

# 2018 CORPORATE SUSTAINABILITY REPORT

*April 2019*

# Sustainability at KEMET

## Opening Letter

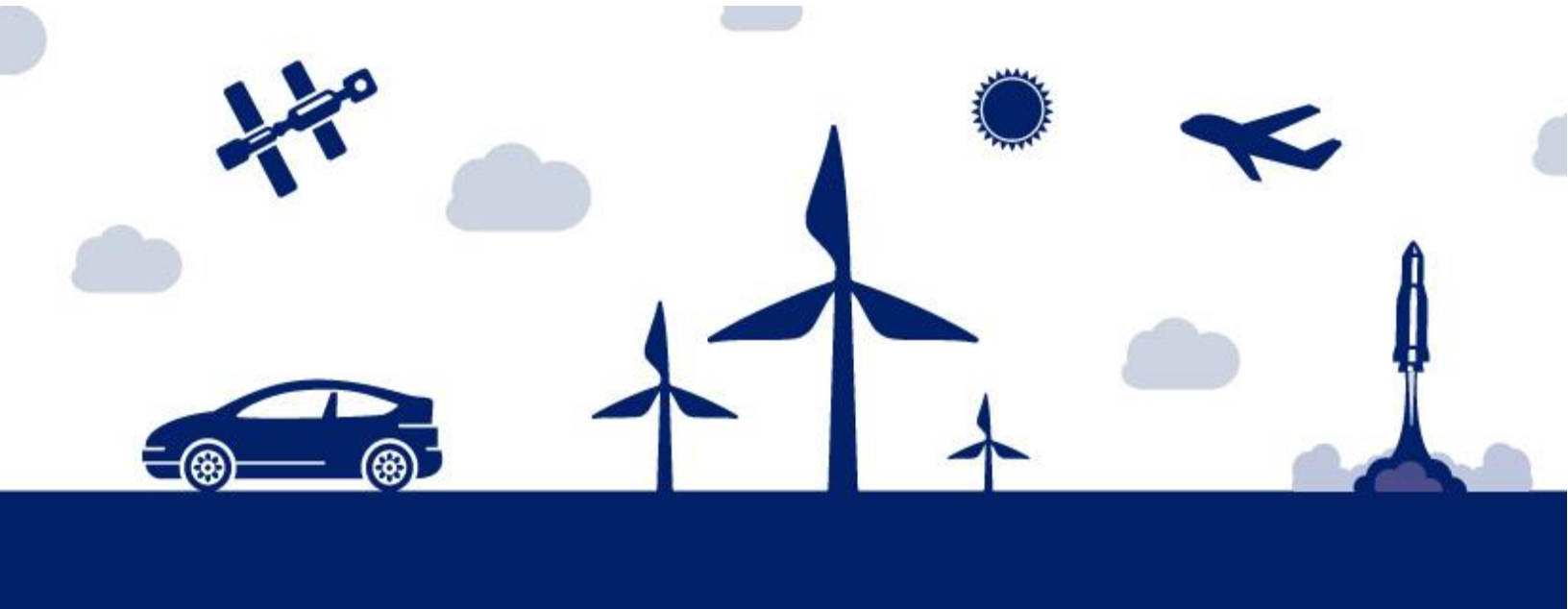
*As a leading global supplier of passive electronic components, KEMET uses nearly half of the 118 elements in the periodic table, with more to come. We are the world's largest user of element 73, tantalum. Given the intensive nature of resource extraction and our global footprint, we understand the importance of promoting the sustainability of not only our direct operations, but also our supply-chain. We were one of the first companies to claim the "conflict-free" distinction, as acknowledged by the U.S. Securities and Exchange Commission (SEC), and created the Partnership for Social and Economic Sustainability in a small tantalum mining village called Kisengo in the Katanga Province in southeastern Democratic Republic of Congo. Together with the local miners, KEMET helped establish a foundation that provided funding for improvements to the infrastructure of the village, to build a hospital that has served over 30,000 patients, and to build a school that has 1,500 students. Funding was provided for roads, bridges, and solar-powered street lighting. Additionally, wells were drilled in the village to provide fresh drinking water, which is a major concern in that region.*

