About this Report

This report was published in September 2012 and covers the Electronic Industry Citizenship Coalition’s® (EICC’s®) performance and activities in the 2011 calendar year (with limited references to activities taking place in 2012). To select content for inclusion in this report, we applied the following principles from the Global Reporting Initiative (GRI):

- **Stakeholder Inclusiveness.** The EICC engaged key stakeholders to ensure this report better responds to their expectations. Stakeholders provided feedback on a draft of this report.
- **Context.** The EICC reflected on the broader sustainability context and its impact on EICC activities in 2011.
- **Completeness.** The EICC reviewed all Work Group, Task Force, and Board activities, as well as all material issues and indicators of performance. Unless otherwise noted, the data in this report was generated from the 2011 Membership Survey, the Validated Audit Program audit results, or the Carbon and Water Reporting Initiative.
- **Materiality.** The EICC prioritized topics for discussion in this report based on their potential to support the EICC and its members in achieving the vision and mission of the EICC and their significance to EICC stakeholders.

The EICC Board of Directors and the leaders of the many initiatives provided final sign-off on the report content.

Report Data

The data contained in this report was gathered through a membership survey conducted in May 2012. Information in this report referring to either “respondents” or “members” references this percentage of member survey results, except where specifically mentioned.

Special Thanks

Thank you to BrightLeaf Group and Business for Social Responsibility (BSR) for its insights and assistance with writing this report. Finally, we thank As You Sow, Ceres, and RESOLVE for their time and feedback on the EICC’s reporting activities. Their invaluable insight and feedback enables us to better serve the needs of our external readers.

Notes

The EICC maintains a policy of not speaking on behalf of individual member companies. The views expressed in this report are those of the EICC organization and do not necessarily reflect those of individual EICC members.

The trademarks of specific tools and resources listed in this report are owned by the EICC, Global e-Sustainability Initiative (GeSI), and/or partner organizations and should not be used without permission.

All content notes are found in Appendix 2. Photo credits are listed on page 46.

Small content and formatting edits have been made since the original publication, including an update to the Board of Directors roles.
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VISION

A GLOBAL ELECTRONIC INDUSTRY SUPPLY CHAIN THAT CONSISTENTLY OPERATES WITH SOCIAL, ENVIRONMENTAL, AND ECONOMIC RESPONSIBILITY.

MISSION

TO ENABLE AND ENCOURAGE OUR MEMBERS TO PROGRESS TOWARD THE EICC VISION THROUGH A COMMON CODE OF CONDUCT, COLLABORATIVE EFFORTS, AND SHARED TOOLS AND PRACTICES.

This report, along with the EICC’s other reports, can be found at www.eicc.info. The EICC decided to save resources by making this report available only in an electronic format. We ask that you consider the environment before printing this report. Contact info@eicc.info for questions or comments.
Chairman’s Letter

As of 2004, our membership has grown eightfold, our programs have expanded in depth and scope, and our external stakeholder engagement has grown in parallel. In 2011, it became evident to the Board of Directors and members that this level of growth required us to look at how to support our long-term objectives of having a positive impact in our industry and supply chain. This included re-evaluating our vision, our member compliance program, how we integrate stakeholder perspectives, and even how the organization is governed.

In 2011, we updated our vision to be a **global electronics industry supply chain that consistently operates with social, environmental, and economic responsibility**. According to this vision, members and their supply chains will work toward operational changes that integrate responsibility into every aspect of their business operations, and the EICC will support them in doing so. Along with our updated vision came a redefinition of how we prioritize our work. We developed a framework consisting of three strategic pillars to guide our efforts: develop supply chain capabilities; collaborate on key supply chain issues; and engage with stakeholders. This framework ensures that the projects we undertake support progress toward achieving our vision. You will also see that these three pillars provide a structure for the presentation of our work in this report.

Along with these changes, during 2011 we began our Code Review process that takes place every three years. This process aims to strengthen our Code based on stakeholder expectations of the industry, regulatory requirements, and member priorities. In short, our Code helps us define what responsibility means. And, by extending the opportunity to provide input on the Code to all interested parties, internal and external to the EICC, we encourage a perspective broader than our own.

During the Code Review Process, members reviewed **118** submissions, ultimately approving **18** for implementation into version 4.0 of the Code. See the Code of Conduct section of this report for more information on the process and approved changes.

Just having a Code isn’t enough, however. Feedback from members and stakeholders was clear that we need to hold members more accountable for complying with the Code. Therefore, in 2010 we developed our Membership Compliance Program, which we piloted in 2011. Through this effort, we raised the bar for members in a significant way and set out clear responsibilities for members in their own operations and those of their supply chain, with clear implications in the case that these are not fulfilled. Additionally, the new Code provision related to supplier Code conformance (Section E.12) aims to provide further reinforcement of Code compliance throughout the supply chain. Implications for not meeting program requirements will be implemented in 2012. See the Membership Compliance Program section of this report for more information.
Along with member compliance to the Code, there was a need to re-evaluate the way the EICC is governed in light of the growth of the organization and the development of its programs. In 2011 we began a process to conduct a full review of our governance structure. As a result of this review, in early 2012, our members voted to adopt a new governance model to include establishing an Executive Director and full time staff, expanding the Board of Directors to include additional members, and creating a stakeholder advisory council. Members also voted to expand membership requirements to include external reporting of progress against the Code. More information on these changes will be reported in full in our 2012 report.

This letter has been mainly about the EICC – what we have done to improve our activities, our focus, and our governance. But we know that our ultimate goal is to improve the lives of the workers in every company across the electronics supply chain and to protect the environment that we all depend on for our future. Since 2004 we have taken up the challenge and we look forward—with a renewed vision, an enhanced set of standards, and a new way of working—to help our members make the improvements needed to realize our vision. It is by working together to ask the tough questions, propose the appropriate goals and systematically address the complex details of our challenges that we are able to find solutions. You can find even more details on how responsible supply chain management is being addressed across the electronics sector in the public reports of our member companies.

I thank our members and the Board of Directors for their dedication to the EICC, as well as our stakeholders for their valuable perspectives; I look forward to continuing this journey together. And, I would like to again welcome the nine new members that joined us in 2011.

John Gabriel, Chairman of the EICC Board of Directors

2011 BOARD OF DIRECTORS

<table>
<thead>
<tr>
<th>Name</th>
<th>Company/Position</th>
<th>Elected Year</th>
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<tbody>
<tr>
<td>JOHN GABRIEL</td>
<td>IBM Corporation, Chairman of the Board</td>
<td>Elected 2007</td>
</tr>
<tr>
<td>BRUCE KLAFTER</td>
<td>Applied Materials, Vice-Chairman, Director of Outreach</td>
<td>Elected 2010</td>
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<tr>
<td>DEBORAH ALBERS</td>
<td>Dell, Inc., Director of Special Projects</td>
<td>Elected 2009</td>
</tr>
<tr>
<td>ERIC AUSTERMANN</td>
<td>Jabil Circuit, Inc., Director of Code Management</td>
<td>Elected 2007</td>
</tr>
<tr>
<td>KATE CACCIATORE</td>
<td>STMicroelectronics, Director of External Relations</td>
<td>Elected 2007</td>
</tr>
<tr>
<td>STEPHANIE LAW</td>
<td>Celestica, Director of Asia Network</td>
<td>Elected 2011</td>
</tr>
<tr>
<td>MICHAEL TURNER</td>
<td>Hewlett-Packard, Director of Capability Building</td>
<td>Elected 2010</td>
</tr>
<tr>
<td>JUDY WENTE</td>
<td>Intel, Director of Measurement</td>
<td>Elected 2009</td>
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<thead>
<tr>
<th><strong>COMMITMENTS</strong></th>
<th><strong>ACHIEVED</strong></th>
<th><strong>LOOKING AHEAD</strong></th>
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</table>
| **CODE OF CONDUCT** | • Launch the 2011-2012 Code Review process  
• Invited more than 70 stakeholder organizations to submit changes to the Code; nine organizations ultimately submitted Code change proposals  
• Hosted first Member-Stakeholder forum to discuss stakeholder Code Review submissions  
• Published version 4.0 of the Code of Conduct (in early 2012)  
• Identified next steps for EICC related to Code analysis using comparison completed by EICC member | • Complete 2011-2012 Code Review process by implementing Code v4.0 into EICC tools and resources  
• Deploy Code to members for implementation in their own facilities and with their supply chain |
| **ORGANIZATIONAL GOVERNANCE** | • Kicked off governance review process to assess the EICC organizational governance structure; commissioned BSR to guide and facilitate the governance review process  
• Launched the Member Compliance Program (MCP) and collected baseline results | • Finalize and implement updated governance structure  
• Ratify final MCP |
| **MEMBERSHIP & MEMBERSHIP COMPLIANCE PROGRAM** | • Welcomed nine new members to the EICC  
• Worked with members to complete the MCP requirements, ratified in 2010 and launched in 2011  
• Expanded usage of VAP and launched development of Customer Managed Audit and Auditee Managed Audit options | • Initiate dialogue with and promote membership to global companies in various parts of the electronics value chain that are committed to the EICC vision  
• Work with members to meet all MCP requirements |
| **IDENTIFY AND ADDRESS NONCONFORMANCES TO THE EICC CODE** | • Increased the number of VAPs conducted by 53 percent compared with number in 2010  
• Designed EICC-ON technology platform for assessment tracking  
• Developed a task force to incorporate member feedback on VAP and protocol; reduced VAP processing time  
• Deprioritized work on facility recognition program | • Expand the number of audit types available to members and suppliers  
• Reduce cost and time associated with the VAP process  
• Revise the VAP protocol to incorporate Code Version 4.0  
• Transition VAP process to EICC-ON |
## Year in Review

### COMMITMENTS

**BUILD SUPPLY CHAIN CAPABILITY**
- Launch Health and Safety Training Program to members
- Launch Worker-Management Communication Program to members
- Release the Key Performance Indicator (KPI) benchmark study

**ACHIEVED**
- Launched Health and Safety Training Program and hosted two pilot training sessions
- Launched Worker-Management Communication Program and hosted one pilot training session and two training sessions after the Program was launched
- Conducted further research on supply chain KPIs; deprioritized work in 2011 due to limited resources and other capability building priorities

**LOOKING AHEAD**
- Host two Health and Safety Training Program and three Worker-Management Communication Program training sessions
- Develop a Training Impact Task Force to measure impacts of training programs and further development
- Create a resource guide and video to help members understand and incorporate CSR initiatives into their businesses

### REDUCE EXCESSIVE WORKING HOURS

- Develop specific working hours KPIs and metrics
- Advance a multi-industry and nongovernmental organization (NGO) engagement
- Develop specific training and capability-building strategy to enable reduction in Code-related working hours nonconformances by 2014

**ACHIEVED**
- Established three specific working hours KPIs and metrics
- Developed baseline for working hours nonconformances
- Created a cross-industry collaboration sub-team to develop understanding of working hours trends and best practices

**LOOKING AHEAD**
- Update project roadmap related to helping members achieve compliance to the Code by 2014 with additional milestone targets
- Develop training content to enable reduction of working hours nonconformances
- Refresh baseline working hours data and provide periodic updates
- Develop industry best practices library relating to working hours

