RBA COMPASS AWARDS 2019

CASE STUDIES ON LEADERSHIP, INNOVATION AND IMPLEMENTATION

Responsible Business Alliance
Advancing Sustainability Globally
INTRODUCTION

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INTRODUCTION

The Responsible Business Alliance (RBA) launched the Compass Awards for members, their suppliers and factories in 2018. Its primary objective is to recognize and encourage efforts that lead to meaningful, positive change in line with the RBA’s vision and mission. The awards program celebrates corporate social responsibility excellence across three categories: Leadership, Innovation, and Implementation. Many of the award submissions will also serve as examples of successful actions that other companies can emulate.

In the Leadership category, RBA members must demonstrate a high-level commitment to corporate social responsibility (CSR), embedding it as a core business practice and supporting it with a large investment in time, money or other resources. The Innovation category requires members, with or without partners, to show a highly effective program that represents an innovative solution to a CSR challenge. The Implementation category is open to any factory, member or supplier facility that can demonstrate an impressive application of CSR at the site level that is well-documented and repeatable by other sites.

The Compass Awards recognize and encourage efforts that lead to meaningful, positive change in line with the RBA’s vision and mission.

All entries were reviewed and scored by an independent panel of judges from intergovernmental organizations and civil society. The finalists and winners of the 2019 RBA Compass Awards, highlighted herein, were announced during a ceremony at the Responsible Business 2019 annual conference in Santa Clara, California.

For information on the Compass Awards, please contact awards@responsiblebusiness.org and visit this page on the RBA website: responsiblebusiness.org/compass-awards
An increasing number of electronic devices that use magnets built from rare earth metals, including hard disk drives, MRI machines, and motors from electric/hybrid vehicles, are being scrapped in landfills. These scrapped devices contain the potential for recycling, although less than 1 percent of rare earth metals worldwide were recycled as of 2011.

At the same time, mines with low safety and environmental standards control the market for virgin rare earth metals. The ore is often found with radioactive materials and, according to research by The Guardian, processing one metric ton of rare earths produces 2,000 metric ton of toxic waste.

Businesses seeking to build a transparent supply chain try to hold their suppliers to a high standard when purchasing these metals and can face a complicated process of checking and trusting suppliers. For businesses such as Dell, finding sources other than mines to source the needed metals used within so many products is a priority.

Despite their name, rare earth elements are not actually “rare” – it’s just hard to find them in economically viable concentrations. What’s more, they usually appear together and are thus co-mined and co-processed. This means that a change in demand for a particular rare earth element generally affects the supply of all rare earth elements. It’s no surprise, then, that market volatility and supply issues pose a real threat to the industry.

It’s within this context that Dell began working with its partners, hard drive supplier Seagate and IT asset disposition company Teleplan, to investigate ways to recycle rare earth magnets and to create a pilot project that feeds recovered rare earth magnets into thousands of new hard drives.

**APPROACH AND SOLUTION**

Hard disk drives rely on magnets made from the rare earth metal neodymium. According to a market study cited by Stanford Magnets, the industry uses about 4,000 metric tons of neodymium-iron-boron (NdFeB) magnets in hard drives annually, accounting for about 50 percent of sales for the magnets. Recycling e-waste poses an excellent opportunity to address the challenges around magnets made from this rare earth metal.

Mining end-of-life hard drives and IT equipment for rare earth oxides allows them to be used to augment supply, buffer market volatility, and avoid a portion of additional mining. In one year, about 1.4 million hard disk drives are scrapped from the Dell return stream worldwide. Each of these is an opportunity to replace the total hard disk drives that Dell purchases in the same time frame.

In early stages, Dell looked at various recovery methods that had been tested previously and concluded it would be best to separate the magnets, extract neodymium oxide, and reform them into powerful neodymium-iron-boron permanent magnets for new drives.
Dell’s process differs from others exploring magnet recycling by allowing the magnets to be reformed into many different shapes. As a result, the recycled magnets can be used in numerous drive models both at Dell and across the IT industry, no matter the brand. These recycled magnets can even be used for application in other industries. As a result, this change is helping advance rare earth oxide recovery and market access as a whole.

Dell assembled a cross-functional core team with leadership support from across the company to execute the solution, with representatives from manufacturing operations, procurement, engineering, quality and development, logistics, environmental affairs, marketing, and social impact. Its goals were to demonstrate the feasibility of recycling rare earth magnets from end-of-life hard drives back into new drives, measure the potential impact, and identify opportunities for scale across the industry.

