Munich, August 27, 2020

# Statement of Continued Support

Message of the Chairman of the Management Board and CEO of TDK Electronics AG

TDK Electronics and its predecessor EPCOS have been a member of the United Nations' Global Compact since 2003. At that time we pledged our support because the aims and objectives of Global Compact as expressed in the Ten Principles are in complete agreement with our own understanding and implementation of corporate responsibility. As a TDK Group Company and, thus, subsidiary of a leading manufacturer of electronic components, modules and systems for all electronics industries with R&D, manufacturing and sales activities around the world, we continue to fully embrace these principles as the essential foundations for good corporate citizenship wherever we do business. Our responsibility to society is clearly documented in the TDK Code of Conduct, from which I quote:

"The TDK Group recognizes its role in resolving social issues through creativity and contributing to society. The TDK Group will continue to respect human rights, comply with relevant laws and regulations and international rules, and will discharge its social responsibility with a strong sense of ethical values for the purpose of creating a sustainable society. These corporate principles are binding for all employees, and implemented in our various corporate governance and management systems."

Because sustainability is a long-term strategic success factor for not only our company but also the entire supply chain, we partner with our customers and suppliers to create and live a culture of excellence and responsibility that is built on fundamental values such as passion, respect, integrity and discipline. Our philosophy for collaboration with our customers and suppliers is based on mutual expectations and commitments in terms of reliability, transparency, communication and also sustainability. Therefore, we also demand that our suppliers ensure that their organization and also all of their subcontractors and suppliers comply with the Ten Principles.

Our Global Compact Communication On Progress report outlines our activities and achievements in implementing the principles of the Global Compact.

Sincerely,

Signed by

**Joachim Zichlarz**
Chairman of the Management Board and CEO of TDK Electronics AG

# TDK Electronics AG
# Global Compact – Communication On Progress 2020

*This report refers to the TDK Electronics fiscal year 2020, going from April 1, 2019 until March 31, 2020*

TDK Electronics AG (formerly EPCOS AG) is committed to the principles of the Global Compact as a part of its corporate responsibility. The TDK Electronics corporate website provides detailed information to stakeholders about the company's activities in this context. The Corporate Responsibility pages present the TDK Code of Conduct, which specifically provides the standards and guidelines for compliance with all laws, regulations and social norms, to be followed by TDK and its consolidated subsidiaries, as well as all directors, officers, employees and company auditors who are members of the TDK Group. The corporate ethical philosophy and the corporate standards of business conduct detailed in the TDK Code of Conduct are in full agreement with the principles of the Global Compact. Addressing corporate citizenship and corporate governance, they provide ethical guidelines binding for all employees. Details are also available on environmental management, employee safety, and various community involvements.

## Corporate governance

To contain compliance risks, TDK Electronics has established a Chief Compliance Officer (CCO) function, appointed Regional Compliance Officers and set up a whistleblower reporting system. The duties of the CCO are to ensure that TDK Electronics complies with all applicable statutory and regulatory requirements, the TDK Code of Conduct and all further company compliance regulations. The Management Board, the Chairman of the Supervisory Board and the Chairman of the Audit Committee are notified without delay of any events of material significance.

## Responsibility toward society

A global presence and cultural diversity shape our company and our business activities. We have employees, customers and partners in many countries of the world. Together, they make up an agile network that exchanges goods, services and knowledge and commits to intercultural cooperation. This dialog provides new ideas and insights while arousing sympathy for and creating confidence in our company and its business policies. TDK Electronics maintains close contact with educational institutions around the world. Our experts cooperate in basic research with renowned universities and research institutes.

Our subsidiaries and locations are an integral part of the national economies where they operate. We also see ourselves as a good neighbor in the literal sense, purchasing goods and services locally, thus promoting an efficient supply industry and offering well-paid jobs by local standards. Wherever we do business, we act as a member of the local society, as a good corporate citizen that actively contributes to the community and its environment. This includes our support of local organizations and initiatives – a task that our local companies and their employees around the world fulfill with great commitment.