### SOURCE MINERALS RESPONSIBLY

- Complete Conflict-Free Smelter (CFS) protocol for tin, tungsten, and gold
- Conduct smelter assessments for tin, tungsten, tantalum, and gold smelters
- Host additional conflict-free minerals supply chain workshops
- Release a due diligence tool for suppliers to identify sourcing to the smelter level
- Update CFS Program, as necessary, based on U.S. SEC final ruling

**ACHIEVED**
- Finalized tin, tungsten, and gold CFS Program protocols, and improved tantalum protocol
- Conducted more than 15 pre-audit assessments to tantalum, tin, and tungsten smelters and gold refiners
- Conducted 15 tantalum audits and one tin audit
- Published first conflict-free smelter list for tantalum
- Held two conflict-free minerals supply chain workshops in the U.S. and Europe, with approximately 370 total attendees
- Launched the Conflict Minerals Reporting Template and summary dashboard tools
- Joined the Public-Private Alliance for Responsible Minerals Trade

**LOOKING AHEAD**
- Continue the CFS Program rollout to producers of all four conflict metals (tantalum, tin, tungsten, and gold)
- Support the implementation of a verifiable traceability scheme for the Democratic Republic of Congo (DRC) and neighboring countries for conflict-free minerals
- Begin development and implementation of a self-sustaining, multi-industry conflict-free mineral supply chain program
## Year in Review

<table>
<thead>
<tr>
<th>COMMITMENTS</th>
<th>ACHIEVED</th>
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<tbody>
<tr>
<td><strong>PROTECT THE ENVIRONMENT</strong></td>
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<tr>
<td>• Finalize water questions and update carbon questions in the Carbon Reporting System questionnaire</td>
<td>• Combined the Water Risk Assessment with the Carbon Reporting System to create the Carbon and Water Reporting Initiative, enhancing questions during the tool consolidation process</td>
<td>• Increase participation in Carbon and Water Reporting Initiative by transitioning program to EICC-ON</td>
</tr>
<tr>
<td>• Develop methodologies and metrics for better carbon emission and water data analysis</td>
<td>• Met participation goal with 53 percent members nominating suppliers, and increased the number of unique suppliers nominated by 53 percent</td>
<td>• Work with suppliers to develop a standardized process for measuring product carbon emissions</td>
</tr>
<tr>
<td>• Provide more resources for supplier capacity building</td>
<td>• Provided training opportunities for suppliers in multiple languages and time zones</td>
<td>• Collaborate with IPE to share audit protocols and knowledge</td>
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<tr>
<td>• Recruit 50 percent of OEM/brand members to use reporting tools</td>
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<tr>
<td><strong>ENGAGE EXTERNAL STAKEHOLDERS</strong></td>
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<tr>
<td>• Continue core collaborations for capability building and training and CFS Program</td>
<td>• Engaged stakeholders to provide input on the 2010 Annual Report</td>
<td>• Discuss results of the Code Revision Process with stakeholders that provided Code submissions</td>
</tr>
<tr>
<td>• Expand cross-industry Memorandums of Understanding (MOUs)</td>
<td>• Engaged stakeholders in the 2011-2012 Code Review process; eight stakeholders provided Code submissions</td>
<td>• Continue CFS Program-related stakeholder engagement</td>
</tr>
<tr>
<td>• Engage stakeholders in the 2011-2012 Code Review process</td>
<td>• Continued engagement with the ILO on the Worker-Management Communication Program</td>
<td>• Participate in the 2012 roundtable hosted by makeITfair and the GoodElectronics Network</td>
</tr>
<tr>
<td>• Engage stakeholders in the Annual Report process</td>
<td>• Met with CFS Program stakeholders monthly to provide updates and gather input on relevant work</td>
<td>• Identify additional areas of stakeholder collaboration in EICC projects</td>
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Key Performance Indicators

Our key performance indicators (KPIs) aim to track and monitor our progress toward our mission over time. The KPIs are intended to reflect the breadth and depth of work necessary to achieve our mission.

As we mature in both KPI reporting and in measuring compliance to our membership requirements, additional KPIs may be added, removed, or clarified. Changes in our governance structure may also drive enhancements to our KPIs. While we do not intend to change KPIs frequently, we feel these enhancements are part of our continuous journey of improvement, and we look forward to presenting the most meaningful measurements for our organization. In particular, we anticipate that, over time, we will be able to include more issue-focused KPIs to demonstrate how we are making changes on the ground in the areas targeted by our collective work. For now, most of our KPIs focus on the shared use of our common approach and tools. Where definitions of KPIs have changed from 2010, it is noted in the comments.

KPI data was collected primarily by an online survey of members—100 percent of Full Members (“Full” in the chart) and 92 percent of Applicant Members (“App” in the chart) responded to the survey request. Data includes responses from nine companies that joined the EICC during the 2011 calendar year and had substantially less time to integrate EICC tools and practices into their operations and supply chain. Some members did not provide information for every data point requested, changing the sample size for individual indicators.

With different membership requirements for Full and Applicant Members, we divided performance between those two groups and tracked their performance year to year. We also provide the overall performance for members regardless of membership status. We expect to continue this type of reporting in the future.

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<tr>
<td>CODE OF CONDUCT</td>
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<tr>
<td>1. Member adoption of Code for own facilities</td>
<td>NR 98% 100% 92% 97% 100% 91%</td>
<td>Performance reflects respondents who have their own facilities and who have adopted the EICC Code verbatim or aligned their code of conduct for their owned or leased operations to the EICC Code. We expect that this number will remain high as it is a requirement of Full Members to adopt the EICC Code for a member’s own facilities.</td>
</tr>
<tr>
<td>2. Member adoption of Code verbatim for supplier facilities</td>
<td>NR 63% 79% 25% 66% 78% 45%</td>
<td>Performance reflects respondents who have adopted the EICC Code verbatim as the code of conduct for their suppliers. By the end of 2011, 100 percent of Full Members had at least aligned their supplier code of conduct to the EICC Code. Additionally, 91 percent of all Applicant Member respondents had a supplier code of conduct in place. Of those Applicant Members, 95 percent had at least aligned their supplier code to the EICC Code.</td>
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<tr>
<td><strong>MEMBERSHIP</strong></td>
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<tr>
<td>3. Number of member companies</td>
<td></td>
<td>Membership increased by 12% from the end of 2010 to the end of 2011.</td>
</tr>
<tr>
<td>4. Members who have fulfilled the requirements of Full Membership</td>
<td></td>
<td>Performance reflects those Full Members who have fulfilled all Full Membership requirements as defined by the membership application. We aim to use information from the MCP starting in 2012.</td>
</tr>
<tr>
<td><strong>IDENTIFY AND ADDRESS NONCONFORMANCES TO THE CODE</strong></td>
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<tr>
<td>5. Members completing the Self-Assessment Questionnaire (SAQ) or other risk assessment for their manufacturing facilities</td>
<td></td>
<td>Performance reflects members who have their own facilities and completed a SAQ or similar risk assessment for at least one of their owned manufacturing facilities. In past years, only SAQs were considered. In 2011, other similar risk assessments were allowed.</td>
</tr>
<tr>
<td>6. Member facilities with completed SAQ or other risk assessment (as a percentage of members’ total facilities)</td>
<td></td>
<td>Performance reflects members’ depth in completing SAQs or other similar risk assessments across their facilities and is measured as an average across the number of members’ own facilities.</td>
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<tr>
<td>7. Members conducting risk assessment on major supplier facilities</td>
<td></td>
<td>Performance reflects members who have at least one major supplier facility and requested a completed SAQ or similar risk assessment for at least one of those facilities. In past years, only SAQs were considered. In 2011, other similar risk assessments were allowed.</td>
</tr>
<tr>
<td>8. Members’ major supplier facilities with completed SAQ or other risk assessment (as a percentage of members’ total major supplier facilities)</td>
<td></td>
<td>Performance reflects members’ depth in ensuring the completion of SAQs or other similar risk assessments across their major supplier facilities and is measured as an average across the number of members’ major supplier facilities.</td>
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<td>INDICATOR</td>
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<td>09 10 10 FULL 10 APP 11 11 FULL 11 APP</td>
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<tr>
<td>9. Members’ major supplier facilities identified as high risk (as a percentage of members’ total major supplier facilities)</td>
<td>NR NR NR NR 12% 17% 5%</td>
<td>Performance reflects the number of high-risk supplier facilities identified in members’ supply chains. Members identified high-risk suppliers through evaluation of completed SAQs or other similar risk assessments. Of the members that identified high-risk supplier facilities, 95 percent performed at least one audit on those facilities; 86 percent completed all MCP-required audits (25 percent of high risk).</td>
</tr>
<tr>
<td>10. Members’ major supplier facilities with completed audit (as a percentage of members’ total major supplier facilities)</td>
<td>NR NR NR NR 16% 25% 6%</td>
<td>Performance reflects the portion of members’ supply chain that has been reported as audited in 2011. More audits were carried out on major supplier facilities than the number of supplier facilities that were identified as high risk. However, not all the identified high-risk facilities were audited. We expect more high-risk supplier facilities to be carried out in future due to the enforcement of the MCP in 2012.</td>
</tr>
<tr>
<td>11. Members auditing against the EICC Code</td>
<td>95% 89% 96% 73% 96% 100% 83%</td>
<td>Performance reflects the portion of respondents who have audited against the EICC Code for supplier facilities, based on those respondents who reported conducting supplier audits.</td>
</tr>
<tr>
<td>12. Average number of major nonconformances per facility</td>
<td>6.41 12 N/A N/A 6.01 N/A N/A</td>
<td>Performance in 2011 reflects the results from the 157 VAP audits. We expect this number to fluctuate until the number of VAPs, the location (country), and type of audit (initial audit or closure audit) normalizes. The fluctuation in these variables means that this KPI will continue to change over time.</td>
</tr>
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### BUILD SUPPLY CHAIN CAPABILITY

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<tr>
<td></td>
<td>09 78% 83% 69% 97% 97% 95%</td>
<td>Performance reflects the members providing access to suppliers or their own employees to one or more of the EICC-provided training programs, such as e-Learnings, classroom trainings, tool-specific training. This metric is influenced by members onboarding new suppliers, launch of new training tools, or piloting of initiatives in development.</td>
</tr>
</tbody>
</table>
The EICC is a business membership nonprofit organization aimed at driving efficiencies and improvements in social, ethical, and environmental responsibility in the electronic sector supply chain. We work to enable and encourage our members to progress toward our vision through a common code of conduct, collaborative efforts, shared tools and practices, and a membership compliance program.

About Us

Code of Conduct

The EICC Code of Conduct, available in 15 languages, is a living document and reflects how the electronics industry has developed and matured its corporate responsibility systems in the five core elements of labor, health and safety, ethics, environment, and management systems. By creating a common standard that all Full Members are required to formally adopt (Applicant Members are also encouraged to do so), we set the foundation for shared tools and resources, allowing members to work collaboratively toward a common goal.

In August 2011, we began our Code Review process—conducted every three years—to gather member and external stakeholder input on possible updates to the Code. By keeping the process open to a broad set of stakeholders, both internal and external to the EICC, the Code evolves in concert with changes in the industry, international standards, and stakeholder priorities, and encourages a healthy debate between members and those engaging with us on the Code.

