Apple Supplier Responsibility

2013 Progress Report

Contents

Supplier Responsibility

Supplier Responsibility at Apple

Workers everywhere should have the right to safe and ethical working conditions. They should also have access to educational opportunities to improve their lives. Through a continual cycle of inspections, improvement plans, and verification, we work with our suppliers to make sure they comply with our Code of Conduct and live up to these ideals.

What we do to empower workers.
Because education is a great equalizer, we're working with suppliers to provide training and free onsite classes in a wide range of areas, including:

- Labor laws and our Supplier Code of Conduct
- Technical and language skills
- Worker-management communication

What we do to protect workers' rights.
We constantly look for problems, and when we find them, we investigate the causes and work to fix them. Here are just some of the topics we're focused on:

- Ending excessive work hours
- Stopping underage and bonded labor
- Sourcing conflict-free minerals

What we do to safeguard workers' health and well-being.
Ensuring safe work environments is only the beginning. Here are some other ways we're helping prevent problems and improve worker satisfaction:

- Establishing new safety standards
- Training workers on health and safety
- Improving ergonomics and worker well-being

What we do to reduce our environmental impact.
To make sure suppliers are acting in environmentally responsible ways, we're working with industry experts in these areas:

- Managing our carbon footprint
- Identifying high-risk facilities
- Conducting focused audits

How we hold ourselves and our suppliers accountable.
Apple is the first technology company to open its supply chain to the Fair Labor Association (FLA). We ensure compliance with our Supplier Code of Conduct by conducting hundreds of audits per year worldwide. And we work with suppliers to make sure any problems we find are corrected.

Our commitment to transparency.
This year—as we have for the past seven years—we're reporting extensively on the problems we've found in our supply chain. That includes the tough issues like underage labor, excessive work hours, and environmental violations. We've opened our supply chain to outside organizations to conduct their own audits. We're joining industry groups to gather and share ideas. We're even partnering with some of our most vocal critics. And we do all this because we believe candidness and transparency are critical to improving conditions for workers around the world.

Supplier Responsibility

Supplier Responsibility Progress Report

Our Supplier Responsibility Progress Report provides the results of our 2012 audits, including the work we're doing to correct issues and improve our suppliers' performance.

Our commitment to transparency.

For the past seven years, Apple has been publishing reports on the audits we perform in our supply chain. We do this because we believe in honestly sharing our findings—the good and the bad. We're fixing problems and tackling issues that our entire industry faces, such as excessive work hours and underage labor. We're going deeper into the supply chain than any other company we know of, and we're reporting at a level of detail that is unparalleled in our industry.

To end the practice of excessive overtime, we now track weekly work hours for 1 million workers across our supply chain and publish the results on our website every month. And we share our work-hour strategy and tools with others inside and outside our industry. Although underage labor is rare in our supply chain, we report any incident we find, as well as the actions taken to correct problems and prevent future occurrences. We also give our suppliers the names of labor agents known to recruit underage workers. In addition, we are publishing the names and addresses of our top 200 production suppliers.

We have long-standing relationships with many industry groups—and we look for new ways to address important issues in our industry by collaborating with experts around the world. In 2012, we became the first technology company to join the Fair Labor Association (FLA). At our request, the FLA launched an unprecedented audit of our largest final assembly supplier, Foxconn. The FLA's independent findings and progress reports have been published on its website.

We've invited the Institute of Public and Environmental (IPE) Affairs and other environmental groups to work with us on specialized audits. We're also continuing our work with Verité, a non-governmental organization (NGO) focused on ensuring fair working conditions, to develop new strategies for worker-management communication. We participate in the Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI) to promote the use of conflict-free minerals.

At Apple, we care just as much about how our products are made as we do about how they're designed. We know people have very high expectations of us. We have even higher expectations of ourselves.

Accountability | Empowering Workers | Labor and Human Rights | Health and Safety | Environment | Audit Results

Highlights from our 2013 Report.

- We conducted 393 audits at all levels of our supply chain—a 72 percent increase over 2011—covering facilities where more than 1.5 million workers make Apple products. This total includes 55 focused environmental audits and 40 specialized process safety assessments to evaluate suppliers' operations and business practices. In addition, we conducted 27 targeted bonded labor audits to protect workers from excessive recruitment fees.

- Taking on the industrywide problem of excessive work hours, we achieved an average of 92 percent compliance with a maximum 60-hour work week. We are now tracking more than 1 million workers weekly and publishing the results monthly on our website.

- In 2012, Apple became the first technology company to join the Fair Labor Association (FLA). At our request, the FLA conducted the largest-scale independent audit in its history, covering an estimated 178,000 workers at our largest final assembly supplier, Foxconn. The FLA's independent findings and progress reports have been published on its website.

- We extended our worker empowerment training programs to more workers and more managers. In 2012, 1.3 million workers and managers received Apple-designed training about local laws, their rights as workers, occupational health and safety, and Apple's Supplier Code of Conduct. That's nearly double the number of workers trained by this program since 2008.

- We increased our investment in our Supplier Employee Education and Development program—which offers workers the opportunity to study business, computer skills, languages, and other subjects at no charge—expanding from four facilities to nine. More than 200,000 workers have now participated in the program.

- Continuing our efforts to protect the rights of workers who move from their home country to work in our suppliers' factories, we required suppliers to reimburse US$6.4 million in excess foreign contract worker fees in 2012. That brings the total repaid to workers to US$13.1 million since 2008.

Accountability

We believe in accountability—for our suppliers and ourselves.

By vigorously enforcing our Supplier Code of Conduct, we ensure that our suppliers follow the same principles and values we hold true. We collaborate with experts in areas such as human rights and the environment to conduct comprehensive, in-person audits deep into our supply chain. When we uncover problems, we work with our suppliers to fix them.

A third-party auditor and an Apple auditor meet with the facility manager for an environmental, health, and safety audit in Shanghai. An Apple auditor leads every onsite audit, supported by local third-party auditors who are experts in their fields.

The Apple Supplier Code of Conduct.

The Apple Supplier Code of Conduct is based on standards created by the
International Labor Organization, the United Nations, and the Electronic Industry
Citizenship Coalition (EICC). It requires suppliers to provide safe and healthy
working conditions, to use fair hiring practices, to treat their workers with
dignity and respect, and to adhere to environmentally responsible practices
in manufacturing. But our Code goes beyond industry standards in a number
of areas, including ending involuntary labor practices and eliminating underage
labor. To make sure suppliers adhere to the Code, we have an aggressive
compliance-monitoring program that includes Apple-led factory audits and
corrective action plans, and confirmation that these plans have been carried out.