**KEY OUTCOMES**

On Earth Day 2019, Dell, Teleplan and Seagate announced the successful introduction of the industry’s first closed-loop process for recovering rare earth magnets. This process uses recycled hard-disk drives to create new drives for use in new computers. Using closed-loop recycled rare earth material helps eliminate portions of environmental and social impacts of mining, mitigates political and business risks associated with virgin material, and emphasizes Dell’s position as an environmental leader.

These new drives began shipping in May 2019. The initial pilot created 25,000 new hard drives for notebooks.

The greatest benefits of closed-loop rare earth magnets come from addressing the damage many rare earth mines cause for the environment and society. In areas around mines people suffer from cancer, plants are unable grow, livestock are mutated, and those in the surrounding areas are breathing dangerous sulfuric acid. Every ton of isolated rare earth elements creates one ton of solid waste containing radioactive elements, 20,000 gallons of acidic wastewater, and airborne contaminants including 10,000 cubic meters of acid gas fumes with dust containing radionuclides.

Dell’s closed-loop rare earth initiative offers an alternative source to help address these environmental and social impacts, while also contributing to the corporation’s greater drive to help the planet and global communities. The closed-loop rare earth magnet pilot between Dell, Seagate, and Teleplan alone displaced roughly 100kg of mined rare earth oxides to make 25,000 hard-disk drives.
Cisco and other companies rely on natural resources to make and ship their products. However, the forecast end of the viable availability of critical raw materials will cause a substantial business continuity risk if companies continue to operate as usual. Cisco seeks to be a leader in the transformation to a circular economy, and introduced a new, enterprise-wide circular economy program in 2018. The company’s holistic approach extends from how it designs, builds and delivers products, to how it values the assets it has and turns them into new products. Beyond that, Cisco understands that it can drive change beyond its own walls by enabling current and potential customers to use its technology to shape their own sustainable solutions.

Cisco has set ambitious goals and committed the necessary resources to make meaningful progress in reducing its environmental impact and advancing a circular economy. The company is driving circular advantage through a series of initiatives, including closed-loop plastics and waste-free operations, increasing recycled content in products and packaging, standardizing and modularizing components, and driving and measuring value from existing solutions.

The road to a circular economy cannot be paved by Cisco alone. The company is committed to collaborating across its suppliers, partners, peers, and the communities it serves to achieve this vision, globally and locally.

**APPROACH AND SOLUTION**

Cisco is focused on accelerating the adoption of circularity with the aim of decoupling business growth from the consumption of finite resources, designing waste out of the system, and transitioning to renewable energy. The company works to embed circular economy-driven approaches and business models in its own internal and extended operations; enable circular economy for its customers; and engage in the larger ecosystem to advance the circular economy across industries and sectors.

Cisco’s circular economy initiatives are focused on five major areas:

1. **Circular Design:** Design products and packaging with circularity in mind (e.g. design for reuse, repair, recycling, and resource efficiency)
2. **Circular Operations:** Reduce consumption and use renewable sources across our value chain
3. **Circular Consumption:** Manage our equipment for multiple life cycles and deploy new business models to facilitate this approach
4. **Circular Solutions:** Shape and pioneer technology solutions and services to enable circular economy value creation for customers
5. **Ecosystem Leadership:** Advance circular economy through industry innovation, collaboration, and public policy

Cisco’s circular economy program operates with a dedicated program management office under the executive sponsorship of the SVP, Supply Chain Operations. The team runs multiple levels of governance bodies and cross-functional working groups to establish and achieve its programmatic goals and strategic priorities. The team also collaborates extensively with industry groups, peers, suppliers, and other stakeholders to advance the circular economy.
KEY OUTCOMES

In 2016, Cisco set a goal to avoid 1 million metric tons of greenhouse gas (GHG) emissions from its supply chain by FY20. At the end of FY19, Cisco had avoided 1,152,562 metric tons of carbon emissions since FY12, achieving its target one year early. This highly collaborative effort relied on smart supply chain decisions across the organization, from utilizing more ocean shipments, to redesigning product packaging, to energy efficiency partnerships at manufacturing sites.

In FY19, Cisco launched a pilot project to better understand the material used upstream in its supply chain. The company partnered with TRUE Zero Waste to increase engagement and improve reporting capabilities in the supply chain. Based on the results, Cisco will evaluate whether the training improved supplier performance and waste data reporting in support of this goal. Additionally, Cisco will work to determine where the biggest impacts can be made to not only reduce material waste, but also support its commitment to increasing the use of renewable and recovered inputs in its value chain.