For the first time, we hosted a forum with members and stakeholders to give both parties an opportunity to discuss stakeholder submissions. This forum was a direct response to members’ requests to better understand stakeholder proposals. At the conclusion of the voting process, we held calls with external stakeholders to review member feedback.
In 2011, we recognized that the organizational governance of the EICC’s Regional Advisory Board (RAB) of Central Africa. See the Chain Solutions to Conflict Minerals Challenges in the Conflict-Free Smelter (CFS) for Responsible Minerals Trade for more information.

In addition to GeSI, we also have formal arrangements with several associations and companies to collaborate on minerals extraction through our joint EICC-GeSI Extractives Workgroup. The most recent list of these organizations is at the Conflict-Free Smelter (CFS) Program website. We also joined the Public-Private Alliance for Responsible Minerals Trade, a group that supports supply chain solutions to conflict minerals challenges in the Democratic Republic of Congo (DRC) and the Great Lakes Region (GLR) of Central Africa. See the Source Minerals Responsibly section for more information.

In 2011, we recognized that the organizational governance on their proposals. Through identifying themes in member feedback, we discuss with stakeholders why a proposal may or may not have passed and hear feedback from stakeholders on the updated Code or on the Code Review process. These calls are one way we consider stakeholder comments, both positive and negative, on the Code and our work.

One challenge we still face is finding the right opportunity to work with interested stakeholders to develop the appropriate wording for their proposals. Over the last two cycles of the Code Review process, the percentage of stakeholder proposals approved by members has remained low, often due to the submission of multiple elements within a single proposal or phrasing of proposals (even when the intent is aligned with our goals), or due to differences in issue priorities between stakeholders and members. We acknowledge that the Code Review process needs to evolve to allow more dialogue and potentially more collaboration on wording between members and stakeholders on their proposals before the members vote on the submissions.

Additionally, we have found that it may take time—one or more Code Review cycles—for members to become comfortable with proposed changes. It is exactly through continued engagement on the Code that external stakeholders can influence members to understand different perspectives and to become more receptive to changes to the Code. We will continue to engage external stakeholders on this process.

Organizational Governance

The EICC, governed by a Board of Directors elected by the membership, relies on the input of its members to prioritize key issues for the organization to address. Working groups and task forces are teams of member volunteers who are charged with developing our shared tools and resources. Two working groups—the minerals extraction and learning and capability working groups—are led in collaboration with the Global e-Sustainability Initiative (GeSI). In addition to GeSI, we also have formal arrangements with several associations and companies to collaborate on minerals extraction through our joint EICC-GeSI Extractives Workgroup. The most recent list of these organizations is at the Conflict-Free Smelter (CFS) Program website. We also joined the Public-Private Alliance for Responsible Minerals Trade, a group that supports supply chain solutions to conflict minerals challenges in the Democratic Republic of Congo (DRC) and the Great Lakes Region (GLR) of Central Africa. See the Source Minerals Responsibly section for more information.

In 2011, we recognized that the organizational governance

2011-2012 CODE REVIEW PROCESS

During the submission phase of the process, 118 suggested updates were provided, of which 81 were submitted by external stakeholders. This number represents both updates to existing provisions and the creation of new ones. Of these, 19 proposed changes passed—seven of which were submitted by external stakeholders. In the Labor section of the Code, two proposals that modified the same provision passed. According to our defined Code Review process guidelines, in this situation the proposal with the most votes is implemented in the new version of the Code. This situation resulted in 18 proposals implemented in Version 4.0 of the Code.

By section, five changes passed in the Introduction; five changes passed in Labor (four of which were implemented as explained above); two changes passed in Health and Safety; five changes passed in Ethics; and two changes passed in Management Systems.

Notable enhancements to the Code include:

- The addition of four new provisions covering Responsible Sourcing of Minerals (Section D.7); Privacy (Section D.8); Non-Retaliation (Section D.9); and Supplier Responsibility (Section E.12)
- Clarification of the definition of the types of workers that are covered by the Code (Introduction to the Labor section) to include temporary, migrant, student, contract, and direct employees, and any other type of worker not specifically identified
- Expansion of requirements related to Freely Chosen Employment (Section A.3) to include information on slavery and trafficking and clearer restrictions on fees charged to workers and retention of worker identification documents
- Expansion of requirements related to Business Integrity and anti-corruption (Section D.1) to include a zero tolerance policy on any bribery, corruption, extortion, and embezzlement
- Expansion of requirements related to Legal and Customer Requirements (Section E.3) regarding falsification of records

Of the provisions that did not pass, members shared that they felt the current language was sufficient; the submitted language was duplicative of existing language; the new language was inappropriate for a code of conduct (for example, including specific other standards in the body of the Code); or they needed more time and effort to understand the intent or impact to the supply chain of the submitted change.
structure limited the growth of membership and the potential for greater leadership in the industry. To address this, we embarked on a six-month process in collaboration with BSR to design a new governance solution for the EICC that supports our mission, vision, and strategy, and enables membership growth and engagement in our work. The process addresses governance, administration, and accountability options for the organization:

- **Governance**, including the roles and responsibilities of the Board, Committees, Working Groups, and the full membership
- **Administration** including the roles and responsibilities of an executive director, secretariat, host organization, administrator, members, and external consultants/experts
- **Accountability** including the role of engagement with stakeholders, external reporting, and member commitments

In 2012, our members voted to adopt a new governance structure that establishes an Executive Director and full-time staff, expands the board of directors to include additional members, and creates a Stakeholder Advisory Council. They also voted to expand membership requirements to include external reporting of progress against the Code. More information about these changes will be reported in our 2012 report.
**Membership**

We continue to attract a diverse membership of companies. In 2011, nine new participants were welcomed into the EICC; two companies canceled their individual memberships as they underwent corporate mergers with other EICC members. At the end of 2011, the EICC included 66 manufacturers, software firms, electronics retailers, telecommunications companies, raw material providers, and manufacturing service providers.

Our members are at different levels of development and deployment with their sustainability programs and policies. Applicant Members are those companies that have been members of the EICC less than two years and generally have less mature corporate responsibility programs and management systems. Full Members are held to more robust membership requirements, including conducting risk assessments and audits of their own facilities and those of their major suppliers, and generally have been working with supply chain responsibility for a longer time. Both types of members are expected to participate in workgroups, task forces, and attend membership meetings. See the *Membership Compliance Program* section for more information.

---

**EICC Members 2009 - 2011**

<table>
<thead>
<tr>
<th>Year</th>
<th>Didn’t Renew</th>
<th>New Members</th>
<th>Year End Total Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>6</td>
<td>5</td>
<td>43</td>
</tr>
<tr>
<td>2010</td>
<td>0</td>
<td>16</td>
<td>59</td>
</tr>
<tr>
<td>2011</td>
<td>2</td>
<td>9</td>
<td>66</td>
</tr>
</tbody>
</table>

---

**Members by Region**

- Americas: 54%
- Asia: 34%
- EMEA: 12%

**Members by Type**

- Brand / Retail: 26%
- Design / Services: 31%
- Manufacturer / Assembly: 3%
- Components: 18%
- Materials: 18%
- Other: 3%

**Members by Employees**

- 1 - 499 employees: 31%
- 500 - 999 employees: 11%
- 1,000 - 4,999 employees: 3%
- 5,000 - 9,999 employees: 5%
- 10,000 - 49,999 employees: 16%
- 50,000+ employees: 3%

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### THE AMERICAS
- Adobe Systems, Inc.
- Advanced Micro Devices, Inc.
- Amkor Technology, Inc.
- Analog Devices, Inc.
- Apple, Inc.
- Applied Materials, Inc.
- Best Buy Co., Inc.
- Cabot
- Celestica, Inc.
- CIF Mineração S/A
- Cisco Systems, Inc.
- Dell, Inc.
- Eastman Kodak Company
- EMC Corporation
- Hewlett-Packard
- IBM Corporation
- Intel Corporation
- International Rectifier Corp.
- Isola
- Jabil Circuit, Inc. (Headquarters)
- Lexmark International, Inc.
- Medtronic
- Micron Technology, Inc.
- Microsoft Corporation
- ModusLink
- NVIDIA Corporation
- ON Semiconductor
- Oracle America, Inc.
- Research in Motion
- Sanmina-SCI Corporation
- Seagate Technology
- Skyworks Solutions, Inc.
- Spansion
- Vishay
- Western Digital
- Xerox Corporation

### EUROPE, MIDDLE EAST, AFRICA
- ASML Holding
- Edwards, Ltd.
- Logitech, Inc.
- Noventa, Ltd.
- Océ N.V
- Pace PLC
- Philips
- STMicroelectronics
- TT electronics Plc

### ASIA-PACIFIC
- Acer Inc.
- Chicony Electronics, Co. Ltd
- Compal Electronics
- Fabrinet
- Flextronics International
- Foxconn
- Global Advanced Metals Pty Ltd.
- Hitachi GST
- HTC Corp
- KYE Systems Corp.
- Lenovo
- LG Electronics
- Pegatron
- Quanta Computer
- Samsung Electronics
- Senju Metal Industry Co.
- Sony Corporation
- Taiwan Chinsan Electronics Industrial Co., Ltd.
- Toshiba Corporation
- Wistron Corp.
- XP Power
Membership Compliance Program

To drive continuous improvement in the industry and maintain a standard of membership requirements, on July 9, 2010, the EICC members ratified the Membership Compliance Program (MCP) to be piloted in 2011 and enforced in 2012. This program defines more stringent annual requirements for Full and Applicant members and consequences for non-attainment of those requirements. The MCP aims to strengthen the credibility of the organization by providing a standard set of requirements for members to achieve. It also provides members with benchmark data that can be used to compare their performance with the aggregate performance of the organization. In 2011, 39 members were Full Members at the beginning of 2011 and were assessed against Full Member requirements; 16 members were Applicant Members at the beginning of 2011 and were assessed against Applicant-specific requirements.

Core elements, including results, of the Full and Applicant Member requirements that were applied and tested in the 2011 MCP year include:

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>REQUIREMENT FOR:</th>
<th>2011 PROGRESS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>APPLICANT MEMBER</td>
<td>FULL MEMBER</td>
</tr>
<tr>
<td>Meet Full Membership requirements</td>
<td>After two years</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The EICC recognizes the benefits for companies in the global electronics supply chain, regardless of CSR maturity levels, to use a common code, collaborative efforts, and effective tools and processes that enable improvement. It is under this basic premise that we allow companies to join as Applicant Members. The two-year timeframe provides companies with adequate time to build the necessary programs and competency for sustained improvement while preparing to meet the more extensive requirements of Full Membership.</td>
</tr>
<tr>
<td>Actively participate in EICC activities</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>All but one member actively participated in the EICC by joining at least one workgroup or task force and attending at least one membership meeting.</td>
</tr>
<tr>
<td>Acknowledge inclusion in the EICC</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td></td>
<td></td>
<td>All members are required to do this when joining the EICC.</td>
</tr>
<tr>
<td>Adopt the Code of Conduct for own operations and supply chains</td>
<td>✓</td>
<td>Most members have at least aligned their code of conduct for both their own operations and their suppliers to the EICC Code. The MCP requires members to adopt the Code verbatim for their suppliers. Not all Full Members have achieved this in 2011.</td>
</tr>
<tr>
<td>Identify high-risk facilities within their own operations, as well as those of major supplier facilities</td>
<td>✓</td>
<td>Members are required to use the EICC’s SAQ or similar risk assessment on all their owned or leased facilities and their major supplier facilities. Risk assessment of members’ own facilities: • 33 of 39 Full Members indicated they had their own facilities • 100 percent those members initiated an SAQ or other risk assessment on their own facilities; 82 percent completed 100 percent of the required assessments; of the remaining 18 percent of members, more than half completed risk assessments on at least 50 percent of their facilities Risk assessment of members’ major supplier facilities: • 38 of the 39 Full Members indicated they had major supplier facilities • 92 percent of those members initiated an SAQ or other risk assessment on those facilities; 29 percent completed all required risk assessments; of the remaining 63 percent of members, 54 percent completed at least 50 percent of the required assessments</td>
</tr>
</tbody>
</table>
Full Member performance in achieving supplier-based MCP requirements is not yet at the same level as their member-based MCP achievements. We are working closely with members who did not meet the 2011 requirements to determine what challenges exist in meeting the requirements and how we can help. As 2011 was defined as a test year for the MCP, there were no implications for not fulfilling the MCP requirements. However, we clarified with all members that the MCP would be enforced in 2012, in line with organizational by-laws and governance, and subject to legal review in accordance with applicable laws.

