

Appendix 1, Part 2

FACTORY NAME: **FU TAI HUA INDUSTRIAL (SHENZHEN) CO. LTD.**

BUSINESS UNIT NAME: **iDSBG (iPad/iMac Assembly Unit) Longhua**

FLA AFFILIATED BRAND IN PRODUCTION: **APPLE**

CITY/COUNTRY: **SHENZHEN / CHINA**

NUMBER OF WORKERS: **66,680**

DATE OF ASSESSMENT: **March 5-8, 2012**

SERVICE PROVIDER: **OPENVIEW**

NUMBER OF WORKERS INTERVIEWED ON-SITE: **200**

NUMBER OF WORKERS INTERVIEWED OFF-SITE: **60**

NUMBER OF MANAGERIAL STAFF INTERVIEWED: **30**

FINDING NO: 1

EMPLOYMENT FUNCTION: RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Needed

Finding Explanation:

- Factory requires workers –except short-term workers and interns – to sign a 3- year contract that provides for an extended probation period of 6 months. However, in the FLA benchmarks, the probation period limit is 3 months.

Local Law or Code Requirement:

FLA Workplace Code (Compensation Benchmarks C.3).

Root Causes:

- Since Apple only recently affiliated with the FLA, and has yet to fully align its policy and procedures as well as Code of Conduct with FLA standards and benchmarks, suppliers have not been communicated FLA requirements.
- China's Labor Contract Law Article 19 allows for an extended probation period of up to 6 months in three-year employment contracts.

Recommendations for Sustainable Improvement:

- Management should revise the employment contracts to limit maximum probation period to 3 months / 1 month
- Apple should align its current policy, procedures and Code of Conduct with FLA's standards and benchmarks / 3 months
- Management and worker representatives should be trained on revised policy and procedures / 9 months

Remediation Plan:

- Enhance job descriptions to define skill level requirements and relevant working experiences of critical work stations for the management of new-employee probation period. (CHR: Director and iDSBG: Director, 04/30 /'12)
- Revise policy and procedures regarding probationary period for newly recruited employees to limit the probation period 3 to 6 months based on relevant working experiences and skill level requirements of critical work stations. Furthermore, ensure consistency when issuing the employment contract and policy & procedure with regards to the probation period limit. (Corporate Human

Resources (CHR): Director and iDSBG: Director, 05/31 /'12)

- Continuously enhance policy and procedures for Recruitment & Hiring / HSE Protection / Management of Special Categories of Workers such as young workers (16 to 18 years old)/ elderly workers, pregnant/ lactating workers, trainees/ apprentices/ interns and employees with disabilities. (CHR: Director, Corporate Fire & Industrial Safety (CFIS): VP, HSE committee, iDSBG: Director; 05/31/'12)
- Train workers and management team on the revised policy and/or procedures; refresh training periodically as operations move forward. (iDSBG: Director, 06/30/'12)
- Apple will align its current policy, procedures and Code of Conduct with FLA's standards and benchmarks. (Apple Supplier Responsibility, 06/30/12)

FINDING NO: 2

EMPLOYMENT FUNCTION: RECRUITMENT, HIRING AND PERSONNEL DEVELOPMENT

FINDING TYPE: Sustainable Improvement Needed

Finding Explanation:

- During the review of job descriptions it was observed that there is an age requirement (older than 24 years old) for the Recruitment Interviewer position.
- Several inconsistencies were observed between business group- and factory-level policies and procedures dealing with Recruitment and Hiring that could potentially discriminate against protected classes of workers.
- Although there have been many changes implemented recently with respect to technical staff recruitment at the group-level, related procedure has not been reviewed and updated since February 22, 2008. Similarly, the terms of workers grades have been changed in practice, but the policy has not been updated accordingly.

Local Law or Code Requirement:

FLA Workplace Code (Nondiscrimination Benchmark ND.2; Employment Relationship Benchmark ER.1)

Root Causes:

- Since Apple only recently affiliated with the FLA, and has yet to fully align its policy and procedures as well as Code of Conduct with FLA standards and benchmarks, suppliers have not been communicated FLA requirements.
- Lack of a mechanism/procedure to ensure consistency in the creation and implementation of policy/ procedures from Business Group down to factory level and vice-versa.
- Internal monitoring system does not provide in-depth controls on possible quality issues in documentation on Employment Relationship.

Recommendations for Sustainable Improvement:

- Apple should align its current policy, procedures and Code of Conduct with FLA's standards and benchmarks / 3 months

Remediation Plan:

- Review and revise existing policy and procedures to ensure consistency among corporate, business group and factory levels. (CHR: Director and

- Corporate management should create a mechanism to align all policies and procedures across all Business Groups and factories, including provisions that would allow Business Groups and factories to provide feedback about changes in their policies and procedures, so that consistency is ensured / 6 months
- Management should revise Recruitment & Hiring policy and related procedures for addressing discrimination issues and eliminate group- and factory-level inconsistencies / 6 months
- An effective internal monitoring procedure should be established and implemented to ensure updating of written policy and procedures/ 9 months

iDSBG: Director, 04/30/'12)

- Review and revise Recruitment & Hiring policy/procedures to eliminate any potential discrimination, e.g., based on age. Develop objective criteria (such as educational achievement or work experience) to define qualifications for all job positions. (CHR: Director and iDSBG: Director, 04/30/'12)
- Enhance periodic monitoring on policy and procedures and document control to ensure internal documents are up-to-date.(iDSBG: Director, 04/30/'12 and continuously)
- Apple will align its current policy, procedures and Code of Conduct with FLA's standards and benchmarks. (Apple Supplier Responsibility, 06/30/12)

FINDING NO: 3

EMPLOYMENT FUNCTION: COMPENSATION

FINDING TYPE: Immediate Action Required

Finding Explanation:

- 5% of the workers interviewed mentioned that training and testing for working skills improvement performed after regular working hours are not treated as working hours and are not compensated.
- Most of the workers are asked to attend morning meetings, which take place about 10 minutes before the official start time. This is not official policy, but common practice in many sections. That meeting time is not treated as time worked and is not compensated accordingly.
- In some instances the factory did not pay unscheduled overtime if it was in fractions of 30 minutes. For example, a worker punching out at 7:53pm would not be paid for 23 minutes, based on how the computing system is set up.

Local Law or Code Requirement:

China Labor Law, Article 44, and FLA Workplace Code (Compensation Benchmarks C.5 and C.17; Employment Relationship Benchmark ER.28)

Immediate Action:

Management to ensure full payment of all hours of work including overtime (and fractions thereof), morning meetings and skills training after regular hours.

Root Causes:

- Training opportunities are seen as a benefit for workers; therefore time spent on them is not compensated. Furthermore, workers are not aware that all time spent at the factory under management supervision should be compensated.
- Hours of Work & Compensation policy and procedures do not include or reference treatment of time for attending testing session, team meetings, arriving to work early, and so on, and top management is not aware of these practices.
- These practices have never been raised during the external or internal audits.
- Workers lack awareness on factory's Hours of Work & Compensation policy and procedures.
- There is no system in place for evaluating the efficiency of the trainings provided or communication procedures.

Recommendations for Sustainable Improvement:

- Enhance Compensation and Hours of Work policies and procedures to address workers attending work-related meetings, early arrivals, etc. / 3 months
- Department managers and supervisors should be trained on enhanced Compensation and Hours of Work policy and procedures / 4 months
- Workers should be trained on enhanced Compensation and Hours of Work policy and procedures / 5 months
- An effective internal monitoring procedure should be established and implemented to prevent recurrence of this practice and to ensure successful implementation of written policy and procedures/ 6 months
- Effectiveness of the trainings and communication procedures should be checked periodically to gauge workers' awareness on wages and benefits / 6 months

Remediation Plan:

- Immediately review current payment practices to ensure full payment of all hours worked, including work-related meetings before and after regular working hours. (iDSBG: Director, 04/15/'12 and continuously)
- Enhance Compensation/Hours of Work policy and procedures to address workers' attendance at work-related trainings and meetings. (CHR: Director and iDSBG: Director, 04/30/'12)
- Workers will be compensated (regular hours or overtime) for all work-related mandatory training. Enforce that all work-related meetings are conducted on-the-clock during regular working time window. Workers will be informed and trained to understand policy that overtime is not payable for trainings that are not work-related or mandatory such as degree training programs supported by Foxconn, social skill trainings, training for personal hobbies, and so on. (CHR: Director and iDSBG: Director, 04/30/'12)
- Currently non-production workers apply and receive approval in advance for the amount of overtime to be worked. If an employee stays longer, he or she is required to obtain verification from management. Management will re-examine the overtime reconciliation process for indirect labor to determine what changes may need to be made. Additionally, management plans to reduce overtime blocks from 30 minutes to 15 minutes for greater granularity on compensation of work hours
- With respect to the pre-shift 10 to 15 minute assembly, management will develop a process to ensure employees receive compensation for these meetings if they happen prior to employee clocking in for work. (iDSBG: Director, 04/30/'12)
 - o Synchronize time window for wage calculation of effective overtime to 15 minute window equivalent to time window for tardy and early leave as specified in current policy.
 - o Strengthen the overtime hour validation process conducted by supervisors.
 - o Encourage workers to fully utilize enquiry terminals in each and every building for their verification of attendance/overtime hours.