Apple and the Fair Labor Association.

In 2012, Apple became the first electronics company to be admitted to the
Fair Labor Association (FLA), a coalition of universities, non-governmental
organizations (NGOs), and businesses committed to improving the well-being,
safety, fair treatment, and respect of workers.

In February 2012, we asked the FLA to conduct special voluntary audits of our
biggest final assembly suppliers, including Foxconn factories in Shenzhen and
Chengdu, China. With unrestricted access to our operations, the FLA completed
one of the most comprehensive and detailed assessments in the history of
manufacturing—in scale, in scope, and in transparency. This independent
assessment covered an estimated 178,000 workers and included interviews
with 35,000 workers.

On March 28, the FLA published detailed reports on what it found with
recommendations for improving conditions for workers. Apple and Foxconn
accepted the FLA's findings and recommendations and created a robust
15-month action plan with defined target dates of completion.

Since then, Apple and the FLA have been monitoring the progress of corrective
actions, and at their last checkpoint, they found that Foxconn has implemented
many changes ahead of schedule and the rest are on schedule for completion by
July 1, 2013. Among the recommendations, Foxconn has engaged consultants to
provide health and safety training for employees, improved its internship program,
and increased access to unemployment insurance for its migrant workers, as well
as for all workers in Shenzhen.

How an Apple audit works.

An Apple auditor leads every onsite audit, supported by local third-party auditors who are experts in their fields. Each expert is trained to use Apple's detailed auditing protocol. At each audited facility, the teams conduct physical inspections, interview workers and managers, and observe and grade suppliers based on more than 100 data points corresponding to each category of our Supplier Code of Conduct. We use this data not only to ensure compliance and sustainable improvement over time, but also to consider new programs that will meet the changing needs of our suppliers and their workers.

In addition to regularly scheduled audits, we conduct a number of surprise audits, during which our team visits a supplier unannounced and insists on inspecting the facility within an hour of arrival. We conducted 28 of these surprise audits in 2012. During our regular audits, we may also ask a supplier to immediately show us portions of a facility that are not scheduled for review.

The Supply Chain

Apple's supply chain consists of a broad network of suppliers, including:
- Final assembly manufacturers that assemble Mac, iPad, iPod, and iPhone.
- Component suppliers that manufacture parts and components, such as LCDs, hard drives, and printed circuit boards from which finished Apple products are assembled.
- Nonproduction suppliers, such as office supply vendors and call centers, that provide products and services that are not part of the Apple manufacturing process.

A supervisor shows Apple and third-party auditors around a final assembly facility in Jundiaí, Brazil, near São Paulo. All final assembly manufacturers are audited annually.
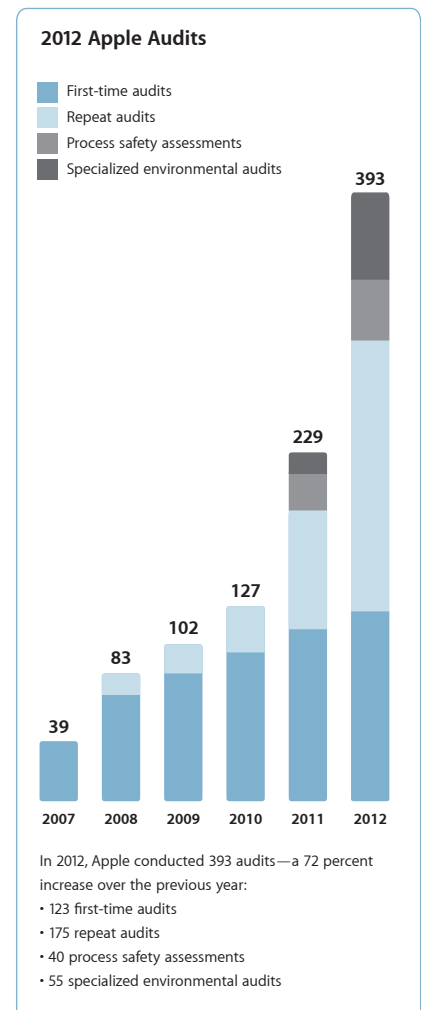
Audits around the world.

Since our first audits in 2006, we've expanded to more countries and more supplier categories. We've conducted audits in 14 countries, and in 2012, our audits covered nearly 1.5 million workers. We also perform audits in select nonproduction facilities, including call centers and warehouses. In addition, we conduct specialized audits focusing on areas such as the environment and safety.

We audit our final assembly manufacturers annually, and we audit other facilities based on certain risk factors, including location and geographic sensitivities, past audit performance, and the nature of the facility's work. Since many smaller suppliers have never been exposed to auditing, our audits often identify ways to enable operations to comply with our standards. This effort not only improves working conditions at these suppliers, it also helps improve conditions industrywide, since many of our peers use the same companies.

Core violations and corrective action.

Apple considers the most serious breaches of compliance to be core violations. These include physical abuse; underage, debt-bonded, or forced labor; falsification of information or obstruction of audit; coaching workers for audits or retaliating against them if they provide information; bribery; significant pollution and environmental impacts; and issues posing immediate threat to workers' lives or safety. All core violations must be stopped and corrected immediately. Our preference is to fix problems so they don't happen again rather than just fire the supplier—which would likely let these violations continue for other customers. However, if a violation is particularly egregious, or if we believe a supplier is not fully committed to stopping the behavior, we terminate our relationship with that supplier and, when appropriate, report the behavior to the proper authorities.

2012 Apple Audits

- First-time audits
- Repeat audits
- Process safety assessments
- Specialized environmental audits

39 — 2007
83 — 2008
102 — 2009
127 — 2010
229 — 2011
393 — 2012

In 2012, Apple conducted 393 audits—a 72 percent increase over the previous year:
- 123 first-time audits
- 175 repeat audits
- 40 process safety assessments
- 55 specialized environmental audits

Workplace ethics and protection for whistle-blowers.

To conduct a thorough audit, suppliers must give our auditors access to factories and provide them with accurate documents and record-keeping processes for review. Our auditors are skilled in identifying circumstances where a supplier may be providing false information or preventing access to critical documents—both of which are core violations of our Supplier Code of Conduct. Coaching workers on what to say during an interview and retaliation against workers for participating in an audit interview are also core violations.

