



# Supplier Responsibility

2010 Progress Report



# Contents

- Page 3**    **Executive Summary**  
Apple and Supplier Responsibility  
Program Highlights
- Page 5**    **Setting Clear Expectations**
- Page 7**    **Empowering Workers Through Training**  
Train-the-Trainer Program  
Supplier Employee Education and Development
- Page 9**    **Protecting Foreign Contract Workers**  
Driving Best Practices with Suppliers in Taiwan  
Cross-Industry Collaboration in Malaysia
- Page 11**   **Improving Supplier Management Systems**  
In-Depth Collaboration with Suppliers
- Page 13**   **Monitoring Compliance**  
Audit Program Overview  
Audit and Corrective Action Processes  
Annual Audits of Final Assembly Manufacturers  
Overview of 2009 Audit Results  
Core Violations and Corrective Actions  
Frequent Violations and Corrective Actions
- Page 22**   **Holding Suppliers Accountable**
- Page 23**   **Monitoring the Source of Extractives**
- Page 24**   **Moving Forward**

# Executive Summary



## Apple and Supplier Responsibility

Apple is committed to ensuring the highest standards of social responsibility throughout our supply base. The companies we do business with must provide safe working conditions, treat workers with dignity and respect, and use environmentally responsible manufacturing processes wherever Apple products are made.

Apple requires suppliers to commit to our comprehensive Supplier Code of Conduct as a condition of their contracts with us. We drive compliance with the Code through a rigorous monitoring program, including factory audits, corrective action plans, and verification measures.

Apple's approach to supplier responsibility extends beyond monitoring compliance with our Code. We help our suppliers meet Apple's expectations by supporting their efforts to provide training in workers' rights and occupational health and safety. To further improve factory conditions, we proactively address industrywide issues through collaboration with our suppliers, government agencies, nongovernmental organizations (NGOs), and other companies. And by making social responsibility a fundamental part of the way we do business, we insist that our suppliers take Apple's Code as seriously as we do.



Over the past several years, Apple's supplier responsibility program has continued to expand.

	2007	2008	2009
Facilities audited	39	83	102
Workers, supervisors, and managers trained	2K	27K	133K

**Driving change**

During most of our audits, suppliers stated that Apple was the only company that had ever audited their facility for supplier responsibility.

**Program Highlights**

Apple continues to drive improvements that make a difference. Our biggest impact comes when we empower workers, proactively address underlying issues, and hold suppliers accountable for their practices. To this end, our supplier responsibility program has included the following key activities:

- While Apple's Code stipulates our requirements, our audits indicate that suppliers need more specific information to validate that they are meeting our expectations. To date, we have developed seven clarifying standards that address details related to Dormitories, Juvenile Worker Protections, Medical Non-Discrimination, Pregnancy Non-Discrimination, Prevention of Involuntary Labor, Wages and Benefits, and Working Hours.
- We implemented a social responsibility train-the-trainer program for all of Apple's final assembly manufacturers. Since the launch of this initiative, more than 133,000 workers, supervisors, and managers have been trained on workers' rights and management's responsibility.
- We continued to take a leadership stance in the ethical recruitment and management of foreign contract workers. As a result of our audits and corrective actions, foreign workers have been reimbursed \$2.2 million in recruitment fee overcharges. In 2009, we initiated two proactive strategies, collaborating with government agencies and cofounding a cross-industry focus group to educate our suppliers on solutions that address their challenges.
- We continued to increase the number of facilities audited for compliance with Apple's Code, completing onsite audits of 102 facilities in 2009, for a total of 190 individual facilities audited since 2007.

This report provides details about our proactive approach to working with suppliers to protect worker rights and improve factory conditions. Also included are a summary of our 2009 audits and descriptions of core violations, frequent violations, and the corrective actions that Apple has required.

# Setting Clear Expectations



The Apple Supplier Code of Conduct outlines a comprehensive set of expectations covering labor and human rights, health and safety, the environment, ethics, and management systems.

Apple's Code draws on internationally recognized standards. While similar to the Electronics Industry Citizenship Coalition (EICC) Code of Conduct, Apple's Code is more stringent in several important areas. For example, Apple's Code includes concepts from the International Labor Organization (ILO) conventions regarding the rights of workers to freely associate and bargain collectively. Apple also prohibits any form of involuntary labor related to the recruitment and management of foreign workers and places limits on the recruitment fees payable by foreign contract workers.