*We are also deeply invested in our employees. We encourage employee volunteerism, provide corporate donations in support of employee-chosen charities, and fund education, arts, and culture in the communities where we operate. We are committed to building better, safer, more connected communities and making a difference worldwide. We have also aided our employees during large-scale disasters in areas where we have a presence. Our employees have the talent, will, and resources to make a difference, and we provide them with the support and training to address the global challenges of today and tomorrow.*

*The future of sustainability at KEMET is electrifying. While we haven't charted our path yet, we are committed to the journey and look forward to sharing our plan soon. One of the many reasons I am proud of KEMET is how dedicated our employees are in designing, innovating, and making the world's best electronic components in a way that honors our commitment to being responsible global citizens. This drive and commitment to our values by our employees is what helped launch KEMET a century ago and has propelled us to be one of the leading global suppliers of electronic components today.*



William M. Lowe, Jr.  
Chief Executive Officer and Director



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### Report Overview

In 2018, we conducted a Materiality Assessment to focus reporting on the Environmental, Social, and Governance (ESG) topics we have identified as most relevant to our company and stakeholders, as discovered through internal surveys with individuals from across the company. This report, unless otherwise indicated, pertains to our global operations. In this report, we highlight the ESG topics that KEMET Corporation has deemed most important to our company and provide information on the management of these topics. Data presented in this report is for KEMET Fiscal Year 2018 (April 1, 2017 – March 31, 2018) unless otherwise stated. We do not currently seek independent assurance of report data. An independent third-party qualitatively reviews and assesses the accuracy of our sustainability documentation and tracking efforts.

## Who We Are

### About KEMET

KEMET Corporation is a global manufacturer of passive electronic components, including multilayer ceramic, tantalum, film and aluminum (solid and electrolytic) capacitors, Electro-Magnetic Compatible ("EMC") devices, sensors, and actuators. We are headquartered in Fort Lauderdale, Florida, and have 23 manufacturing plants located across North America, Europe, and Asia, employing over 15,000 people worldwide.

At KEMET, we believe that the long-term demand for the various types of electronic components we offer will grow on a regional and global basis due to a variety of factors including: increasing demand for and complexity of electronic products, growing demand for technology in emerging markets, and the ongoing development of new solutions for energy generation and conservation. Our customer base includes most of the world's major electronics original equipment manufacturers ("OEM"), electronics manufacturing services providers ("EMS"), and distributors.

Note: In the first quarter of fiscal year 2018 (FY2018) we acquired TOKIN Corporation, expanding our product offering and global presence as the preferred supplier of electronic component solutions for customers demanding the highest standards of quality, delivery, and service. As TOKIN was not fully integrated under KEMET's operational control for all of FY2018, data pertaining to these manufacturing facilities is not included in this report. We plan to expand our reporting boundary to include TOKIN in future sustainability reports.