After an audit interview, each worker receives a hotline card with case numbers to identify the facility and audit date. This gives the worker a private opportunity to provide additional information to our team or report any unethical consequences as a result of the interview—an action for which we have zero tolerance. When we receive calls, we follow up with the suppliers to make sure each issue is properly addressed. In addition, our authorized third-party partner made more than 8000 phone calls in 2012 to workers interviewed by auditors to find out if retaliation or other negative consequences had resulted from the interview.

An auditor interviews a worker at a facility in Vishay, China. At these confidential interviews, auditors verify identification and legal status, and they ask workers about conditions at the facility.

Empowering Workers

When people gain new skills and knowledge, they can improve their lives.

We provide educational resources for workers throughout our supply chain—from training on their rights under the law to free college classes in language skills, computers, and other subjects. Many workers even have the opportunity to earn an associate's or bachelor's degree.
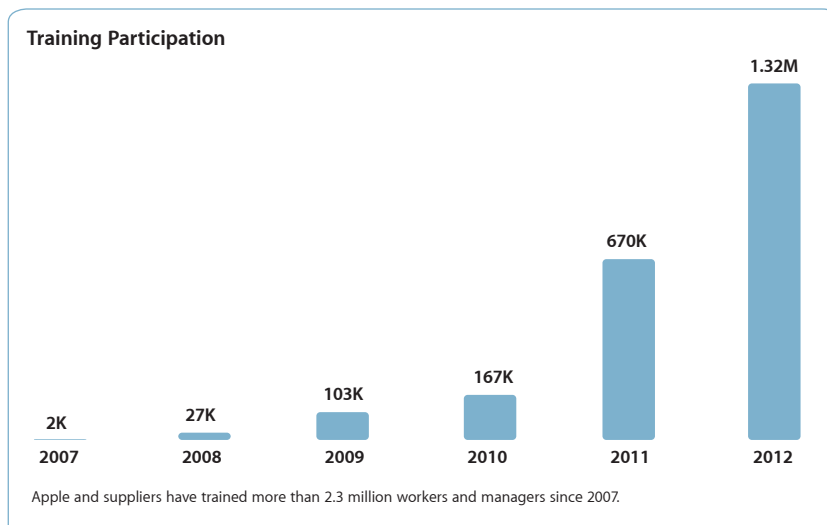

A worker uses the computer lab at a final assembly facility in Shanghai. Apple and suppliers have invested millions of dollars for computer equipment at facilities throughout the supply chain.

Worker and manager training.

We know that finding and correcting problems is not enough. We also require suppliers to implement Apple-designed training programs to educate workers about local laws, their rights as workers, occupational health and safety, and Apple's Supplier Code of Conduct. Supervisors and managers are also trained on effective management practices, including worker-management communication, antiharassment policies, and worker protections. Since 2008, more than 2.3 million workers and managers in our supply chain have received this training, carrying this knowledge with them in their current role or any future job.

We also train workers and managers on specialized topics that require deeper learning. In 2012, for example, we held focused training on the prevention of underage labor as well as a variety of health and safety topics.

Training Participation

Year	Participation
2007	2K
2008	27K
2009	103K
2010	167K
2011	670K
2012	1.32M

Apple and suppliers have trained more than 2.3 million workers and managers since 2007.

Free educational opportunities for workers.

Apple continues to expand professional and personal development opportunities for workers through our Supplier Employee Education and Development (SEED) program. This Apple-designed program offers workers classes in technical and software skills, life skills, social and environmental responsibility, language skills, management skills, and engineering. In addition, we partner with universities to give workers quality education and access to advanced degrees.

Since its beginnings in 2008, over 200,000 workers have participated in the SEED program. To reach even more workers, we're expanding the program. We have now funded classrooms and degree programs in nine final assembly factories, and we have agreements in place for expansion with three second-tier suppliers. In addition, we have invested millions of dollars for computer equipment and tuition support since the program began.

Here's what some Foxconn workers are saying about what they're getting out of the degree programs.

Niu Depo, Human Resources: "Entering the factory straight after finishing high school, I always dreamed about advanced education. I actually passed the National College Entrance Examination, but both my older brother and younger sister needed the chance at that time, so I decided to start working to support the family. SEED provides me resources and knowledge of different subjects, and I keep taking courses that are relevant to my job posts. I have taken courses in project management and am now on my way to finishing a degree in human resources, which is what I want to do for a living."
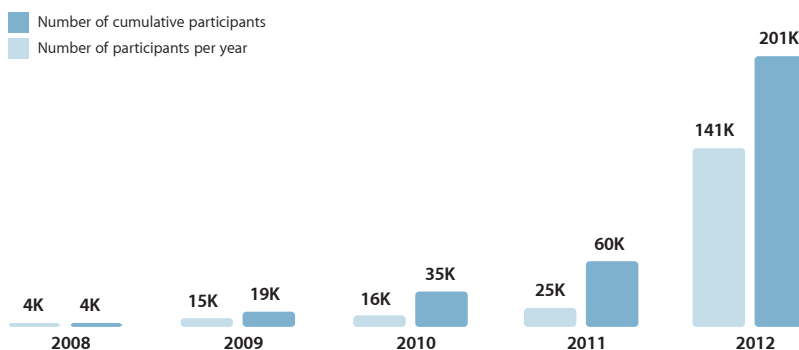
Zhang Taowei, Quality Control: "I didn't get to finish high school. SEED gives people like me a second chance in life, a chance to study. The courses and schedule are really well designed. All you need to do is just walk into the classroom after work. I hope I can get my high school degree soon. It would be great if I can go to the next level and get the vocational degree as well."

Tian Kailan, Supply Chain Management: "I joined Foxconn roughly two years ago when I was 17. When they first placed me as the procurement/logistics officer, I didn't have a clue what the job meant. I spent most of the time trying to figure out the jargon people were using. Then a coworker told me about this course taught by SEED on logistics and I started taking it. In the long run, I hope I can go back to my hometown in Hunan and open my own logistics company."

Popular Education and Development Courses

- History
- Technical and software skills
- Personal financial management
- Social and environmental responsibility training
- Language skills
- Management skills
- Business and entrepreneurship
- Engineering

Participation in Education and Development Programs

Number of cumulative participants
Number of participants per year

Year	Per year	Cumulative
2008	4K	4K
2009	15K	19K
2010	16K	35K
2011	25K	60K
2012	141K	201K

Our education and development programs began in 2008 and are now available to workers in nine locations.

Making sure workers' voices are heard.