We used lessons learned from the 2011 MCP to inform modifications to the program for the 2012 MCP year. These include the need to streamline requests for member data to include only requests for critical data items, provide a closer correlation of data requests with membership requirements, and provide clearer definitions of required data. Members ratified the final program in early 2012 for use in the 2012 compliance year.

A key change to the 2012 MCP program definition is that the number of required audits on a member’s own high-risk facilities is reduced from 50 percent to 25 percent. This was done to account for the more stringent audit tool requirements: in 2011 members could use their own audit protocol; as of 2012, members must use a Validated Audit Process audit (VAP), a Customer Managed Audit (CMA), or an Auditee Managed Audit (AMA). See the Looking Ahead section in Identify and Address Nonconformances to the EICC Code for more information on the CMA and AMA. Limiting the audit protocol that can be used introduces additional cost for member companies. We recognize the increase in effort it will take to comply and adjusted the percentage based on member feedback. The required percentage of audits is intended to change over time as necessary to maintain a high standard in the supply chain and in conjunction with other EICC efforts. This and any other change to the MCP, with related data, will be discussed in the 2012 report.
As many involved in corporate responsibility and supply chain management have documented, audits alone are not, and should not be, considered an end to drive improvements in a facility, only a means to find the critical issues to be addressed. As an industry coalition, we find that our work is most successful when we target issues that could be and should be addressed together to drive toward a common solution. We have found that external stakeholders who have expertise in and a passion for solving supply chain challenges inform our work, and we engage those organizations to strengthen our efforts. We plan to continue working this way, increasing this collaboration as needed to continue toward our vision.
OUR APPROACH

VISION
A global electronics industry supply chain that consistently operates with social, environmental and economic responsibility.

MISSION
To enable and encourage our members to progress toward the EICC vision through a common code of conduct, collaborative efforts, and shared tools and practices.

STRATEGIC PILLARS

- **Develop supply chain capabilities**
  - Identify and address nonconformances to the Code
  - Build member and supplier capability to proactively address supply chain risks

- **Collaborate on emerging issues**
  - Identify relevant issues in the supply chain
  - Identify how to make on the ground change

- **Engage with stakeholders**
  - Gain new perspectives on how EICC can best contribute to social and environmental responsibility in the electronics industry

EICC CODE OF CONDUCT

PHASE ONE: ORGANIZATIONAL ASSESSMENT
Facility or customer initiates engagement and assessment process, and preliminary training

PHASE TWO: RISK ASSESSMENT & TRAINING
Facility or customer assesses and addresses risks through operational changes and targeted training

PHASE THREE: ON-SITE AUDIT
Facility undergoes deep-dive conformance check against EICC Code, develops corrective action plan including capability building training programs

2011 Work Group and Task Force Projects
- **Labor**
  - Treat employees with dignity and respect:
    - Working Hours
    - Worker-Management Communication Program
    - Freely Chosen Employment

- **Environment**
  - Protect the environment:
    - Carbon & Water Reporting Initiative
    - Water Risk Assessment

- **Health & Safety**
  - Evaluate & control exposure to hazards:
    - Health & Safety Training

- **Management Systems: Drive sustainable change**
  - Uphold the highest standards:
    - Anti-Corruption
    - Responsible Sourcing of Minerals

Engagement Principles: Collective, Transparent, Credible

Customer
NGOs
Media
Gov’t
Regulators
Industry Groups
Community Groups
Socially Responsible Investor
Our engagement model of assessment and auditing is underscored by our capability building programs: the findings from facility audits provide input into critical training initiatives that aim to assist members and suppliers in closing nonconformances to the Code and increasing their ability to achieve positive results.

**Progress in 2011**

To increase the effectiveness of our assessment and monitoring tools, we have worked to expand their availability, usability, and quality. Specifically, in 2011, we:

- Launched the first phase of EICC-ON, an online database used to store assessment and audit data in a common repository. Using EICC-ON, suppliers are able to manage their customers’ requests, providing and sharing information in a one-to-many arrangement. This capability reduces administrative and audit fatigue and allows more time to focus on improvements. Current EICC-ON functionality is available in English and Simplified Chinese.

Initial efforts in EICC-ON included development and implementation of:

- The Self-Assessment Questionnaire (SAQ)
- The EICC audit checklist
• Initial reports and dashboards

• Online training

• Administrative tools, such as online self-registration for suppliers and account management for members

While much has been accomplished in 2011 with the development of EICC-ON, we were challenged by the number of user requirements for the system. By following a structured process to analyze and prioritize requirements, we were able to launch key functionalities in September 2011 that are in use by both members and suppliers. There is insufficient information on the 2011 member usage of the tool, however, we anticipate all members will be using EICC-ON in future years to perform and record their assessment and monitoring activities as the EICC membership fee now includes access to EICC-ON functionalities as they becomes available.

• Enhanced the VAP protocol to provide clarification and guidance on sections of the protocol that were not clear to auditees. This is the result of feedback from auditees that it was sometimes difficult to differentiate major from minor nonconformances and the actions needed to achieve Code conformance. Certain sections of the protocol were described in greater depth, and examples of major and minor nonconformances for each section of the Code were added.

• Assembled a temporary task force to allow members to formally review and provide feedback on the Validated Audit Process (VAP) protocols and processes. Based on information collected from member feedback and benchmarks of other audit protocols, numerous changes were made to the VAP. For example, the VAP turnaround time was reduced by 56 days by removing administrative steps that did not directly affect the quality of the final audit report.

• Improved the quality of the audit reports through implementing an in-depth quality review process for VAP reports. Once a draft audit report is completed for a facility, two independent individuals from the EICC Audit Program Manager—one within the region of the facility and one located outside that region—review it to ensure it meets the standards for a VAP audit report. This review process provides members with higher quality audit reports and also provides feedback for auditor improvements.

• Piloted labor agent and service provider audit process in 2011. This new audit protocol is based on the VAP protocol, with refinements to sections applicable to labor and service providers. In 2011, member companies carried out nine service provider audit pilots, including a telecenter (help desk), an IT product design company, a distributor, and customs agent/forwarder. These pilots were in Mexico, China, Singapore, and Taiwan. Additionally, two member companies conducted eight labor agent pilots—six in China and two in Malaysia.

The audit protocol for non-manufacturing service providers, which is also applicable to labor agencies, represents an opportunity to respond to the issue of temporary or other workers employed by labor agencies, an issue of great interest to our stakeholders. Hiring workers through a third party can lead to discrepancies between the benefits allocated to workers directly hired by a company and those employed via agencies, as well as increased vulnerability of the agency-employed workers to human rights violations, such as a lack of freedom of association or discrimination. We anticipate that the implementation of this audit protocol can be one way we address this issue, and provides an example of how we learn from and consult with our stakeholders.

• In 2010, we committed to exploring a recognition program for facilities that undergo a VAP audit. Due to the prioritization of VAP protocol enhancements and development of VAP technology tools in EICC-ON, no developments were made for this program. We may reassess a recognition program in the future.

Impact

Through the use of audit tools and resources, EICC members are able to evaluate risk of nonconformances to the EICC Code in their own facilities and those in their supply chain. This information contributes to the identification of root cause analysis, required training, and operational improvements.

• Of the membership survey respondents, 53 percent use the SAQ results to identify suppliers to audit,41 45 percent use the SAQ to provide a baseline for continuous improvement discussions with suppliers, and 38 percent use the results from the SAQ to provide a baseline for internal operations and continuous improvement.42
96 percent of respondents that conducted member or supplier audits in 2011 did so against the EICC Code using EICC tools or their own.\

In 2011, Verite, on behalf of the EICC, conducted 10 auditor training workshops in eight countries: Brazil, China, Mexico, Singapore, Spain, Taiwan, Thailand, and the US. These covered approximately 155 auditors.

The number of VAPs we facilitated for members nearly doubled compared to 2010, while at the same time expanding the process geographically. In 2011, we facilitated 157 VAP audits in 13 countries, up from 97 VAPs in eight countries in 2010. This number includes both initial audits as well as closure audits designed to verify that corrective actions identified in the initial audit were successfully completed. Audits were conducted in Brazil, Hungary, India, Indonesia, and Romania for the first time.

Using findings from the VAP program, we compared the number of major and minor nonconformances over time and found that, in aggregate, the numbers are still highly variable as the number of VAP audits changes in quantity and location. Major nonconformances are indicators of failure in a management system, such as the absence of established ethics, safety, training, and privacy programs. Examples of other major nonconformances include: inadequate means to protect worker safety, illegal use of forced or bonded labor, and inappropriate disciplinary actions. Minor nonconformances tend to be less systemic and more isolated instances, such as the failure to update procedures, out-of-date permits, or an overdue corrective action request. A minor nonconformance can be raised to a major nonconformance status if the evidence and specific situation substantiates raising the severity of the issue.

<table>
<thead>
<tr>
<th>COUNTRY</th>
<th>2010 ALL AUDITS</th>
<th>2011 AUDITS</th>
<th>COUNTRY</th>
<th>2010 ALL AUDITS</th>
<th>2011 AUDITS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>INITIAL</td>
<td>CLOSURE</td>
<td></td>
<td>INITIAL</td>
</tr>
<tr>
<td>Brazil</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>Philippines</td>
<td>3</td>
</tr>
<tr>
<td>China</td>
<td>52</td>
<td>53</td>
<td>32</td>
<td>Romania</td>
<td>0</td>
</tr>
<tr>
<td>Hungary</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>Singapore</td>
<td>2</td>
</tr>
<tr>
<td>India</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>South Korea</td>
<td>3</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>Thailand</td>
<td>1</td>
</tr>
<tr>
<td>Malaysia</td>
<td>5</td>
<td>14</td>
<td>0</td>
<td>Taiwan</td>
<td>19</td>
</tr>
<tr>
<td>Mexico</td>
<td>12</td>
<td>8</td>
<td>5</td>
<td>TOTAL</td>
<td>97</td>
</tr>
</tbody>
</table>
As the VAP program expands into countries with higher labor standards and enforcement, the conformance to the Code has generally been higher with fewer nonconformances. We expect that we will not see stability in the average number of nonconformances until the countries, the types of audits (initial or closure audit), and number of audits reach critical mass. Until then, only a detailed analysis of nonconformances by country, separating out initial audits and closure audits, will shed more light on the effectiveness of the audits themselves. We look to do that in future reports.