- Enhance overtime hours and wage administration of workers. (CHR: Director and iDSBG: Director, 04/30/'12 and continuously)
- Enhance internal monitoring system to ensure that actual implementation is aligned with policy and procedures. (iDSBG: Director, 05/31/'12)
- Train enhanced policy and procedures to department managers and supervisors. (iDSBG: Director, 06/30/'12)
- Train enhanced policy and procedures to the newly hired workers via orientation training and current workers via refresh training. (iDSBG: Director, 07/31/'12)
- Periodically conduct employee survey to confirm their awareness and perception on wages and benefits. (iDSBG: Director, 09/30/'12)

FINDING NO: 4

EMPLOYMENT FUNCTION: COMPENSATION

FINDING TYPE: Sustainable Improvement Needed

Finding Explanation:

- Although factory provides pension, medical and work related injury insurance to all workers, only local workers (approximately 1% of the total workforce) are covered under unemployment and maternity insurance. In practice, however, the Shenzhen Social Security system allows all female workers to register once they become pregnant and to receive maternity benefits without prior registration. http://www.szsi.gov.cn/sbjxxgk/zcfggfwj/zctw/200810/t20081008_729.htm
- During the assessment there were 126 interns in the factory; all of them were being provided with medical and work-related accident insurance, but not covered under unemployment, pension and maternity insurance. There are no clear guidelines about social security benefits for interns and an official statement by the Social Security Bureau indicates that employers do not have to provide social security benefit to interns as they are governed under the Guangdong Internship Regulations. http://www.szsi.gov.cn/bwbd/jjzs/qycbyw/201102/t20110217_3763.htm
- There are two types of interns: vocational school and college interns. There is a three-party agreement between the vocational schools, students and Foxconn that governs interns' tenure at Foxconn. The agreement stipulates that vocational interns are required to live in the dorms as a condition for their internship; even if they later decide not to live in the dorms, dormitory charges are still deducted from their wages. This practice is consistent with the employment agreement that vocational interns sign when they start working at the factory.

Local Law or Code Requirement:

China Labor Law, Article 73; and FLA Workplace Code (Compensation Benchmarks C.1, C.5; Forced Labor Benchmark F.5)

Root Causes:

- The Chinese Social Insurance Law requires that all workers enjoy five types of social insurance, namely pension, medical, maternity, work related injury and unemployment. However, unemployment insurance benefits can only be claimed by local Shenzhen workers. Workers from other provinces would not be able to claim their unemployment benefits even if registered and paid-up.
- Many workers do not demand social insurance because they believe they will not be able to transfer funds to

their hometowns.

- Workers and managers are not informed about the social insurance law and its requirements and benefits. Both the employer and the employee have to contribute to social for unemployment and pension, which are seen as an extra “cost” by both parties.
- The social insurance system is under development and local governments have not been monitoring compliance strictly.
- Interns are not considered employees in the labor law and the employer is not required to provide all.

Recommendations for Sustainable Improvement:

- Workers and management should be trained on the different social insurance coverage and protections/ 3 months
- Management should prepare and implement an action plan to ensure that all workers will be covered by all five types of social insurance within a three-year period. Target percentages for registration will be as follows:
 - o First Year 33%
 - o Second Year 66%
 - o Third Year 100%

Remediation Plan:

- Work with Corporate Human Resources to research legal requirements and reasonable practice to implement social insurance for all employees that comply with national and local government law and regulations. (CHR: Director and iDSBG: Director, 03/31/'13)
- Urge Labor Union to conduct a survey to evaluate employees' preference on options for unemployment insurance for migrant workers in Shenzhen and maternity insurance for migrant female workers in Shenzhen; possible options are proposed below:(CHR: Director, Labor Union: Chairman and iDSBG: Director, 06/30/'12)
- Unemployment insurance for migrant workers in Shenzhen:
 - o Enroll in alternative scheme (both employee and factory pay insurance fees; migrant employees receive benefits, insurance scheme to be determined).
 - o Keep as is until Shenzhen government officially implements unemployment insurance policy for migrant workers (Draft has been reviewed by the Shenzhen government)
 - o Maternity insurance for migrant female workers in Shenzhen:
 - o Maintain current practice of enrolling migrant workers in Government's Medical Insurance (only factory pay insurance fees; migrant female employees enroll in maternity insurance once they become pregnant and receive maternity benefits).
- Workers and management team to be trained on the various social insurance coverage and protections. (CHR: Director and iDSBG: Director, 06/30/'12 and continuously)
- Review policy and procedures regarding interns to assure free choice of lodging options; fees to be

handled according to intern's choice of lodging.
(CHR: Director and iDSBG: Director, 04/30/'12)

FINDING NO: 5

EMPLOYMENT FUNCTION: HOURS OF WORK

FINDING TYPE: Immediate Action Required

Finding Explanation:

- Interns are allowed to work overtime regularly without any restriction, therefore exceeding the 40 hours per week limit.

Local Law or Code Requirement:

Guangdong Province Internship Regulation, Article 22.5; and FLA Workplace Code (Employment Relationship Benchmark ER.1)

Immediate Action:

Factory management should stop the practice of allowing interns to work overtime hours and should not exceed 40 hours per week.

Root Causes:

- Management is not aware of the local regulation regarding working hours limit for interns.

Recommendations for Sustainable Improvement:

- Management should review and revise the Hours of Work policy and related procedures to prohibit interns from exceeding 40 hours of work per week / 3 months
- Interns and Management representatives should be trained on revised policy and procedures / 4 months
- An effective internal monitoring procedure should be established and implemented to prevent interns from exceeding the 40 hours per week limit to ensure successful implementation of written policy and procedures/ 9 months

Remediation Plan:

- Immediately stop overtime work by interns. (CHR: Director and iDSBG: Director, Done on 02/20/'12)
- Review and revise Hours of Work policy and procedures to prohibit interns from exceeding 40 hours of work per week. (CHR: Director and iDSBG: Director, Done on 03/15/'12)
- Formally announce and train interns and management team on revised policies and procedures. (CHR: Director and iDSBG: Director, 04/30/'12 and continuously)
- Enhance e-HR system on working hours monitoring for interns. (iDSBG: Director, 06/30/'12):
 - o Automatically exclude interns from available candidate list for overtime arrangement.
 - o Disable application functions for overtime in the system.
 - o Report and monitor working hours data regularly to management.

EMPLOYMENT FUNCTION: HOURS OF WORK

FINDING TYPE: Sustainable Improvement Needed

Finding Explanation:

- Factory's hours of work policy and related procedures set the maximum weekly combined working hours (regular hours plus overtime) at 60 hours per week. This meets Apple and FLA code standards but violates local law which limits regular weekly hours to 40 hours per week and overtime hours to 36 hours per month (an average of nine hours per week).
- During the period between March 2011 and February 2012, most of the workers (77%) worked overtime beyond the legal limit of 36 hours per month.
- Most of the workers worked 60 hours per week (regular hours plus overtime) in early 2011, but this was not the case during the peak season. For example, from November 2011 to January 2012 8% of the workforce worked more than 60 hours and up to 70 hours per week.
- 37% of the workforce did not receive the required 24 consecutive hours of rest in a seven-day period during the peak season (November-December 2011 and January 2012).
- According to the factory's written hours of work procedures, workers are to be provided with 10-15 minutes of ergonomic breaks after every two consecutive hours of work; this procedure is not systematically implemented and many workers do not receive it.

Local Law or Code Requirement:

China Labor Law, Articles 38 & 41; and FLA Workplace Code (Hours of Work Benchmarks HOW.1, HOW.2.)

Root Causes:

- High turnover rate results in decreased levels of productivity and efficiency which in turn requires workers to work more hours to be able to meet the production targets.
- Labor shortage issues in Guangdong province mean factories need to request active workers to work more overtime.
- Production and capacity planning does not include safeguards to prevent workers from working more than 60 hours a week or to ensure workers are provided a day off within a 7 day work period.
- Although the current starting wage is 20% above the legal minimum wage, workers do not feel it is high enough to meet basic needs and provide some discretionary income. As a result, workers rely on OT hours.
- Insufficient oversight by buyer to address reasons behind overtime.
- Possible delays due to late delivery of components.