Workers have a right to be in an environment where they can voice their concerns freely—and where managers and supervisors act on those concerns. That's why our manager training offers guidance on fostering worker-manager communication. But we know that's not enough. So in 2012, we began work on two separate initiatives aimed at finding the most effective ways for workers to communicate with their managers and ensure that their feedback is heard and addressed.

First, we developed the Sustainable Workforce Program in consultation with Verité, an internationally recognized NGO whose mission is to ensure that people around the world work under safe, fair, and legal conditions. Second, we're participating in the IDH Sustainable Trade Initiative, a public-private working group, which allows us to collaborate with other companies in our industry on this topic.

With both initiatives, we're exploring a range of solutions for encouraging more open communication, including hotlines and committees in which worker representatives address concerns with managers. To date, suppliers representing nearly 47,000 workers in our supply chain are participating in these programs. And when we identify the most effective solutions, we'll roll them out to others in our supply chain.

A plant supervisor and line worker have a discussion at a facility in Harrodsburg, Kentucky.

Labor and Human Rights

If companies want to do business with us, they must act fairly and ethically at all times.

We don't allow suppliers to act unethically or in ways that threaten the rights of workers—even when local laws and customs permit such practices. We're working to end excessive work hours, prohibit unethical hiring policies, and prevent the hiring of underage workers.

A worker performs a quality control check on panes of glass to be used in Apple devices.

Ending excessive work hours.

Ending the industrywide practice of excessive overtime is a top priority for Apple. Our Supplier Code of Conduct limits work weeks to 60 hours except in unusual circumstances, and all overtime must be voluntary. Unfortunately, work weeks in excess of 60 hours have historically been standard rather than exceptional, and little has changed for many years in our industry. In the past, we tried different ways to fix the problem, but we weren't seeing results. So in 2011, we took a more basic approach: We tracked work hours weekly at a handful of suppliers, and when we found excessive hours, we were able to address the problems quickly with the supplier.

For 2012, we expanded that program and now track work hours weekly for over 1 million employees, publishing the data every month. As a result of this effort, our suppliers have achieved an average of 92 percent compliance across all work weeks, and the average hours worked per week was under 50.

Supplier Work-Hour Compliance
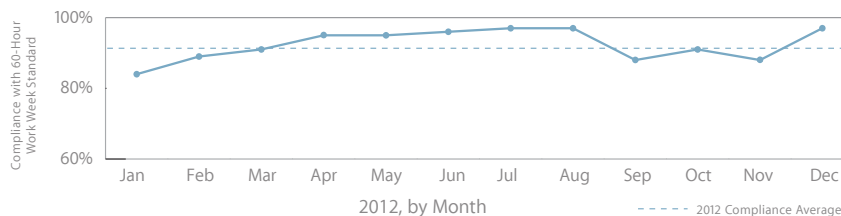
The number of workers we track has increased from over 500,000 in January to more than 1 million in December.

Addressing underage labor.

Our approach to underage labor is clear: We don't tolerate it, and we're working to eradicate it from our industry. When we discover suppliers with underage workers or find out about historical cases—where workers had either left or reached legal working age by the time of the audit—we demand immediate corrective action as part of our Underage Labor Remediation Program. Suppliers must return underage workers to school and finance their education at a school chosen by the family. In addition, the children must continue to receive income matching what they received when they were employed. We also follow up regularly to ensure that the children remain in school and that the suppliers continue to uphold their financial commitment.

In 2012, we found no cases of underage labor at any of our final assembly suppliers. While we are encouraged by these results, we will continue regular audits and go deeper into our supply chain to ensure that there are no underage workers at any Apple supplier. Many suppliers tell us that we are the only company performing these audits, so when we do find and correct problems, the impact goes far beyond our own suppliers.

How dishonest third-party labor agents conspire to corrupt
the system.

In many of the cases of underage labor we've discovered, the culprit behind
the violation was a third-party labor agent that willfully and illegally recruited
young workers. In January 2012, for example, we audited a supplier, Guangdong
Real Faith Pingzhou Electronics Co., Ltd. (PZ) (广东昭信平洲电子有限公司), that
produces a standard circuit board component used by many other companies
in many industries. Our auditors were dismayed to discover 74 cases of workers
under age 16—a core violation of our Code of Conduct. As a result, we terminated
our business relationship with PZ.

But we didn't stop there. We also learned that one of the region's largest
labor agencies, Shenzhen Quanshun Human Resources Co., Ltd. (Quanshun)
(深圳全顺人力资源有限公司), which is registered in both the Shenzhen and
Henan provinces, was responsible for knowingly providing the children to PZ.
In fact, to obtain the workers, this agency conspired with families to forge age
verification documents and make the workers seem older than they were.

We also alerted the provincial governments to the actions of Quanshun. The
agency had its business license suspended and was fined. The children were
returned to their families, and PZ was required to pay expenses to facilitate their
successful return. In addition, the company that subcontracted its work to PZ
was prompted by our findings to audit its other subcontractors for underage
labor violations—proving that one discovery can have far-reaching impact.

"In our experience, Apple is a leader in the field of responsible child
labor remediation. The issues found by Apple are indicative of the
tightening labor market in China and a changing social landscape.
Apple is working hard with suppliers to support them to develop
responsible recruitment systems. When it finds child labor, Apple acts
swiftly to protect the best interests of the child and support children
to return to their families and education. We are now starting to see
these children's achievements and the improved life choices now
available to them."

Dionne Harrison, Business and Capability Director, Impactt Limited

Providing tools to enable responsible hiring.

Last year marked the third year of our Prevention of Underage Labor training program, an initiative to help suppliers identify and prevent underage labor. We conducted training for 84 suppliers that were chosen because their facilities are located in provinces at high risk for underage labor. The training outlines methods and provides tools for implementing and sustaining effective age verification processes. It also specifies the steps suppliers must follow if underage labor is found during an audit.

New in 2012, we provided a guidebook to help with identifying legal IDs and assessing recruitment practices of third-party labor agents. We also added a layer of support beyond the classroom. After the training, suppliers now assess their internal and external risks and create action plans to revise policies for preventing underage labor. Then we follow up to review their new systems. For suppliers that need additional help, industry consultants provide onsite support in implementing action plans and improving management practices.

In addition, we give at-risk suppliers the names of labor agents that have been associated with the recruitment of underage workers. We also offer guidance on working with other agents, including ensuring that the agent has appropriate licenses and permits, conducting regular audits of the agent's recruitment practices, and reporting violations to Apple and the local government.

Setting standards for hiring students.