Just some few examples stand for the broad range of TDK Electronics' social contribution activities performed around the world in fiscal 2020:

- Fighting against the corona pandemic, many of our sites have contributed to supporting the health systems in their countries with various projects. For example, the Gravataí site in Brazil produced around 1,300 liters of disinfectant and donated it to the public health system because of supply bottlenecks in the region.

- A number of our locations are committed to improving the living conditions of children and supporting them. For example, employees of TDK Electronics and TDK Europe, both headquartered in Munich, fulfilled the Christmas wishes of 70 children from migrant families who had fled their homes. At the other end of the age scale, elderly people, too, are supported by these two companies. Their traditional Christmas donation of 25,000 Euros benefited an organization that alleviates poverty among senior citizens, helps prevent loneliness through many events, and thus helps to ensure that people in old age are treated with respect and can lead a dignified life.

- Our sites produce as environmentally friendly and energy efficient as possible. For example, the Hongqi location in China has replaced fluorescent lamps with significantly more energy-efficient LED systems and installed a solar heating system to save energy and reduce $CO_2$ emissions further. In addition, the plant has replaced its diesel buses with modern electric vehicles, which take around 300 employees to work and back home every day. For these improvements, the plant was awarded the national Green Factory Award of the Ministry of Industry and Information Technology.

All of these activities are an integral part of TDK Corporation's overall Social Contribution Activities initiative.

We are convinced that corporate responsibility involves a commitment to society and permanent protection of the environment. To do justice to the diversity of cultures, their values and moral precepts that we encounter, we base our conduct on high ethical standards. Our corporate culture and interpersonal relations within the company, with our customers and with business associates are molded by values such as decency, loyalty, tolerance, and respect for local customs and the law.

TDK Electronics' commitment to human rights, labor standards and the environment date back to its establishment in 1999 and can be traced back even further to its predecessor companies.

## Systematic corporate social responsibility management

In fiscal 2020 TDK Electronics has continued to make further strides in embedding corporate social responsibility (CSR) in its corporate-wide management systems under the leadership of the Corporate Technology and Quality Department.

CSR coordinators for all TDK Electronics manufacturing locations worldwide track the CSR status of their respective plants using a comprehensive questionnaire that is based on the globally established questionnaire by RBA (Responsible Business Alliance), where TDK is an Affiliate Member since March 2020. This CSR questionnaire, which goes beyond the scope of Global Compact's Ten Principles, covers the following key areas that address conformance to the coming CSR guideline:

1. Labor
2. Ethics
3. Health and Safety
4. Environment

These questions are an integral part of internal and external CSR assessment audits of conformance to management system requirements in the context of continuous process improvement. In the previous fiscal year, a total of seven CSR assessment audits had been successfully performed by an independent, third-party auditor (DNV-GL, a leading certification institution). A further two sites will be audited in calendar year 2020. The certificates of assessment of the Ten Principles of the UN Global Compact, the UN Guiding Principles on Business and Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work are posted on the TDK Electronics website.

The ongoing training of CSR coordinators, the management team and employees is a further focus of the company's CSR management. For example, trainings were provided to CSR coordinators and SQM managers concerning the RBA Code of Conduct and their auditing system, resulting in RBA certified CSR auditors. In addition, e-learning tools are provided in the TDK Electronics' Corporate Intranet to inform and educate all of its employees about CSR, business ethics, sustainability and the 17 Sustainable Development Goals of the UN. The objective of all these measures is to ensure full compliance with the TDK Code of Conduct by the members of the management teams and all employees.

## Partnership for sustainability

TDK Electronics calls on its business partners to ensure that their organization and also all of their subcontractors and suppliers comply with the Ten Principles of the Global Compact. We rely on our suppliers to communicate and actively promote the standards of these principles throughout their entire supply chain. To promote our partnership with suppliers TDK Electronics set up a specific suppliers' page on the website, which offers a link to the Ten Principles and outlines our philosophy of collaboration in terms of reliability, transparency, communication and sustainability. In addition, all purchase orders issued by the company contain the statement, "TDK Electronics supports the UN's Global Compact Initiative and aligns all of its activities with the initiative's Ten Principles. We rely on you to comply with the standards of these principles," and refer to our suppliers' page.