As shown on the right, findings from global initial audits demonstrated the following number of nonconformances as compared to 2009 and 2010:

Findings for initial audits by country also show a significant variation in nonconformances in part due to different labor standards in each country. For countries with at least five audits, major nonconformances per facility ranged, on average, from 4.25 to 8.53. Minor nonconformances per facility ranged from, on average, 4 to 16.

- Nonconformances to issue sections of the Code (labor, environment, ethics, health and safety) were a more common source of nonconformances than the management systems section of the Code, with 79 percent nonconformances and 21 percent nonconformances, respectively. Among issue sections, labor provisions generated the most nonconformances (34 percent) followed by health and safety (24 percent), together accounting for more than half of the audit nonconformances. See graphic for more detail on Code nonconformances.

### Breakdown of Management Systems-related Nonconformances

- **Labor & Ethics Provisions**: 28%
- **EHS Provisions**: 72%

### Breakdown of Issues-related Nonconformances

- **General Code Provisions**: 14%
- **Labor Provision**: 18%
- **Ethics Provisions**: 24%
- **Health & Safety Provisions**: 34%

### Percentage of Nonconformances to the Code by Sections

- **Code: Issue Sections**: 79%
- **Code: Management Systems Section**: 21%
Taking the nonconformances to a provision/audit question level, the top ten nonconformances cover most sections of the Code. The two most frequent nonconformances far outweigh the other audit findings and are found in the Labor section of the Code.

This ranking includes audit protocol questions that emerge from VAP audit results and are based on actual nonconformances at a facility as well as audit findings that lead the auditor to believe there is a risk of a nonconformance. The audit finding may be included as a nonconformance if there is insufficient evidence to conclusively determine conformance/nonconformance status, if conflicting evidence exists, or if the situation is in conformance and, in the auditor’s opinion, it could deteriorate into a nonconformance. While this is a more conservative method of identifying nonconformance, it has the benefit to call attention to situations that warrant further investigation.

<table>
<thead>
<tr>
<th>RANK</th>
<th>CODE SECTION</th>
<th>PROTOCOL QUESTION</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Labor</td>
<td>The average hours worked in a work week in the last 12 months at this facility does not exceed 60 hours or the legal limit (whichever is stricter).</td>
<td>See Reduce Excessive Working Hours section</td>
</tr>
<tr>
<td>2</td>
<td>Labor</td>
<td>Are workers provided with at least one day off per every seven days on average?</td>
<td>See Reduce Excessive Working Hours section</td>
</tr>
<tr>
<td>3</td>
<td>Ethics</td>
<td>Has the facility adequately identified its labor practices and business ethics risks and implemented appropriate controls to minimize the identified risks and ensure regulatory compliance?</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Management Systems</td>
<td>Has the facility implemented an effective process to ensure that their next tier suppliers implement the Code?</td>
<td>New Management Systems Code provision, E.1214</td>
</tr>
<tr>
<td>5</td>
<td>Ethics</td>
<td>Does the facility provide employees of suppliers with a way to confidentially report suspected ethical misconduct while protecting the employee whistleblowers?</td>
<td>New Ethics Code provision, E.915</td>
</tr>
<tr>
<td>6</td>
<td>Health &amp; Safety</td>
<td>Are emergency exits, aisles, and stairways adequate in number and location, readily accessible, and properly maintained?</td>
<td>See Build Supply Chain Capability section regarding Health &amp; Safety Training</td>
</tr>
<tr>
<td>7</td>
<td>Health &amp; Safety</td>
<td>Has the facility effectively controlled worker exposures to safety hazards, for example, electrical shock hazards, forklifts, etc.</td>
<td>See Build Supply Chain Capability section regarding Health &amp; Safety Training</td>
</tr>
<tr>
<td>8</td>
<td>Labor</td>
<td>Is the overtime wage calculated and paid at the premium as legally required?</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Ethics</td>
<td>Does senior management assess the status of the labor and ethics management system in order to identify improvement opportunities on a regular basis?</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Health &amp; Safety</td>
<td>Is the facility’s program of emergency evacuation drills adequate?</td>
<td>See Build Supply Chain Capability section regarding Health &amp; Safety Training</td>
</tr>
</tbody>
</table>
Looking Ahead

In 2012, we will simplify the VAP processes, including the contractual agreements and administrative processes; will continue to enhance the VAP protocol with fewer but more in-depth questions; and will increase the volume of VAPs performed by fewer firms to increase efficiencies and maintain high quality.

Members also expressed the need to expand the types of audits that can contribute to members’ audit MCP requirements, as some members and suppliers have extensive audit programs, including their own audit staff. To accommodate this, we are developing the means to accept a Customer Managed Audit (CMA) and an Auditee Managed Audit (AMA).

- A CMA is a customer-initiated audit that assesses the auditee against all elements of the EICC Code and is overseen by a customer of the company being audited. In order for the audit to count toward a member’s MCP audit requirements, auditors must be EICC-IRCA Certified or qualified by our independent VAP Audit Program Manager. If the customer conducts the audit using internal staff, that staff must be EICC-IRCA certified or qualified by our independent VAP Audit Program manager in order for the audit to count toward the member’s MCP requirement.

- An AMA is an auditee self-initiated audit that assesses the auditee against all elements of the EICC Code and is paid for and overseen by the company being audited. For the audit to count toward a member’s MCP audit requirements—for their own high-risk facility or a high-risk supplier facility—auditors must be EICC-IRCA Certified or be qualified by our independent VAP Audit Program Manager and must be part of a qualified audit firm. In the case of a member’s supplier conducting the AMA as the auditee, the audit results must be shared with the member. Audits conducted by the auditee will not count toward a member’s MCP requirement.

The additional flexibility in the audit process will allow members to use investments they may have made in their own auditing capabilities while still requiring members to meet a prescribed level of auditing capability. More information about these audit types will be available in the 2012 report.

Following the successful pilots of the labor agent/contractor and service provider audit processes in 2011, we plan to make service provider and labor agency protocols available in 2012, in addition to the original manufacturing VAP audit. These options continue to enhance the EICC’s audit offerings, covering diverse components of the global electronics supply chain.
We work in collaboration with GeSI to help members address these critical corporate responsibility issues by providing assistance in building capabilities internally and with suppliers. By collaborating with experts and key stakeholders to share knowledge across companies and sectors, we have developed training programs that incorporate best practices and comprehensive case studies to help members and suppliers understand and implement new information.

**Progress in 2011**

Collaborating with GeSI, in 2011 we continued to invest in capability-building activities. Collaborating with third parties, conducting pilot training sessions, and hosting topic-specific workshops allowed us to build capability in our own members and their supply chains, but also in organizations outside the electronics industry. Together, we:

- Launched Health and Safety Training Program materials covering the importance of health and safety programs in protecting workers, how to overcome the challenges of implementing an effective health and safety program, and how to develop workplace hazard controls and risk reduction measures. We hosted two pilot training sessions—one in late 2010 in Shanghai, China, and another in 2011 in Guadalajara, Mexico—with a total of 118 participants representing 88 different companies. In late 2011, the training was made available to members for use in their operations and their supply chain.
• Developed the Worker-Management Communication Program with the goal of aiding member companies and their suppliers in implementing effective worker-management communication systems and raising worker awareness of their rights and responsibilities. We held one pilot session in Penang, Malaysia, in late April 2011. Feedback from this pilot session was used to improve the training program, and two official training sessions were hosted in Shenzhen, China, in November and December 2011. The 2011 Worker-Management Communication Program training sessions reached a total of 93 participants across 46 companies.

We collaborated with the Fair Labor Association (FLA) and INFACT Global Solutions, a China-based CSR consultancy, to create content for the Worker-Management Communication Program. In addition, the International Labour Organization (ILO) was an advisor during the training development process, giving valuable insight into key issues and topics for inclusion in the program’s materials. Representatives from SOMO, the International Metalworkers’ Foundation,18 and the GoodElectronics Network also provided valuable feedback through stakeholder calls.

• Gathered input for KPIs and the Incentives Resource Guide, a comprehensive approach to researching and evaluating KPIs to support effective supply chain management. This work will inform the evolution of our current official KPIs on page 9. Because priority was given to releasing the Worker-Management Communication Program, the goal to complete the KPIs research and the Incentives Resource Guide was delayed until 2012.

• Held two conflict minerals workshops to educate members and other stakeholders on efforts to address conflict minerals in the DRC and surrounding countries. See the Source Minerals Responsibly section for more information.

To support other areas of EICC work independent of our collaboration with GeSI, we:

• Conducted training for users of the Carbon and Water Reporting Initiative tool. This training provided a summary of the program, its methodology, and basic expectations for both customers of the program and their suppliers. It also provided an overview of the tools used to capture carbon and water data. To reach a significant number of suppliers, the training was offered in both English and Chinese. 150 people attended the four training sessions, representing nearly 130 companies. See the Protect the Environment section for more information.

• Developed a member resource that listed several options for training on the California Transparency in Supply Chains Act of 2010. We did not develop actual training but rather researched and made available other training on the topic, freeing companies to focus on their own programs’ compliance with the law.

Impact

Capability-building programs and resources support facilities in improving their compliance to the EICC Code by providing training on implementing practices that drive corporate responsibility and sustainability through the supply chain. However, measuring the impact of our training programs—ones developed with GeSI and those developed independently—continues to be a challenge, particularly for programs that members deploy to their own suppliers or are available for download to company-specific learning management systems. We continue to work in this area to provide more meaningful training metrics.

• Of the approximately 70 percent of members that identified that they work with their suppliers on attending EICC-based training, the most common methods of achieving this are: formally inviting their suppliers to EICC training, such as the Carbon and Water Reporting Initiative or Health and Safety Training; hosting webinars for their suppliers; and sending suppliers to the EICC website to choose and register for applicable training initiatives.

• Of the approximately 95 percent of members that identified they train relevant employees (such as supplier responsibility, procurement, and sustainability teams) on EICC initiatives, health and safety was the top subject that was selected for employees. The EICC Code of Conduct, anti-corruption, and general corporate social responsibility are the other key member-focused training topics.

• Participants in the Health and Safety Training Program noted that the materials were useful in their daily work and appreciated the country- and regional-specific content. Trainers for the pilots emphasized the importance of adapting the delivery of the materials to the culture in which the training is given. For example, in some countries it may be more effective to use interactive exercises and participatory learning methods instead of a lecture-style format. The final training
document is now available to all EICC and GeSI members in English, simple Chinese, and Spanish.

- According to attendees at Worker-Management Communication training sessions, knowledge gained from the programs included: understanding the concept of effective communication; how to differentiate between complaints and grievances and how to identify which could be resolved through mediation; the benefits of establishing fair representation; and the training and planning necessary to facilitate effective communication in their organizations. Feedback by participants suggested that the course could be improved by tailoring the content to individual participant groups, including more case studies and better customization of the training content before the session.