Recommendations for Sustainable Improvement:

- Close tracking and monitoring of hours of work on a weekly basis to ensure consistency with policy and procedures / continuous
- Factory management should revise its Hours of Work policy and related procedures to bring them in line with local law requirements / 3 months
- Workers and management representatives should be trained on revised policies and procedures / 5 months
- An effective internal monitoring procedure should be established and implemented to ensure that working hours are within legal limits and workers

Remediation Plan:

- Track and monitor hours of work on a weekly basis. (iDSBG: Director, Done on 01/01/'12 and Continuously)
- Immediately abide by the FLA and Apple code of conduct of no more than 60 working hours per week. (CHR: Director, Labor Union: Chairman and SHBG: Director)
- Put in place an aggressive program to achieve the limit of no more than 36 hours over time per month by July 1, 2013. This program will involve building sufficient infrastructure including more dormitories to accommodate the additional number of

are provided with ergonomic breaks/ 6 months

- Apple Sourcing and Supplier Responsibility teams should use the FLA Principles of Fair Labor Responsible Sourcing to work with Foxconn to identify and improve the materials and production planning processes that contribute to excessive overtime.
- Factory should improve forecasting and production planning to ensure hours of work limits are not exceeded. Facilitate close communication with customers to meet the demands based on actual capacity and based on legal compliance with local regulations and code of conduct/continuous
- Factory should look for ways to improve productivity and quality levels (such as using in line SPC system, preventive maintenance, individual performance evaluation systems, etc.) while reducing re-works and second quality ratios. It's important for these gains to be reflected in the monthly salaries of the workers. This could also help reduce OT work by increasing the output during the regular hours. / 1 year

- workers required to reduce the overtime from 80 hours per month to no more than 36 hours per month as well as addressing compensation given the reduced hours. (CHR: Director, Labor Union: Chairman and iDSBG: Director, 07/01/'13)
- Formally announce the revised policy to all workers and management representatives via company newsletter, notice board, trainings, etc. (iDSBG: Director, 04/30/'12)
 - Enhance e-HR system for overtime management and monitoring (iDSBG: Director, 06/30/'12):
 - o Revise the upper limits for monthly and weekly working hours and continuous working days.
 - o Pre-alert for imminent OT violations.
 - o Automatic selection of the qualified candidates in compliance with legal limit.
 - o Report and monitor OT data to management team on a weekly basis.
 - Collaborate with customer to smooth production schedule, yield/quality improvement actions and overtime status. (iDSBG: Director, Continuously)
 - Commit to continuously improve productivity and quality and find out the best practices for shift arrangement. (iDSBG: Director, On-going and continuously)
 - Monitor consistency in implementing written policy regarding 10-15 minutes ergonomic breaks. (iDSBG: Director, Ongoing and Continuously)
 - Apple will continue to work with Foxconn to understand and resolve all of the causes of excessive overtime, including the recommended actions above. In late 2011 Apple began focused weekly tracking and management of working hours across the supply chain, including Foxconn factories, that has already resulted in significant improvements. (Apple Supplier Responsibility, on-going)

EMPLOYMENT FUNCTION: INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Needed

Finding Explanation:

- Nearly all union committee members are managerial staff (30 of the union committee are either managers or supervisors, and only two representatives are workers, who were nominated by management). The Chairman of the local union is the factory's Purchasing Project Manager and the vice chairman is the Human Resources supervisor.
- Copy of current Collective Bargaining Agreement has not been provided to the workers, per FLA Benchmark ER.16.

Local Law or Code Requirement:

FLA Workplace Code (Freedom of Association Benchmarks FOA.2, FOA.10, FOA.11; Employment Relationship Benchmarks ER.16 and ER.26); Trade Union Act (2001); Shenzhen Municipal Implementing Regulations for the Trade Union Law of the People's Republic of China

Root Causes:

- Since Apple has only recently affiliated with the FLA and has yet to align its policy and procedures as well as its Code of Conduct with FLA standards, suppliers have not been communicated the requirement of distributing a Collective Bargaining Agreement to workers.
- It is not a legal requirement in China to provide a copy of the Collective Bargaining Agreement to workers.

Recommendations for Sustainable Improvement:

- A copy of Collective Bargaining Agreement should be provided to the workers / 3 months
- Apple should align its current policy, procedures and Code of Conduct with FLA standards and benchmarks / 3 months
- Management should create and implement Industrial Relations policy and procedures that would enable workers to consult with and provide input to management through appropriate structures to be developed for this purpose / 4 months
- Workers and Management representatives should be trained on revised policies and procedures / 5 months
- Union committees should be comprised of representatives nominated and elected by workers without management interference as set out in the Shenzhen Municipal Implementing Regulations for the Trade Union Law of the People's Republic of China. Apple staff should observe the election processes. / 6 months
- Elected worker representatives should be placed in all existing and future committees (e.g., Health and Safety Committee, Disciplinary Committee) and these committees will be actively involved in the

Remediation Plan:

- Determine the optimal way to convey contents of the Collective Bargaining Agreement to employees considering the massive numbers of employees (1,2 million) working at Foxconn.(CHR: Director, Labor Union: Chairman and iDSBG: Director, 05/31/'12)
 - o Print contents of Collective Bargaining Agreement on employee handbook, and/or
 - o Post on data base where workers can access on line through terminals on shop floor or internet devices, and/or
 - o Always post contents of Collective Bargaining Agreement on bulletin boards.
- Review Industrial Relations policy and procedures with Labor Union and workers' representatives to enhance worker participation in policies formation process.(CHR: Director and iDSBG: Director, 06/30/'12)
- Labor Union to review formation of Labor Union committees according to the Shenzhen Municipal Implementing Regulations for the Trade Union Law; and to encourage the participation of worker representatives in the election of Labor Union committees without management's interference. (Labor Union: Chairman and iDSBG: Director, 06/30/'12)

- Workers and Management representatives will be trained on the revised policy and procedures (Labor Union: Chairman and iDSBG: Director, 06/30/'12)
 - o Conduct a dedicated session for Labor Union and make introduction of Labor Union staff and relevant representatives of Labor Union committee in new employee orientation training.
 - o Organize refresh training for employees to enhance the participation of workers in the activities of the Labor Union.
- Monitor the level of participation of elected worker representatives in various Union committees and survey the perception of Labor Union members to determine upgrading strategies going forward .(Labor Union: Chairman and iDSBG: Director, 10/31/'12)
- Apple will align its current policy, procedures and Code of Conduct with FLA's standards and benchmarks. (Apple Supplier Responsibility, 06/30/12)
- Apple will evaluate alternatives for independent monitoring of the election process (09/30/12)

FINDING NO: 8

EMPLOYMENT FUNCTION: INDUSTRIAL RELATIONS

FINDING TYPE: Sustainable Improvement Needed

Finding Explanation:

• Article 113-64 of the work rules in the worker handbook stipulates that workers would be fired in case of an involvement in a strike. Although this provision has not been applied and there have been no cases of dismissal owing to this article, it should be removed as it is in violation of an FLA benchmark.

Local Law or Code Requirement:

FLA Workplace Code (Employment Relationship Benchmarks ER.26, Freedom of Association Benchmarks FOA.4, FOA.5, and FOA.22); Shenzhen Municipal Implementing Regulations for the Trade Union Law of the People's Republic of China

Root Causes:

- Since Apple only recently affiliated with the FLA and has yet to align its policy and procedures as well as its Code of Conduct with FLA standards, suppliers have not been communicated this requirement. This practice is in line with local law and regulations but is in violation of FLA standards.
- Chinese law does not recognize the right to strike and factory management stated that this is the reason for Article 64 in the work rules.
- This issue has never been brought to the attention of the factory management during external audits.

Recommendations for Sustainable Improvement:

- Apple should align its current policy, procedures and Code of Conduct with FLA's standards and benchmarks / 3 months

Remediation Plan:

- Immediately remove "illegal strike" from Article 113-64 of employee handbook and inform the Labor Union and all employees about the change; the

- Management should revise the Workplace Conduct and Discipline policy and related procedures to remove article 113-64 from the work rules/ 6 months
- Workers and Management representatives should be trained on revised policy and procedures / 9 months
- Management should adopt rules for the treatment of workers who engage in a work stoppage. These rules will be based on international and Chinese best practices / 9 months
- An effective internal monitoring procedure should be prepared and implemented to prevent recurrence of this practice and to ensure successful implementation of written policy and procedures/ 9 months

- most updated statements will be printed on the next edition of the employee handbook. (CHR: Director, 04/15/'12)
- Train workers and management representatives on the revised policy and procedures. (iDSBG: Director, 04/30/'12)
- Enhance management trainings on how to resolve work stoppages based on international and Chinese best practices. (iDSBG: Director, 06/30/'12)
- Implement periodic internal monitoring to ensure successful implementation of written policy and procedures. (iDSBG: Director, 06/30/'12 and continuously)
- Apple will align its current policy, procedures and Code of Conduct with FLA's standards and benchmarks. (Apple Supplier Responsibility, 06/30/12)

FINDING NO: 9

EMPLOYMENT FUNCTION: WORKPLACE CONDUCT & DISCIPLINE

FINDING TYPE: Immediate Action Required

Finding Explanation:

- It was observed that there is a practice of posting all disciplinary actions with names of the workers subjected to these disciplinary actions on the factory's website and notice boards.
- Gathered information indicates that workers are using the "self-description form" as a form of self-criticism.

Local Law or Code Requirement:

FLA Workplace Code (Harassment or Abuse Benchmark H/A.6)

Immediate Actions:

- Factory management should stop the practice of publishing disciplinary actions with workers' names and communicate its discontinuance to the workers; workers should be trained on proper use of the "self-description form."