Cisco has set ambitious goals and committed the necessary resources to make meaningful progress in reducing its environmental impact and advancing a circular economy.

Also in FY19, Cisco laid the foundation to significantly increase the amount of post-consumer recycled (PCR) plastic the company uses in its products. Cisco identified a supplier of 100 percent PCR resin and completed mechanical testing and color matching to Cisco specifications for a variety of products. The PCR resin supplier sources its PCR plastic feedstock from recycled electronic waste, which includes Cisco equipment at its end of life, thus closing the loop. In FY20, the company plans to transition select models of the Cisco 8800 Series IP Phone and Webex Roomkit Plus to 100 percent PCR plastic resin, which will contribute to its work to reduce the use of virgin plastic.
Climate change and carbon reduction are of key strategic importance to Signify. In 2015, Signify announced its commitment to becoming 100 percent carbon neutral in its operations and sourcing only renewable electricity in 2020. An integral part of Signify’s innovative sustainability program, Brighter Lives, Better World, the effort focuses on CO₂ emissions and energy use for the company’s entire global operations, including manufacturing, non-industrial operations, logistics, and business travel.

Signify is pioneering corporate action to the transition to a low-carbon economy. It is the first company in its industry to commit to carbon neutrality, partnering with peers and civil society organizations and also driving organizational change to achieve the targets set. In addition, tailor-made carbon offsetting projects use Signify’s own lighting products to generate emissions reductions, maximizing relevance for its business. The company is bringing together a unique set of partners to accomplish this, including the Signify Foundation, financing partners and local entrepreneurs.

**APPROACH AND SOLUTION**

Climate change is embedded in every part of Signify. At the corporate level, the Board of Management has overall responsibility for the subject. Operationally, the sustainability department is responsible for the alignment and implementation of carbon reductions in its daily operations and reaching the agreed targets. At site levels, environmental managers are responsible for implementing, monitoring and reporting on carbon reduction measures and activities.

Signify’s carbon reduction strategy is unique in the sense that it doesn’t just focus on reducing the environmental impact of the company’s own operations. The level of its commitment is exemplified by its pledge to generate 80 percent of revenues from sustainable products, systems and services in 2020. This pledge is not only ambitious, but also dedicates the future of the company to delivering sustainable products, while simultaneously satisfying shareholders. This commitment has significant knock-on effects on the energy efficiency of a very large number of public and private sector organizations and consumers, generating a vast overall impact.

Becoming a carbon neutral company in 2020 means also investing in carbon offsetting projects. Signify partners with South Pole, a leader in sustainability services. Through this partnership, Signify gains access to decades of knowledge in the carbon offsetting industry and a global portfolio of high-level
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carbon offsetting projects. Signify is building a strategic portfolio of projects utilizing different technologies to reduce carbon emissions across all regions of the worlds. Simultaneously, a tailor-made carbon offsetting project is underway, created to showcase the potential of lighting for carbon reductions and generate great social and environmental impact from Signify’s own products.

In addition to Signify’s contributions with energy-efficient products and its carbon-neutral commitment for operations, the company motivates its suppliers to reduce their carbon footprints. As Signify has a direct business relationship with approximately 4,000 product and component suppliers, it proactively initiates, develops and supports carbon emission reduction activities in the supply chain through its partnership with the CDP Supply Chain program.

Signify actively educates existing and potential customers about the benefits of switching to energy-efficient connected LED lighting. The Signify sustainability team delivers regular presentations to organizations and influencers and invests heavily in activities aiming to education organizations about the benefits of LED lighting.

KEY OUTCOMES

At an organizational level, Signify’s program has achieved significant success. In 2019, a 56% reduction of our net CO₂ footprint was achieved, compared with 2018, resulting in a net carbon footprint of 64 kilotonnes. In 2019, Signify procured 94% of its electricity from renewable sources and became carbon neutral in 15 markets. By showing leadership on its journey to carbon neutrality, Signify’s employees are becoming ambassadors for sustainability. Internal benefits of the company’s optimization approach are energy savings and costs reduction, among others.

At the supply chain level, the sustainability challenges that Signify addresses often requires the company to engage beyond its own operations. Signify engages its supply chain to reduce its carbon footprint and supports carbon emission reduction activities in the supply chain through its partnership with the CDP Supply Chain program. In 2019, Signify invited 404 (281 in 2018) of its strategic suppliers to the program, of which 73% submitted the 2019 CDP questionnaire, which is an increase of more than 80% compared to 2018. This represents 87% of project related spend, which is significantly higher than 2018 (60% of the spend). Signify believes this increase is due to a better understanding of the issue by its suppliers.
The production of minerals such as cobalt used in the manufacture of lithium-ion batteries has potential adverse social and environmental impacts. Volvo Cars recognized this challenge and the need for a more effective and transparent solution to prove that the raw materials used in its supply chain to produce products had indeed been responsibly sourced.