In order to ensure that the company's sourcing is compatible with its corporate principles TDK Electronics established a general guideline for all employees involved in dealing with external suppliers, service providers, partners or any other third party with the intention of purchasing

goods or services. The TDK Electronics Procurement Policy addresses the fair and impartial selection and evaluation of sources and the company's policy on quotations.

The Procurement Policy also includes TDK Electronics' position on Conflict Minerals – tantalum, tin, tungsten, and gold obtained from mines and areas controlled by armed rebels in the Democratic Republic of the Congo (DRC) or in adjoining countries. These groups have been conducting illegal mining and smuggling of minerals to fund their rebel activities. These actions not only serve to further conflict, but constitute violations of human rights through forced labor and the abusive treatment of local people. TDK Electronics has no intention of supporting the above-mentioned illegal activities and violations of human rights. We place a high priority on communication in our supply chain with regard to such Conflict Minerals, and therefore require our suppliers to disclose such information and, if appropriate, share it with our customers.

**Responsibility for our people**

Measures have been implemented in order to ensure adherence to company labor rules. For example, to protect juvenile workers and preclude excessive working hours, the age and working hours of all persons employed in our company are subject to regular checks, as are also the living conditions of workers who reside in dormitories.

We seek to actively nurture the creativity of our employees. Their health and ongoing personal development are matters of prime concern to us. Their knowledge and skills are the basis of our competence, and thus of our business success. Our personal development program, among other things, enables employees to exchange their production experience across different locations and attend production-related training courses, besides attending specialized seminars outside the company.

To prepare our best people for future leadership roles, TDK Electronics has established the Junior Management Circle (JMC). About two-thirds of the top management positions throughout the Group are recruited from this group. On average, more than 30 people a year participate in the program. As a result, they spend two years in the JMC and represent all the Group's key functions as well as the main regions in which we operate. In addition to the established JMC program, TDK Electronics is now offering additional training programs such as the TDK Career Development Program (TCDP), which was developed for employees with several years of project responsibility, or the Advanced Management Program (AMP) for employees in upper management. Besides these programs for management employees, we also offer all of our employees worldwide a broad spectrum of qualification and continuing training opportunities.

To further improve protection for employees' health and safety at work, TDK Electronics has introduced and maintains an occupational health and safety management system at its production facilities. As part of the program, every workplace has been assessed to identify possible threats, provide preventive protection against accidents, and minimize risks. These risk factors not only include mechanical and electrical dangers, hazardous substances, fire

risks, and physical stresses and strains, but also psychological factors such as changing working shifts. As part of the management system, occupational safety officers have been appointed for each production facility to oversee and ensure compliance with the occupational safety rules and regulations that have been harmonized for all TDK Electronics production sites. Recently the British standard OHSAS 18001 was replaced by the international standard ISO 45001. After the full implementation of this new management system in all production facilities in 2019/2020, we are planning external certification for 2021 as proof of our commitment to continuous improvement also in the field of occupational health and safety.

**Responsibility toward the environment**

TDK Electronics is committed to protecting the environment as much as possible. As a manufacturer of passive components and electronic systems with factories located around the world, TDK Electronics is continually improving its production processes to conserve energy and reduce $CO_2$ emissions, to minimize water consumption and waste, and to avoid introducing harmful substances into the environment as much as possible. To support this process, the company's production sites worldwide conduct environmental programs and projects on a regular basis.

In the course of the past fiscal year TDK Electronics has initiated and completed more than 70 projects and actions to increase its energy efficiency and thus minimize its negative impact on the environment. Some examples are:

- Compressed air systems were further improved at our plants around the globe, resulting in noticeable energy savings of a total of 1220 MWh.

- 5 production facilities continued to upgrade their lighting by replacing older fluorescent lights with more energy-efficient LED systems, resulting in estimated energy savings of about 1350 MWh.

- 5 production facilities have saved 1290 MWh by improving their ventilation and aircon systems.

- The replacement of production equipment with more energy-efficient machines resulted in savings of about 2500 MWh. In Zhuhai, China, for example, the replacement of 5 old ovens with a new calcination kiln saves about 850 MWh per year.