In China, many students are required by their school programs to complete fieldwork (internships) as part of their curriculum. Our suppliers must follow strict standards when hiring students as interns or apprentices. For example, student working hours must comply with legal restrictions and not conflict with school attendance. Suppliers must also ensure that the education program requirements adhere to laws and regulations. We've discovered that some elements of these programs are poorly run, and the cyclical nature of internship work makes it difficult to catch problems. In 2013, we will require suppliers to provide the number of student workers along with school affiliations so we can monitor this issue more carefully. We've begun to partner with industry consultants to help our suppliers improve their policies, procedures, and management of internship programs to go beyond what the law requires.

An independent auditor checks identification and other documents to verify the age and status of workers at a facility in Shanghai. Suppliers are required to maintain all relevant documentation and to produce it during audits.

Stopping excessive recruitment fees and bonded labor.

Third-party labor agencies help many suppliers recruit contract workers from other countries. The agencies often use multiple subagencies, which in turn do business through smaller local agencies in the workers' home countries. Workers are often required to pay fees to each of these agencies to gain employment. And many find that they have taken on huge debt even before they start the work. As a result, they must hand over a high proportion of their wages to recruiters to pay this debt, and they have to remain at the job until the debt is paid. We consider this a form of bonded labor, and it is strictly prohibited by our Supplier Code of Conduct.

When we find violations, suppliers must reimburse excessive recruitment fees — anything higher than the equivalent of one month's net wages — for any eligible contract worker found working on Apple projects. Knowing that factories in certain countries are more likely to employ foreign contract labor, we target these factories for bonded labor audits, and we help them modify their management systems and practices to comply with our standards. Apple is the only company in the electronics industry to mandate these reimbursements, and our suppliers have reimbursed a total of US$13.1 million to contract workers since 2008, including US$6.4 million in 2012.

"Apple's approach to addressing the enormous vulnerability faced by migrant workers makes it one of the leading companies tackling this issue. Critically, the company has extended its efforts to a root cause of the problem, namely abusive recruitment practices in workers' home countries. The result is tangible, financial benefit to migrant workers."

Dan Viederman, CEO, Verité

Sourcing conflict-free materials.

Apple is committed to using conflict-free minerals, and we've joined the Public-Private Alliance for Responsible Minerals Trade, a joint initiative among governments, companies, and civil society to support supply chain solutions to conflict minerals challenges in the Democratic Republic of Congo. As one of the first electronics companies to map its supply chain for conflict minerals, we actively survey suppliers to confirm their smelter sources. As of December 2012, we have identified 211 smelters and refiners from which our suppliers source tin, tantalum, tungsten, or gold.

Apple suppliers are using conflict-free sources of tantalum, are certifying their tantalum smelters, or are transitioning their sourcing to already certified tantalum smelters. We will continue to work to certify qualified smelters, and we'll require our suppliers to move their sourcing of tin, tungsten, and gold to certified conflict-free sources as smelters become certified.

In an industrywide effort to help suppliers source conflict-free materials, we continue to align our program with Organisation for Economic Co-operation and Development (OECD) guidelines, and we are working with the Electronic Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI). The primary focus of the EICC and GeSI Conflict-Free Smelter programs is to certify qualified smelters as conflict-free through an independent third-party audit process.

Materials Providers

	Tantalum (Ta)	Tin (Sn)	Tungsten (W)	Gold (Au)
Suppliers using metal in components of Apple products*	81	249	107	225
Smelters used by these Apple suppliers**	17	64	31	99

*Many of our suppliers use more than one metal.

**The smelter names on this list have been verified according to the EICC Standard Smelter names. More smelters continue to be added to the list.

Health and Safety

Every worker has the right to a safe and healthy workplace.

We don't let anyone cut corners on safety. We constantly seek out ideas—from our own employees and from outside experts—to make production processes safer, and we apply them to our entire supply chain. We're also working with suppliers to improve worker well-being in factories and beyond.

A worker prepares an iPhone for final assembly. Suppliers are required to provide workers with protective gear and ensure that they are properly trained on safety standards.

Making working conditions safer.

To reduce the risk of hazards in the workplace, suppliers must provide proper protective gear, guardrails, safety harnesses, and other safety equipment, as well as comprehensive, up-to-date training for workers. And we go even further. In many cases, we review new materials and manufacturing processes to assess potential risks and take appropriate action before they are introduced to the supply chain. When we discover a problem—during an audit or through one of Apple's many onsite employees—we require immediate correction, and we look for ways to expand safety procedures and practices in all similar facilities.

Occupational and process safety.

With the help of industry experts, we conduct specialized process safety assessments at certain supplier facilities to look deeply into potential hazards of manufacturing processes. In 2012, we conducted these assessments at 44 facilities. If we discover a problem, we share it with the facility and discuss actions the supplier must take, then return to the facility to ensure that corrective measures have been taken. We also offer training to suppliers to identify hazards and make positive changes in their manufacturing facilities.

A worker wearing protective gear inspects an Apple display in a cleanroom at a manufacturing facility in Shanghai.

Training to identify hazards.

It is critical that both suppliers and Apple employees are prepared to identify hazards. Since 2011, we have trained more than 350 Apple employees who spend time in suppliers' facilities on process safety topics such as flammable vapors, combustible dust, toxins, and reactive materials. In 2012, we trained another 261 supplier personnel on personal protection equipment. Other health and safety training topics have included chemical safety and lockout tagout (LOTO)—a procedure related to isolation of hazardous materials and energy during maintenance and modifications. We trained 95 suppliers on chemical safety and 77 on LOTO.

Pairing specialized process safety assessments and training allows us to identify hazards, educate suppliers, and empower them to make changes to improve safety at their manufacturing facilities. Furthermore, we continue to develop broader health and safety standards and requirements for supplier facilities. For example, we are creating auditable standards for chemical hazard management. We started working with key suppliers on these requirements in 2012, and we will conduct training for these standards in 2013.

Worker well-being.

To help improve workers' health and well-being, we are conducting a detailed study of job roles in factories in diverse areas of our supply chain to identify ergonomic risks. For each of these roles, ergonomic experts will carefully analyze tasks and workstations. We are using the results of these assessments to strengthen our standards for both workstation design and job performance guidelines, including task, training, and job rotation requirements.

Our worker well-being efforts don't stop there. Expanding our investment in employee assistance, we conducted extensive research at four final assembly facilities to understand the areas workers would like to see improved. Using a combination of roundtable discussions and written surveys, we got to the heart of what matters most to the 70,000 workers at these sites. Our research results suggest opportunities for improvement in areas including social support networks, quality of sleep and dining, worker-supervisor relationships, and counseling and advisory services. As a result of our worker surveys at all of the facilities in this pilot, suppliers have taken specific actions, such as changing food vendors, tracking cafeteria food purchases to provide feedback to food vendors, evaluating the impact of room-darkening window shades in dormitories, assigning workers to dormitory rooms based on shift times, and changing security providers for increased coverage.