Root Causes:

- Since Apple only recently affiliated with the FLA and has yet to align its policy and procedures and Code of Conduct with FLA standards, suppliers have not been communicated this requirement. This practice is in line with local law and regulations but is not in compliance with FLA standards.
- Although there is a detailed Disciplinary System in place which includes written policy & procedures and a Disciplinary Committee, there are still some important components missing. In the current system, disciplinary penalties and appeal processes are under the sole control of management and there is no oversight mechanism or means to appeal a disciplinary action is not clear to workers.

Recommendations for Sustainable Improvement:

- Apple should align its current policy, procedures and Code of Conduct with FLA's standards and benchmarks / 3 months
- Management should review and revise Workplace

Remediation Plan:

- Review and revise Workplace Conduct and Discipline policy and procedures to eliminate the possibility of posting the names of workers that have been the subject of disciplinary actions, e.g.,

Conduct and Discipline policy and related procedures to eliminate the possibility of posting the names of workers that have been imposed disciplinary actions / 6 months

- Workers and Management should be trained on revised policy and procedures, including the main objective of and how to fill out the “self-description form”/ 9 months
- An effective internal monitoring procedure should be established and implemented to prevent recurrence of this practice and to ensure successful implementation of written policy and procedures/ 9 months

removing workers’ names prior to posting. (CHR: Director and iDSBG: Director, 03/31/’12)

- Enhance the Discipline module of the e-HR system to make sure there is confidentiality during the whole process.(iDSBG: Director, 03/31/’12)
- Train all workers and relevant management representatives on revised policies and procedures. (CHR: Director and iDSBG: Director, 04/30/’12)
- Enhance internal monitoring frequency on disciplinary process to ensure successful implementation of the written policy and procedures. (iDSBG: Director , 06/30/’12 and continuously)
- Apple will align its current policy, procedures and Code of Conduct with FLA’s standards and benchmarks. (Apple Supplier Responsibility, 06/30/12)

FINDING NO: 10

EMPLOYMENT FUNCTION: GRIEVANCE SYSTEM

FINDING TYPE: Sustainable Improvement Needed

Finding Explanation:

- There is inconsistency in procedures regulating how to lodge a grievance. For example, the grievance procedures suggest that grievances can be anonymous whereas Article 140 of the worker handbook stipulates that the company does not accept anonymous grievances.
- No instructions at the suggestion boxes.
- Some workers are not comfortable using the grievance system because of fear of retribution and pressure from supervisors to quit if they lodge one or more complaints.

Local Law or Code Requirement:

FLA Workplace Code (Employment Relationship Benchmarks ER.25)

Root Causes:

- Since Apple has only recently joined the FLA and has yet to revise its policy and procedures and its Code of Conduct. Suppliers have not been communicated FLA requirements.
- Lack of understanding on how the grievance system functions and fear of retaliation which is mainly caused by inconsistencies at a policy level.
- These issues have never been raised during previous external audits.
- There is no worker representation and integration on current Grievance policy and procedures therefore workers do not trust in these systems.
- There is no established system for evaluating the effectiveness of the trainings provided or communication procedures in place.

Recommendations for Sustainable Improvement:

- Management should train all workers as well as supervisory and managerial staff on the factory’s grievance system / 3 months

Remediation Plan:

- Use a variety of means (emails, bulletin board, posters, trainings, meetings and so on) to inform workers and management about grievance channels

- Apple should align its current policy, procedures and Code of Conduct with FLA's standards and benchmarks / 3 months
- Effectiveness of the trainings and communication procedures should be checked periodically to gauge workers' awareness on factory's Grievance policy and procedures / every 6 months
- Elected worker representatives should be placed on the Grievance Committee so that they can provide active worker representation and involvement on decision-making process about grievance related issues. / 7 months
- Workers and management representatives should be trained on revised policy and procedures / 9 months
- An effective internal monitoring procedure should be prepared and implemented to prevent recurrence of this issue and to ensure successful implementation of written policy and procedures/ 9 months

- and counseling procedures (iDSBG: Director, 04/30/'12)
- Conduct periodic employee surveys to assess awareness and perception of grievance system. (iDSBG: Director, 06/30/'12)
- Enhance the consistency in policies and procedures on how to handle grievances at the business group and factory level. (CHR: Director and iDSBG: Director, 04/30/'12)
- Elected worker representatives will be placed in Workers' Committee so that they can provide active worker representation and involvement on decision-making process about grievance related issues. (iDSBG: Director, 06/30/'12)
- Workers and management representatives will be trained on revised policy and procedures. (iDSBG: Director, 05/31/'12)
- Enhance monthly internal monitoring to ensure implementation is in alignment with written policy and procedures. (CHR: Director and iDSBG: Director, 06/30/'12 and continuously)
 - o Establish and periodically review Key Performance Indicators (KPIs) to gauge the effectiveness of grievance system and workers' perception.
 - o Identify root causes for any gaps of grievance system and workers' perception, and take continuous improvement actions.
- Review and implement a comprehensive mechanism to protect employees from retaliation and to prevent managers from retaliating against employees. (CHR: Director, Labor Union: Chairman and iDSBG: Director, 06/30/'12)
- Apple will align its current policy, procedures and Code of Conduct with FLA's standards and benchmarks. (Apple Supplier Responsibility, 06/30/12)

FINDING NO: 11

EMPLOYMENT FUNCTION: TERMINATION & RETRENCHMENT

FINDING TYPE: Sustainable Improvement Needed

Finding Explanation:

- There are no written policies or procedures governing retrenchment and resignation.

Local Law or Code Requirement:

FLA Workplace Code (Employment Relationship Benchmarks ER.1, ER.19, and ER.32)

Root Causes:

- Since Apple only recently affiliated with the FLA and has yet to align its policy and procedures as well as its Code of Conduct with FLA standards, suppliers have not been communicated this requirement. This practice is in line with local law and regulations but is in violation of FLA standards.
- It is not a legal requirement in China for factories to have retrenchment policy and procedures.
- Factory management stated that they have never experienced, they do not need policy and procedures on retrenchment.
- This issue has never been brought to the attention of the factory management during external audits.

Recommendations for Sustainable Improvement:

- Apple should align its current policy, procedures and Code of Conduct with FLA's standards and benchmarks / 3 months
- Management should revise current Termination policy and related procedures to include retrenchment and resignation / 6 months
- Workers and Management representatives should be trained on revised policy and procedures / 9 months
- An effective internal monitoring procedure should be prepared and implemented to ensure consistent implementation of written policy and procedures/ 9 months

Remediation Plan:

- Revise current Termination policy and procedures to include retrenchment, resignation and retirement. (CHR: Director, 04/30/'12)
- Train workers and management representatives on the revised Termination policy and procedures. (CHR: Director, 06/30/'12)
- Conduct periodic internal monitoring to ensure consistent implementation of written policy and procedures. (CHR: Director and iDSBG: Director, 06/30/'12)
- Apple will align its current policy, procedures and Code of Conduct with FLA's standards and benchmarks. (Apple Supplier Responsibility, 06/30/12)

FINDING NO: 12

EMPLOYMENT FUNCTION: HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Needed

Finding Explanation:

- General Health & Safety policy does not cover protection of special categories of workers such as young (16 to 17 years of age)/elderly workers, pregnant/lactating workers, trainees/apprentices/interns and employees with disabilities.
- No procedure for controlling thermal comfort conditions of the workers and protecting them from potential heat-related impact.
- No lock out/tag out (LOTO) procedures for protecting workers from hazardous equipment that might accidentally turn on and harm them.
- List of machines that require guarding is missing.
- Incomplete Material Safety Data Sheets (MSDS) of chemical substances in use that do not cover all necessary information about the chemicals such as ingredients and full chemical composition.
- No confined space procedure (although the work for which such procedures were applicable was being conducted by a contractor.)
- No periodic control system for checking health and safety of contractors who work in the factory, such as in construction, maintenance, or waste handling.
- Emergency action plans do not cover external parties, such as service providers or visitors.

Local Law or Code Requirement:

FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.1, HSE.11, and HSE.14; Employment

Relationship Benchmarks ER.14 and ER.31)

Root Causes:

- Although the factory has obtained OHSAS 18001 certificate, and Health & Safety system is well developed as far as written policy and procedures are concerned, the implementation of the system is not effective in many areas, arguably due to the ineffectiveness of the HSE committee and of the methodology and tools used for internal audits and routine HSE inspections, along with absence of an effective review process.
- Most of the managerial staff interviewed mentioned that these issues have never been raised during OHSAS 18001 external audits
- No active worker representation and participation on HSE committee.
- No active system for encouraging workers to participate in ongoing HSE efforts.
- Risk Analysis report does not cover all hazards and risks in the factory.
- Management is not aware of possible legal and financial consequences of work accidents and occupational diseases that may happen within the factory, including involving service providers/contractors.