Maximizing energy efficiency is one of the essential pillars of TDK Electronics' environmental efforts. In order to achieve all targets concerning the minimization of energy consumption, TDK Electronics is running its certified ISO 50001 energy management system at all but two production sites located in Europe (Crolles, France and Akureyri, Iceland are scheduled for certification in 2021).

## Focus on eco-design in product development

Another chief concern of TDK Electronics is to treat our resources with care. TDK Electronics works continuously to increase its resource efficiency in the design and manufacture of products. In order to determine and document the eco-friendliness of products compared to previous generations the company conducts an internal assessment as a part of the product design process. The analysis covers the amount of materials and energy used in the production process, the energy consumption of the finished products in operation and the recyclability of the products at the end of their life cycle.

TDK Electronics follows the example of TDK and calculates the contribution its products make toward reducing the company's $CO_2$ balance. Each product's per annum $CO_2$ emissions – based on the energy and material used to produce it – and the energy the product consumes in operation over its projected lifetime are compared with the per annum $CO_2$ emissions of a benchmark product; either the product's predecessor or an exemplary standard product in the market. The difference represents the positive impact of the product on the company's $CO_2$ savings. In fiscal 2020, TDK Electronics again achieved a balance between all of the $CO_2$ it emitted and the sum of all $CO_2$ savings for all products.

## Energy efficient portfolio

While the world's appetite for energy is increasing, its reserves of fossil fuels are not. In the debate about climate change, calls for a reduction in carbon dioxide emissions are growing ever louder. In this context, technological solutions that improve energy efficiency are becoming increasingly important. Thus, TDK Electronics offers an ever-wider spectrum of products that directly or indirectly improve energy efficiency.

Some few examples of TDK Electronics products in environmental friendly applications include:

- Around 20 different TDK Electronics products, including film capacitors, chokes, transformers and thermistors can be fitted in the electronic lamp ballasts and control electronics of energy-saving LED lighting fixtures. Furthermore, a new substrate for LED chips already contains protection against electrostatic discharge. Compared to conventional lighting technologies, LED lamps and lighting systems can help cut energy consumption drastically, while significantly extending life expectancy of the lamps.

- NTC thermistors to measure temperatures in heated car seats are now manufactured completely lead-free: No lead is used in the ceramic, metallization as well as in the solder alloy that forms the mechanical and electric link between the metallized NTC ceramics and the connecting wires. This alloy has a much lower melting point than leaded alloys, so lowering the solder bath temperature by about 100 degrees to 250 °C saves large amounts of energy.

- A piezo actuator based on multilayer-piezoceramic plates delivers excellent haptic feedback while per-click power consumption has been reduced from 130 to just 8 millijoules. Its weight and volume have also been reduced substantially. During application, the new product requires about 90 percent less energy than conventional solutions.

- A new dielectric mixture makes it possible to realize significantly smaller film capacitors with the same current carrying capacity as conventional products. This leads to significant material savings. On the other hand this material is suitable for higher temperatures.

- A new ferrite material and improved geometries in the core designs lead to 70 percent less losses in the winding of the copper wire and thus to a higher efficiency of the application.

- Hybrid polymer aluminum electrolytic capacitors featuring extremely low internal resistance contribute to lower losses in the inverters of xEVs.

Besides helping to improve energy efficiency, TDK Electronics products also help protect the environment from harmful emissions and substances. For example, the company has introduced sensors that contain no environmentally harmful lead or halogens. In addition, we have developed new robust, high accuracy fuel pressure sensors that are resistant to aggressive fuels. They are used in evaporation emissions control systems that prevent fuel vapor from being discharged into the atmosphere and thus help carmakers to conform with new emissions legislation. The precision pressure sensors monitor the tank pressure either during electrical driving mode or when the vehicle is resting and are able to detect very small deviations.

Our ISO 14001-compliant global environmental management system ensures the same high standards of environmental protection worldwide. This standard applies to all production locations. Regular certification audits by DNV-GL monitor compliance. To date, the auditors have consistently certified the effectiveness of our environmental management system. Our aim, however, is not merely compliance with all statutory and administrative requirements, but the efficient use of precious resources too. In doing so, we avoid hazardous substances as much as possible and minimize waste.