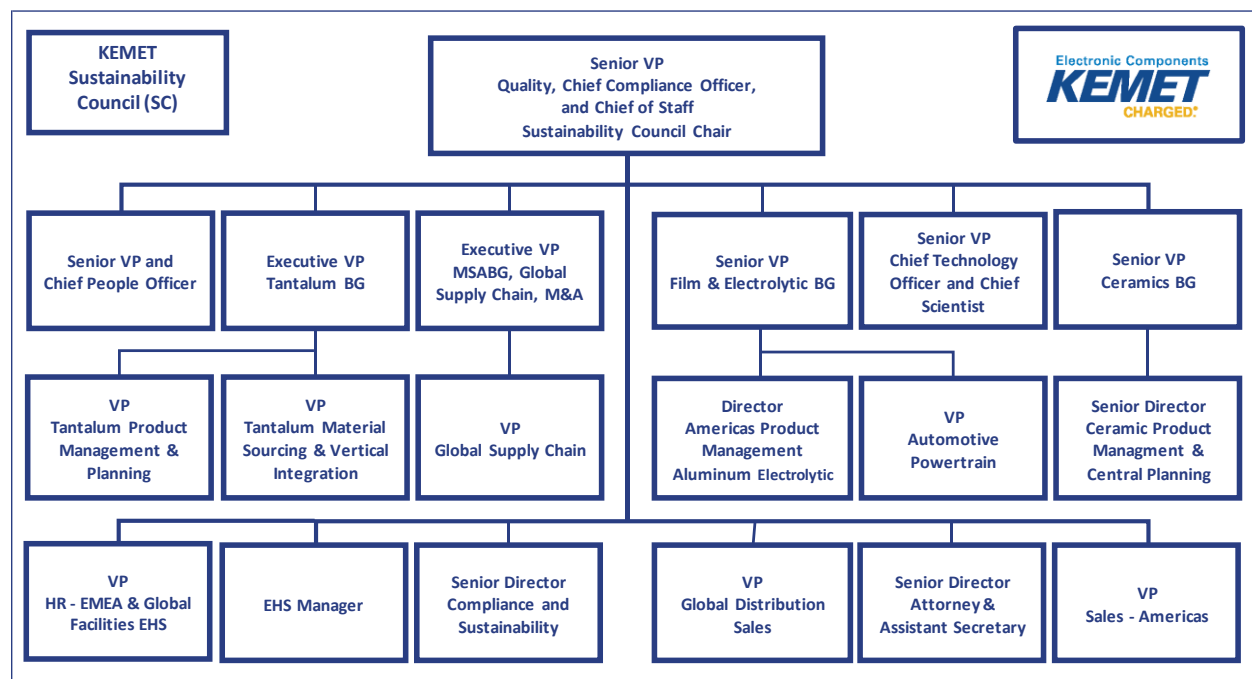
# How We Operate

## Governance and Management

We have a strong commitment to economic, environmental, and socially sustainable development. A decade ago, we adopted the Responsible Business Alliance (RBA) Code of Conduct (formerly Electronic Industry Citizenship Coalition) in support of these ideals. The RBA Code of Conduct is a comprehensive Code of Conduct that addresses all aspects of corporate responsibility including labor, health and safety, the environment, business ethics, and related management system elements. It outlines standards to ensure working conditions in the electronics industry supply chain are safe and free from slavery and human trafficking, workers are treated with respect and dignity, manufacturing processes are environmentally sustainable, and materials are sourced responsibly.

## Risk Management

To ensure that sustainability is integrated into our business practices and considered within our broader risk management framework, we developed a Sustainability Council that is overseen by our Senior Vice President – Quality, Chief Compliance Officer, and Chief of Staff. The Sustainability Council has oversight responsibility to ensure internal awareness of, and compliance to, current applicable environmental legislation, regulations, and requirements, as well as the development, maintenance, and continuous improvement of our Environmental Management System (EMS). Our EMS is based on the ISO14001:2004 and 2015 International Standard, as well as legal, regulatory, and other requirements that are applicable to KEMET’s headquarters and our manufacturing site activities. The Sustainability Council meets quarterly and reports as needed to the KEMET Leadership Team.





# Environmental, Health, and Safety

## Health and Safety

At KEMET, we are committed to keeping our employees healthy and safe. We strive to continuously improve our health and safety practices by communicating and providing our employees with appropriate training tools and resources. We employ a Facilities, Environmental, Health and Safety Management System based on the ISO 14001:2015 International Standard that is implemented in all our manufacturing facilities. Our continuous commitment to health and safety is the reason our Days Away, Restricted, and Transferred (DART) rate is 0.20 for FY2018 and our Global Recordable Injury Incidence Rate (RIIR) has remained less than 0.3 since 2013.

