the activities of our company and group companies and report on this to customers. As a buyer, we request responses to a CSR checklist in order to understand the labor, occupational safety, environmental and ethics conditions of our business partners. We also conduct on-site audits in order to get an objective understanding of these conditions. So far we have conducted such on-site audits at TDK's main production sites, but from fiscal 2013 we plan to widen the scope and carry on-site audits at more locations.

Regarding training we are continuing to offer e-learning programs on ethics and CSR in general, and in February 2013 we held a workshop in Japan to promote understanding of the EICC (Electronic Industry Citizenship Coalition) code of conduct. The aim of the workshop was to give participants an understanding of the code of conduct's contents so that they can appreciate the background to the questions in the CSR checklist and come up with even better corrective measures. In the future, we would like to hold this workshop not only in Japan but also in China and other countries. We would also like to convey our thinking about CSR, including the EICC, to suppliers.

Conflict minerals have become a major problem in the world. TDK established a policy and declared that it would make the utmost efforts to use only minerals unrelated to conflict in the supply chain. Furthermore, in order to inform related personnel about how mineral resources are a source of funding for armed groups in the Democratic Republic of the Congo and are fueling conflicts and human rights violations there, we invited

Ms. Reiko Taniguchi of Amnesty International Japan to speak about why conflict mineral countermeasures are necessary. Thanks to her lecture, which delved beyond the usual working-level talk, participants were able to understand the background to the issue.

Based on the recognition that the violation of the human rights of women and children in the Democratic Republic of the Congo poses a threat to humanity as a whole, legislation was enacted in the United States. I believe it is extremely significant for TDK, acting on the basis of this legislation, to sincerely tackle the issue of conflict minerals and to disclose such information to customers.

TDK cannot solve major social issues alone. But through its activities in industrial organizations, and in collaboration with the electronic components industry as a whole and with others, it can contribute to the formation of a society-wide movement. Although there is no end in sight, we will steadily evolve our activities in order to close the gap between the present realities of society and the ideal social situation.



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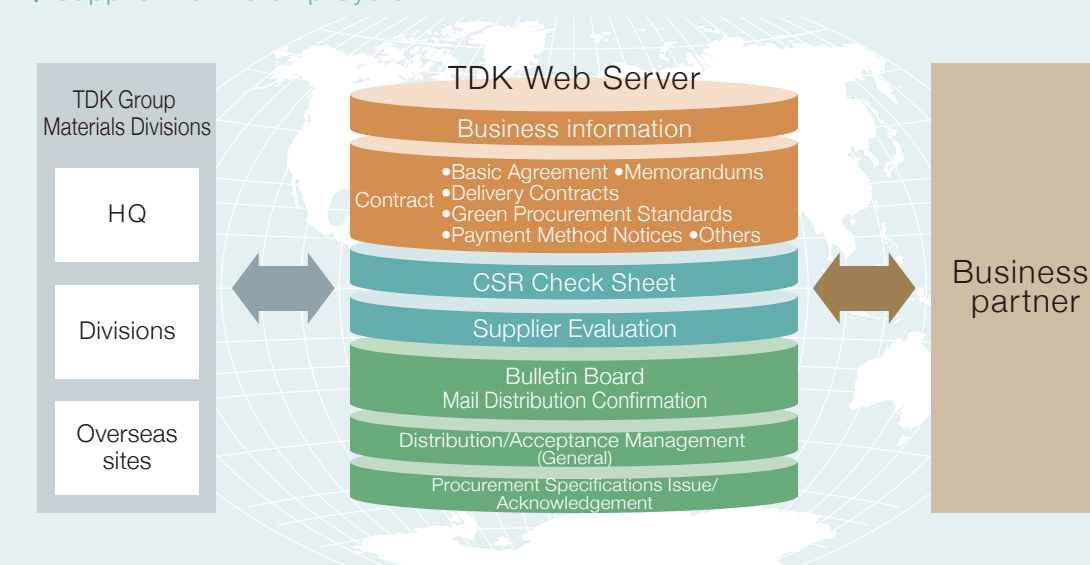
Promotion of CSR Procurement

CSR procurement, which is also TDK's purchasing policy, is an important issue for our company. Since TDK is a component maker, it is necessary for us not only to promote our own CSR from our standpoint as a supplier, but also to require CSR of our business partners.

For this purpose, we request our business partners to respond to a CSR checklist using the Supplier Partnership System.*1 The 60 items on the checklist questionnaire which are centered on human rights and

labor, the environment, fair trading and ethics, and information security, are matters that TDK believes to be especially important among those stipulated in the Supply-Chain CSR Deployment Guidebook of the Japan Electronics and Information Technology Industries Association (JEITA). In order to make business partners aware of the issues and increase their motivation to make improvements, after they answer the questions the results are immediately displayed on a monitor.

Supplier Partnership System



*1 Supplier Partnership System: A web-based system for consolidated management of business information, distribution of procurement specifications, and shared management of contracts and other data which conventionally were kept as paper-based documents or stored on magnetic media. For both the suppliers and TDK, it leads to the speeding up and increased efficiency of work.

No. of companies replying to CSR
checklist and reply ratio (global)*2

3,320 85%

No. of companies replying to CSR
checklist and reply ratio (Japan)*2

1,567 98%

*2 As of end of May 2013

Response to Conflict Minerals

Following the US Securities and Exchange Commission's adoption of a final rule relating to the disclosure of conflict minerals in August 2012, TDK undertook a revision of its setup and compiled a policy on conflict minerals for the TDK Group. TDK also makes efforts to solve common issues in the industry by participating in JEITA's Responsible Minerals Trade Working Group.

Details of the TDK Group's policy on conflict minerals are available on the TDK website:

http://www.global.tdk.com/csr/social_responsibility/csr02210.htm

Strengthening the Foundation of CSR Activities and CSR Response to Customers

The TDK CSR Self-Check has been implemented at the TDK Group's main production sites every year since 2009, and on-site CSR audits are carried out at some sites. In China in particular, efforts are being made to strengthen measures against child labor and involuntary labor.