## Apple Supplier Code of Conduct

Labor and Human Rights	Health and Safety	Environmental Impact	Ethics
<ul style="list-style-type: none"> <li>• Antidiscrimination</li> <li>• Fair treatment</li> <li>• Prevention of involuntary labor</li> <li>• Prevention of underage labor</li> <li>• Juvenile worker protections</li> <li>• Working hours</li> <li>• Wages and benefits</li> <li>• Freedom of association</li> </ul>	<ul style="list-style-type: none"> <li>• Occupation injury prevention</li> <li>• Prevention of chemical exposure</li> <li>• Emergency prevention, preparedness, and response</li> <li>• Occupational safety procedures and systems</li> <li>• Ergonomics</li> <li>• Dormitory and dining</li> <li>• Health and safety communication</li> <li>• Worker health and safety committees</li> </ul>	<ul style="list-style-type: none"> <li>• Hazardous substance management</li> <li>• Wastewater management</li> <li>• Air emissions management</li> <li>• Solid waste management</li> <li>• Environmental permits and reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Business integrity</li> <li>• Disclosure of information</li> <li>• Whistleblower protection and anonymous complaints</li> <li>• Protection of intellectual property</li> </ul>
Management Commitment			
<ul style="list-style-type: none"> <li>• Company statement</li> <li>• Management accountability and responsibility</li> </ul>		<ul style="list-style-type: none"> <li>• Documentation and records</li> <li>• Training and communication</li> </ul>	<ul style="list-style-type: none"> <li>• Worker feedback and participation</li> <li>• Corrective action process</li> </ul>

We continue to revise our Code based on our experience of auditing our suppliers and through discussions with stakeholder groups. To download Apple's current Code, visit [www.apple.com/supplierresponsibility](http://www.apple.com/supplierresponsibility).

As an extension of our Code, Apple develops detailed standards that clarify our expectations regarding specific issues that have surfaced during our audits. For example, Apple's Code prohibits juvenile workers (those who meet the applicable legal minimum age for employment but are younger than 18 years of age) from performing hazardous work; Apple's Juvenile Worker Protection standard goes on to define hazardous work, which includes operating power-driven hoisting equipment or working at heights in excess of two meters.

To date, Apple has issued seven clarifying standards that provide details on the following topics: Dormitories, Juvenile Worker Protections, Medical Non-Discrimination, Pregnancy Non-Discrimination, Prevention of Involuntary Labor, Wages and Benefits, and Working Hours.

# Empowering Workers Through Training



Trainers at Apple's final assembly manufacturers are delivering Apple-mandated social responsibility training to thousands of workers, supervisors, and managers.

## Train-the-Trainer Program

In 2009, Apple expanded efforts to raise awareness and empower workers through social responsibility training with our suppliers. We built on the success of our 2008 program, where we worked with our final assembly manufacturers to train people on topics such as occupational health and safety, work-related injury prevention, management obligations, and workers' rights.

To extend the reach of this training while preserving its quality, Apple implemented a train-the-trainer program that would enable our suppliers to deliver their own social responsibility courses. We collaborated with Verité—an internationally recognized leader dedicated to ensuring safe, fair, and legal conditions in the workplace—to design and deliver a five-day workshop to train human resources staff from all of our final assembly manufacturers.

Training modules included Apple's Code and the EICC Code of Conduct; how to develop management systems to sustain effective social responsibility training; and the use of teaching methods such as discussion, role playing, and case studies to deliver experiential training.

"I learned that social responsibility training can add value not only to society but also to my company."

— Feedback on evaluation questionnaire for the train-the-trainer workshop



Production operators undergo a series of training sessions, including new hire orientation and social responsibility training, delivered by the facility's human resources department.

### Training topics

Social responsibility training for workers covers the following topics:

- Apple Supplier Code of Conduct
- Occupational health and safety (fire, electrical, equipment, chemical)
- Preventing work-related injury and occupational disease
- Workers' rights and obligations under labor contract law
- Workers' rights and obligations related to disputes, grievances, antiharassment, and discipline

Supervisors are also trained in effective management, including communication, conflict resolution, and antiharassment procedures.

Apple now requires our final assembly manufacturers to train all of their production workers, supervisors, and managers who work on Apple products—and we have updated their Key Performance Indicators (KPIs) to include the number of workers trained. In 2009, more than 128,000 workers were trained in their rights and obligations, and more than 5000 supervisors and managers were trained in their responsibilities as managers.

To ensure that the quality and effectiveness of our suppliers' social responsibility training meet our standards, Apple has engaged the Fair Labor Association (FLA), a nonprofit organization dedicated to improving working conditions in factories worldwide. In 2010, the FLA will conduct training assessments to measure retention of knowledge. Apple will use these assessments and work with suppliers to improve their training programs.

### Supplier Employee Education and Development

To support the educational aspirations of manufacturing workers at our supplier facilities, Apple launched a pilot initiative called the Supplier Employee Education and Development (SEED) Program in 2008. Working with one of our final assembly suppliers, we made available a flexible, computer-based learning curriculum in classrooms furnished with 500 iMac computers.

The program offers a set of progressive English-language courses, associate degree programs linked to three universities, and a selection of computer and technical skills courses. In 2009, a total of 14,800 workers participated in these programs, including 7120 who took English-language courses and 7561 who completed technical skills courses. An additional 119 students continue to work toward their associate degrees and expect to graduate in 2010.



Many workers in supplier factories have aspirations to continue their education and advance their careers.



# Protecting Foreign Contract Workers



This production operator in Taiwan sends money home to the Philippines to support his wife and two children.

Apple's audits in 2008 revealed a complex recruitment process in which practices sometimes resulted in worker-paid fees in excess of applicable legal limits. Some of our suppliers work with third-party labor agencies to source workers from other countries. These agencies, in turn, may work through multiple subagencies: in the hiring country, the workers' home country, and, in some cases, all the way back in the worker's home village.