The Worker-Management Communication attendees were also receptive to the World Café session in day three of the course, where participants self-select the topic about their communication challenges and hold group discussions. Topics such as the election of worker representatives, the importance of transparency, openness, and independence in the worker representation election process, and the need for worker representatives to have time to fulfill their regular work and their representative activities were highlighted by participants as being particularly meaningful.

**Looking Ahead**

Measuring the efficiency of tools and training resources continues to be a challenge and a long-term goal. We are actively surveying and reaching out individually to companies to better understand how resources are being used and how to measure the impact. In 2012, the EICC and GeSI plan to form a training impact task force to evaluate training, establish methods to measure the impact of our capability-building resources, and determine what resources and training may be needed in the future. This is important because successful, widespread capability-building programs are instrumental to developing successful sustainability programs.

We believe sharing best practices is a constructive method to providing companies with the knowledge and confidence to incorporate new initiatives. A business case resource guide and video featuring the importance of CSR initiatives from company executives and brands is planned to be available to members and their suppliers in 2012. This guide is being designed to provide members with both quantitative data and qualitative data (where meaningful) on the positive outcomes of CSR initiatives directed at addressing the challenging issues our industry faces. These outcomes may include improvements in working conditions and worker welfare, an increased level of employee retention, and annual monetary savings due to these changes.

An important goal of training programs is to increase the reach of information by equipping companies with the ability to pass training through their supply chains. Organizing resources and training by region and expanding the number of languages training programs are available in helps companies develop a roadmap of training sessions to participate in and to deploy to their supply chains. We will continue to drive training programs in all areas of our work into multiple languages to assist members in this goal.

Finally, in all our training initiatives—EICC-independent ones and those in collaboration with GeSI—we will continue to incorporate stakeholder input into the training programs. These voices, including experts in a particular issue area, civil society, or specialized consultancies, provide valuable input into our programs and their feedback enables us to offer a better and more meaningful set of capability-building solutions for our members.
Reduce Excessive Working Hours

The reduction of excessive working hours is a critical element in the context of employee well-being, and it is a challenge faced by many industries and in many developing regions of the world. Within the EICC, we are working toward a deeper understanding of how members can reduce and eventually eliminate excessive working hours. With this goal in mind, in 2011, we established a permanent workgroup to continue the work of an earlier task force that had focused in 2010 on the topic of employee health and welfare in electronics manufacturing facilities, with a focus on China.

Progress in 2011

Our work in 2011 builds directly on the foundation developed by our previous working hours task force and our Asia team’s research into employee health and welfare. In this research, issues such as poor production planning, labor shortages, and inadequate management practices were found to contribute to excessive working hours. In 2011, we reaffirmed working hours as a key focus area for EICC members and began to develop training and tools to enable members in achieving compliance with the EICC Code of Conduct by 2014.

In 2011, we:

- Collected and evaluated information covering approximately 700 China-based information and communications technology facilities (EICC members and non-members) on the number of working hours per site and rest days during the week. Through these assessments, we discovered that employees worked on
average between 66 and 67 hours per week. The data also provided insights into how EICC members compare with non-members, enabling the team to target opportunities for improvement, and will help us identify trends in the industry.

- Developed a roadmap of activities related to addressing excessive working hours. This roadmap includes activities in: data collection leveraging VAP audit findings; development of a training program to drive consistency in how working hours are tracked and monitored and how to set up programs to address excessive working hours; collaboration and coordination across other industries; and development of a best practices library.

- Engaged with companies in the footwear and apparel industries. We understand that other industries have had to develop similar initiatives to improve employee welfare in the past and we intend to learn from their efforts.

The intent of this work is to enable companies (both customers and suppliers) to understand the factors that can contribute to excessive working hours, including the identification of aspects of their own operations that specifically contribute to the issue, such as short-term procurement practices in the case of customers or inadequate engagement with workers or workforce planning in the case of member-owned facilities or supplier facilities. There is no one-size-fits-all solution to the problem, but once the various contributing factors are clearly understood, EICC members can select the path to improvement that best suits their specific situation.

Impact

Through developing KPIs and analyzing audit data, we have developed a deeper understanding of working hours nonconformances and we are better equipped to develop a strategic plan to support members in reaching compliance with the EICC Code of Conduct.

Our baseline data represents the first analysis of global 2011 VAP data to ascertain nonconformances found related to working hours and time off from work. This data includes a total sample of 2,346 workers from a pool of approximately 379,000 workers over a three-month timeframe and was collected through worker interviews and reviews of time and payroll records.

Because of the inherent challenges of collecting uniform data across multiple facilities by different auditors, the quality of the data presented here is not yet optimal. However, with the creation of EICC-ON, and the enhancement of our auditing template for specific data collection (due in late 2012), we are confident that we will be able to improve data quality over the coming years.

As data quality and reliability improves over time, we will be in a better position to evaluate what kind of global and regional targets for the reduction of working hours may be possible in the future. In the meantime, we will focus on supporting our members and their suppliers in reducing nonconformances as quickly as possible.
Looking Ahead

We realize that simply reducing working hours without factoring in other employee welfare considerations (such as wages and recreational activities) may decrease facility-level productivity and increase operational costs due to the possibility for increased attrition. However, if managed appropriately and over a reasonable time period, the reduction of excessive working hours may in fact increase individual worker productivity. Taking a holistic approach to employee welfare by improving living and working conditions and at the same time reducing working hours may require additional training and support. Suppliers may be skeptical of changes relating to welfare conditions within their facilities, and employees may take time to adjust to, and embrace, a new company culture.

We will also be evaluating how our audit process can support both the effective recording and managing of working hours data in members’ and suppliers’ facilities, as well as the execution of corrective action plans to reduce excessive working hours. We have found that suppliers require additional time, beyond the time limit currently allowed by our audit processes, to identify and implement the actions that will help them reduce excessive working hours.

In late 2012, we plan to work with a third-party training provider that takes a holistic approach to improving working, social, and living conditions of employees. When the training is completed, we will help members deploy this and other resources to help their own facilities and those of their suppliers achieve compliance without compromising productivity and product cost.

<table>
<thead>
<tr>
<th>DATA ITEM</th>
<th>2011 RESULTS</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workers found to be exceeding 60 hours per week, at least once during the sampled period</td>
<td>34%</td>
<td>The EICC Code, Section A.3, requires that workweeks are not to be more than 60 hours per week, including overtime, except in emergency or unusual situations.</td>
</tr>
<tr>
<td>Workers in excess of the legal working hours limit</td>
<td>58%</td>
<td>This is measured based on the legal working hours limit relating to the regulations in force where the audit takes place. It includes total regular and overtime hours.</td>
</tr>
<tr>
<td>Workers without one day off in seven days</td>
<td>7%</td>
<td>The EICC Code, Section A.3, requires that workers shall be allowed at least one day off per seven-day week.</td>
</tr>
</tbody>
</table>

Source: 2011 global VAP audits, n=2346. See earlier discussion on page 31 in the *Impact* section.
Source Minerals Responsibly

Progress in 2011

Along with GeSI, we launched the Conflict-Free Smelter (CFS) Program in 2010 to enable responsible sourcing of minerals by identifying smelters and refiners in the supply chain who demonstrate via third-party audits their conflict-free sourcing practices. In support of the CFS Program and other 2011 priorities focused on collaboration with other organizations on conflict minerals, we:

• Finalized the CFS Program protocols for tin, tungsten, and gold and enhanced the tantalum protocol.
• Developed the Conflict Minerals Reporting Template and associated summary dashboard. These tools enable more efficient transfer of information through the supply chain regarding country of origin and smelters and refiners being used. This has allowed companies to identify smelters and refiners to be invited to participate in the CFS Program.
• Commissioned a comparative analysis between three associated initiatives to better harmonize the work between them. The resulting report documents the results of:
  ○ A conformance analysis of the ITRI Tin Supply Chain Initiative (iTSCi) against the Organisation for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.
• A conformance analysis of the CFS Program against the *OECD Guidance*

• A compatibility analysis between the CFS Program and iTSCI

This project gave NGOs an opportunity to provide input on the project and resulting report and was in cooperation with ITRI on their iTSCI initiative.

• Participated in the OECD’s pilot of the *OECD Due Diligence Guidance*. ²⁷ We provided expertise and information on the CFS Program and how it can work in conjunction with the *OECD Due Diligence Guidance* to help companies with responsible sourcing.

• Joined the multi-stakeholder *Public Private Alliance for Responsible Mineral Trade* (PPA) established by the U.S. State Department and the U.S. Agency for International Development (USAID). ²⁹ The PPA aims to support supply chain solutions to conflict minerals challenges in the DRC and the Great Lakes Region (GLR) of Central Africa.

• Held two additional conflict-free minerals supply chain workshops, one in the U.S. and one in Europe, open to all stakeholders, to discuss the progress, harmonization, and next generation of programs and initiatives used to address responsible minerals trade from the DRC and GLR of Central Africa.³⁰

• Worked with the Japanese Electronics and Information Technology Industries Association (JEITA) to present information on the CFS Program and the Conflict Minerals Reporting Template at a workshop event hosted in Tokyo. ³³

**CONFLICT MINERALS**

The Democratic Republic of Congo (DRC), rich in minerals, has been the site of one of the world’s worst humanitarian crises.³² There are many factors contributing to the situation, including violence and abuses committed by rebel military units and the use of informal mining practices, making mine ownership and working conditions difficult to monitor. The U.S. Government Accountability Office reported that while “the minerals trade is not the root cause but one of many factors perpetuating the conflict,” the funding provided by the illegal mining and trade of minerals contributes to the continuation of the violence.³²

Many local and international organizations are working on initiatives to stem the violence. We aim to assist in this work by helping companies source responsibly from the DRC and any other global region. To this end, our efforts focus on the purchasing practices of smelters and refiners, those entities in the supply chain that have detailed knowledge of the origin of minerals. Our goal is to provide information to companies on smelters and refiners that are found to be purchasing from global conflict-free sources, both inside and outside the DRC. By providing this information and tools to help downstream companies with their due diligence on the origins of minerals in their supply chain, we aim to encourage those companies to procure their minerals responsibly from non-conflict sources.

It will take time to know how all the interrelated initiatives are performing. Anecdotally, some NGOs have noted that the CFS Program has made one of the largest observable impacts on the region. While direct correlation between this program and on-the-ground reduction in violence is difficult to measure, we will continue to work with others on this program and others in the region to ensure the information we provide is useful and relevant to sourcing responsibly.
Approximately 100 members of the JEITA constituency participated in the session.

- Held monthly meetings with stakeholders to inform them on the progress of the CFS Program and to obtain external stakeholder feedback on our conflict minerals work. Feedback from NGOs, the membership, and metals industry associations have been integrated into all aspects of the CFS Program and other tools and resources.

- Developed and submitted a draft EICC Code of Conduct provision on Conflict Minerals during the 2011-2012 Code Review process. The submission was approved by members and implemented in Version 4.0 of the Code.

- Developed the CFS website. This site provides information on the scope of the CFS Program, the CFS Program audit protocols, and provides a list of smelters and refiners found to be compliant to the CFS Program protocols. The site is updated on a periodic basis as more smelters and refiners are added to the metal-specific lists and as program improvements are made to the content of the tools.