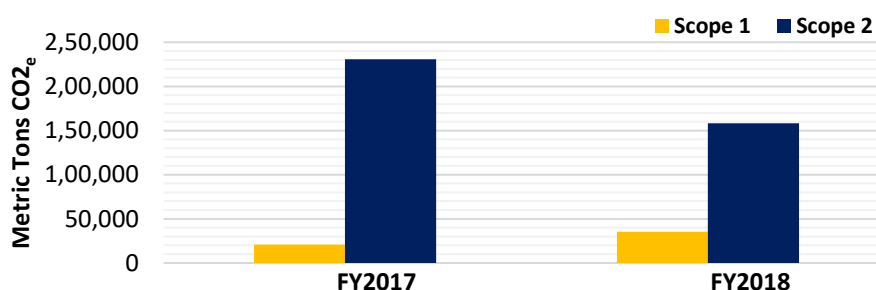
Additionally, we require our suppliers to complete a self-assessment, which includes a Social Responsibility and Environmental section focused on ISO 14001 certification, energy consumption, and greenhouse gas emissions. Our Sustainability Council and our Senior VP – Quality, Chief Compliance Officer, and Chief of Staff provide direction and focus in support of our Environmental Health and Safety (EHS) program.

We are focused on building our business to achieve both business objectives and sustainability goals. As a result, we've driven efficiency improvements throughout the organization, scaled back our manufacturing footprint and developed more cost-efficient manufacturing equipment and processes. For example, at our newly constructed Pontecchio, Italy facility, energy costs were reduced 35% by utilizing a trigeneration system, in which cooling, heat, and power for the facility are produced in one shared system. Further, we've mapped out the energy use at each of our facilities and are evaluating optimization opportunities to improve energy efficiency and emissions reductions.

## Greenhouse Gas Emissions

Measures implemented to reduce our emissions have paid dividends. Of note, **we saw a 22.9% reduction in absolute carbon emissions from our direct operations from FY2017 to FY2018, significantly exceeding our goal of 3% per year.** Looking to the future, we plan to use climate-related scenario analysis to help us understand and chart a sustainable path towards reducing our company's overall carbon footprint in line with climate science. Using this process, we hope to set new Science Based Targets for our carbon emissions in the next few years.

Scope 1 and 2 Emissions, FY2017 and FY2018



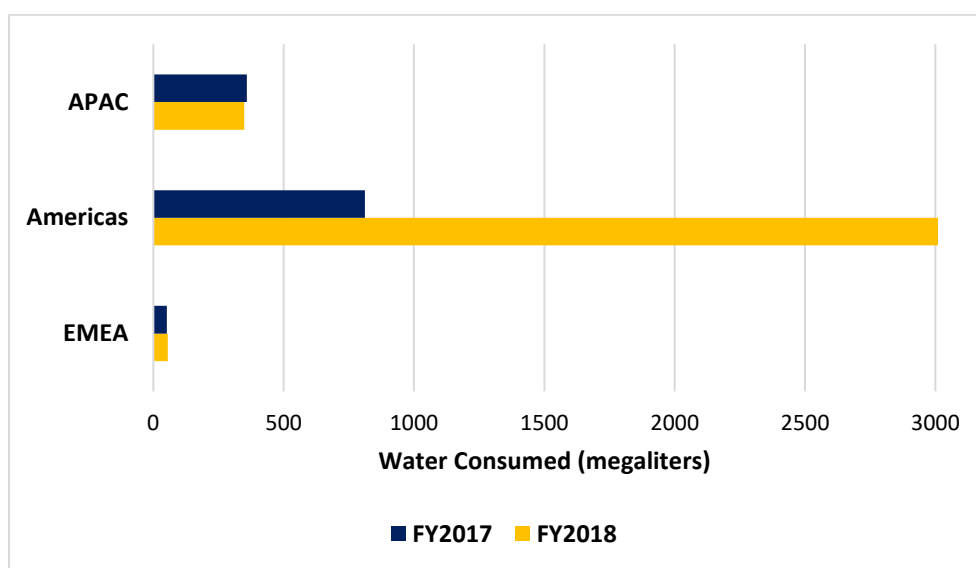
*Scope 1 Emissions: Direct emissions from owned or controlled sources.*