By the time the worker has paid all fees across these agencies, the total cost may equal many months' wages and exceed legal limits—and many workers need to incur significant debt to pay these fees. Apple's Code has always strictly prohibited all forms of involuntary labor. As such, we classify recruitment fee overcharges as a core violation of voluntary labor rights, and we require each supplier to reimburse overpaid fees. As a result of our audits and corrective actions, foreign workers have been reimbursed more than \$2.2 million in recruitment fee overcharges over the past two years.

To clarify our expectations, Apple issued a standard for Prevention of Involuntary Labor, which limits recruitment fees to the equivalent of one month's net wages. The standard specifies management practices regarding contract requirements, grievance processes, agency management, and the handling of workers' passports, as well as other stipulations for managing foreign contract workers.



Foreign contract workers, such as this Vietnamese production operator, often perform highly skilled tasks at Taiwanese factories.

Apple's corrective action processes remedy specific instances of recruitment fee overcharges found during our audits. In 2009, Apple initiated two proactive strategies to address the practical and policy challenges of recruiting and managing foreign contract labor.

### Driving Best Practices with Suppliers in Taiwan



"I appreciate everything that Apple is doing to ensure the fair and equitable treatment of workers at its suppliers' facilities, particularly here in Taiwan."

—Antonio I. Basilio, Managing Director and Resident Representative, Manila Economic and Cultural Office in Taiwan

Apple has many suppliers in Taiwan, a country where companies often turn to contract workers—from countries such as the Philippines, Thailand, and Vietnam—to mitigate labor shortage issues. We engaged Verité, who is working on problems facing foreign contract workers under a grant from Humanity United, to collaborate with Apple in researching best practices and sharing them with our suppliers in Taiwan.

In September 2009, we interviewed six previously audited Taiwanese suppliers that use foreign contract workers, including five where audits revealed instances of recruitment fee overcharges. We reviewed their programs and corrective actions to learn better approaches for recruiting and managing foreign workers and for monitoring labor agencies.

At the same time, we met with government officials from Taiwan, Thailand, and the Philippines to understand their laws and programs around recruitment and management of foreign workers. These programs include direct hire processes that greatly reduce the fees charged to foreign workers by providing government assistance in place of labor agencies.

In November 2009, we held a two-day workshop with several Taiwanese suppliers to share our research on labor agency monitoring, direct hire processes, and onsite management of foreign workers. In 2010, we will continue to extend supplier training to include Apple's standard on Prevention of Involuntary Labor, government programs, and best practices learned from other suppliers.

### Cross-Industry Collaboration in Malaysia

In 2009, Apple joined two apparel companies and another technology company as founding members of the International Labor Migration focus group facilitated by Business for Social Responsibility (BSR). Group members met in Malaysia with NGOs, trade unions, other civil society organizations, and selected shared suppliers—and subsequently kicked off a pilot to improve processes for managing foreign contract workers at two Malaysian factories.

As a result, the focus group is developing supplier training tools and management resources, which Apple plans to adapt and utilize across our supply base. Under development, for example, is a new hire curriculum to provide foreign contract workers with a cultural orientation and to educate them on relevant laws, hiring and rehiring processes, and their rights in the factory environment.

# Improving Supplier Management Systems



To ensure a facility's capability to prevent violations and sustain compliance with our Code, Apple examines the strength of the management systems underlying every category. Management systems include policies and procedures, clear roles and responsibilities, and training programs for workers, line supervisors, and managers. For example, an effective management system for health and safety would include training that educates production operators on the risks of working without personal protective equipment (PPE) and policies that hold supervisors accountable when workers, for whatever reason, neglect to wear the required PPE.

There may be cases where our audit reveals compliance in actual practice, but the underlying management system may be insufficient to sustain compliance. When Apple discovers inadequate management systems, we handle them through our corrective action process, including verification through a follow-up audit.



Management systems for worker safety include regular evacuation and fire safety training, such as this fire drill at a factory in China.

## In-Depth Collaboration with Suppliers

When we determine that a facility's management system deficiencies are broad or numerous, Apple addresses these findings with the same rigor as we do when we encounter a core violation. We require suppliers to hire third-party consultants to establish or revamp policies and procedures, and we follow up with regular reviews and a return audit.

Near the end of 2008, we audited four facilities with inadequate management systems. We escalated our concerns to the suppliers' top management and required them to engage an Apple-approved consultant for a social responsibility program evaluation. The analysis included a thorough investigation of each facility's organizational structure, human resources procedures and systems, manufacturing process, health and safety practices and systems, internal reporting, and preventive practices.

For example, at one facility, Apple's audit revealed deficiencies related to the piece-rate pay system. According to Chinese law, a worker's piece-rate pay must equal or exceed the minimum wage. Working with the consultant, the facility implemented a new payroll system to ensure proper wage calculations. Apple also required the facility to repay workers whose piece-rate pay had resulted in underpayment during the previous year—bringing their monthly pay up to the level of minimum wage.

Apple's 2009 audits revealed seven additional facilities where we determined corrective actions for management systems required a consultant. We required each of these facilities to collaborate with an Apple-approved consultant. We are monitoring the facilities' progress toward completion of their corrective action plans and will verify compliance through return audits.

