



# How We Work With Suppliers

Upholding Apple's values in our supply chain

## People come first in everything we do.

We believe that every person has the right to a safe and healthy workplace where they are treated with dignity and respect, and that as we build our products, the environment must be protected. This document explains how we work with our suppliers to uphold our values throughout our supply chain.

To learn more about our work, including our most recent progress, read our annual People and Environment in Our Supply Chain report, available on [apple.com/supplier-responsibility](https://apple.com/supplier-responsibility).

# A global opportunity

At Apple, we care as much about how we make products as the products we make. The products and services that we create require resources from a global chain of suppliers and their employees who provide labor, goods, and services to Apple.

The work performed in our supply chain is complex and varied — from smelters and refiners, to the manufacturing partners that build components and perform final assembly of our products, to recyclers. It also includes services providers that support our operations, such as the logistics partners who ship our products all over the world, and the janitorial teams that maintain our Retail stores. Our requirements, along with all applicable laws, apply to suppliers across all of these areas including deep into our chain, where raw materials are sourced by our suppliers.

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## The Apple Supply Chain



# The highest standards

In 2005, the Apple Supplier Code of Conduct and the Supplier Responsibility Standards (“Code” and “Standards,” respectively) were developed based on our work to establish standards for working conditions at our manufacturing suppliers’ facilities, and in alignment with international labor and human rights standards, including those from the International Labour Organization (ILO), the United Nations Guiding Principles on Business and Human Rights (UNGPs), the Organisation for Economic Co-operation and Development (OECD), as well as industry-leading health and safety organizations. Our Standards supplement our Code by providing additional clarity regarding Apple’s requirements. Apple suppliers must meet these Standards to be in compliance with the Code. Suppliers are assessed against the Code and Standards through rigorous Code of Conduct assessments and other third-party audit programs.

In 2012, we began extending our Code and Standards beyond manufacturing into the service domain to include suppliers such as AppleCare contact centers, logistics and repair centers, and software development centers. In 2014, we added requirements for the responsible sourcing of minerals. In 2015, our Code and Standards began to be applied to Apple’s Retail supply chain, which includes the suppliers that provide janitorial and other services to Apple Retail stores worldwide. In 2017, we extended our Code and Standards to include materials processors. And in 2018, we expanded the scope of our Responsible Sourcing Standard to include all materials.

Fifteen years later, we continue to evaluate and update our Code and Standards annually, raising the bar that our suppliers must meet. Every year, we incorporate feedback from stakeholders, together with evolving legal norms and best practices, to ensure that our Code and Standards reflect current internationally accepted standards.

Our strict human rights and environmental protections set the foundation of our work. Then, we continuously evaluate our own efforts, listen to people in our supply chain, and implement robust programs that have a measurable impact on protecting people and the planet.

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## Areas addressed by the Apple Supplier Code of Conduct



Labor and  
Human Rights



Health and  
Safety



Environment



Ethics



Management  
Systems

# Our approach to continuous improvement

We achieve progress by holding ourselves and our suppliers accountable every step of the way, from product design through recycling and everything in between. Our requirements apply across our supply chain, regardless of the goods, labor, or services a supplier provides to Apple, and our scope continues to evolve as our company evolves into new lines of business.

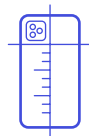
We uphold our requirements which protect people and the planet through rigorous assessments — and if we find issues, we work with suppliers to help them improve their operations and make long-lasting changes. Assessments are an important tool that provide a snapshot of a supplier's performance and help us to prioritize our engagement. Because they only represent one moment in time, they alone are not sufficient, and we engage many other methods of holding suppliers accountable to our standards.

We track and measure our performance across a range of areas, and we apply the lessons we learn to continually improve. In addition to assessments, we also seek input from experts across the industry and civil society, asking for feedback on what we are doing well and where we could be doing more. This feedback is critical for us to move forward in the ways that are most meaningful.

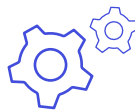
Finally, we report our performance publicly in several ways, including in our annual People and Environment in Our Supply Chain report, Statement on Efforts to Combat Human Trafficking and Slavery in Our Business and Supply Chains, and Conflict Minerals Disclosure.