Recommendations for Sustainable Improvement:

- Include review of outstanding HSE issues and corrective actions in annual “Management Review” of the HSE system and regular HSE committee meetings. / 3 months
- Revise procedures so that HSE worker representatives are elected and promote worker participation in HSE efforts such as implementing a system for collecting problems/observations/ feedback from workers or letting workers participate in Risk Assessment studies. /3 months
- Develop policies and procedures to control HSE of contractors who work in the factory, such as in construction, maintenance, or waste handling. /3 months
- Develop and implement thermal comfort control procedure with at least the following details:/6 months
 - o Definition of required heat-related measurements
 - o Allowances for workers to take heat-related breaks as needed
 - o Periodical measurements of thermal conditions including humidity and temperature in areas where heat risks are high
 - o Steps to reduce potential negative heat-related impact
- Develop and implement Lock out-Tag out procedure with at least the following details:/6 months
 - o Identification of equipment, tasks (e.g., installation, maintenance, inspection, cleaning or

Remediation Plan:

- Include ongoing HSE issues and corrective actions in the agenda of annual “Management Review” of the HSE system and regular HSE committee meetings.(Foxconn Global Social & Environmental Responsibility (FGSC):Executive Director, HSE Committee, iDSBG:Director, Done on 03/31/’12)
- Revise and expand coverage of emergency action plans to cover external parties such as service providers or visitors with clear guidelines that define standards and methodologies to ensure their safety in case of an emergency. (HSE Committee and iDSBG: Director, 04/30/’12)
- Review and enhance procedures of Health, Safety & Environment (HSE) committee to encourage participation by worker representatives and implement regular meetings on a monthly basis. ((iDSBG: Director, 05/31/’12)
- Enhance annual training plan for HSE staff and HSE worker representatives to improve their knowledge and skills on detecting & managing potential risks. (HSE committee, iDSBG: Director, 05/31/’12)
- Develop comprehensive policies at the Foxconn Corporate level to manage safety and health issues of contractors who work in the factory, such as in construction, maintenance, or waste handling. (iDSBG:Director 06/30/’12)
- The following items should be managed by additional policies and procedures: (HSE Committee, CHR: Director, CHD Director, iDSBG: Director, 06/30/’12)

- repair of machinery or equipment)
 - o Identification of associated hazards resulting from uncontrolled hazardous energy sources
 - o Evaluation of risks associated with hazardous energy
 - o Control measures to reduce or eliminate the risks
- Develop and implement Confined Space procedure with at least the following details:/6 months
 - o Identification of confined spaces and categories within the campus
 - o Associated hazards resulting from uncontrolled operations in confined spaces
 - o Evaluation of risks associated with confined space
 - o Control measures to reduce or eliminate the risks
- Prepare list of machines that need guards and periodically update list /6 months
- Revise MSDS for four chemicals and the overall chemical management system to make sure that all below listed information about chemicals is included:/6 months
 - o Chemical Product and Company Information
 - o Composition/Ingredients
 - o Hazards Identification
 - o First Aid Measures
 - o Fire Fighting Measures
 - o Accidental Release Measures
 - o Handling & Storage
 - o Exposure Controls/Personal Protection
 - o Physical and Chemical Properties
 - o Stability and Reactivity
 - o Toxicological Information
 - o Ecological Information
 - o Disposal Considerations
 - o Regulatory Information
 - o Other Information
- Revise and expand action plans to cover external parties such as service providers or visitors with clear guidelines that define how to ensure their safety in case of an emergency. / 6 months
- Risk Analysis report should be revised through joint efforts of the below-listed

- o Procedures for protection of Elderly Employee
- o Procedures for protection of workers with disability.
- HSE committee to enhance Risk Assessment report through joint efforts by the following participants: (HSE committee and iDSBG: Director, 06/30/'12)
 - o External Consultant
 - o Brand Social Compliance Department Representatives
 - o Plant Manager
 - o HR Manager
 - o SER Specialist
 - o Worker Representatives
 - o Maintenance Department representative
 - o Clinic Doctor (from Health Center in the campus)
- Enhance HSE policy and procedures with respect to the following items to be continuously implemented and strengthened (Corporate Fire & Industry Safety (CFIS): VP, HSE Committee, iDSBG: Director, 06/30/'12 and continuously)
 - o Procedures for Young Workers (16 to 17 years old) Protection Management: HRD20120228A
 - o Young Workers (16 to 17 years of age) Special Protection Management: SR-OP-003
 - o Procedures for Female Worker Protection Management: HR-01-20-WI
 - o Procedures for Disabled Workers' Recruitment and Management: HRD20120217A
 - o Procedures for contractors in the factory: EHS-iDSBG-SP-11
 - o Procedures for High Above Ground Work (Fall Protection) Regulation: CFIS-OP-00020
 - o Procedures for Lockout/Tag out management: EHS-iDSBG-OP-061
 - o Procedures for Thermal comfort control procedures: EHS-iDSBG-OP-054
 - o Procedures for HSE staff and worker representatives training: EHS-iDSBG-SP-08
 - o Procedures for internal monitoring: EHS-iDSBG-OP-056
 - o List of complete sets of analysis on all equipment requiring guarding or any safety devices.
 - o MSDS information enhancement by suppliers

participants: / 7 Months

- o External Consultant and/or Brand Social Compliance Department Representatives
- o Factory Manager
- o HR Manager
- o Person Responsible for Social Compliance
- o Elected HSE Worker Representatives
- o Maintenance Department representative
- o Workplace Doctor (from hospital on the campus)

- Prepare annual training plan for HSE staff and HSE worker representatives to improve their knowledge and skills in detecting & managing potential risks. /6 months
- Prepare and implement an internal monitoring program that would include thermal conditions, Lock out-Tag out, machine guarding, and confined space. / 8 months

- Enhance internal monitoring program that specifically emphasize thermal conditions, LOTO, machine guarding, fall protection, complete MSDS, and emergency action plan coverage. (HSE committee and iDSBG: Director, 06/30/'12)

FINDING NO: 13

EMPLOYMENT FUNCTION: HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Needed

Finding Explanation:

- Although there is an HSE committee in place, this committee is not active. There are no periodic meetings or internal audits conducted by this committee. Currently, the committee only holds meetings for some special cases.
- There is no worker participation and integration on ongoing HSE efforts, as there are no elected worker representatives on HSE committee (all current members were selected by management).
- Accident records only cover serious accidents (accidents with lost working time) but not all the accidents and near miss cases.
- No system for keeping track of sickness and working day lost due to sickness.

Local Law or Code Requirement:

Food Safety Law Article: 29,; Trade Union Act; FLA Workplace Code (Health, Safety, and Environment Benchmark HSE.1; Employment Relationship Benchmark ER.31)

Root Causes:

- Although the factory has obtained OHSAS 18001 certificate, and Health & Safety system is well developed as far as written policy and procedures are concerned, the implementation of the system is not effective in many areas, arguably due to the ineffectiveness of the HSE committee and of the methodology and tools used for internal audits and routine HSE inspections, along with absence of an effective review process.
- No active worker representation and participation on HSE committee.
- No active system for encouraging workers to participate in ongoing HSE efforts.
- Management lacks awareness about possible benefits of keeping records of all work accidents, sicknesses and near miss cases
- Management lacks awareness about possible benefits of having elected worker representatives in HSE committee.

Recommendations for Sustainable Improvement:

- Revise procedures that define working areas/role/responsibility of HSE committee in order to activate the committee. New procedures should clearly define meeting frequency as at least once in a month along with additional number of days required for periodical internal audits, possible training participation, etc./3 months
- Improve record-keeping procedure to make sure that all work accidents, regardless of severity, all near miss cases and sicknesses are recorded in order to identify potential hazards/risks within the workplace and provide meaningful information for Risk Assessment studies. /3 months
- Hold an election – without management interference – to elect worker representatives to the HSE committee. Brand’s social compliance team should observe the election process. / 6 months

Remediation Plan:

- Review and enhance procedures of HSE committee to encourage the participation by worker representatives and other stakeholders and periodically implement regular meetings on monthly basis and specific project review meetings as needed; the missions , goals, milestones and working plan of HSE committee will be comprehensively defined. (FGSC:Executive Director, HSE committee and iDSBGDirector, 04/30/’12)
- Review and enhance CFIS-OP-00013(Foxconn Safety Accidents Responsibility Procedure) and EHS-iDSBG-OP-043(Work related injury/death disposition and insurance procedure) by amending to include near-miss cases. (CFIS: VP and iDSBG: Director, 05/31/’12)
- Review and enhance record-keeping procedures for sickness leaves, accidents, near-miss cases and lost working days to be used for purposes such as potential hazards/risks assessments as well as root causes elimination.(iDSBG Director, 04/30/’12)
- Enhance procedures of HSE committee formation process to encourage the participation by worker representatives.(iDSBG Director, 05/31/’12)
- Apple will evaluate alternatives for independent monitoring of the election process (Apple Supplier Responsibility, 09/30/12)

FINDING NO: 14

EMPLOYMENT FUNCTION: HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation:

- No protective barrier for fuel pumps.
- Rear gear sound alarm of the some forklift trucks was missing or not operational; maximum load sign and speed limitation signage should be installed.