Volvo Cars’ battery cell suppliers for forthcoming electric vehicle (EV) platforms are required to implement systems that provide full traceability of cobalt materials – the embedded supply chain must provide a chain of custody for cobalt with known provenance during its journey through the supply chain to Volvo Cars. This provides management and stakeholders with confidence that the cobalt used in EVs originated from production sources complying with responsible sourcing standards.

Unfortunately, battery cell suppliers were largely unable to efficiently and effectively provide raw material traceability. The raw material supply chains in question are also intricate and involve a complex web of highly diverse actors further upstream. Raw materials, by their nature, are difficult to reliably tag – the material transforms on its journey from source to end use, so that a new identity needs to be added after each transformation that inherits the provenance of the material and destroys the old identity.

In order to address these issues, the solution had to span the full supply chain to provide an end-to-end digital chain of custody system. This started with scrap lithium-ion batteries from discarded phones and laptops from which the raw materials were recovered, then tracked right through the supply chain to their battery manufacturer, and finally to Volvo Cars.

The objective was to verify and demonstrate with certainty that no material that wasn’t responsibly sourced entered the supply chain at any point.

**APPROACH AND SOLUTION**

Volvo Cars worked with Circulor and implemented a distributed-ledger technology (blockchain) solution to track materials, including as the materials change and are amalgamated with other materials, to create an immutable chain of custody record within the supply chain. When combined with supplier audits, this creates a totally new standard in verified responsible sourcing. Artificial intelligence algorithms supported due diligence and identified data anomalies to target compliance and investigative action.

The solution digitally tracked recycled cobalt through multiple manufacturing and transformation processes across participants in the supply chain:

- Tracking physical movements of tonnes of recycled cobalt throughout its 3,500 km journey across China via multiple refiners and manufacturing facilities to Volvo Cars;
- Tracking recycled cobalt in its various physical transformations throughout the manufacturing process across the battery supply chain; and
- Validating integrity of traceability – with proof of time, duration, location (GPS) and mass balance of input and output all met expected outcomes (within set thresholds).

The solution creates a digital twin of a commodity, which is tagged with either QR codes or IoT devices, and that allows the identity of material to be inherited.
by successor products at each processing or manufac-
turing step. This way, a raw material at its source, which then morphs many times until it becomes a battery, can be reliably tracked through the supply chain.

The solution digitally tracked the flow of cobalt materials through the supply chain and created digital records at designated process points, then verified and updated to the blockchain to create an immutable chain of custody.

**KEY OUTCOMES**

The solution successfully tracked recycled cobalt through multiple manufacturing and transformation processes across many participants in the supply chain. This outcome was achieved on time and on budget, and in a frictionless manner – minimal IT investment or technical implementation was required by the participating suppliers and there was minimal disruption and change to existing production and controls processes.

The solution provided assurance that no cobalt of unknown origin entered the supply chain at any step of the process. It also solved the traceability problem by utilizing technology to provide materials with a unique identity and then track the flow of this material, rather than merely implementing a blockchain-branded process automation tool that just digitizes existing ways of working without solving any of the existing challenges.

The effort of adoption by suppliers with varying IT capabilities to provide paperless digital updates was minimal, ranging from the use of a mobile application to standard APIs. This solution is being deployed for wider adoption across Volvo Cars’ EV supply chain.

The long-term impact is that this work demonstrates that a new approach to traceability in supply chains is feasible, economic, scalable and capable of wider adoption across industries. It creates a new benchmark standard in an environment that is currently dominated by self-certification.

This initiative helped defined the way forward for raw material traceability for both current and future production approaches. When adopted at-scale, this solution will also deliver significant savings to the supply chain participants and will be the defacto way business and responsible sourcing is conducted in the automotive industry.

The innovation has the potential for global adoption, and other car manufacturers are starting to adopt the same system as that used by Volvo Cars.
WORKER EMPOWERMENT PROGRAM

Factories in China face a difficult labor market and often struggle to retain workers for a variety of reasons. Based on numerous conversations with factory managers and workers over the past several years, Best Buy believes one factor is management’s inadequate response to the changing attitudes and expectations among the current generation of factory workers.