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## Our approach to progress



Product Design



Capability-Building



Early Engagement/ On-Boarding Review



Assessments

# Our assessment process

Supplier performance is assessed against our Code and Standards to drive improvements in the areas of labor and human rights, health and safety, environment, management systems, and ethics. Assessments are a comprehensive and rigorous process that can take anywhere from a day, to more than a week, depending on the scale of the supplier's operations.

## Conducting rigorous assessments

An assessment consists of extensive document reviews, a thorough site walk-through, and interviews with the supplier's employees and management. Supplier employee interviews are conducted in the employees' native language and without their managers present. We follow up with the supplier employees we interview to ensure that they have not experienced any retaliation as a result of speaking with auditors. We work with independent, third-party auditors to evaluate suppliers against more than 500 criteria, verify compliance, and identify areas for improvement. Each assessed facility is ranked on a 100-point scale in each of three assessment categories (labor and human rights, health and safety, and environment), with the average of those scores comprising the facility's composite score for the year. We also conduct unannounced assessments every year, as well as unannounced visits in response to allegations, or to verify that remediation of violations has been completed.

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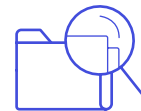
### High-level factors contributing to assessment selection



Is this a new supplier?



What is the supplier's previous assessment performance?



What is the supplier's previous record of Core Violations or allegations?



What is the supplier's geographical location?



What is the amount of business done with Apple?



Are Foreign Contract Workers employed?

# Assessments deeper in the supply chain

Deeper in the supply chain, we utilize independent, third-party auditors to assess the smelters and refiners that process minerals required to build Apple products. Smelters and refiners for key minerals are required to report, assess, and mitigate risks in their business practices based on the findings of annual assessments.

If a smelter or refiner is unable or unwilling to meet our requirements, they risk removal from our supply chain.

# Understanding assessment results

## Our 100-Point Scale for Supplier Assessment Scores



### High-performer

- Mature management systems and consistent implementation
- Minor and isolated Code violations
- Assessments typically identify 50% or fewer findings as compared to other suppliers



### Medium-performer

- Typically have some management systems in place, but may be underdeveloped or implemented inconsistently
- May have major, isolated Code violations and/or numerous minor violations
- Average number of assessment findings as compared to other suppliers



### Low-performer

- Management systems are severely underdeveloped or non-existent
- Major violations found across a number of Code categories
- Assessments typically identify 2x the number of findings as compared to other suppliers

Findings in our assessments are categorized by level of severity:

### Administrative Non-Compliance:

Denotes policy-, procedure-, training-, or communication-related findings

Examples of administrative non-compliance include:

- Inadequate record-keeping
- Inadequate documentation of policy or procedures
- Insufficient training on policy

### Violation:

Denotes non-compliance with our Standards

Examples of violations include:

- Insufficient provision of benefits
- Inadequate pre-placement/on-job/post-employment occupational health exams
- Inadequate environmental permits



**Core Violation:**

The most serious violation of Apple's Supplier Code of Conduct

When a Core Violation is identified, the supplier's Chief Executive Officer (CEO) is notified, and the supplier is immediately placed on probation. Probation is the period beginning when a Core Violation is discovered by Apple, and ending when Apple determines the supplier has completed all corrective actions. Examples of consequences resulting from probation include receiving no new projects, no new business, and the termination of existing business with Apple.

Beyond immediately addressing the Core Violation, suppliers must also make changes in their management system that address the root causes of the violation, take and sustain preventive measures to ensure the violation does not reoccur, and provide remedies to affected workers in line with the UN Guiding Principles on Business and Human Rights (UNGPs).