Working with the academic community.

Apple's Supplier Responsibility team continues to collaborate with the academic community to explore ways to enhance our worker programs. In 2012, we formed an advisory board including leading experts from Stanford, Columbia, Cornell, MIT, the University of Michigan, the University of Washington, and the University of California, Berkeley. The board will have access to Apple's audit data, program results, and supply chain information so its members can independently develop and research projects that will be incorporated into our Supplier Responsibility program and made available to the broader academic community.

Environment

We're working to reduce our environmental impact. And we expect the same from our suppliers.

We take great care to design environmentally sound products. And we work with suppliers to make sure they're using environmentally responsible manufacturing processes wherever those products are made.

Waste air is bio-filtered through a bed of tree bark on the roof of a supplier facility. This is the final stage in the plant's comprehensive system for managing air emissions.

Apple's commitment to environmental responsibility.

At Apple, we take responsibility for minimizing the environmental impact of our operations and products, and our suppliers must take responsibility for their operations as well. They must comply with local laws and regulations and use environmentally responsible manufacturing processes wherever Apple products are made.

We report on our total carbon footprint—and we're one of very few companies to do so. We manage our overall footprint by comprehensively measuring and reporting the impact of our own operations and product development.

Expecting the highest standards.

We do not tolerate environmental violations of any kind. We hold suppliers accountable to the environmental standards of our Supplier Code of Conduct—standards that are some of the strictest in our industry and many others. We look for environmental issues at many supplier levels, often confronting serious issues deep within our supply chain. But we know that risks are not the same for all suppliers. So we target high-risk suppliers for an additional layer of scrutiny with our focused environmental audits, and we work with them to lessen their impacts. To ensure our standards and our approach reflect material environmental issues, we work with independent organizations such as the Natural Resources Defense Council (NRDC), the Environmental Protection Agency (EPA), and the Institute of Public and Environmental Affairs (IPE).

"Apple pushes suppliers through the whole corrective action process, which includes third-party audits under the supervision of local NGOs. This approach requires a high level of transparency and public participation and can be viewed as a sign that Apple is serious."

Ma Jun, Director, Institute of Public and Environmental Affairs

What happens in a focused environmental audit.

We perform focused environmental audits at both suppliers with processes that have higher potential for environmental impact and suppliers that have been identified in the past as violators of local regulations or Apple's environmental standards. During these audits, we work alongside outside experts to examine equipment, documentation, permits, and maintenance records, as well as factory workers' knowledge of processes and control systems. We also look beyond the factory—for example, sometimes inspecting adjacent properties.

When we discover serious impact to the environment, we require processes to be shut down until they can be remedied. We give the facility 90 days to meet our requirements. Once they fix the problem, we follow up with the supplier to verify everything. In addition, we have third-party experts—such as the IPE or local NGOs—validate these findings and completed corrective actions. By opening our supply chain to outside organizations, we increase transparency and make sure our suppliers' environmental impact is carefully reviewed.

To hold ourselves accountable, we reference a variety of external sources including the IPE pollution database, which highlights suppliers with environmental citations by local regulatory agencies in China. This is an additional resource to assess the risk of our suppliers and target our focused environmental audits. In 2012, we completed 55 focused environmental audits—a 293 percent increase over 2011. Of the 55 sites, 26 were cited in the IPE database.

"Apple's bold decision to open its supply chain to third-party audits is another great example of the leadership and sense of adventure that we associate with the company's product lines. In this area as in so many others, the company has a clear lead in innovation that few if any other companies can match. Apple recognizes there is more to be done, and they are committed to building on the progress they've already made."

Linda Greer, Director, Health Program, Natural Resources Defense Council

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Audit Results

Our suppliers are required to uphold the rigorous standards of Apple's Supplier Code of Conduct, and every year we raise the bar on what we expect. Our audits, as well as feedback from the local community and external experts, often make us aware of new opportunities to improve working conditions and further strengthen our Code. As a result, when we return to suppliers that have been audited in the past, we often find new areas for improvement. We audit all final assembly suppliers every year. And we audit additional suppliers based on risk factors, including conditions in the country in which a facility is located or a facility's past audit performance. Many of the suppliers we evaluate for the first time tell us they have never been audited—which gives Apple the opportunity and responsibility to work with them to improve their social and environmental performance.

An Apple auditor leads every onsite audit, supported by local third-party auditors who are experts in their fields. Each of these experts is trained to use Apple's detailed auditing protocol and to assess requirements specified in our Supplier Code of Conduct. During a typical audit, Apple's auditing team reviews hundreds of records, conducts physical inspections of manufacturing facilities—including factory-managed dormitories and dining areas—and conducts interviews with the workers themselves. At the same time, we evaluate the facility's senior managers, including their policies and procedures, their roles and responsibilities, and the training programs they provide for workers, line supervisors, and managers. Our auditors then grade each facility on its level of compliance with our Supplier Code of Conduct.

When we complete an audit, we review its findings with the facility's senior management team. And when an audit reveals violations of our Code, we require the facility not only to address those specific violations, but also to change any underlying management systems to prevent problems from recurring. Apple tracks the progress of all corrective and preventive action plans, with the expectation that all issues will be closed within 90 days of the audit. We then verify that action has been taken.

Apple considers the most serious breach of compliance to be a core violation. Core violations include instances of underage or involuntary labor, falsifications of audit materials, worker endangerment, intimidation of or retaliation against workers participating in an audit, and significant environmental threats. All core violations must be remedied immediately. If a violation is particularly egregious, or we determine that a supplier is unwilling or incapable of preventing recurrence of a violation, we terminate the relationship. When appropriate, we also report the violation to the proper authorities.

Each year, Apple audits suppliers in five broad categories: labor and human rights, health and safety, environment, ethics, and management systems.

Labor and Human Rights

Category	Practices in Compliance	Management Systems Compliance
Antidiscrimination	79%	69%
Fair treatment of workers	96%	91%
Prevention of involuntary labor and human trafficking	85%	81%
Prevention of underage labor	95%	83%
Working hours	92%*	*
Juvenile worker protection	62%	52%
Wages and benefits	72%	68%
Freedom of association	98%	95%
Overall compliance	**77%**	**73%**

Significant Findings and Actions Taken

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, and prohibits pregnancy tests or medical tests for discriminatory use.