# Monitoring Compliance

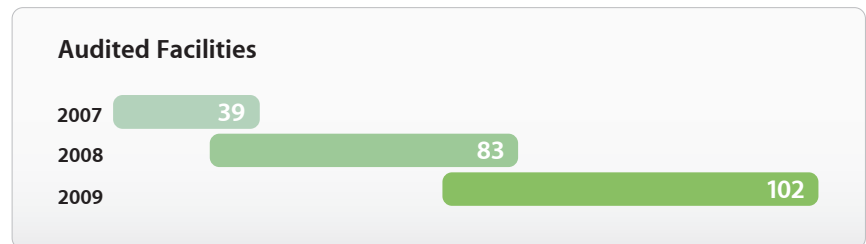
## Apple's supply base

- **Final assembly manufacturers** assemble the Mac, iPod, and iPhone.
- **Component suppliers** manufacture parts and components, such as LCDs, hard drives, and printed circuit boards, from which finished Apple products are assembled. Component suppliers also manufacture Apple peripheral products, such as Time Capsule, the LED Cinema Display, and keyboards.
- **Nonproduction suppliers**, such as office supply vendors and call centers, provide products and services that are not part of the Apple manufacturing process.

## Audit Program Overview

Over the past few years, Apple has executed a rigorous program for monitoring suppliers' compliance with our Code to ensure our products are produced and manufactured under socially and environmentally responsible conditions.

In 2009, Apple conducted audits at 102 facilities, including annual audits of all final assembly manufacturers, first-time audits of component and nonproduction suppliers, and 15 repeat audits of facilities where a core violation had been discovered. During most of our audits, suppliers stated that Apple was the only company that had ever audited their facility for supplier responsibility.



As of December 2009, Apple has audited 190 facilities located in China, the Czech Republic, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, and the United States.

Apple audits all final assembly manufacturers every year, regardless of their location and past audit performance. We select component and nonproduction suppliers for audits based on risk factors, such as the prevailing conditions in the country where a supplier facility is located and the supplier's past audit performance—enabling us to focus our efforts where we can have the greatest impact.

We continue to extend our compliance-monitoring program by auditing more and more suppliers across our supply base. For example, Apple has audited suppliers that produce the following parts of a MacBook: Bluetooth and Wi-Fi antennas, board electrical components (including capacitors), power adapters, battery packs, LCDs, enclosures, printed circuit boards, hard drives, DVD drives, trackpads, keyboards, heat sinks, packaging foam, and print media guides.



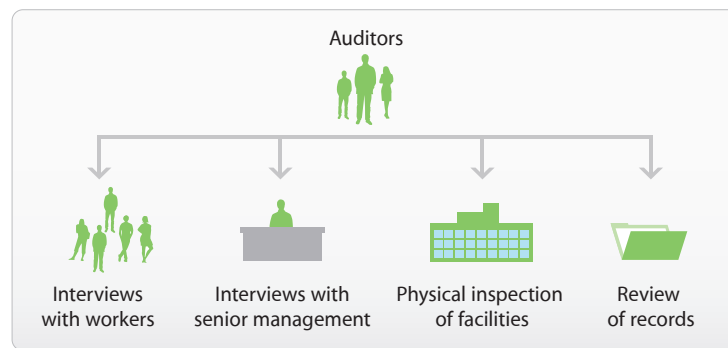
Apple audits include physical inspection of factory-managed dormitories.

## Audit and Corrective Action Processes

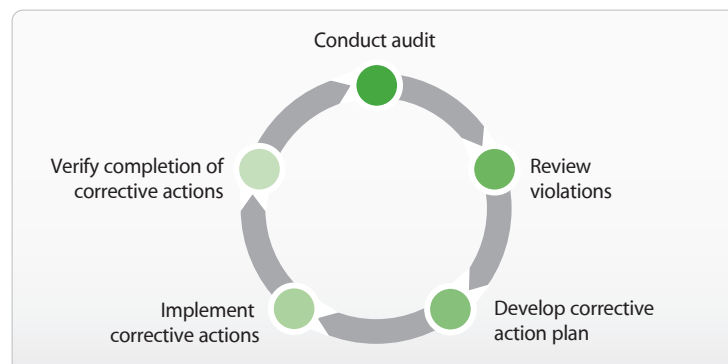
When Apple audits a supplier, an Apple supplier responsibility auditor takes the lead—with the support of local third-party auditors. When foreign contract workers are present, we involve auditors who can speak their language and understand the laws of the workers’ home countries. Each auditor is trained to use Apple’s detailed audit protocol and to assess the requirements specified in our Code.

Apple’s supplier responsibility auditor coordinates each audit with the Apple procurement manager who manages the supplier’s business relationship with Apple. The procurement manager serves as an escalation point for any issues that arise during the audit and corrective action process. The direct involvement of Apple procurement managers in the audit process emphasizes to our suppliers that social responsibility is integral to their business with Apple.

During the audit, Apple cross-references data from multiple sources to ensure validity. We conduct interviews with workers and senior management in relevant functional areas. We also conduct a physical inspection of manufacturing facilities and factory-managed dormitories and dining areas, as well as a review of records and relevant policies and procedures.