Some Core Violations of our Code include:

- Abuse
- Underage labor
- Debt-bonded labor
- Forced labor
- Falsification
- Retaliation
- Obstruction of an assessment
- Bribery
- Unsafe or unhealthy environment provided to workers that may cause imminent significant risk of serious injury, illness, property damage, or any form of loss
- Defeated safety devices or impaired loss control system without additional controls to prevent serious incident
- Inadequate maintenance or intentional circumvention that demonstrates the failure of an environmental abatement system
- Lack of required environmental approvals or controls
- Use of prohibited substances
- Illegal disposal of hazardous waste

# Addressing assessment findings

Our goal is to work hand-in-hand with suppliers to help them improve their management systems, rather than to simply remove them from our supply chain without correcting the issues we discovered. In the event that a supplier is unwilling or unable to improve their operations to meet our requirements, they risk removal from our supply chain. Achieving progress requires strong processes to hold suppliers accountable, address violations when they are discovered, and validate that corrective actions have been completed. We call these processes Corrective Action Plans and Corrective Action Verifications.

Following an assessment, we discuss findings with the supplier at their facility, and work with them to create a Corrective Action Plan. The supplier is provided with feedback and identification of issues, and is then required to conduct root-cause analysis to develop corrective actions. As part of the process, our capability-building team provides suppliers with training on industry best practices and guidance in resolving identified issues, as well as help to strengthen their management systems and practices to prevent the issue from reoccurring.

During this period, 30-, 60-, and 90-day required check-ins with Apple ensure that supplier questions are addressed and that clarification, awareness, and training are provided where needed as part of our capability-building efforts.

We then conduct our Corrective Action Verification process to verify that all corrective actions have been successfully implemented, and necessary steps have been taken to prevent a recurrence.

We prohibit retaliation of any kind against supplier employees who participate in our assessments. We partner with a third-party organization to contact supplier employees interviewed during assessments to confirm that they were not subjected to retaliation.

## **Addressing allegations**

We take allegations concerning our suppliers very seriously. Allegations can come from different sources, including civil society organizations, news outlets, people in the supply chain, and anonymous reports through the channels we make available to supplier employees and the public.

Thorough investigations of allegations are conducted. If a violation is discovered, a Corrective Action Plan is put in place.

# Capability-building through expert guidance

A key component of every Corrective Action Plan is capability-building, where Apple experts support supplier teams in improving their management systems to resolve immediate issues and prevent them from reoccurring.

In 2016, the Subject Matter Expert (SME) program was introduced to send Apple experts on-site at supplier facilities to help define customized capability-building plans. The SME team is comprised of more than 30 experts with robust industry experience and knowledge to solve both management and technical issues. Our experts connect directly with suppliers to work through improvements and Corrective Action Plans using a variety of capability-building tools. These include one-on-one assistance and online learning through illustrated, self-paced learning manuals that provide instruction and requirements for areas of our Code commonly encountered in daily operations. We continue to expand the topic areas covered by these tools. Knowledge areas currently included in capability-building and the associated tools and training include:

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<b>Labor and Human Rights</b>	<ul style="list-style-type: none"> <li>Labor recruitment process</li> <li>Protected class management</li> <li>Discipline management</li> <li>Third-party employment agency/school management</li> </ul>	<ul style="list-style-type: none"> <li>Wage and benefit management</li> <li>Grievance management</li> <li>Exit process</li> <li>Foreign Contract Worker management</li> </ul>
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<b>Health and Safety Management</b>	<ul style="list-style-type: none"> <li>Risk assessment</li> <li>Emergency preparedness and response</li> <li>Machine guarding safety</li> <li>Industrial hygiene</li> <li>High-risk tasks (work at height, hot work, confined space entry)</li> </ul>	<ul style="list-style-type: none"> <li>Lock-out tag-out</li> <li>Chemical management</li> <li>Ergonomics</li> <li>Incident management</li> </ul>
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<b>Environmental Management</b>	<ul style="list-style-type: none"> <li>Environmental permit management</li> <li>Waste management</li> <li>Wastewater management</li> </ul>	<ul style="list-style-type: none"> <li>Storm water management</li> <li>Air emission management</li> </ul>

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# Tested processes for remediating Core Violations

After 15 years of engagement and capability-building with our suppliers, Core Violations of our Code have become much less common. When a Core Violation does occur, we immediately enact our strict remediation processes to resolve the violation.

Following are examples of these remediation processes as they relate to Core Violations for debt-bonded labor, working hours violations, and underage labor. We continue to report transparently on Core Violations each year.