34 facilities required pregnancy testing and 25 facilities conducted medical testing such as Hepatitis B tests. We classified these practices as discrimination—even if permissible under local laws. At our direction, the suppliers have stopped discriminatory screenings for medical conditions or pregnancy. We also required them to establish clear policies and procedures to prevent recurrence.

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. All overtime must be voluntary.

*In 2012 we changed our measurement on working hours to one that is more meaningful and effective. We gauge our progress by tracking real-time work hours weekly for over 1 million employees in our supply chain, publishing the data every month. As a result of this effort, in 2012 our suppliers have achieved an average of 92 percent compliance across all work weeks, and the average hours worked per week was under 50.

As part of our audit program, we continue to audit facilities on their compliance to this metric, measuring sample data from the previous year. Where we find gaps in our audit, we require facilities to ensure workers' weekly working hours are no more than 60 hours and to analyze work-hour data and conduct in-depth investigations on the root causes of excessive working hours. In addition, we continue enrolling facilities in our work-hour program.

Juvenile worker protection

Apple's Code states suppliers may employ juveniles who are older than the applicable legal minimum age for employment but are younger than 18 years of age, provided they do not perform work likely to jeopardize their health, safety, or morals, consistent with ILO Minimum Age Convention No. 138.

Our code requires our suppliers to provide special treatment to juvenile workers. 63 facilities did not provide free health examinations to juvenile workers. At 29 facilities, juvenile workers were assigned to work in positions that are not suitable, such as a job involving heavy lifting. Facilities were required to develop corrective action plans and preventive measures such as providing free health exams to juvenile workers, developing standard procedures for hiring and managing juvenile workers, and not permitting overtime work.

Wages and benefits

Apple's Code requires suppliers to pay wages and benefits adequately and timely as required by applicable laws and regulations, and prohibits using deductions from wages as a disciplinary measure.

102 facilities did not pay night-shift workers the appropriate pay for legal holidays due to an incorrect interpretation of the law. For example, if Wednesday is a national holiday, a night-shift on Tuesday that starts at 6 p.m. and ends at 2 a.m. should have the final 2 hours paid at holiday rates rather than normal night-shift overtime rates. At 21 facilities, overtime pay was incorrect and at 15 facilities the base wage used to calculate overtime was insufficient. We required facilities to pay overtime premium strictly following the national law and update these requirements in their internal system to avoid recurrence. We also required these facilities to repay workers for past inaccuracies. 90 facilities used deductions from wages as a disciplinary measure. While disciplinary pay deductions are legal in some countries, they are a violation of Apple's Supplier Code of Conduct. We require all of our suppliers to compensate workers for any illegal deductions and wage deficiencies, including base wage, overtime wage, disciplinary fines, downtime payment, and any other legal benefits or illegal deductions. In 2012, our suppliers repaid a total of more than US$2.3 million to their workers.

Core Violations Found and Actions Taken

Prevention of involuntary labor and human trafficking

Apple's Code protects workers who are required to pay a fee in connection with obtaining employment through third-party labor agencies. Suppliers are responsible for repayment of all fees and expenses in excess of the amount of one month of the worker's anticipated net wages.

8 facilities were found with bonded labor. Suppliers were required to pay back any excess foreign contract worker fees, totaling US$6.4 million in 2012. We also required suppliers to implement robust procedures to prevent recurrence. We conducted 27 bonded labor focused investigations in 2012.

Prevention of underage labor

Apple's Code states child labor is strictly prohibited. The minimum age for employment or work is 15 years of age, the minimum age for employment in that country, or the age for completing compulsory education in that country, whichever is higher.

11 facilities were found with underage labor, with a total of 106 active cases and 70 historical cases. In all but one case, the facilities had insufficient controls to verify age or to detect false documentation, but there was no intentional hiring of underage labor. In one case, our detailed audit concluded that the extent of the violation was pervasive, finding 74 cases at one facility, so we terminated business with the supplier. All facilities were required to attend our Prevention of Underage Labor Training and follow our Underage Labor Remediation Program. We require suppliers to return underage workers to school and finance their education at a school chosen by the family. In addition, the children must continue to receive income matching what they received when they were employed. We also follow up regularly to ensure that the children remain in school and that the suppliers continue to uphold their financial commitment.

Health and Safety

Category	Practices in Compliance	Management Systems Compliance
Occupational injury prevention	70%	63%
Prevention of chemical exposure	81%	76%
Emergency prevention, preparedness, and response	75%	68%
Occupational safety procedures and systems	79%	75%
Ergonomics	59%	55%
Dormitory and dining	80%	77%
Health and safety communication	81%	72%
Overall compliance	**76%**	**70%**

Significant Findings and Actions Taken

Occupational injury prevention

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

At 88 facilities, there were instances where appropriate PPE (personal protective equipment), such as safety shoes, gloves, masks, goggles, and earplugs, was not provided to workers. At 53 facilities, PPE provided to the workers did not meet relevant standards. For example, regular cotton masks were provided at workstations where respirators were more appropriate. We required facilities to conduct an evaluation to assess what PPE is needed in which workstations and provide appropriate PPE to workers immediately. Facilities were also required to provide sufficient training to both supervisors and workers on how to properly wear the provided PPE, and hold supervisors accountable for ensuring that workers made proper use of PPE.

Emergency prevention, preparedness, and response

Apple's Code requires facilities to anticipate, identify, and assess emergency situations and to minimize their impact by implementing emergency plans and response procedures.

177 facilities did not have proper emergency exit safety procedures or did not adequately implement them to ensure compliance. For example, 74 facilities excluded some night-shift workers in the emergency fire drill; 34 facilities did not conduct emergency evacuation drills. At 20 of the facilities, fire alarms were not installed in some parts of the facilities. We required facilities to provide appropriate programs to ensure egress safety, such as easy evacuation in the event of an emergency, legible signs, and clear evacuation plans.

38 facilities had at least one emergency exit locked. When we find this situation, Apple requires all doors to be immediately unlocked while the audit team is onsite, and we follow up to verify they remain unlocked after the audit. We required facilities to make improvements to their fire detection and suppression systems and check them regularly to ensure their readiness.

Occupational safety procedures and systems

Apple's Code requires suppliers to establish procedures and systems to manage, track, and report occupational injury and illness, as well as provide necessary medical treatment and facilitate the workers' return to work.