*Scope 2 Emissions: Indirect emissions from the generation of purchased energy.*

## Water Use

Maintaining a clean, high-quality supply of freshwater is a vital component of our manufacturing processes. We educate our employees on the importance of water efficiency and the actions necessary to support this. We make every effort to minimize water use at our manufacturing facilities and return as much water as possible to the local watersheds. In furtherance of these efforts, we have a goal for our manufacturing facilities to achieve a water utilization ratio (water withdrawn vs. water discharged) of 85%. This goal was met or surpassed at all our facilities in FY2018, with an actual average water utilization ratio of 91%. FY2018 saw a significant increase in water consumption in the Americas due to the inclusion of water usage data from facilities not previously reported. Beyond that, we have strict guidelines to ensure that the quality of the water we discharge meets or exceeds any quality requirements of local regulatory frameworks.

**Water Consumed by Region, FY2017 and FY2018**



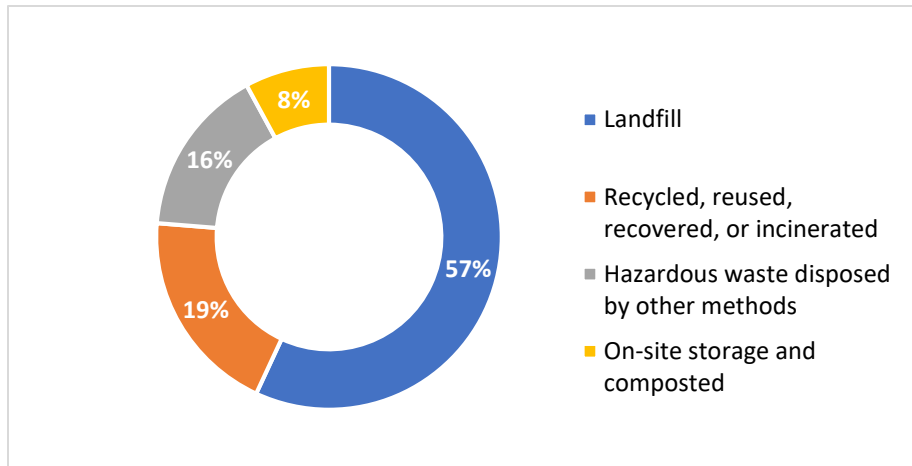
## Spotlight

### **EHS – Pontecchio, Italy**

In 2018, we focused on reducing the water footprint of our Pontecchio, Italy facility through utilizing innovative engineering solutions to improve our water efficiency. By connecting the cooling system of our facility's climatic cells to the process cooling towers and installing a state-of-the-art cooling tower water analysis system, we were able to reduce our water consumption by 50%.

Water isn't the only place where significant savings have been realized. Due to our trigeneration system over the last three years, we've been able to reduce facility CO<sub>2</sub> emissions by 50% while also recovering more thermal energy than we purchased!

### Waste Disposal Breakdown (mT) – Company-wide



*Our FY2018 waste disposal breakdown across our operations is presented in the above graph. We drove efficiency initiatives in FY2018 focused on decreasing process waste while also promoting the recycling, reclamation, and reuse of our manufacturing materials where feasible.*



## Product Innovation

### Specialty Products

At KEMET, we've found that time and again we can do well as a business by doing good – for our customers and the environment. By allocating an increasing portion of our research and development funding to investment in specialty products, we have established ourselves as one of the leading innovators in the renewable energy market. We are proud to say that our products are used in everything from smart grids, solar power and wind energy generation, to geothermal and tidal generation systems, and even in electric vehicles.