**Better protection of the environment**

In fiscal 2020, TDK experienced lower demand for its products. As a result, the production volume at TDK Electronics decreased and TDK Electronics' energy consumption decreased by 13 percent to 1074 gigawatt-hours compared to 1233 gigawatt-hours in the previous fiscal year. The carbon dioxide emissions from energy consumption also decreased by 6,5 percent to 216,000 metric tons compared to the previous year.

## Key environmental indicators in absolute values

| | Unit | FY 2019[1] | FY 2020[1] |
|---|---|---|---|
| Energy consumption | megawatt-hours (MWh) | 1,233,000 | 1,074,000 |
| $CO_2$ [2] | tons | 235,000 | 216,000 |
| Water consumption | cubic meters | 5,187,000 | 4,850,000 |
| Waste | tons | 23,400 | 18,700 |

[1] The TDK Electronics fiscal year goes from April 1 until March 31 of the following year.

[2] The calculation of $CO_2$ emissions from the use of electrical power is based on supplier-specific conversion factors.

The weight of waste declined to 18,700 metric tons (23,400 metric tons in 2019), and we were able to maintain our recycling rate for waste at a comparable level at 82.7 percent. In total, waste decreased by 15.8 percent compared to fiscal 2019. Our overall water consumption also decreased by 6.3 percent to about 4.9 million cubic meters (compared to 5.2 million cubic meters in 2019).

## Key performance indicators in relation to added value

| | Unit | FY 2019[1] | FY 2020[1] | Difference |
|---|---|---|---|---|
| Energy consumption | megawatt-hours/million EUR | 1,126 | 1,111 | **-1.3%** |
| $CO_2$ emissions | kilogram/million EUR | 215 | 223 | **+3.7%** |
| Water consumption | cubic meters/million EUR | 4,736 | 5,010 | **+5.8%** |
| Waste | tons/million EUR | 21.4 | 19.4 | **-9.3%** |

[1] The TDK Electronics fiscal year goes from April 1 until March 31 of the following year.

Consumption, emissions and waste fluctuate somewhat over the years, depending also on the product mix as well as on the load of the different plants. For example, in fiscal 2020, our European plants were underproportionally loaded as the impact on the European automotive industry from the coronavirus pandemic was substantial. This had a negative effect on our relative $CO_2$ emissions, as our European production sites consume in the vast majority energy from renewable sources. Viewed over the long term, TDK Electronics' performance has developed positively. Since fiscal 2015 energy consumption per added value has been reduced by around 10 percent. Thanks to the fact that a growing share of TDK Electronics' electrical energy is generated from renewable sources, the relative $CO_2$ emissions have been reduced by 8.2 percent since fiscal 2015. The significant progress in reducing $CO_2$ emissions could be achieved by using electricity generated by $CO_2$ neutral energy sources such as hydroelectric power (e.g. in Deutschlandsberg, Austria) and geothermal energy (e.g. in Akureyri, Iceland).

Whenever reasonable, the company wants to purchase energy from renewable sources and minimize the $CO_2$ emissions caused by energy consumption. TDK Electronics was able to increase the number of locations that are using electricity from 100 percent renewable energy sources to ten – including the TDK Electronics headquarters in Munich – with more to follow.

Since the beginning of fiscal 2020, more than two thirds (67.4%) of the company's total electrical energy consumption was generated from renewable sources.

On all measures, TDK Electronics' environmental performance has developed very positively and we are confident that we will be able to reach our goal of even further reducing our impact on the environment.

**Proactive response to rising environmental protection demands**

TDK Electronics' dedication to the environment is summarized in our environmental management principles. These include assessing the environmental impact of new products and processes right from the design stage, and regular monitoring and updating of technological and organizational procedures to ensure ongoing environmental protection.