Whereas previous generations prioritized maximizing their hours and pay to cover basic needs, many of today’s factory workers have expectations for career development and more of a work/life balance. When those expectations are not met, workers often seek employment elsewhere. This can have a negative impact on factory performance, a detrimental effect on the quality of products produced, and lessen the ability for a factory to be a reliable supplier.

After conducting worker surveys at several factories in 2016-2017, Best Buy learned that a poor line-worker/line-supervisor relationship contributed to turnover. Further, the company believed that these poor relationships, which is one example of management not meeting the current generation’s expectation for a more respectful workplace, indicate both a lack of soft skills and the potential for code violations related to humane treatment, worker feedback, and non-retaliation. These risks are further compounded by the lack of managerial training and coaching received by line supervisors, who are often still early in their careers and have yet to gain enough skills to effectively lead in the fast-paced, high-pressure environment of the factory floor.

Best Buy developed a Worker Empowerment Program that sought to improve code compliance and reduce turnover by further developing the soft skills of line supervisors. The company believes its training program will help factories better compete for workers who are looking for a workplace that meets their expectations.

APPROACH AND SOLUTION

In collaboration with its partner, Verite, Best Buy provided four training courses focused on managerial capabilities including Communication Skills and Conflict Management, Situational Leadership,
Stress Management, and Self-Awareness. The program was designed to change the line supervisors’ behavior, including how they listen, communicate and respond to feedback in their daily work, and to make them aware that their behavior impacts the workers’ well-being and job satisfaction.

To further understand the training needs of line supervisors at the participating factories, a pre-training survey was used to collect information on how workers view their supervisors, including their approach to communications, their stress management skills and leadership style. The survey results were used to design the training materials.

The four courses used many case studies and enabled participants to not only shift their mental approach to management, but also to draw on a larger set of tools in their daily management. By delivering the courses over a four-month period, line supervisors were able to reflect on course content, apply learnings to their interactions with workers and even share their experiences through a WeChat group established for program participants.

For the program measurement, Best Buy sought to assess the effectiveness of the program in multiple ways, including the establishment of target and control groups within each factory. Its assessment also utilized the Kirkpatrick Model of Evaluating Training, which seeks to understand the training’s impact on several different dimensions such as turnover rate.

Outcome highlights achieved include:

- A high-level of satisfaction among the training participants (4.88 on a 1-5 scale).
- An 18% jump in line supervisor knowledge based on pre- and post-training surveys on course content.
- Increased scores from line workers, such as a 15% percent jump in response to the question, “I feel no pressure from my work,” and more than a 12% jump in “My supervisor often discusses issues and finds solutions together with us.”
- An overall increase of nearly 6% in scores from workers of the supervisors who attended the training versus scores that were virtually unchanged for the control group.
- A statistically significant 2.1% reduction in the turnover in the six months post-training.

Based on the program evaluation, Best Buy is confident that its program had the intended effect of improved line leader/line worker relations and a reduction in the turnover rate. As the company expands the Worker Empowerment program, it will continue to apply rigorous evaluation methods, including the establishment target and control groups when entering new geographies or new industry sectors to ensure the program is equally effective in those scenarios.
EMPOWERING WORKERS THROUGH MICROSOFT’S WORKER VOICE HOTLINE

In the factory setting, there can be barriers to transparency and the mitigation of issues related to worker safety, environmental health, and human rights. While audits are instrumental in bringing safety, social and environmental issues to light, there are limitations inherent in the process. First, issues may occur for extended periods of time before they are identified, resulting in delayed remediation. Second, even though the audit process includes worker interviews, the information gathered through the interview process is relatively limited. Workers may refrain from expressing concerns freely for fear of retaliation. Third, in many instances, existing worker grievance management systems are not sufficiently effective to receive, evaluate and properly address workers’ concerns to Microsoft standards.

Microsoft needed a solution that would adequately empower workers to report issues without fear of retaliation and to enable timely response and remediation by the factory’s management.

APPROACH AND SOLUTION

The Microsoft Devices Responsible Sourcing team developed and launched a Workers’ Voice Hotline program. The Hotline was designed to provide a reliable and anonymous channel for workers to ask questions or raise concerns regarding general working conditions and employee welfare.

Building a sense of trust in the program was essential so that workers would feel free to use the Hotline without concern for possible retaliation. Microsoft’s solution was to establish a system run by a third-party to preserve greater worker anonymity. Workers are empowered to freely report concerns or ask questions using either a toll-free number or instant messaging for easy access and availability. Dedicated third-party investigators, Hotline operators, and Microsoft Devices Responsible Sourcing experts follow up on all reported cases. In-person orientations drive awareness and adoption of the Hotline as a reliable and anonymous trusted channel for workers to ask questions and raise concerns.
Upon receiving the calls or messages, Hotline operators categorize the reported concerns into different groups, such as “consultation,” “complaint,” or “suggestion.” Each of these categories warrants a different type of response and procedures for addressing inquiries received through each category are designed accordingly.