72 facilities were found without appropriate in-house occupational hazards monitoring. For example, dosimeters for X-ray machine operators were not provided. We required facilities to contact qualified third-party experts to conduct the in-house occupational hazards monitoring and to ensure the inspection includes all elements as required by laws and regulations. Facilities were required to notify all workers of the monitoring result. We required facilities to provide dosimeters to X-ray operators immediately and submit the dosimeters to qualified third parties for periodic testing.

Core Violations Found and Actions Taken
None.

Environment

Category	Practices in Compliance	Management Systems Compliance
Hazardous substance management and restrictions	71%	66%
Wastewater and stormwater management	80%	71%
Air emissions management	66%	58%
Solid waste management	88%	81%
Environmental permits and reporting	71%	64%
Pollution prevention and resource reduction	94%	91%
Overall compliance	**78%**	**72%**

Significant Findings and Actions Taken

Hazardous substance management and restrictions

Apple's Code requires suppliers to comply with the most recent version of Apple's Regulated Substances Specification, 069-0135, and with any applicable laws and regulations prohibiting or restricting the use or handling of specific substances. To ensure safe handling, movement, storage, recycling, reuse, and disposal, suppliers shall identify and manage substances that pose a hazard if released to the environment, and comply with applicable labeling laws and regulations for recycling and disposal.

147 facilities were not properly storing, moving, or handling chemicals. For example, some facilities did not provide antileakage protection or provide separate storage for incompatible chemicals. We required facilities to store, move, or handle hazardous chemicals properly; for example, providing antileakage devices for hazardous chemicals, or providing separate storage for incompatible chemicals. Also, we required facilities to establish adequate management procedures for handling, movement, and storage of hazardous chemicals.

85 facilities failed to label hazardous waste storage locations and chemical containers, while 119 facilities lacked management procedures for labeling hazardous waste. We required facilities to label hazardous waste storage locations and chemical containers, and establish adequate management procedures for hazardous-waste-related labeling.

106 facilities were not recycling or disposing of hazardous waste as required by law, while 129 facilities lacked management procedures for recycling or disposing of hazardous waste. We required facilities to correct their hazardous waste disposal practices, such as using qualified vendors to dispose of hazardous waste and maintaining waste disposal documentation in compliance with Apple requirements and applicable laws.

Wastewater and stormwater management

Apple's Code requires suppliers to monitor, control, and treat wastewater generated from operations as required by applicable laws and regulations before discharge. This covers stormwater as well as sanitary and industrial water.

35 facilities did not have proper measures to prevent stormwater contamination. At 10 facilities, the domestic wastewater was incorrectly discharged to a stormwater drain, and we required them to immediately stop the discharge. We also required facilities to develop corrective action plans and preventive measures. Other actions included requiring proper treatment of wastewater prior to discharge, collection and segregation of hazardous waste into specialized storage areas, and development of hazardous waste procedures.

Air emissions management

Apple's Code requires suppliers to characterize, monitor, control, and treat air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone-depleting chemicals, and combustion by-products generated from operations, as required by applicable laws and regulations, before discharge.

96 facilities failed to adequately monitor and control air emissions. Also, 120 facilities lacked air emission monitoring and control management procedures. We required facilities to treat air emissions, conduct regular inspections, monitor to ensure compliance with the law, and identify air emission outlets in accordance with regulations. We also required facilities to establish management procedures on air emission monitoring and control.

Environmental permits and reporting

Apple's Code requires suppliers to obtain, maintain, and keep current all required environmental permits (for example, discharge monitoring) and registrations, and follow the operational and reporting requirements of such permits.

65 facilities did not have Environmental Impact Assessment documentation, or the Impact Assessment Report did not cover the new manufacturing processes. 63 facilities did not obtain final environmental approval from the local government. 45 facilities did not obtain the legally required pollutant discharge permits, or were waiting approval from officials on their submissions. We required these suppliers to immediately engage local government agencies to obtain approvals and permits.

Core Violations Found and Actions Taken

Hazardous substance management and restrictions

Apple's Code requires suppliers to comply with the most recent version of Apple's Regulated Substances Specification, 069-0135, and with any applicable laws and regulations prohibiting or restricting the use or handling of specific substances. To ensure safe handling, movement, storage, recycling, reuse, and disposal, suppliers shall identify and manage substances that pose a hazard if released to the environment, and comply with applicable labeling laws and regulations for recycling and disposal.

One supplier was found intentionally dumping waste cutting oil into the restroom receptacle. We were alerted to this issue through an internal system that allows any Apple employee to raise concerns about conditions at our suppliers. We required the supplier to immediately stop this activity and hire an external expert to help the supplier develop a corrective action plan and address the issue. This supplier was placed on probation.

Ethics

Category	Practices in Compliance	Management Systems Compliance
Business integrity	98%	92%
Disclosure of information	98%	95%
Protection of whistle-blowers and anonymous complaints	93%	85%
Protection of intellectual property	98%	93%
Overall compliance	**97%**	**90%**

Significant Findings and Actions Taken

None.

Core Violations Found and Actions Taken

Disclosure of Information

Suppliers must accurately record and disclose information regarding their business activities, structure, financial situation, and performance in accordance with applicable laws and regulations and prevailing industry practices.

4 facilities provided falsified payroll or attendance records to Apple's audit team. The facilities ultimately provided the authentic records to our auditors. All facilities subsequently conducted review of their ethics management systems and instructed all management staff to provide correct documents. These suppliers were placed on probation.

Management Systems

Category	Practices in Compliance	Management Systems Compliance
Company statement	70%	70%
Management accountability and responsibility	55%	55%
Documentation and records	80%	80%
Training and communication	78%	78%
Worker feedback and participation	87%	87%
Corrective action process	66%	65%
Overall compliance	**69%**	**68%**

Significant Findings and Actions Taken

Management accountability and responsibility

Apple's Code requires facilities to clearly identify company representatives responsible for ensuring implementation and periodic review of the status of the suppliers' management systems.

158 facilities lacked procedures for auditing their suppliers or did not perform adequate supplier audits. We required facilities to establish procedures for auditing their suppliers and to conduct adequate audits.

154 facilities had not conducted internal audits to cover all areas of Apple's Supplier Code of Conduct, and 138 facilities had not conducted management review. We required the facilities to perform periodic self-evaluations to ensure facility and internal audit compliance with Apple's Supplier Code of Conduct and applicable laws and regulations.

Core Violations Found and Actions Taken

None.

For More Information

For more information about Apple's Supplier Responsibility Program, visit www.apple.com/supplierresponsibility.