Since the EU's Directive on the Restriction of Hazardous Substances (RoHS I) went into effect in July 2006, electrical and electronic equipment can be sold in the European Union only if it meets the requirements of this directive. The RoHS Directive aims to eliminate the use of four heavy metals – mercury, chromium, cadmium and especially lead – and also to ban the use of polybrominated biphenyls and polybrominated diphenylethers. In the meantime, the RoHS I Directive has been replaced by the RoHS II Directive. TDK Electronics is fully compatible with all aspects of the RoHS II Directive. In 2018 some phthalate compounds were banned following another update of the RoHS II Directive. Moreover, TDK Electronics restricts the use of halogenated organic substances in its products. Wherever possible and economically feasible, those substances had been replaced by environmentally friendly solutions.

All products that TDK Electronics manufactures in, exports to, or sells in China are affected by China's law entitled *Management Methods for the Restriction of the Use of Hazardous Substances in Electrical and Electronic Products*, and known as China RoHS II. TDK Electronics offers its customers an online service to help them comply with the requirements of China RoHS II.

Today's markets demand more and more information about the materials used in electronic components. Material data sheets that are also posted on the Internet provide examples of the typical composition of our product families. On request, we also supply customers with documentary evidence from certified laboratories for substances whose use is restricted in accordance with RoHS.

Compared with RoHS, Regulation (EC) No. 1907/2006 of the European Parliament and of the Council concerning the registration, evaluation, authorization and restriction of chemical substances (REACH) applies to a much wider sector of industry. The purpose of the regulation is to ensure a high level of protection for human health and for the environment. This includes the promotion of alternative methods of assessing the potential risks posed by substances. Under the REACH regulations, manufacturers and importers of substances must obtain all the data needed to assess the substances they produce or import. They must also demonstrate convincingly that their substances are safe to handle for all identified uses and thus harmful effects on human health and the environment can be avoided. Registration is required for each

substance produced or imported in quantities of one metric ton or more per year per manufacturer/importer. This is done with the ECHA, the European Chemicals Agency, which is based in Helsinki, Finland.

TDK Electronics has been implementing the REACH requirements since the end of 2006, thus ensuring that it will be able to comply with these within the set time limit. Also, TDK Electronics was involved at a very early stage in the process of developing the REACH regulations. For example, TDK Electronics supported studies into the impact of REACH on the German economy and helped to draft the final document, Guidance for downstream users. TDK Electronics offers its customers a comprehensive online service about REACH.

TDK Electronics avoids critical substances as much as possible at an early stage of design. The company's certified quality management system includes a material compliance management process. TDK Electronics introduced its Banned and Declarable Substance List as a basic document for material compliance and environmentally friendly products.

Many product and system manufacturers have no choice but to factor environmental considerations into the design of their products. Failure to do so can damage their reputation among consumers, their brand image and, hence, their business. Some of our customers therefore go beyond the requirements of law and impose their demands on the entire supply chain.

## Active involvement in associations – part of our CSR policy

TDK Electronics plays an active role in numerous committees, workgroups and commissions in the electronics industry, such as the International Electrotechnical Committee (IEC) and the German Electrical and Electronic Manufacturers' Association (ZVEI Zentralverband Elektrotechnik- und Elektronikindustrie). This enables us to identify future trends in legislation that may affect our business and helps us respond quickly and comprehensively to any resultant laws. Actively shaping future regulations and standards is part of our corporate CSR policy.

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**Links to resources on the TDK Electronics website**

- Global Compact www.tdk-electronics.tdk.com/en/global_compact
- TDK Code of Conduct www.tdk-electronics.tdk.com/en/coc
- Corporate responsibility www.tdk-electronics.tdk.com/en/corp_resp
- Partnership with suppliers on sustainability www.tdk-electronics.tdk.com/en/cr_supplier
- Procurement policy and response to conflict minerals www.tdk-electronics.tdk.com/en/procurement_policy
- Certificates for CSR assessment audits www.tdk-electronics.tdk.com/en/certificates
- Environmental protection www.tdk-electronics.tdk.com/en/environment
- Environmental management www.tdk-electronics.tdk.com/en/environ_management
- Environmental report www.tdk-electronics.tdk.com/en/environ_report
- Material data sheets www.tdk-electronics.tdk.com/en/material
- RoHS II Directive of the European Union www.tdk-electronics.tdk.com/en/rohs
- China RoHS II www.tdk-electronics.tdk.com/en/china_rohs
- REACH www.tdk-electronics.tdk.com/en/reach