To address the reported concerns, dedicated third-party investigators, Hotline operators, and Microsoft Devices Responsible Sourcing experts follow up on the reported cases. Some issues raised through the Hotline, such as questions about wage calculations, are addressed by the Hotline operators. Other issues may require deeper inspection through onsite investigations, audits, or engagement with the suppliers and other internal stakeholders.

One of the methods used to build trust and encourage Hotline use is annual on-site orientations at Tier 1 supplier facilities. The orientations include training on basic environmental, health and safety topics and labor rights, and how to use the Hotline. A key function of the orientation is to allow the workers to build trust and establish relationships with the Hotline operators who are part of the training. Trainings typically include 50-200 attendees per one-hour training session, with several sessions delivered over 1-2 days.

Another key component in building trust and encouraging use of the Hotline has been capability-building among the third-party Hotline operators. To achieve this, Microsoft provides training in worker counseling and providing support. To monitor quality, the company places random test calls to the Hotline and conducts regular performance reviews with Hotline operators. In addition, Microsoft collects feedback from workers about the Hotline during on-site orientations and make changes or improvements as needed.

To extend the program reach beyond our Tier 1 Devices Final Assembly suppliers, we expanded the Hotline availability to our Tier 2 Devices Component suppliers through our third-party auditors. The auditors are trained to distribute information about the Hotline and how to use it during the third-party audits. With the launch of this extended coverage, there has been an increase in reported issues through the Hotline related to audit questions. By extending the Hotline to the workers during the audits, Microsoft is able to provide workers with an additional channel for them to report issues anonymously without fear of retaliation from their employers.

KEY OUTCOMES

After five years of operating the Hotline program for suppliers in mainland China, there are multiple benefits for supplier factories and their workers. Management systems are more transparent, efficient and interactive; workers have indicated increased overall satisfaction with factory management; and timely information about worker issues has helped drive improvements in working and living conditions.

The success of the Hotline program is evident by its increased acceptance and use by the workers. By the end of June 2019, the Hotline had received, analyzed and addressed 747 cases. In fiscal year 2019 (FY19) alone, Microsoft received 152 Hotline cases, representing an increase of 32 percent compared with the number of cases in FY18. The program reached 241,230 workers in FY19, including both our Tier 1 Devices Assembly supplier workers and Tier 2 Component supplier workers.

The Workers’ Voice Hotline program has served as a platform for workers to make their voices heard fully and freely. The program serves to facilitate communication between the suppliers and their workers, thereby opening possibilities for suppliers and workers to provide and receive meaningful feedback. This in turn has enabled suppliers to implement improvements to worker programs and factory environment.
CLIMATE CHANGE LEADERSHIP THROUGH COLLABORATION AND CAPACITY BUILDING

Historically, there have been numerous platforms for assessing the greenhouse gas (GHG) emissions of a business. However, no standard process existed by which purchasers could ensure they were supporting businesses that were truly taking action to combat climate change. This disjointed landscape of reporting left the purchasing/supply chain industry in the lurch, immobilized to act without a level playing field.

Microsoft’s Procurement indirect spend team recognized a gap in its own ability to accurately measure the GHG footprint of its global supply chain. In support of Microsoft’s overall mission to “Empower every person and organization on the planet to achieve more” and the company’s commitment since 2012 to carbon neutrality, the team aimed to solve this important issue both for its own use and supply chains more generally.

**APPROACH AND SOLUTION**

Microsoft set out to provide tools, incentives and training for its supply chain to improve sustainability by leveraging the company’s core competencies and cutting-edge technologies.

First, Microsoft looked to establish a global standard for carbon emissions reporting. While there were numerous platforms for assessing the GHG emissions of a business, no standard process existed by which purchasers could truly compare apples to apples. After a rigorous sustainability enterprise rating vetting process of GHG reporting platforms, the Procurement indirect spend team decided to converge on CDP as the recognized global carbon reporting standard for suppliers.

Through Microsoft’s collaboration with and sponsorship of the Sustainable Purchasing Leadership Council (SPLC), the Responsible Business Alliance (RBA), Global Initiative for Sustainability Ratings (GISR), and CDP, suppliers of all levels, sizes and geographies now have access to a best-in-class tool that rates their climate change progress and enables them to make substantive changes to reduce their carbon footprint.

