

Consider the Societal and Environmental Impact of the Supply Chain

The importance to our company

TDK is a midstream company group that functions as both a supplier and a buyer. Along with avoiding risk by taking steps to protect the environment and social interests by way of our supply chain, we also boost the competitiveness of our supply chain through training and guidance.

Expectations by stakeholders

At TDK, we not only comply with and observe the relevant laws and global industrial regulations, we also fulfill our social responsibilities by providing assistance to our suppliers. Additionally, we work to ameliorate the social impact of corporate activities including issues such as conflict minerals.



Basic policy

Consider the Societal and Environmental Impact of the Supply Chain represent extremely important issues for the TDK Group as a midstream company. In light of the latest related laws and ordinances as well as global industrial regulations, as part of our responsibilities as a supplier we take note of the labor environment at TDK Group production sites. Similarly, as a buyer, we ascertain the labor environment conditions of our business partners. We then implement training and guidance as required with a view to improvement. In this way we forge a solid supply chain—from upstream to downstream—to fulfill our social responsibilities.

Main achievements in Fiscal 2015

No. of CSR audits
(Fiscal 2014–15 cumulative total)

We see CSR audits as an opportunity to upgrade our CSR activities. At the same time, amid moves to strengthen CSR activities in the supply chain as a whole, we are concerned that CSR audit redundancies among companies will lead to a confused response and fatigue. Therefore, we see the number of CSR audits as an important barometer. We will continue to gauge the number of audits and search for effective methods of implementing CSR audits in the value chain as a whole.



CSR check sheets for suppliers
(No. of companies given improvement guidance)

In order to realize CSR procurement that enhances corporate value for both ourselves and our suppliers, we believe it is important for suppliers themselves to notice things and make their own improvements. That is why we see the number of companies given improvement guidance as a result of CSR check sheets for suppliers as an important barometer.

Response to conflict minerals
(Ratio of items confirmed to be not involved in conflicts)

Our customers fully expect that TDK products do not contain conflict minerals. To ensure that conflict minerals are not used, we ask that our suppliers apply the same standards as the TDK Group on conflict minerals and also conduct regular surveys on the subject.



Response to Conflict Minerals

Response to conflict minerals is an important theme for the TDK Group as a midstream company. As interest is growing annually in our responsibilities for responsible mineral procurement and global initiatives gain momentum, TDK is stepping up not only its in-house operations but also initiatives to resolve issues with our stakeholders throughout the supply chain.

Our Initiatives

In the Democratic Republic of the Congo (DRC) and adjoining countries, sometimes the proceeds from the mining and sale of minerals have been used to fund armed groups. These actions serve to further conflict and violations of human rights treatment of local people.

TDK began its response to the problem of conflict minerals following the enactment of the US Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010. A conflict minerals policy ^{*1} for the TDK Group was formulated in April 2013. Surveys of suppliers are handled mainly by the Procurement Function and responses to customers by the Quality Assurance Function. In addition, each business group has designated persons in charge of the conflict minerals issue. Our suppliers implement surveys using the Conflict-Free Sourcing Initiative (CFSI ^{*2}) Conflict Mineral Reporting Template (CMRT). Surveys are carried out regularly on new purchases, and for those items for which the smelting site cannot be identified through past surveys, new surveys are conducted. In a fiscal 2013 survey, 86% ^{*3} of 15,754 items surveyed were deemed to have no association with conflict minerals. As for queries from customers, the entire process is integrated spanning the initiation of a query at our sales divisions to responses by our operations divisions—yielding a rapid and accurate response system. In fiscal 2015, we issued 2,505 responses, which was an increase of 16 on the previous fiscal year. At TDK, we understand the necessity of initiatives throughout the supply chain; therefore, to approach the various issues of conflict minerals as effectively as we can, we collaborate with industry groups.

^{*1} Details of the TDK Group's policy on conflict minerals, please refer to the following URL: http://www.global.tdk.com/csr/supplier_responsibility/csr02210.htm

^{*2} Organizations addressing conflict mineral issues established by The Electronic Industry Citizenship Coalition (EICC) and Global e-Sustainability Initiative (GeSI)

^{*3} Suppliers of TDK Corporation.

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Making proposals with a view to problem resolution from the midstream company perspective

TDK participates in the Responsible Minerals Trade Working Group ^{*4}. Due to the presence of multiple stakeholders, it is impossible to resolve the issue of conflict minerals by ourselves, making collaboration essential. JEITA collaborates with the CFSI, an organization that works on resolution of these issues, so JEITA can provide proposals that have an impact internationally. In addition, because integration and efficiency of supply chain surveying serves to greatly lower costs throughout the supply chain, we take part in the devising of rules on data exchange standard as well as on establishing international specifications and guideline rules. In the future, from our vantage point as a midstream company, we will be making proposals based on our vast experience with customers and business partners to do our part to engender even better efficiency throughout the supply chain.

^{*4} For details on JEITA's Responsible Minerals Trade Working Group, please refer to following URL: http://home.jeita.or.jp/mineral/eng/index_e.html



Hiroshi Kobayashi
CSR Office
General Affairs Group
Corporate Administration HQ
TDK Corporation

COMMENT
Drawing from perspective and experience, great expectations of increasingly more efficient use of business resources

TDK, as team leader of the working group for Data Exchange Standard Developing team by the Japan Electronics and Information Technology Industries Association (JEITA), is the Japanese representative on revisions made to the global CMRT tool for sharing information on smelters with business partners. As users demand a balance of easy data input and degree of sophistication of the content for the CMRT tool, I have high expectations that TDK will apply its tremendous experience with the supply chain to chemical substances contained in products. Responses to the issue of conflict minerals are spreading around the world, starting with legislation passed in the U.S. Talks are currently underway for similar legislation in Europe, while Chinese industry groups are working with the OECD on guidelines. I would like to work with companies such as TDK with a view to doing my part for sustainable solutions to the primary issue of human rights.