Local Law or Code Requirement:

Code of Design of Manufacturing Equipment Safety and Hygiene, Article: 6.1.6; FLA Workplace Code (Health, Safety, and Environment Benchmark HSE 3.2, HSE 14.1, and Employment Relationship Benchmark ER.31)

Immediate Actions:

- Protective barriers to be placed around fuel pumps for protection against potential truck or forklift crash.
- Update the equipment maintenance system, and maintain the forklift truck well.

Root Causes:

- Although the factory has obtained OHSAS 18001 certificate, and Health & Safety system is well developed as far as written policy and procedures are concerned, the implementation of the system is not effective in many areas, arguably due to the ineffectiveness of the HSE committee and of the methodology and tools used for internal audits and routine HSE inspections, along with absence of an effective review process.

- No active worker representation and participation on HSE committee.
- No active system for encouraging workers to participate in ongoing HSE efforts.
- Management lacks awareness about possible benefits of keeping records of all work accidents, sicknesses and near miss cases.
- Equipment maintenance did not cover forklift trucks.

Recommendations for Sustainable Improvement:

- Revise procedures that define working areas/role/responsibility of HSE committee in order to activate the committee. New procedures should clearly define meeting frequency as at least once in a month along with additional number of days required for periodical internal audits, possible training participation, etc./3 months
- Improve record-keeping procedure to make sure that all work accidents, regardless of severity, all near miss cases and sicknesses are recorded in order to identify potential hazards/risks within the workplace and provide meaningful information for Risk Assessment studies. /3 months

Remediation Plan:

- Setup protective barriers around fuel pumps. (CFIS: Director, Done)
- Stick maximum load sign & Speed limitation signage on forklift trucks immediately. (iDSBG: Director, Done)
- Upgrade inspection/maintenance procedures for all vehicles (trucks, forklift trucks, pallet trucks) to ensure that periodic inspections and maintenance are done on a timely basis (HSE committee and iDSBG: Director, 04/30/'12)
- Revise and continuously enhance procedures to define working areas/role/responsibility of HSE committee and implement regular meetings on a monthly basis. (FGSC: Executive Director, HSE Committee, iDSBG: Director, 06/30/'12)

FINDING NO: 15

EMPLOYMENT FUNCTION: HEALTH & SAFETY

FINDING TYPE: Immediate Action Required

Finding Explanation:

- No protective shoes worn by workers operating forklift truck or working in the pallet moving areas; none of the forklift truck drivers were using their seat belts; tires of some forklift trucks were worn out;
- Hearing protectors (ear plugs) not used appropriately by workers;
- EHS-iDSBG-OP-011 PPE Management Procedure (6.7) states that “In principle, no PPE should be replaced or requested during the normal usage life span.”
- Thin, simple activated carbon paper masks were selected as PPE to reduce VOC exposure, which is an improper PPE selection that does not provide effective protection;
- The half-face activated carbon masks in Chemical Warehouse were not accredited by local authority.

Local Law or Code Requirement:

People’s Republic of China on the Prevention and Treatment of Occupational Diseases, Article 23; Law of the People’s Republic of China on Production Safety, Article: 37, and FLA Workplace Code (Health, Safety, and Environment Benchmark HSE.7; Employment Relationship Benchmark ER.31)

Immediate Actions:

- Provide protective shoes to workers operating forklift truck or working in the pallet moving areas. Ensure that all forklift truck drivers use their seat belts while operating the vehicles and maintain tires in good condition.
- Hearing protectors (ear plugs) not used appropriately by workers;
- Ensure that workers use hearing protectors when required.
- Ensure use of proper carbon masks in the Chemical Warehouse.

Root Causes:

- Although the factory has obtained OHSAS 18001 certificate, and Health & Safety system is well developed as far as written policy and procedures are concerned, the implementation of the system is not effective in many areas, arguably due to the ineffectiveness of the HSE committee and of the methodology and tools used for internal audits and routine HSE inspections, along with absence of an effective review process.
- No active worker representation and participation on HSE committee.
- No active system for encouraging workers to participate in ongoing HSE efforts.
- Management is not aware of possible legal and financial consequences of work accidents and occupational diseases.
- Workers' awareness on importance of using PPEs is low. Also workers do not know how to report unsafe PPEs.

Recommendations for Sustainable Improvement:

- PPE selection and management procedures should be revised and all HSE committee members (including elected worker representatives) should actively participate in the selection process / 3 months
- Management and workers should be trained on the subject of knowledge of work accidents, occupational disease and PPE / 4 months
- Workers should be trained to raise their awareness on importance of PPE usage; positive incentives to encourage PPE use (like employee of the month selection) would be useful / 6 months
- HSE committee should check all PPEs in use with respect to results of the workplace environment measurements and revised risk assessment study. Primary concern of HSE committee is to reduce/isolate possible risks at their source with engineering studies rather than direct suggestion of PPE usage. / 9 months
- Management should revise the PPE Procedure (EHS-iDSBG-OP-011 PPE Management Procedure 6.7) to allow for the possibility of replacing worn-out PPE free of charge to workers even within the normal usage life span.

Remediation Plan:

- Immediate actions on forklift truck:
 - Provide protective shoes to all workers operating forklift truck or working in the pallet moving areas. (iDSBG: General Affairs (GA) Director, Done already)
 - Re-emphasize the importance of use of seat belts and other safety requirements and mandate drivers use seat belts. (Corporate General Affairs (CGA): Director, Done on 03/24/'12 and continuously)
 - Install fire extinguishers in all forklift trucks. (CGA: Director, 06/30/'12)
 - Inspect all forklift truck tires and replace worn out tires immediately. (CGA: Director, Done on 03/25/'12 and continuously)
- Revise "Personal Protective Equipment Management Procedure" to allow for the replacing worn-out PPE free of charge to workers even within the normal usage life span (CFIS: Director, iDSBG: Director, 04/30/'12)
- Mandate and ensure workers with proper PPE (e.g., hearing protectors, mask, etc) when required (e.g., working in chemical warehouse). (iDSBG: Director, Done on 03/25/'12 and continuously) (CFIS: Director, iDSBG: Director, 04/30/'12)
- Conduct occupational health and safety training to workers and management raising their awareness

about the use of PPE; promote proper PPE use through team activities and recognition programs. (iDSBG: Director, CPH: Director, 05/31/'12)

- Review and enhance procedures of HSE committee to encourage the participation by worker representatives and implement regular meetings on a monthly basis. (iDSBG: Director, 06/30/'12)
- Enhance PPE selection procedures in accord with China Labor Protective Equipment Selection Principle with participation by HSE committee and workers representatives to ensure PPE selected in compliance with regulations and/or standards (HSE committee and iDSBG: Director, CHD: Director, 04/30/'12)
- HSE committee to conduct engineering studies to identify the optimal PPE to reduce/isolate possible risks at their sources for bottom line results on workplace environment measurements, such as non-active-carbon-lined mouth mask for the sole purpose of product protection only. (HSE committee and iDSBG: Director, 05/30/'12)

FINDING NO: 16

EMPLOYMENT FUNCTION: HEALTH & SAFETY & ENVIRONMENT

FINDING TYPE: Sustainable Improvement Needed

Finding Explanation:

- Exit (egress) width not sufficient in many areas and buildings. For example: E3 building(existing width: four exits of 1.8mts wide and one of 1.2mts wide. Total width of 8.4mts, legal standard: 39.15mts); in G02 building (four exits of 1.8mts wide and one of 1.2mts wide. Total width of 8.4mts, legal standard: 17.33m); in G10 building (four exits of 1.8mts wide and one of 1.2mts wide. Total width of 8.4mts, legal standard: 26.37m); and in G11 building (four exits if 1.8mts wide and one of 1.2mts wide. Total width of 8.4mts, legal standard: 39.76m)
- The curtain and separating walls for production workplace isolation block egress.
- Only one exit is available for 134 workers in 2F of G02 by isolation arising from separating walls.
- Emergency assembly areas are not marked and had no signage (production area).
- Emergency action plans do not cover visitors, also no information provided to the visitors about what to do in case of an emergency.
- Aisles in 2nd floor of G02 were as narrow as 0.40mts.
- Only 5% of workers participated in fire drills in on-site dormitories. There were no fire extinguishers in forklift trucks.
- Shower/eye washing station in chemical warehouse area was not in a good condition.

Local Law or Code Requirement:

Code of Design on Building Fire Protection and Prevention; Fire Control Law of the People's Republic of China, Article 13, 16; Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases,

Article 23;FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.5 and HSE.6, Employment Relationship Benchmark ER.31)

Root Causes:

- Although the factory has obtained OHSAS 18001 certificate, and Health & Safety system is well developed as far as written policy and procedures are concerned, the implementation of the system is not effective in many areas, arguably due to the ineffectiveness of the HSE committee and of the methodology and tools used for internal audits and routine HSE inspections, along with absence of an effective review process.
- Most of the managerial staff interviewed mentioned that these issues have never been raised during OHSAS 18001 external audits.
- No active worker representation and participation on HSE committee.
- No active system for encouraging workers to participate in ongoing HSE efforts.
- Risk Analysis report does not cover all fire prevention hazards and risks in the factory.
- No effective system for controlling or implementing fire safety guidelines on a periodic basis.
- Management is not aware of possible legal and financial consequences of fire accident /contractors.