The Procurement indirect spend team made an unprecedented move for a purchaser the size of Microsoft by requiring top indirect suppliers to receive an annual CDP Score of a B or better for comprehensively reporting their carbon footprint. This action is rewarded in Microsoft’s strategic procurements, where they include criteria and points for suppliers reporting to CDP. All other things being equal, a supplier’s performance with CDP would be considered as a tiebreaker when Microsoft was making final purchasing decisions.

With this move, Microsoft drew a line in the sand that a supplier’s carbon footprint (and action to improve it) was included for consideration in addition to their quality and direct cost of a good or service. No longer can vendors check a box or create a policy on the fly to be considered under an RFP process. Rather, vendors have to subject their core operations to
Capacity building across a vast supply chain. The majority of Microsoft's indirect spend in the last year was with suppliers that disclose their emissions and set targets. This program served a critical capacity-building function across thousands of suppliers, motivating them to make substantive improvements to their operations. Each supplier was invited to numerous capacity-building opportunities, including documentation and training, webinars, office hours with the responsible sourcing team and CDP, and training provided by Microsoft on how its carbon fee/fund works.

**Thanks to this program, Microsoft’s suppliers reported reductions to their collective footprint by 18.1 million metric tons of CO₂e in 2018 alone.**

**Tangible GHG Reductions.** Microsoft’s suppliers reported reductions to their collective footprint by 18.1 million metric tons of CO₂e in 2018. Eighty-two of Microsoft disclosing suppliers report integrating climate-related issues into long-term business objectives, and 55 percent of Microsoft’s disclosing suppliers report engaging with their own suppliers on sustainability.

**Key Outcomes**

Microsoft’s Procurement indirect spend team made significant progress in reducing carbon emissions across the company’s vast indirect supply chain by driving collaborative innovations designed not only to measure and track emissions, but also to build capacity for improvement across Microsoft’s wide array of suppliers.

The project has begun to transform the way Microsoft’s suppliers tackle their carbon footprint, aligning billions of dollars of sustainable investors with the billions of dollars of sustainable purchasers. Specific achievements include:

**Creating the standard and driving participation.**

More than 90 percent of Microsoft suppliers responded to the request to utilize CDP to report emissions data, while CDP continues to gain traction and recognition by businesses across the entire global economy.
Despite China’s economic and social development, People with Disabilities (PwD) remain a vulnerable group. The government has taken many initiatives in recent years to improve the lives of the disabled community, but barriers remain, particularly in the job market: data shows that China has about 85 million PwD; however, only about 4 million are employed in cities, while approximately 17 million find jobs outside of cities.

Flex strives to foster a safe, inclusive work environment where every employee is empowered to prosper and do their best work. In developing a PwD program founded on the principles of the RBA and as part of its sustainability initiatives, Flex, specifically its Zhuhai team, recognized that it’s the employer’s responsibility to adjust the workplace so team members can unleash their potential and people with disabilities can be a contributing part of the workforce. Understanding the importance of inclusiveness, the Flex Zhuhai team believes that all individuals should be afforded opportunities to maximize their abilities. When the team realized that it had an inaccessible work environment and underemployed PwD, its solution was to build out a more diverse organization and thoughtfully revamp its workplaces for better accessibility.

**APPROACH AND SOLUTION**

In undertaking a new process to employ more PwD, Flex Zhuhai took a management system implementation approach. The company first obtained management commitment and began research. Then it engaged with outside organizations, started to raise awareness internally and conducted formal training.

Prior to holding open houses for candidates, their families, and NGOs, Flex Zhuhai checked the hiring pool, researched legal requirements, and made facility modifications and preparations for the new community of workers. The company assessed the candidates’ training needs and, after hiring suitable candidates, extensive work was done with supervisors to help welcome and integrate the new employees into the operations.

To evaluate and identify opportunities for continuous improvement, Flex Zhuhai documented the process in its management system and set targets for increasing the number of PwD within its workforce.

Flex Zhuhai’s program recently expanded to hire individuals with intellectual disabilities and autism, as well as down syndrome. Extensive benchmarking was done with care facilities and with factories in Europe as well as the Taicang Inclusion Factory in China. Recruiting began in late 2018, and eight individuals with intellectual disabilities were hired in Spring 2019. These new team members have been onboarded within the company’s mechanical operation and are working on lines serving four different customers.

To best prepare for these new employees, numerous steps were taken to set up the team members for success. For example, Flex Zhuhai extensively interacted with the workers’ parents, prepared a special workshop area, customized training for the operators
and for supervisors, provided visual work instructions and special arrangements for safe and secure transportation, and created special access to the canteen.