At the conclusion of an audit, Apple reviews the findings with the facility management, and the factory’s most senior manager provides written acknowledgement of the preliminary audit findings. When a violation is found, Apple requires the facility to implement a corrective action plan that addresses not only the specific violation, but also the underlying management system needed to prevent its recurrence. We track completion of each corrective action to closure, with an expectation that all violations will be corrected as quickly as possible, but not later than 90 days after the audit.



To confirm that corrective actions have been executed, Apple performs a Corrective Action Verification audit. If we find issues that have been inadequately addressed, we continue to collaborate with the supplier toward further improvement.

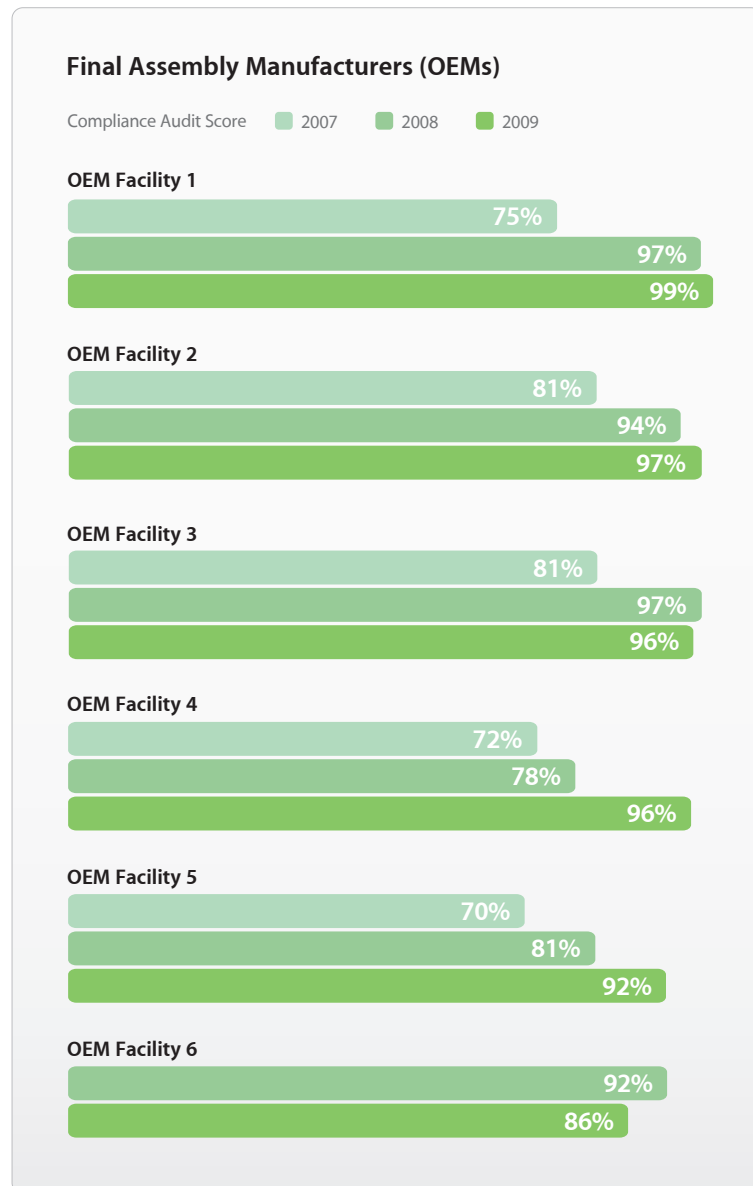
Apple’s goal is to continue to work with each facility toward compliance with our Code. However, if a facility’s actions are inadequate, Apple may have no choice but to terminate the business relationship.

**Investigating reports of violation**

Apple investigates reports of alleged violations in our supply base—ranging from public reports by NGOs to information submitted directly by factory workers. We verify that the report pertains to an Apple supplier facility, discuss the alleged violation with the supplier, review the facility’s past audits and corrective actions, and conduct an unannounced audit, if appropriate.

**Annual Audits of Final Assembly Manufacturers**

In general, annual audits of final assembly manufacturers show continued performance improvements and better working conditions. One of these facilities had a number of new violations relating to our new standards, and we are working with the supplier’s management to implement corrective actions.



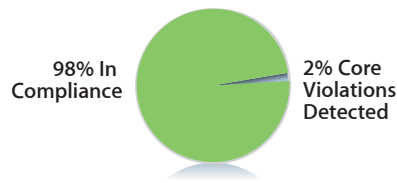
## Overview of 2009 Audit Results

Apple conducted audits of 102 facilities in 2009, including 22 repeat audits and 80 first-time audits.