Impact

Participation in collaborative efforts has allowed us to offer resources to strengthen our initiatives. Through our efforts and along with other key participants, we:

- Conducted more than 15 joint EICC-GeSi driven pre-audit visits to smelters and refiners; members individually conducted many more as well. These occurred for all four metals in more than 16 countries globally. These visits aim to provide information on the CFS Program and encourage smelters and refiners to participate in the program. These efforts also align with the OECD Guidance supplement on tin, tantalum, and tungsten, Step 2 which states, “Work with the smelter/ refiner and contribute to finding ways to build capacity, mitigate risk, and improve due diligence performance, including through industry-wide initiatives.”

- Conducted 15 tantalum audits and one tin audit against the metal-specific CFS Program protocols.

- Identified 11 companies representing 17 tantalum smelters as compliant with the CFS Program tantalum protocol. Tantalum was the first metal to have a CFS Program audit completed in 2010.

- Welcomed three collaborating industry associations and four new non-member companies to the EICC and GeSi workgroup on conflict minerals.

- Hosted more than 370 participants in the two conflict-free minerals supply chain workshops.

Looking Ahead

Despite the progress made on the CFS Program in 2011, a lack of the final U.S. Securities and Exchange Commission (SEC) rule related to Section 1502 of the Dodd-Frank Wall Street and Consumer Protection Act left the supply chains of all four metals in various states of uncertainty. Before the final rule was published in August 2012, some companies, and even smelters, were waiting to see the final rule before establishing their internal management program and thus, would not participate in programs such as CFS Program. Others realize that Section 1502 already establishes the fundamental expectations that define “conflict-free.” This subset of companies is more willing to assist our member companies with initiatives like the CFS Program by passing smelter and refiner information throughout the supply chain. They, like many of our members, have developed conflict-free sourcing procurement policies and have begun tracking conflict-free sourcing metrics. As the SEC has now released the final rule related to Section 1502 of Dodd-Frank, we will assess any changes needed to fine-tune our tools to align with final regulations. We will also continue our efforts to expand the universe of companies, both inside and outside the electronics sector, using the CFS Program and the Conflict Minerals Reporting Template.

Engaging the many stakeholders in tracing minerals to the source of extraction in an attempt to validate minerals as conflict-free is, in and of itself, another fundamental challenge. Even with willing supply chains and smelters or refiners who have effective traceability of their own, the process of identifying the sourcing of minerals is still a difficult task. Through continuing onsite visits, we will continue to inform, educate, and encourage the tin, tantalum, and tungsten smelters and gold refiners to join the CFS Program.

In an effort to align the exchange of conflict minerals information throughout the supply chain, we will drive for the establishment of an official standardization of the Reporting Template via an ANSI-certified standards entity.

We also continue to support the implementation of a verifiable traceability scheme for the DRC and neighboring countries for conflict-free minerals. Through our participation in the PPA, we will support programs in the DRC region and engage relevant stakeholders on regional sourcing efforts with the objective to define legitimate conflict-free sourcing that can be compliant with the CFS Program expectations.
AS GLOBAL INDUSTRIES CONTINUE TO GROW AND EVOLVE, INCREASED STRESS IS PLACED ON THE PLANET’S NATURAL SYSTEMS AND RESOURCES. WE HAVE BEEN DEVELOPING AN UNDERSTANDING OF HOW CARBON AND WATER ARE USED IN DAILY ACTIVITIES WITH THE GOAL OF MITIGATING GREENHOUSE GAS (GHG) EMISSIONS AND WATER-RELATED RISKS FROM ELECTRONICS PRODUCTS AND PROCESSES.

Protect the Environment

This knowledge supports members in respecting the environmental standards that are integrated and monitored through the EICC’s Code of Conduct, SAQ, and audit protocol.

Progress in 2011

Since 2008, we have been helping members and suppliers better understand the environmental impacts of the electronics industry. This effort initially focused on carbon accounting using the World Resources Institute’s GHG Protocol as the standard. In 2010, still focused on alignment with standardized reporting protocols like the GHG Protocol, the Carbon Disclosure Project (CDP), and the Global Reporting Initiative (GRI), we added questions on water use, management, and risk. The resulting Carbon and Water Reporting Initiative enables members to identify opportunities to improve their environmental impact with respect to water and energy (including use of renewable energy sources) and to collaborate and share best practices across the industry.

In 2011, we expanded the Carbon and Water Reporting Initiative to include additional data questions. We also expanded the project in the following ways:

- Upgraded the Carbon and Water Reporting Initiative template to collect data from participating companies, improving the quality of data and its ability to be analyzed.
• Provided additional training opportunities for suppliers in multiple languages and time zones to allow as many suppliers as possible access to the tool. Customer and supplier training programs are available in both English and Chinese, and training options were expanded to other countries by hosting training sessions in Mandarin and translating the Carbon and Water Reporting questionnaire into Spanish and Chinese.

• Offered “office hours” to suppliers to answer questions and educate them on the collection of data and how it was going to be used. Throughout the year, we also continued to investigate tools for communicating best practices among members and the supply chain with the goal of increasing member and supplier participation and understanding.

We also engaged with Ma Jun, the director of the Institute of Public and Environmental Affairs (IPE), and other stakeholders to begin the work of aligning and improving our environmental monitoring and reporting. Ma Jun, together with IPE and the Green Choice Alliance, has been calling attention to the water pollution violations in China through their public database. Ma Jun provided an overview of the water pollution and management issues in China that have resulted from industrialization, as well as the IPE’s initiatives to drive change. This session held in Shenzhen helped identify areas of collaboration regarding the organization’s respective audit protocols and set up opportunities for continued engagement.

As part of this effort, we contracted BSR as a neutral third party to conduct a second-year water risk analysis for members by checking submitted supplier names against the IPE database, which tracks facility air and water pollution violations in China. A confidential report was provided to each member company who participated so that they could independently address any violations with their respective supply chain partners.

Impact

This was the first year we reported on aggregated carbon data and included water in the report. Key results and findings of the 2011 Carbon and Water Reporting Initiative were as follows:

• Scope 1 emissions accounted for 23 percent of total reported emissions, or 17.64 million metric ton carbon dioxide equivalent (MtCO₂e); Scope 2 emissions accounted for 77 percent of total reported emissions or 58.79 MtCO₂e. U.S. suppliers collectively produced the most GHG emissions, while Chinese suppliers had the greatest carbon intensity. More than half (61 percent) of suppliers had established, either previously or in concert with the tool, emissions reduction targets.

• Membership participation increased 19 percent in 2011, from 27 to 32 members. This represents 63 percent of members in 2010 and 53 percent of members in 2011. The number of unique suppliers nominated increased by 53 percent, from 676 to 1032 suppliers. The overall participation rate of suppliers, however, declined from 37 percent in 2010 to 29 percent in 2011. Some members were able to elicit significantly higher rates of supplier participation (up to 88 percent) demonstrating that increased supplier engagement plays a significant role in participation.

Supplier Participation in Carbon and Water Reporting Initiative 2009 - 2011
• Suppliers continued to share their data with more customers in 2011, with a 37 percent increase in data sharing compared to 2010.

• The option to submit CDP reports encouraged participation. In 2011, 26 percent of suppliers responded to the Carbon and Water Reporting Initiative with a completed CDP report.

• Including water questions the Carbon and Water Reporting Initiative raises overall awareness of water scarcity and conservation issues. However, participation in the water portion of the questionnaire was not as high as anticipated, with the majority of responses to the water questionnaire coming from Asia-based companies. This may be due to the fact that fewer companies are currently benchmarking water usage data since water reporting is less mature than carbon reporting. Additionally, companies participating only in the carbon reporting portion of the CDP may not have realized the EICC questionnaire contained a water module as well and therefore did not provide water data. However, we expect water reporting and supply chain responses to become more robust in coming years.

• Data from the 2011 EICC member survey suggests that members may use the Carbon and Water Reporting Initiative to help track environmental metrics, as shown in the following table:45

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>Energy</td>
<td>92%</td>
<td>93%</td>
<td>52%</td>
<td>53%</td>
</tr>
<tr>
<td>Water use</td>
<td>82%</td>
<td>87%</td>
<td>32%</td>
<td>43%</td>
</tr>
</tbody>
</table>

Looking Ahead

Increasing member and supplier participation in the Carbon and Water Reporting Initiative and improving the completeness and quality of the data continue to be a challenge. The EICC plans to increase participation in these systems by transitioning the reporting process to EICC-ON. Over time, we also plan to expand this tool to include other relevant sustainability metrics, such as carbon emissions from the lifecycle of products and waste management data. In doing so, we will need to balance efficient and meaningful data collection with processes that do not over-burden members and suppliers who are solicited for data on many subjects by both customers and external stakeholders.

We will also continue to collaborate with stakeholders to provide feedback on and direction for our work in environmental sustainability. In 2012, we plan to collaborate further with Ma Jun and the IPE to share audit protocols and knowledge. We will also explore opportunities for expanding member and supplier training focused on the most critical environmental issues in the global electronics supply chain. We will perform a gap analysis for water and waste management as well, to better understand priority areas in the electronics supply chain to be targeted for improved capabilities and practices.

Finally, as we collect another year’s worth of energy, waste, and water data from our members and supply chain, that information will increasingly help to not only educate and drive individual change, but also to guide our priorities and strategic focus in the coming years.
2011 Special Projects

Uphold High Ethical Standards

Inquiries and settlements under the U.S. Foreign Corrupt Practices Act have increased in recent years, holding companies accountable for internal practices and the actions of their supply chains. With increased enforcement by the U.S. Department of Justice and the SEC, as well as the increased global legislation related to corruption (for example, the U.K. Bribery Act), we identified and developed resources for members to address anti-corruption in their business operations and in their supply chain.

For example, we provided members with resources to identify risks in their supply chains, including SAQ questions related to anti-corruption. Of those responding to the membership survey, 47 percent indicated they would use the anti-corruption information from SAQs as part of a risk assessment process to select suppliers to audit; 45 percent indicated it would be part of an internal program to ensure suppliers have put in place an anti-corruption element in their ethics and legal compliance program(s); and 35 percent plan to use the information to identify compliance or ethics gaps that will be addressed through supplier training programs or other actions.

Members working in this area also submitted a provision for consideration during the 2011-2012 Code Review process that documented a zero-tolerance policy for corruption. This
submission was formally approved by members during the Code Review voting process and is now part of Version 4.0 of the Code. We are currently collecting feedback and results from the SAQ and will use this information to determine whether there is a need for future work in this area.

**Respect the Right to Freely Chosen Employment**

In 2011, we worked to educate members on the new California (U.S.) legislation on human trafficking, the *California Transparency in Supply Chains Act of 2010*. This legislation, passed in September 2010 and in effect as of January 1, 2012, requires companies (retailers and manufacturers) doing business in California with at least $100 million in global gross receipts to identify what steps they have taken to “eradicate human trafficking from their supply chains.”

In addressing this legislation, besides providing education on the Act, we developed a template for disclosure and recommended updates to EICC tools and resources. Additionally, the members working in this area suggested an enhancement to the EICC Code. Considered during the 2011-2012 Code Review process, this provision was formally approved by members and is now part of Version 4.0 of the Code. We completed work in time to allow members to apply the training and populate the templates, as well as post
Since 2004, the EICC membership has grown to include a more diverse population of companies. With this diversity comes a related stakeholder universe that is quite complex.