### Restricted Substance Management

E-waste is a concern for our industry. Integrated into our quality system is an extensive new product development and product change phase gate process to ensure KEMET designs products to be free of restricted substances to meet both regulatory and customer requirements. Through our Sustainability Council, KEMET monitors the changing landscape of restricted substances. KEMET possesses multiple lab facilities with restricted substances testing capabilities and utilizes accredited, third-party lab facilities to test our products and materials. KEMET continues to manufacture a limited number of products containing lead as required by high reliability applications, such as military and aerospace.



### **Time-Out Story**

*William M. Lowe, Jr.*

*Chief Executive Officer and Director*

Globally, we are using more connected devices than ever before. There are various forecasts on how this will impact the electronics industry, but all are pointing to an upward trend. Most people have five or six devices that are connected, and few are happy with the bandwidth and speed available. There will be a continuous and increasing need for electronics with advanced capabilities to support the connection of these devices.

Today, many of the things we use daily did not exist 15 years ago. There was no Twitter, iPhone, streaming music and movies, etc. Facebook goes back a little longer, but this has all happened over recent years. The largest taxi service has no vehicles but relies on connectivity. The largest hotelier (if you want to call them that), Airbnb, has no hotel rooms but also relies on connectivity. So many things are happening in the world of electronics due to our need to be constantly connected. Given this increasing trend, KEMET must not just meet the needs of our customers today, but tomorrow's as well. Ensuring our products are efficient and sustainably-built will help our business evolve to meet these changing needs of the future.

# People and Places

## Employee Empowerment

KEMET firmly believes that it is in the mutual interest of our employees, our customers, and our suppliers to meet the present and future requirements of the markets and society. This is accomplished by demonstrating responsibility for the people taking part in the manufacture of the products and services that make KEMET a global leader within our industry. Employee safety is one of KEMET's highest priorities. Careful concern to health and safety issues is both good for employees and good for the company. Each employee receives safety training tailored to the work they perform. KEMET employees have the right and responsibility to report anything they observe or hear about that could endanger others.

## Spotlight

### **Health & Safety – Matamoros, Mexico**

Knowing is half the battle when it comes to reducing workplace risks, so we provide health and safety training to all employees at our Matamoros, Mexico facility covering topics ranging from how to safely use equipment to how to combat work-related stress. For those employees who are exposed to workplace specific hazards, such as X-rays or electromagnetic fields, we ensure they put their safety first by providing enhanced training specific to these risks. We also completed our first-ever, comprehensive risk assessment for each individual activity carried out by employees at the facility. By giving our employees the necessary tools, we help them meet our expectation of zero safety incidents and injuries, and prevent adverse environmental impacts at our facility.