Category	Subcategory	Practices in Compliance	Management Systems in Place
<b>Labor and Human Rights</b>		<b>72%</b>	<b>67%</b>
	Antidiscrimination	63%	57%
	Fair treatment	87%	77%
	Prevention of involuntary labor	80%	75%
	Prevention of underage labor	97%	85%
	Juvenile worker protections	74%	66%
	Working hours	46%	46%
	Wages and benefits	65%	63%
	Freedom of association	96%	80%
<b>Health and Safety</b>		<b>76%</b>	<b>74%</b>
	Occupational injury prevention	61%	59%
	Prevention of chemical exposure	83%	82%
	Emergency prevention, preparedness, and response	73%	71%
	Occupational safety procedures and systems	89%	87%
	Ergonomics	64%	53%
	Dormitory and dining	76%	77%
	Health and safety communication	69%	63%
	Worker health and safety committees	88%	87%
<b>Environmental Impact</b>		<b>74%</b>	<b>73%</b>
	Hazardous substance management	70%	69%
	Wastewater management	87%	86%
	Air emissions management	74%	72%
	Solid waste management	97%	97%
	Environmental permits and reporting	57%	58%
<b>Ethics</b>		<b>95%</b>	<b>86%</b>
	Business integrity	100%	83%
	Disclosure of information	98%	88%
	Whistleblower protection and anonymous complaints	88%	80%
	Protection of intellectual property	99%	95%
<b>Management Commitment</b>		<b>61%</b>	<b>61%</b>
	Company statement	69%	67%
	Management accountability and responsibility	51%	50%
	Documentation and records	78%	79%
	Training and communication	61%	61%
	Worker feedback and participation	82%	79%
	Corrective action process	59%	59%

Category and subcategory percentages represent the average across all facilities of the line items scored under that category or subcategory. Category percentages are not averages of the subcategory percentages.





Of the core issues assessed by our auditors, 98 percent were in compliance.

## Core Violations and Corrective Actions

A core violation is the most serious class of violation. It refers to any practice or situation that we consider to be contrary to the core principles underlying Apple's Supplier Code of Conduct—and to require immediate corrective actions. Instances of abuse, underage labor, involuntary labor, falsification of audited materials, significant threats to worker safety, intimidation or retaliation against workers participating in an audit, and significant threats to the environment are classified as core violations.

When a core violation is detected, we require that the facility remedy the situation immediately and implement management systems that ensure sustained compliance. In addition, the facility is placed on probation, usually for a period of one year, ending with a reaudit to ensure the core violation has not reoccurred.

In 2009, our audits identified 17 core violations: eight violations involving excessive recruitment fees; three cases where underage workers had been hired; three cases where our supplier contracted with noncertified vendors for hazardous waste disposal; and three cases of falsified records provided during the audit.

### Recruitment fee overcharges

In eight facilities, we found foreign workers who had paid agency recruitment fees in excess of the applicable legal limits. In each facility, an auditor who had expertise with foreign contract worker recruitment was brought in to conduct a detailed investigation of the hiring process. The auditor compared the fees paid by workers against the legal limits in the country of origin and in the hiring country. We required each supplier to reimburse any fees that exceeded these limits. As a result of our audits and corrective actions, foreign workers have been reimbursed \$2.2 million in recruitment fee overcharges over the past two years.

### Underage labor

Apple discovered three facilities that had previously hired 15-year-old workers in countries where the minimum age for employment is 16. Across the three facilities, our auditors found records of 11 workers who had been hired prior to reaching the legal age, although the workers were no longer underage or no longer in active employment at the time of our audit.

In each of the three facilities, we required a review of all employment records for the year prior to our audit, as well as a complete analysis of the hiring process to clarify how underage people had been able to gain employment. Apple required each facility to develop and institute appropriate management systems—such as more thorough ID checks and verification procedures—to prevent future employment of underage workers.

### **Improper disposal of hazardous waste**

Apple discovered three facilities that had hired noncertified hazardous waste disposal companies. We classified these instances as core violations and required all three facilities to immediately stop shipping waste and to hire certified vendors for all of their hazardous waste disposal. Apple required each facility to engage a third-party consultant and to undergo a thorough review of their systems for managing hazardous substances.

In addition, Apple required these facilities to perform immediate inspections of their wastewater discharge systems. We also required them to hire an independent environmental professional to conduct an onsite environmental review and implement management systems to prevent future violations.

### **Communicating worker grievances**

To enable workers at a factory to safely communicate a grievance, Apple instituted a new mechanism in 2009. Workers interviewed during an audit receive a hotline card with a telephone number and a case number that identifies the facility and audit date. The hotline card makes it easy for workers to provide additional information after an audit and to report any adverse consequences of their participation in the audit.

### **Falsification of records**

Three core violations involved suppliers who deliberately provided falsified records during our audit. One facility attempted to conceal evidence of historical cases of underage labor. Two other facilities presented falsified records that concealed evidence of violations of Apple's Code regarding working hours and days of rest. In all three cases, Apple auditors uncovered the falsified records by cross-referencing audit data.

In one instance, Apple's 2008 audit had revealed falsified records for working hours and days of rest. When Apple returned in 2009 for a core violation reaudit, the facility again falsified records—presenting worker timecards, daily production output records, and quality control records that indicated no violations related to working hours or days of rest. When Apple investigated further, we uncovered additional records and conducted worker interviews that revealed excessive working hours and seven days of continuous work. When confronted with this information, the facility provided Apple with accurate timecards. Based on the repeat core violation and inadequate actions, Apple is terminating all business with this facility.