Recommendations for Sustainable Improvement:

- Add exit (egress) width or adjust the workforce in the floors to meet legal required standards / 6 months
- Remove the curtain and separating wall and keep the egress unblocked / 1 month
- Mark the emergency assembly areas / 1 month
- Provide instructions about emergency action plan to the visitors / 3 months
- Enlarge the width of aisles in 2F of G20 to legal required standards / 6 months
- Arrange for all workers living in dormitories to participate in fire drills twice per year / 3 months
- Place fire extinguishers in forklift trucks / 3 months
- Inspect and maintain shower/eye washing station periodically / 3 months
- Engage HSE Committee and management to work together on improvements to emergency exits, addressing at least the following topics:/9 months
 - Potential construction improvements on assembly areas to increase the total width of the emergency exits
 - Possibilities for usage of alternative emergency evacuation routes
 - Adjust the size of workforce in the floors
 - Close monitoring of evacuation performance during the fire drills to identify bottlenecks and problematic areas in assembly areas for possible improvements
- Risk Analysis report should be revised through joint efforts of the below listed

Remediation Plan:

- Curtain and separating wall have been removed and the egress is unblocked. (iDSBG : Director, Done on 03/20/'12)
- Mark emergency assembly areas. (iDSBG: Director, 04/15/'12)
- Provide emergency action plan instructions to visitors. (iDSBG: Director, 05/30/'12)
- Arrange for all workers living in dormitories to participate in fire drills twice per year. (CGA: Director, 06/30/'12)
- Install fire extinguishers in all forklift trucks. (CGA: Director, 06/30/'12)
- Inspect and maintain shower/eye washing station periodically. (HSE committee and iDSBG: Director, 06/30/'12)
- Enlarge the width of aisles in 2F of G02 to 1.8m. (iDSBG : Director, 09/30/'12)
- HSE committee to enhance risk assessment report through joint efforts by the following participants: (iDSBG: Director, 10/30/'12)
 - External Consultant
 - Brand Social Compliance Department Representatives
 - Plant Manager
 - HR Manager
 - SER Specialist
 - Worker Representatives
 - Maintenance Department representative
 - Clinic Doctor (from Health Center on the campus)

participants: / 7 Months

- o External Consultant and/or Brand Social Compliance Department Representatives
- o Factory Manager
- o HR Manager
- o Person responsible for Social Compliance
- o Elected HSE Worker Representatives
- o Maintenance Department Representative
- o Workplace Doctor (from hospital in the campus)

- o Engage HSE Committee and Foxconn Corporate management to work on improving emergency exits to address the following topics:(iDSBG: Director, 12/31/'12)
- o Potential construction improvements on assembly areas to increase the total width of the emergency exits, such as by adding exterior steel structure emergency ladders.
- o Possibilities for usage of alternative emergency evacuation routes.
- o Adjust workforces in the floors.
- o Close monitoring of evacuation performance during the fire drills to identify bottlenecks and problematic areas in assembly areas for possible improvements.
- Review, revise and improve emergency exit width, usage of alternative emergency evacuation routes, to ensure the continuous improvement on safety in the factory. (iDSBG: Director,12/30/'12)

FINDING NO: 17

EMPLOYMENT FUNCTION: HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation:

- Ergonomic principles in workstations were not implemented well. For example, in many areas workers were working in a very stiff position, as their chairs are not adjustable, made with uncomfortable material, and lacked back support (in Circuit Division)
- Illumination levels do not seem high enough in some areas while some areas are over-illuminated.
- An ergonomic break is supposed to take place for 10-15 minutes every two hours of work, but this rule was not followed.
- Visual inspection found some workers were pulling heavily-loaded pallet trucks, which can harm their back. (Workers seen doing this were contractors.)
- The number of toilets in the assembly workshop was insufficient. There were 2000 to 3915 employees on many floors, but only 20 to 24 toilets for each gender, less than legal requirements. Based on interview, some assembly lines only allow one 10 min break in each half day, or three times each day, for rest room use. Workers complained that the number of toilets was not enough.

Local Law or Code Requirement:

Health Standard for Design of Industrial Enterprises Articles: 6.4.4.1 & 6.4.4.2; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.1, HSE.17, HSE.20)

Root Causes:

- Although the factory has obtained OHSAS 18001 certificate, and Health & Safety system is well developed as far as written policy and procedures are concerned, the implementation of the system is not effective in many areas, arguably due to the ineffectiveness of the HSE committee and of the methodology and tools used for internal audits and routine HSE inspections, along with absence of an effective review process.
- Most of the managerial staff interviewed mentioned that these issues have never been raised during OHSAS 18001 external audits.

- No active worker representation and participation on HSE committee.
- No active system for encouraging workers to participate in ongoing HSE efforts.
- Management’s lack of knowledge about possible benefits of ergonomic improvements, such as increasing productivity and attendance levels, while reducing risk of work accidents and Musculoskeletal Disorder (MSDs).
- Ergonomic Assessment conducted was not sufficiently detailed.
- Production Managers and Supervisors are trying to meet the production targets by asking workers to work during the ergonomic breaks.
- Unplanned expansion of workforce and factory areas over the years.
- Risk Analysis report does not cover all hazards and risks in the factory; limited information about possible ergonomic risks.
- Lack of enough recreational areas for break hours around factory buildings.

Recommendations for Sustainable Improvement:

- HSE committee should check illumination levels in production areas to determine needed improvements on over/under illuminated areas /3 months
- Enforce 10-15 minutes ergonomic breaks for workers /1 month
- HSE worker representatives should be elected and management should encourage workers to participate in ongoing HSE efforts, such as implementing a system for collecting problems/ observations/feedbacks from workers or letting workers to participate in Risk Assessment studies. / 3 months
- Workers should be trained on Ergonomic Risk factors in workplace. /4 months
- Prepare annual training plan for HSE staff and HSE worker representatives to improve their knowledge and skills on detecting & managing the potential HSE risks. /6 months
- Risk Analysis report that includes all Ergonomic Risks within the workplace to be revised through the joint effort of the below-listed participants: / 7 Months
 - o External Consultant and/or Brand Social Compliance Department Representatives
 - o Factory Manager
 - o HR Manager
 - o Person responsible for Social Compliance
 - o Elected HSE Worker Representatives
 - o Maintenance Department representative
 - o Workplace Doctor (from hospital on the campus)

Remediation Plan:

- Measure and improve illumination levels in production areas. (HSE Committee, CHD: Director, 06/30/’12)
- Enforce 10-15 minutes ergonomic breaks between work hours (CHR: Director and HSE Committee, Done on 03/25/’12 and continuously)
- Review and revise existing HSE policy and procedures to assure the consistency among corporate, business group and factory levels. Call HSE committee meetings regularly and encourage worker representatives to participate in Risk Assessment studies. (FGSC, Executive Director HSE Committee,06/30/’12)
- Provide Ergonomic Risk training courses to workers. (Ergonomic Lab: Director, HSE committee, Director, 07/30/’12)
- Review and increase the number of toilets in workplace to meet the workers’ needs. (HSE Committee, iDSBG: Director, 09/30/’12)
- Plan, design, and implement annual trainings for HSE staffs and HSE worker representatives to improve their knowledge and skills on HSE risks. (HSE Committee, Director, 10/30/’12)
- Invite factory manager, HR manager, HSE representatives, workplace doctor, government agencies to review and revise Risk Analysis report. (HSE Committee, Director, 10/30/’12)
- Review and continuously enhance policy and procedures of Ergonomic Program. The following improvements will be completed. (Ergonomic Lab: Director , HSE committee, Director, 11/30/’12)

- Develop and implement an effective internal monitoring procedure to ensure consistent illumination, sufficient toilets, improved ergonomic program, and a successful implementation of written policy and procedures. / 8 months
- HSE Committee and factory management should work together on how to increase recreational areas for workers during their break hours, including possibility of placing benches in some areas outside of the factory. / 9 months
- After completion of Risk Analysis study, HSE Committee to immediately start working on defined Ergonomic risks to minimize or avoid those risks. / 9 months
- HSE committee to check with workers to assess if additional toilets are needed for assembly workshops. If there is a need, EHS committee to work with factory management to add new toilets or to designate existing toilets in different sections for worker use. / 6 months