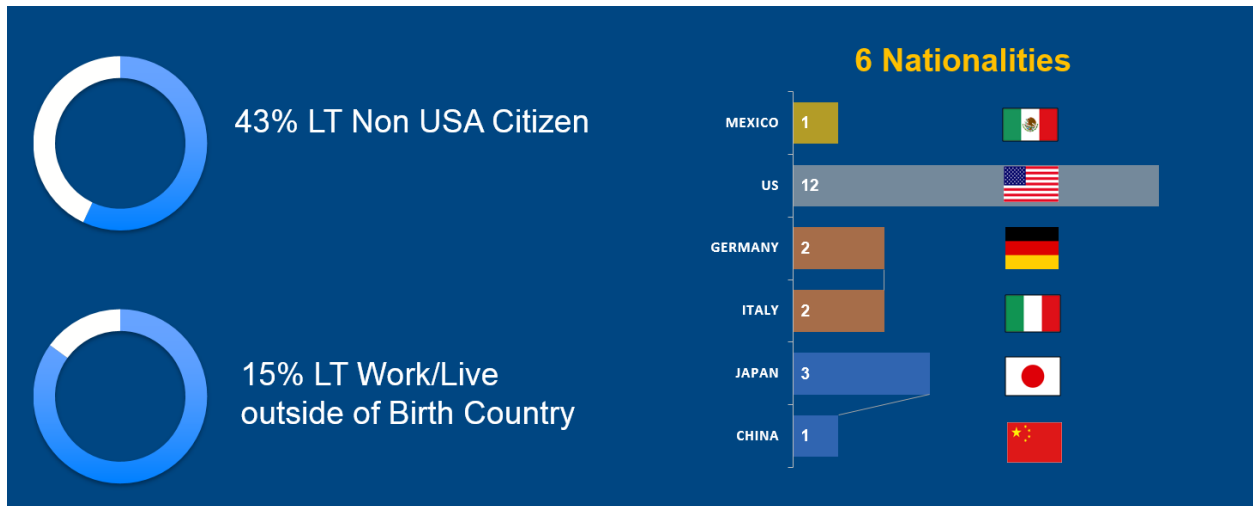
KEMET adheres to the RBA Code of Conduct and requires employees, organizations, and suppliers to maintain compliance with our policies, programs, and procedures. Additionally, we ensure ongoing compliance by conducting periodic self-evaluations covering relevant topics through a variety of internal auditing and monitoring programs and taking corrective and preventive action when appropriate. Upon request by customers, specific facilities participate in social responsibility/environmental audits. KEMET also completes the RBA's Self-Assessment Questionnaire (SAQ) annually, which are then audited for accuracy by customers. Similarly, KEMET requires suppliers to conduct periodic self-evaluations and provide copies of self-evaluations to KEMET upon request. Our employees have the right to report anything they observe or hear (directly or indirectly) that could be a violation of the RBA Code of Conduct. Our employees are encouraged to use KEMET's ListenUp program, which is administered by an outside firm, to confidentially and anonymously report concerns and issues.

RBA Code of Conduct: <http://www.responsiblebusiness.org/standards/code-of-conduct/>

ListenUp: [www.mycompliancereport.com](http://www.mycompliancereport.com)

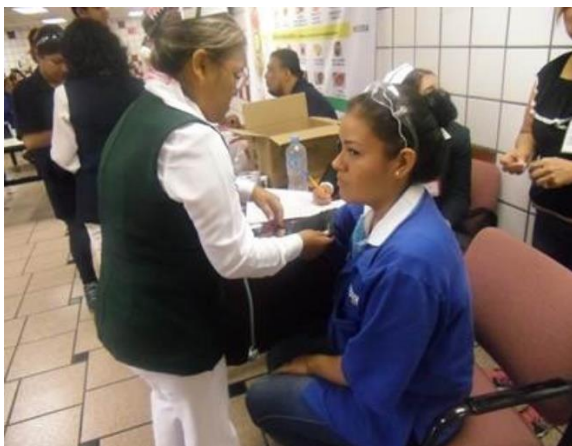
## Diversity at KEMET

As of May 2018, 54% of our total workforce was female. Women represented 13% of our senior management which is defined as our Leadership Team and Board of Directors. In contrast to a decade ago, no women held positions within our senior management. Our Leadership Team is inclusive and diverse representing nationalities of our global operations.



## Employee Wellness

We understand that our continued success depends on our employees and we strive to make KEMET a great place to work, every day. Through a range of employee engagement initiatives and programs, we encourage employee wellbeing and foster a culture of inclusion. For example, in 2018 we sponsored nutrition classes and held a healthy cooking competition at our Monterrey, Mexico facility to help improve the health and wellbeing of our employees.



**Above** – Employees at our Monterrey, Mexico facility participating in nutrition classes and a healthy cooking competition as part of EHS week.



## Community Engagement & Volunteering

We think it's important to give back to the communities where we live and work, so we support employees in their volunteering efforts. In 2018, we held a Global Earth Day where 832 employees at our facilities around the world participated in community service projects – such as beach and trash clean-up, planting flowers and trees, and habitat restoration.