In all three cases, Apple required an independent audit to review human resources records and to look for additional falsified records. These follow-up investigations did not reveal any additional falsified documents. In the two cases involving working hours and days of rest, our auditor confirmed workers had been paid the appropriate amount for hours actually worked.

## **Frequent Violations and Corrective Actions**

Following are details around our audit findings in subcategories where our audits revealed noncompliance across many facilities.

### **Working hours**

Apple's Code sets a maximum of 60 work hours per week and requires at least one day of rest per seven days of work, while allowing exceptions in unusual or emergency circumstances.

At each facility we audit, we examine multiple records across shifts and production lines. At 60 facilities, we found records that indicated workers had exceeded weekly work-hour limits more than 50 percent of the time. Similarly, at 65 facilities, more than half of the records we reviewed indicated that workers had worked more than six consecutive days at least once per month. To address these issues, we required each facility to develop management systems—or improve existing systems—to drive compliance with Apple's limits on work hours and required days of rest.

#### **Clarifying standards**

To reduce the frequency of common violations, Apple has developed detailed standards that educate our suppliers and clarify our expectations on the following subjects:

- Dormitories
- Juvenile Worker Protections
- Medical Non-Discrimination
- Pregnancy Non-Discrimination
- Prevention of Involuntary Labor
- Wages and Benefits
- Working Hours

#### **Wages and benefits**

Our Code addresses several areas of compensation, including base wages, overtime wages, pay structures, legally mandated benefits, and prohibition of base wage deductions for disciplinary purposes.

At 48 of the facilities audited, we found that overtime wages had been calculated improperly, resulting in underpayment of overtime wages. At 24 facilities, our auditors found that workers had been paid less than minimum wage for regular working hours. In most of these cases, the facility's pay structure for regular hours depended on attendance-related bonuses to meet minimum wage requirements; without these bonuses, there was no guarantee that the minimum wage would be met. We also found 15 facilities where the facility's pay structure was unnecessarily complex and could result in underpayment of wages.

In all cases where workers were underpaid—or where the complexity of the pay structure could cause underpayment—we required facilities to complete many actions, including calculation of underpayments, repayment of underpaid wages, and implementation of management systems to ensure accurate payment in the future.

Another common violation we found was underpayment of legally required benefits. We found 57 facilities with deficient payments in worker benefits, such as sick leave, maternity leave, or social insurance for retirement. In all cases, Apple has required management to pay the full amount of facility-paid benefits according to local law.

Audits also revealed 45 facilities where wage deductions were used for disciplinary purposes. While the deductions we discovered may be legal under local laws, Apple has required an end to this practice.

#### **Antidiscrimination**

Apple's Code protects against discrimination on the basis of race, color, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership, national origin, and marital status. In addition, we do not allow pregnancy tests or medical tests to be used in a discriminatory manner.

During our 2009 audits, we found 52 facilities with the practice of screening job candidates or current workers for hepatitis B. We found an additional 11 facilities that did not have policies and procedures that prohibit discrimination based on results of medical tests.

We also found 20 facilities that were conducting pregnancy tests and 23 other facilities that did not have policies and procedures that prohibit discriminatory practices based on pregnancy.

In every case, Apple classifies these practices as discrimination—even where permissible under local laws—and requires facilities to discontinue the practice and to establish clear policies and procedures to prohibit reoccurrence.

#### **Occupational injury prevention**

Apple requires suppliers to provide a safe work environment, to eliminate physical hazards wherever possible, and to establish administrative controls that reduce risks.

Our audits revealed 70 facilities with violations in administrative controls. For example, we found forklift drivers who did not have proper licenses and equipment that had not been inspected according to law. Apple required facilities to ensure workers have appropriate training, licenses, and certifications as required by law and to establish a schedule for performing required inspections.

Apple found 49 facilities where workers were not wearing appropriate personal protective equipment (PPE), such as earplugs, safety glasses, and dust masks. In some instances, the facility had not provided the appropriate safety equipment, while in others, the workers neglected to use the provided equipment or were using it improperly. We directed facilities to provide the required PPE, to educate both workers and supervisors on the risks of not wearing such equipment, and to hold supervisors accountable for ensuring that workers wear the equipment.

#### **Ergonomics**

Apple requires each facility to assess which of its operations pose ergonomic risks to workers—even where not required by law. Based on these assessments, the facility must implement risk reduction measures, such as redesigning workstations to facilitate better posture, providing magnifying glasses for close-up work, or rotating workers among tasks to reduce repetitive motion.

Our audits revealed 24 facilities where ergonomic risk assessments had not been conducted. Apple required these facilities to have a qualified professional determine which manufacturing operations pose risks of repetitive motion and other ergonomic injuries and to take steps to reduce the associated risks.

#### **Environmental permits and reporting**

All Apple supplier facilities must be committed to reducing their environmental impact. Consistent with legal requirements, facilities must hold up-to-date permits for air emissions, wastewater discharge, hazardous waste disposal, X-ray equipment, and boundary noise. We also direct each facility to comply with applicable laws requiring an analysis of the environmental impact of their facilities and operations.