Masahiro Yamazaki
Manager, International Group
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Japan Electronics and
Information Technology
Industries Association



Efforts as a Supplier

TDK, which is a supplier of products to customers, endeavors to incorporate social and environmental considerations at all of its sites. Through self-checks, audits, and other measures, we promote CSR which leads to enhanced corporate value.

Efforts at TDK's Production Sites

TDK has compiled the TDK CSR Self-Check Sheet, based on the Electronic Industry Citizenship Coalition (EICC) Code of Conduct, with the aims of identifying issues in CSR activities and replying speedily to customers. This self-diagnosis is implemented at all production sites every year. Furthermore, TDK responds to requests from customers for CSR audits, which have been increasing in recent years, seeing them as a good opportunity to further raise the level of CSR activities. Regarding high-risk regions and production sites, including these customer CSR audits, once every two years we conduct internal audits by third-party organizations. Since 2013 TDK has also been implementing CSR internal auditor training every year with the aims of conveying a systemic understanding of the requirements of these CSR audits to employees and upgrading CSR activities at production sites.

Response to CSR Audits

In fiscal 2014–15 TDK implemented CSR internal audits at 10 sites. Together with customer CSR audits, we undertook CSR audits at an aggregate total of 75 sites. In China, where there is a high risk of labor-related issues, audits were conducted at all sites. In Malaysia, where the forced labor of foreign workers has become a social issue, four production sites voluntarily accepted CSR audits in fiscal 2015. Each audited site made improvements regarding matters that were pointed out, and the CSR Office shared information with related head office functions, calling for attention to be paid to these problems and getting them reflected in measures. Furthermore, CSR internal auditor training was implemented in China and Malaysia in fiscal 2015, bringing the total number of employees who have received this training to 171 persons.



CSR internal auditor training (Malaysia)

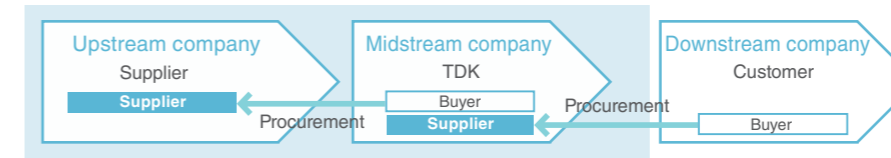
VOICE

Addressing New Issues and Making Improvements

I am in charge of CSR promotion and auditing at the TDK-Lambda Kuantan factory. My work involves tackling new issues and making improvements all the time. Take the problem of foreign workers in Malaysia, for example. Third-party agents facilitate the employment and management of foreign workers, but there are some agents who cause social problems, so we have to be very careful about the selection of agents and conclusion of contracts with them. We also conduct living environment audits and educate agents about unjust employment, such as forced labor. Furthermore, we create opportunities for the company and candidate workers to directly assess each other so that no deception or discord arises over employment or conditions. As a new challenge, the internal audit by third-party organization that we received this year revealed the need to build a formal structure addressing the EICC requirements, so I intend to positively tackle this issue.



Koo Siew Chin
Manager Human Resource
TDK-Lambda Malaysia
Sdn. Bhd.



Efforts as a Buyer

As a buyer procuring materials, TDK engages in CSR procurement emphasizing communication and builds solid relationships of trust. We believe that these efforts enhance the corporate value of both suppliers and TDK.

Promotion of CSR Procurement

CSR procurement, which is included in TDK's purchasing policy, is an important issue for our company. Because we are a components manufacturer, we promote CSR from our position as a supplier. But it is also necessary for us to demand CSR among our own suppliers.

Therefore, we require our suppliers to reply to a CSR check every year, and if there are any issues with their answers, we request them to make improvements individually. In fiscal 2015 TDK provided guidance and called for improvements at seven companies.*

TDK also implements CSR audits with the aim of objectively understanding the situation, selecting targeted suppliers in consideration of such factors as their degree of importance and our dependence on them in the delivery of products to our customers.

*Suppliers of TDK Corporation

Expansion of CSR Audits among Main Commissioned Manufacturers Too

In China, where working environment risks are high, TDK has been expanding CSR audits since fiscal 2015 not only among suppliers but also among commissioned manufacturers on which it depends. Of the areas specified by the EICC, these audits focus on the three items of labor, safety and health, and environment in order to check that conditions in manufacturing workplaces are appropriate.

In fiscal 2015 TDK conducted CSR audits on six companies and made a total of 78 findings. Many of these findings concerned a lack of consideration for the storage and management of harmful substances and for workers engaged in handling them, and improvements were requested.



VOICE

CSR Is a Must for Our Entire Supply Chain

My job is to make sure that our suppliers conform to our standards. These days CSR is a must for our entire supply chain. My work includes on-site audits to check what programs are in place, how they are implemented, and their results and benefits for employees, society, and the environment. If existing suppliers do not have a CSR program, I help them develop one, providing guidance based on our requirements. It is not always easy, but I believe we have to start with small steps. My purpose is to strengthen our suppliers' awareness of the importance of CSR and thus make a contribution toward improving the environment and the working conditions for people in our industry.



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