### KEMET Global Earth Day 2018



Simpsonville, South Carolina, USA



Evora, Portugal



Suzhou, China



Singapore



Xiamen, China



Fort Lauderdale, Florida, USA

## Supply-Chain Management

Ensuring that we source our raw materials in a responsible and sustainable manner is of the upmost importance. Through an extensive supplier on-boarding process, formal agreements, and terms and conditions, KEMET requires suppliers to comply with the RBA Code of Conduct. As part of our Supply Chain Policy, KEMET requires suppliers of materials containing tin, tantalum, tungsten, and gold to source materials from smelters or refiners validated conformant to the RBA Responsible Mineral Assurance Program (RMAP) standards. Since inception of the U.S. Security and Exchange Commission conflict minerals reporting rules in 2013, KEMET is one of only four companies that have undergone an Independent Private Sector Audit of our conflict mineral report every year. This report is publicly available on the KEMET website.

### Spotlight

#### **Conflict Free Tantalum Initiative**

In 2011, KEMET took a leading role in a project focused on sourcing conflict-free tantalum from the Democratic Republic of Congo (DRC). This project developed one of the electronics industry's first comprehensive, socially and economically sustainable sourcing models based on tantalum ore from the DRC; culminating in the only closed-pipe, vertically-integrated, conflict-free tantalum supply chain. At a time when the industry considered turning away from the region, the closed-pipe aspect of the supply chain was critical. It allowed us to ensure that no tantalum ore or processed products from unknown and possibly non-conflict-free sources could enter the supply chain undetected. This initiative helped validate that minerals can be sourced responsibly from the Great Lakes Region in Africa and now all our tantalum supply chain partners are conformant to the RMAP standard.

As part of this effort, KEMET invested directly in the village of Kisengo, a conflict-free tantalum mining region in the DRC and committed capital, resources, and stakeholders to ensure its success. This Partnership for Social and Economic Sustainability (Partnership) continues today and is making a substantial humanitarian impact in Kisengo. KEMET has made significant contributions to Partnership projects such as helping to fund the building of a school, hospital, fresh water wells, solar street lighting, as well as infrastructure improvements and repairs to roads and bridges. The overall impact of these Partnership projects is to improve the safety and efficiency of the mine and community.

## Kisengo Foundation school and hospital





## On the Horizon

### Looking Forward

In 2018, we conducted our first Materiality Assessment to identify the aspects that are most important to KEMET's internal stakeholders within the categories of our employees, business operations, and the environment. KEMET referenced the Sustainability Accounting Standards Board (SASB) standard to help identify a minimum set of sustainability topics most likely to impact a company in our industry. We are establishing new goals and targets focused on driving improvements in these three areas during FY2019.

#### Most important topics from each materiality category

People	Environment	Business
<ul style="list-style-type: none"><li>• Protecting employees' health and safety</li><li>• Providing opportunities for development of existing employees</li></ul>	<ul style="list-style-type: none"><li>• Managing wastewater and solid waste</li><li>• Reducing greenhouse gas emissions and energy use</li></ul>	<ul style="list-style-type: none"><li>• Conducting ethical/fair business with the market and suppliers</li><li>• Responsible sourcing (conflict minerals)</li></ul>

While we've taken significant steps in reducing our carbon, water, and waste footprints across our organization, we understand that there is still significant work to be done. In FY2019, we aim to obtain a clearer vision of the primary drivers of our environmental impacts and have a better understanding of the steps we must take to drive meaningful reductions. We plan on continuing our tradition of giving back to our communities, as well. Given the resounding success of Global Earth Day this year, we aspire to grow our participation and expand our reach in FY2019.

We conducted a benchmarking study of our key competitors and customers to determine our current standing regarding sustainability performance and will use that information to align our sustainability efforts with those of the industry in FY2019. We also expect to align our sustainability efforts with the United Nations Sustainable Development Goals (UN SDGs) and intend to track progress against issue areas where our sustainability efforts can make an impact.