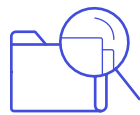
# Remediation of debt-bonded labor

Apple has zero tolerance for debt-bonded labor. Our remediation process for debt-bonded labor focuses on direct remedy, where suppliers repay employees for any fees paid in the process of obtaining a job.

If debt-bonded labor is discovered, the supplier's CEO is notified, and the supplier is placed on probation, requiring them to submit a worker repayment plan for approval by Apple. Once approved, the supplier directly repays their employees for all fees paid, and repayment is verified by a third-party auditor.

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## Debt-bonded labor remediation process



### **Violation Identification**

Apple and third-party auditor identify debt-bonded labor violation



### **Violation Communication**

Apple communicates violation to supplier's CEO



### **Sign Terms**

Supplier signs probation and repayment terms



### **Repayment Plan**

Supplier submits worker repayment plan for Apple approval



### **Employee Payment**

Supplier repays their employee(s)



### **Payment Verification**

Third-party auditor verifies repayment to employees at supplier site

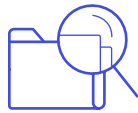
# Monitoring working hours

Proper time for rest and leisure is fundamental to a safe and healthy work environment. We review working hours as part of our assessments and establish Corrective Action Plans as needed.

If falsification of employee working hours is discovered, the supplier is placed on probation and their CEO is notified. The supplier's ethics policy and management systems are then thoroughly reviewed to identify root causes. The supplier is also required to undergo additional audits to ensure that policy changes are implemented to prevent future violations. In addition, if employee hours were misrepresented, the supplier must revise all records to reflect an accurate accounting of hours worked.

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## Working hours falsification remediation process



### Violation Identification

Apple and third-party auditor identify records falsification violation



### Violation Communication

Apple communicates violation and notice of probation to supplier CEO; supplier signs probation terms



### Root Cause Identification

Apple and supplier review supplier's ethics policy and management systems to identify root cause



### Regular Audits

Supplier is required to undergo regular audits to ensure the reviewed policy is implemented to prevent future violations



### Correct All Records

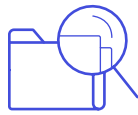
Supplier must revise all records to reflect accurate accounting of hours worked by their employees

# Remediation of underage labor

The use of underage labor is a Core Violation of our Code. If underage labor is discovered, specialized third-party assessors are brought in for an in-depth review, and the supplier is required to immediately prevent the employee from continuing to work and to return the underage individual to his or her home safely. Educational opportunities are presented to the underage employee and his or her guardians. The supplier is required to pay all tuition and educational fees, and to continue to pay the individual's wages that would have been earned at the supplier facility until the individual reaches legal working age. Follow-up is conducted to verify the individual's overall well-being, both at school and at home. Once the student reaches legal working age, the supplier is also required to offer the individual employment.

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## Underage labor remediation process



### Violation Identification

Apple and third-party auditor identify violation, supplier's Chief Executive Office is notified



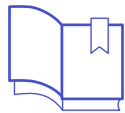
### Return Home

Supplier is required to immediately provide safe passage home to underage employee



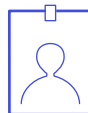
### Wages Paid

Supplier is required to continue to pay wages to supplier employee until he or she reaches legal working age



### Education

Supplier is required to provide educational opportunity for supplier employee



### Employment Guarantee

Supplier is required to provide employment opportunity when the individual reaches legal age

# Additional references

Visit the [Apple Supplier Responsibility site](#) for additional information on our work to uphold Apple's values in the supply chain. Resources available include:

Apple Human Rights Policy

Annual People and Environment in Our Supply Chain report

Apple Supplier Code of Conduct and Supplier Responsibility Standards

Apple Supplier List

Conflict Minerals Report

Apple Smelter and Refiner List

Apple Regulated Substances Specification

Efforts to Combat Human Trafficking and Slavery Disclosure



## **A continuous pursuit of better**

We know our work will never be done. We believe that if we aren't finding ways to improve, we aren't looking hard enough. We're always listening, learning, and challenging ourselves to do better and we share our best thinking with leading organizations, industry associations, and governments. By forging solutions together, everyone can achieve progress more rapidly.