In 2011, most of our engagements with stakeholders were conducted through specific projects that are detailed in multiple sections of this report. Through these engagements, we collaborate with stakeholders on numerous areas of our work, including the content and design of some of our tools and processes—from the extractives work to the tools we develop for capability building. More generally, we engaged stakeholders in the preparation of the 2010 Annual Report and in the Code Review process.

We plan to continue these types of activities as well as other more issue-specific collaboration. While we continue to improve the way we engage and communicate with stakeholders, our broader engagement approach with stakeholders reflects the breadth and complexity for our organization. It is the candid feedback from stakeholders—responding to and often challenging the position of the EICC—that results in deeper thought and more relevant and effective actions.

**Looking Ahead**

As part of the review of our governance structure mentioned on page 13, members voted to create a Stakeholder Advisory Council, which will be established during the course of 2013. This Committee is planned to meet quarterly and provide formal feedback and advice to the EICC Board of Directors.
during the year in addition to publishing an independent commentary once a year on our website. This significant change in the governance of the organization is designed to allow increased transparency and public accountability, as well as to enable us to benefit from the cutting-edge insights and expertise of representatives from relevant stakeholder groups.

In addition to the creation of this Council, we will further develop local Stakeholder Advisory Networks in key geographies of relevance to the organization and its members. This will ensure that our perspectives on key issues and activities are enriched with important insights and advice relating to the reality of a given country or region.

Finally, interaction and collaboration with relevant stakeholder groups will continue, and we will expand the involvement of stakeholders as advisors to specific EICC projects, identified on a case-by-case basis.
## Appendix 1: Acronyms & Definitions

### ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AMA</td>
<td>Auditee Managed Audit</td>
</tr>
<tr>
<td>CFS</td>
<td>Conflict-Free Smelter</td>
</tr>
<tr>
<td>CMA</td>
<td>Customer Managed Audit</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>Dodd-Frank</td>
<td>Dodd-Frank Wall Street Reform and Consumer Protection Act</td>
</tr>
<tr>
<td>DRC</td>
<td>Democratic Republic of Congo</td>
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<tr>
<td>EICC</td>
<td>Electronic Industry Citizenship Coalition, Incorporated</td>
</tr>
<tr>
<td>EICC-ON</td>
<td>EICC technology platform for storing assessment data</td>
</tr>
<tr>
<td>FLA</td>
<td>Fair Labor Association</td>
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<tr>
<td>GeSI</td>
<td>Global e-Sustainability Initiative</td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
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<tr>
<td>IPE</td>
<td>Institute of Public &amp; Environmental Affairs</td>
</tr>
<tr>
<td>IRCA</td>
<td>International Register of Certified Auditors</td>
</tr>
<tr>
<td>ITRI</td>
<td>Tin Industry Association</td>
</tr>
<tr>
<td>iTSCi</td>
<td>ITRI Tin Supply Chain Initiative</td>
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<td>JEITA</td>
<td>Japanese Electronics and Information Technology Industries Association</td>
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<td>KPI</td>
<td>Key Performance Indicator</td>
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<td>MCP</td>
<td>Membership Compliance Program</td>
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<tr>
<td>NGO</td>
<td>Nongovernmental Organization</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
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<td>OEM</td>
<td>Original Equipment Manufacturer</td>
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<tr>
<td>PPA</td>
<td>Public-Private Alliance for Responsible Mineral Trade Risk Assessment 1</td>
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<tr>
<td>SAQ</td>
<td>Self-Assessment Questionnaire</td>
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<tr>
<td>SEC</td>
<td>U.S. Securities and Exchange Commission</td>
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<tr>
<td>VAP</td>
<td>Validated Audit Process</td>
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### DEFINITIONS

- **auditee**: Facility or campus undergoing an audit; may be a member facility or supplier facility.
- **comptoir**: Person or organization involved in minerals trade, usually purchasing from *negociants* and selling to smelters or refiners. Comptoirs may also export minerals out of the country.
- **e-Learning**: Online training programs that members and suppliers can either use on the hosted website or by downloading to an internal learning management system.
- **high-risk facility**: A member facility, supplier, or supplier facility that scores 65 percent or less on a total of at least five sections of an EICC risk assessment tool (such as RA1 or SAQ), or scores similarly on an equivalent company risk assessment tool. The presence of any priority nonconformances also indicates an immediate high-risk status.
- **major supplier facility**: A facility for a supplier that is ranked in member’s top 80 percent of direct suppliers by spending and contracted to provide service or material input for member’s finished goods or services, or under the control of the member (e.g., member requires purchasing from the supplier), even if services or materials are not directly conveyed to the member. Excluded facilities: stand-alone administrative, management, distribution, chemical distribution, and remote employees locations, as well as sales, design or call-center buildings.
- **member facility**: All facilities owned or leased by the member that are used to manufacture, assemble, or package the member’s products. Member facilities include joint ventures when the company owns ≥ 51 percent. If member company is unable acquire necessary information (e.g. SAQs/RA2) due to legal structures, please notify Administrator and appropriate considerations will be given. Excluded facilities: stand-alone administrative, management, distribution, chemical distribution, and remote employees locations, as well as sales, design or call-center buildings.
- **Membership Compliance Program**: Member-ratified program defining membership requirements and the implication of member non-attainment of membership requirements.
- **membership requirements**: Defined requirements that Full and Applicant members must meet to be considered in compliance with Membership Compliance Program requirements.
- **negociant**: Person or organization involved in minerals trade, usually purchasing materials from the mine or miner.
Appendix 2: Notes

1. Table definitions:
   Full: References performance by respondent companies that were Full Members at the end of the respective year
   App: References performance by respondent companies that were Applicant Members at the end of the respective year
   N/A: Not applicable
   NR: Not reported

2. Member facilities: All facilities owned or leased by the member that are used to manufacture, assemble, or package the member’s products. Member facilities include joint ventures in which the company owns ≥ 51 percent. Excluded facilities: stand-alone administrative, management, distribution, chemical distribution, and remote employee locations, as well as sales, design, or call-center buildings.

3. Major supplier facilities: All facilities owned or leased by the supplier that are used to manufacture, assemble, or package the company’s products. Supplier facilities include joint ventures when the company owns ≥ 51 percent. Excluded facilities: stand-alone administrative, management, distribution, chemical distribution, and remote employee locations, as well as sales, design, or call-center buildings.

4. High-risk facility: A member facility, supplier, or supplier facility that scores 65 percent or less on a total of at least five sections of a risk assessment tool, such as a Risk Assessment 1 (RA1) or SAQ. The presence of any Priority nonconformances indicates immediate High Risk status. Alternately, a high risk facility could be identified by a member company using a risk assessment methodology chosen by the member that has elements of RA1 or SAQ/RA2.


6. For general information about our workgroups and task forces, see http://www.eicc.info/about_us-e.shtml. For the list of current workgroups and task forces, see http://eicc.info/about_us-e.shtml.

7. See www.conflictfreesmelter.org.

8. For a list of all 2011-2012 submissions provided by members and external organizations, see: http://www.eicc.info/documents/Code_Submissions_Website_11_9.pdf

9. For a comparison of the previous version of the Code, version 3.0, to the recently approved Code version 4.0, see: http://eicc.info/documents/CodeofConduct30vs40FINAL.pdf

10. SOMO has created a working paper on temporary labor that can be found at http://somo.nl/publications-en/Publication_380c/view.

11. Note that a facility—whether it is a member’s own facility or a supplier facility—fills in the SAQ. The data in the SAQ belongs to the company that owns the facility and can only be shared at the discretion of that company. Customers may request access to results through EICC-ON within the context of the customer-supplier relationship.

12. The total is more than 100 percent as members were allowed to select more than one response.

13. Ibid.

14. E.12: Supplier Responsibility: A process to communicate Code requirements to suppliers and to monitor supplier compliance to the Code.

15. D.9: Non-Retaliation: Participants should have a communicated process for their personnel to be able to raise any concerns without fear of retaliation.

16. For more information on the IRCA certification specific to the EICC, see http://www.irca.org/en-gb/certification/schemes/EICC-GeSI/.

17. Ibid.

18. The International Metalworkers’ Foundation is now known as IndustriALL. More information can be found at http://www.industriall-union.org/.

19. The results of previous research on working hours can be found at http://www.eicc.info/working_hours.shtml.

21. The term “employee” in this report covers all laborers, including contracted laborers, who work for ICT companies in China.

22. Emergency or unusual situations are unpredictable events that require overtime in excess of legal or EICC limits. Such events cannot be planned for or foreseen. Examples include equipment breakdown, power failure, or other emergency resulting in prolonged shutdown of a production line and unforeseen raw material or component shortages or quality issues that shut down production. Situations that are NOT “emergency” or “unusual” include peak season production demands, new product ramp up, and contract change orders that significantly increase order volumes or shorten delivery timelines.


26. See http://www.oecd.org/document/36/0,3746,en_2649_34889_44307940_1_1_1_1,00.html.

27. See http://www.oecd.org/document/15/0,3746,en_2649_34893_48584143_1_1_1_1,00.html.


29. The EICC and GeSI joined as separate organizations.


32. Ibid.

33. Due to the timing of the session, the JEITA session is considered the eighth conflict minerals workshop and accounts for the gap in the numbering of conflict minerals press releases on the EICC website at http://eicc.info/news_center02.shtml.

34. See www.conflictfreesmelters.org.


36. See http://www.ghgprotocol.org/

37. See www.cdproject.net.

38. See www.globalreporting.org.


42. Scope 1 emissions, as defined by the GHG Protocol, are all direct GHG emissions, that is, those from “sources owned or controlled by the reporting entity”). Scope 2 emissions are “indirect emissions from the consumption of purchased electricity, heat, or steam.”

43. The Scope 1 & 2 emissions reported here make up a portion of the Scope 3 emissions of the participating customers, in accordance with the GHG Protocol for Scope 3 reporting. We do not report Scope 3 data reported by suppliers (participants’ Scope 4) because of the early maturity of Scope 3 reporting, which currently results in incomplete data. We expect this data to improve in the coming years.

44. More than one member may have selected a supplier to receive an invitation to submit their emissions and water data. The term “unique supplier” references the number of suppliers after duplicate nominations have been removed.

45. Numbers indicate percentage of member companies responding to the annual membership survey that indicated use of the Carbon and Water Reporting Initiative for tracking energy or water in their own operations or supplier operations.


47. The updated provision, Section D.1 Business Integrity, reads: The highest standards of integrity are to be upheld in all business interactions. Participants shall have a zero tolerance policy to prohibit any and all forms of bribery, corruption,
extortion and embezzlement (covering promising, offering, giving or accepting any bribes). All business dealings should be transparently performed and accurately reflected on Participant's Business books and records. Monitoring and enforcement procedures shall be implemented to ensure compliance with anti-corruption laws.


50. The updated provision, Section A.1 Freely Chosen Employment, reads: Forced, bonded (including debt bondage) or indentured labor; involuntary prison labor; slavery or trafficking of persons shall not to be used. This includes transporting, harboring, recruiting, transferring or receiving vulnerable persons by means of threat, force, coercion, abduction or fraud for the purpose of exploitation. All work must be voluntary and workers shall be free to leave work at any time or terminate their employment. Workers must not be required to surrender any government-issued identification, passports, or work permits as a condition of employment. Excessive fees are unacceptable and all fees charged to workers must be disclosed.

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