Apple found 44 facilities that lacked a complete environmental impact assessment. Some of these facilities were missing assessments in one or more areas of the Environmental Impact section of our Code or did not update their assessments after a process or equipment change. Apple required these facilities to conduct an environmental impact assessment of their entire facility and file it with the government for approval.

We also found facilities that had not obtained legally required permits or failed to adhere to operating requirements of the permits. For example, 11 facilities did not have permits for air emissions, and four others did not meet the operating conditions specified in the permit for air emissions. We required these facilities to obtain permits and to communicate procedures for adhering to the conditions of the permits.

#### **Management commitment**

To support sustained compliance, Apple requires suppliers to demonstrate commitment to our Code on the part of facility management, including assigning a dedicated resource accountable for compliance; implementing procedures for corrective actions when deficiencies are identified; and establishing training programs for workers and management.

Our audits revealed 55 facilities that did not have dedicated personnel accountable for compliance with all categories of Apple's Code. Apple required the facilities to appoint qualified personnel, ensuring that responsibility and accountability for compliance are included in their job descriptions. These job descriptions include ownership of a process for correcting deficiencies identified by internal and external audits, written corrective action procedures, and verification of the completion of appropriate actions.

Many facilities also lacked formal training programs for areas of our Code, while others provided training in only some topics. We found insufficient worker training for Labor and Human Rights at 41 facilities and for Health and Safety at 30 facilities. Similarly, we found insufficient management training in Labor and Human Rights at 34 facilities and for Ethics at 33 facilities. We required these facilities to establish formal training programs for both workers and management, build a process for assigning workers and managers to appropriate courses, track completion of training, and provide records to demonstrate successful implementation of these programs.

# Holding Suppliers Accountable

Apple incorporates social responsibility performance indicators in business review scorecards with all final assembly manufacturers and suppliers of the following components:

- Batteries
- Board electrical components
- Cables and connectors
- Displays
- Fans
- Heat sinks
- Hard drives
- Memory
- Microphones
- Peripheral devices
- Power systems
- Printed circuit boards
- Speakers
- Trackpads
- Touchscreens

Audits are an important part of compliance monitoring, but they represent only a snapshot in time. For a more frequent view of social responsibility performance, Apple requires our final assembly manufacturers to provide quarterly reports of Key Performance Indicators (KPIs) for social responsibility, including statistics related to employee overtime, training, injuries, living conditions, complaints, turnover, and more. KPIs allow us to evaluate how a facility's performance has changed over previous quarters, and we can compare their results with those of similar facilities.

Apple business reviews with suppliers cover commitment to Apple's Code, past audit performance, and closure of corrective action plans. Any open issues are discussed and resolved between Apple and the supplier's executive management.

Apple's procurement decisions take into account a facility's social responsibility performance, along with factors such as quality, cost, and timely delivery. When social responsibility performance consistently fails to meet Apple expectations, we terminate business.

By measuring what's important to Apple and by holding suppliers accountable, we motivate our suppliers to improve these key metrics. In this way, Apple continues to increase awareness of social responsibility and to drive improvements in conditions and practices further into our supply chain.

# Monitoring the Source of Extractives

Apple requires our suppliers of tantalum capacitors to certify they use only materials that have been produced through a socially and environmentally responsible process. In 2009, we extended our certification requirement to tungsten used in iPhone vibration motors.

The supply chain for tantalum consists of many types of businesses—including mines, brokers, ore processors and refiners, component manufacturers, and board assembly manufacturers—before reaching final assembly manufacturers. The combination of a lengthy supply chain and a refining process makes it difficult to track and trace tantalum from the mine to finished products—a challenge that Apple and others are tackling in a variety of ways.

Apple is an active participant in the Extractives Workgroup, a joint effort of the EICC and the Global e-Sustainability Initiative (GeSI), focused on the extraction of minerals used by the electronics industry and their movement through its supply chains. The group has commissioned the nonprofit organization RESOLVE to map the supply chain for tantalum and tin, and to develop standards that apply throughout the supply chain.

# Moving Forward



Apple continues to improve and expand our supplier responsibility program to ensure that working conditions in our supply base are safe, workers are treated with respect and dignity, and manufacturing processes are environmentally responsible. To this end, we will:

- Continue to monitor and work with our suppliers to meet Apple's Code requirements
- Focus on eliminating core violations within our supply base
- Develop best practices and training for Apple suppliers around key issues uncovered in audits, such as foreign contract worker management
- Expand our development of standards that further clarify our Code
- Expand supplier training on workers' rights for both management and workers
- Continue to terminate business when suppliers have repeat core violations or their practices suggest that they do not take our Code seriously

To provide feedback on this report, comment on Apple's supplier responsibility program, or report a possible violation in Apple's supply base, please send an email to [supplierresponsibility@apple.com](mailto:supplierresponsibility@apple.com).

## For More Information

For more information about Apple's Supplier Responsibility Program, visit [www.apple.com/supplierresponsibility](http://www.apple.com/supplierresponsibility).

Note: In 2009, Apple updated our audit protocols to align with changes in the Supplier Code of Conduct. Historical audit scores referenced in this report have been recalculated for comparability with 2009 audit results.

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