Flex Zhuhai is aiming to expand this program to 20 workers in the future. It has been well received by the workers and their families and has been a tremendous learning experience for everyone involved.

Today, the factory is accessible, and people with disabilities are fully integrated into the workforce in a variety of positions, from assembler to procurement supervisor to quality administrator.

**KEY OUTCOMES**

Flex Zhuhai started to hire employees with various disabilities in 2015. Today, the number of PwD employed at the company has grown to nearly 500. Significant investments have been made to make the campus accessible and barrier-free, and more than 2,000 people have been trained on how to work as a team with employees with disabilities. In addition, new roles were added to the workforce, including a full-time sign language instructor to enable smooth communication with individuals who are hearing or speech impaired.

Employees with disabilities are fully integrated into the Flex Zhuhai workforce in a variety of positions, from assembler to procurement supervisor to quality administrator. The Chinese government has recognized Flex’s leadership in terms of affording opportunities to PwD and the company strives to serve as a model for many more employers in the region.

**August 2019 - Flex Zhuhai employees and student with disabilities internship program participants**
SUCCESSFUL IMPLEMENTATION OF RBA CODE OF CONDUCT

When a company is faced with an audit to validate third-party compliance standards, such as ISO or those of the RBA, some organizations emphasize passing the audit as opposed to establishing ongoing and consistent compliance. The effort to establish processes or procedures to show compliance intensifies when it is time for the audit, then lessens once the audit is completed. Companies rely on subject matter experts to show up around audit times to ensure there is a convincing story to tell, but a widespread understanding and conformance may be lacking.

To ensure RBA compliance is supported by a robust system of processes and is widely understood, integration of RBA code into the daily life of a company is necessary. This is what differentiates those companies that only show temporary conformance from those that show quality, reliability and consistency in their level of conformance.

To ensure ongoing and consistent compliance with its own audits, and that compliance is well understood and supported by a robust system of processes, Micron changed its system to focus on meeting ongoing targets and continuously measuring the results.

APPROACH AND SOLUTION

Micron factory leadership has established a robust management system that included proper objectives, processes, targets and metrics to monitor results as it strived toward full and ongoing compliance to the code. A corporate analysis of the factories’ capabilities was conducted through a maturity assessment of each site, and best practice solutions were communicated to close any gaps.

Once metrics were in place, Micron conducted regular meetings to review the status and implement corrective actions if metrics fell outside of targets. As the company progressed past the level of internal competency for solutions, it researched best practices on how to improve the metrics.

This cycle of Plan, Do, Check, Act (PDCA) continues to build on itself as the code requirements become a way of life. Audits are now a tool for further improvements as opposed to an exam that happens once every two years.

The four PDCA steps have been in the vocabulary of Manufacturing industries for several decades. What makes Micron different is how these four steps are...
Micron established a factory RBA Management Review Process that goes beyond the basic metrics and monitors overall compliance to the Code of Conduct on a regular basis.

implemented. In addition to the standard PDCA process for code implementation, the company introduced a parallel PDCA process on management system’s learning and maturity.

Since the job of compliance to RBA Code of Conduct covers many disciplines, RBA requirements are implemented into the organizational roles and responsibilities in these disciplines – Micron did not create RBA-specific jobs across the company, instead, Micron established a Corporate RBA Governance Team comprised of human resources, facilities, EHS, legal, sustainability, procurement, and product compliance to ensure it has an eye toward future development while monitoring current results.

At each of Micron’s manufacturing plants, there is an RBA Management Review Team that meets on a regular basis to manage results, monitor risks, implement corrective actions, and finally, ensure compliance. The team verifies compliance through RBA self-assessment questionnaires, the Validated Assessment Program (VAP), and internal audits for each site, and also measures the maturity of each site for managing the RBA processes through an in-house assessment to identify areas of improvement.

KEY OUTCOMES

This set of teams and processes resulted in great improvements in the last five years. Audit scores improved and there are 10 sites with perfect scores. Micron continues to meet, assess risks, communicate, educate and implement improvements as leadership remains focused on constant achievement.

Micron established a factory RBA Management Review Process that goes beyond the basic metrics and monitors overall compliance to the RBA Code of Conduct on a regular basis. This process includes an annual assessment of each factory for their level of maturity in managing the RBA compliance, regular SAQ and VAP audits to ensure third-party validation, communication of code changes, VAP requirements, and customer requirements to ensure consistent processes are deployed across different sites.