- Review and continuously enhance policy and procedures of Ergonomic Program. The following improvements will be completed. (Ergonomic Lab: Director, HSE committee, Director, 11/30/'12)
 - o New chairs will be equipped with adjustable height and backrest and with comfortable materials.
 - o New workstation will be equipped with height adjustability.
 - o All workplaces will be redesigned so that the working areas are within the normal reaching limits according to the anthropometric database.
 - o Working environment will be redesigned so that poor working postures will be minimized.
 - o Task and workstation with pneumatic tools will be redesigned to minimize noise (vibration).
 - o Manual material handling tasks will be redesigned following NIOSH lifting guide.
- Increase recreational areas and additional benches outside of the factory. Indeed, two employee activity centers are already under construction. (HSE Committee, iDSBG: Director, 12/30/'12)
- HSE Committee will immediately start working on minimizing ergonomic risks after risk analysis report is available. (HSE Committee, iDSBG: Director, 12/30/'12)

FINDING NO: 18

EMPLOYMENT FUNCTION: HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Required

Finding Explanation:

- The MSDS for C-55, Spot-On, YC-336, RP-04, BUEHLER EPO-KWICK Hardener, BUEHLER Release Agent did not provide complete ingredients information.
- The ingredient in the MSDS of Primer 94 was not translated into Chinese correctly.
- The ingredients in the MSDS of Mr. Muscle Oven, Grill & Stainless Steel Cleaner were not translated from English to Chinese.
- One cleaning solvent, CP-02, was used for a couple of months in iDSBG. This chemical was not maintained in iDSBG chemical inventory list. The factory explained that CP-02 was used for other business group products in iDSBG.
- The factory did not test the indoor air quality for chemical exposure to substances such as toluene, methyl methacrylate, diethylenetriamine, monothaniarnine, etc over the past year.
- The factory did not develop and maintain an effective Restricted Substance List (RSL) to review and phase out toxics in electronic sector.

Local Law or Code Requirement:

General Rules for Preparation of Chemical Safety Data Sheet, Article3; Law of the People's Republic of China on

Prevention and Control of Occupational Diseases, Article 21, 24, 25; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.1; Employment Relationship Benchmark ER.31)

Root Causes:

- Although the factory has obtained OHSAS 18001 certificate, and Health & Safety system is well developed as far as written policy and procedures are concerned, the implementation of the system is not effective in many areas, arguably due to the ineffectiveness of the HSE committee and of the methodology and tools used for internal audits and routine HSE inspections, along with absence of an effective review process.
- Although factory has a valid ISO 14001 Certificate and the environmental protection system has been developed at the documentation level, implementation issues were observed due to the lack of a comprehensive approach on environmental protection activities.
- No active worker representation and participation on HSE committee.
- No active system for encouraging workers to participate in ongoing HSE efforts.
- No active system to update the applicable laws and standards, the HSE reports / certificates.
- Management lacks awareness about occupational disease.
- Management lacks awareness about chemical safety and restriction substances.
- Most of the managerial staff interviewed mentioned that these issues have never been raised during OHSAS 18001/ISO 14001 external audits.

Recommendations for Sustainable Improvement:

- Revise procedures that define working areas/role/responsibility of HSE committee in order to activate the committee. New procedures should clearly define meeting frequency as at least once in a month along with additional number of days required for periodical internal audits, possible training participation, etc./ 3 months
- Hold an election – without management interference – to elect worker representatives to the HSE committee. Brand's social compliance team should observe the election process. / 6 months
- Designate persons to follow/update the applicable laws and standards, and obtain the valid HSE reports / certificates. / 3 months
- Effective awareness training for management about occupational disease, the chemical safety and environment. / 3 months
- Conducting periodic assessments for checking the environmental issues in the factory. / 3 months
- Write complete chemical inventory list, and obtain complete MSDS in Chinese for each chemical. / 3 months
- Develop and maintain an effective restrict substance list (RSL) to review and phase out toxics in electronic sector./ 3 months
- Conduct indoor air quality test for the workplaces where chemicals were used./3 month

Remediation Plan:

- Revise and enhance procedures to define working areas/role/responsibility of HSE committee and implement regular meetings on a monthly basis. (iDSBG: Director, 06/30/'12)
- Review and revise the procedure of HSE committee member election and operation to encourage workers to participate in representative election HSE activities. (iDSBG: Director, 04/30/'12)
- Provide staff and workers with training courses on occupational safety and disease and keep roll out. (CHD Director,, iDSBG: Director, 06/30/'12)
- Regularly monitor the environment on the basis of the HSE performance measurement and supervision management procedures. (CHD Director, iDSBG: Director, 06/30/'12)
- Update chemical inventory list and request MSDS in Chinese for all chemicals. (FGSC: Executive Director, iDSBG: Director, 06/30/'12)
- Control the purchase of RSL materials in purchasing system by purchasing department and conduct regular monitoring by HSE team.(Done on 03/15/'12 and continuously)
- Measure and monitor the indoor air quality regularly according to the HSE performance measurement and supervision management procedures. (HSE iDSBG-SP-14 to ensure the chemical concentrations in workplace.(CHD

Director, iDSBG: Director, ongoing and continuously)

- Apple will evaluate alternatives for independent monitoring of the election process (Apple Supplier Responsibility, 09/30/12)

FINDING NO: 19

EMPLOYMENT FUNCTION: ENVIRONMENTAL PROTECTION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation:

- Environmental Impact Assessment (EIA) for buildings G02 not updated to match the workforce and production upscale from 5300 to 7900 workers in the building; similarly, EIA was not updated to match the workforce and production upscale from 3,740 to 48,839 workers in buildings of E3, G10 and G11.
- The change of production layouts with cloth curtain and/or separating walls in most floors were not reviewed/ approved by local authority.
- The factory did not report occupational hazards to the local authority as required by local laws
- There was no occupational disease diagnosis or medical surveillance follow up for all the 78 on-job physical checkups in 2011 for which the factory should prove all the medical surveillance to establish relation or do not have the relation to the occupational hazards and/or exposure at their workstations.
- The factory did not have the required permit, EIA, and Safety Assessment for the two 30M3 underground diesel tanks.
- There is no system in place for controlling possible leakages of underground diesel tanks.
- Effect-Assessment Report for Occupational Hazard Control in Construction Project of E3 was not available for SCI review. The factory explained the assessment has been conducted and the report is under preparation.

Local Law or Code Requirement:

Law of the People's Republic of China on Appraising of Environment Impacts, Article 24; Fire Prevention Law of the People's Republic of China, Article 13; People's Republic of China on the Prevention and Treatment of Occupational Diseases, Article 16, 17, 21, 23, 27, 36; Regulation for Safety of Dangerous Chemical, Article 16; FLA Workplace Code (Health, Safety, and Environment Benchmark HSE.1, HSE.4; Employment Relationship Benchmark ER.31)

Root Causes:

- Although the factory has obtained OHSAS 18001 certificate, and Health & Safety system is well developed as far as written policy and procedures are concerned, the implementation of the system is not effective in many areas, arguably due to the ineffectiveness of the HSE committee and of the methodology and tools used for internal audits and routine HSE inspections, along with absence of an effective review process.
- Although factory has a valid ISO 14001 Certificate and the environmental protection system has been developed at the documentation level, implementation issues were observed due to the lack of a comprehensive approach on environmental protection activities.
- No active worker representation and participation on HSE committee.
- No active system for encouraging workers to participate in ongoing HSE efforts.
- No active system to update the applicable laws and standards, the HSE reports / certificates.
- Management lacks awareness about occupational disease.
- Management lacks awareness about chemical safety.
- Most of the managerial staff interviewed mentioned that these issues have never been raised during OHSAS 18001/ISO 14001 external audits.
- No system for conducting periodic assessments for checking the environmental issues in the factory.

Recommendations for Sustainable Improvement:

- Designate persons to follow/update the applicable laws and standards, the HSE reports and certificates. / 3 months
- Effective awareness training for management about occupational disease, chemical safety and environment. / 3 months
- Conduct periodic assessments for checking the environmental issues in the factory. / 3 months
- Maintain updated Environmental Impact Assessments for all buildings within the Business Groups to match workforce and production upscale / 2 months & continuous
- Complete the Effect-Assessment Report for occupational hazard control in the construction site E3 / 1 month
- Prepare and implement an effective internal monitoring procedure to prevent fuel leaks and contamination and to ensure successful implementation of written policy and procedures / 8 months

Remediation Plan:

- Legal department to continuously collect the updated law and regulations and share with HSE committee who review in monthly meeting in order to ensure the validity of the law and regulations. (HSE Committee and iDSBG: Director, Done on 03/15/'12 and continuously)
- Provide staff and workers with training courses on occupational safety and disease and keep roll out. (HSE Committee, CHD Director, iDSBG: Director , 06/30/'12)
- Review assessments and audit internally to assure environmental issues in the factory are addressed. (FGSC: Executive Director, HSE Committee, iDSBG: Director, 06/30/'12)
- Maintain updated Environmental Impact Assessments (EIA) for all buildings within the Business Groups to match workforce and production upscale. Note: The EIA is on-going now. (Environmental Technology & Service Business Group (ETSBG), Director HSE Committee, iDSBG: Director, 05/30/'12)
- Complete Impact-Assessment Report for occupational hazard control in the construction site E3 that is currently on-going. (HSE Committee, iDSBG: Director, 04/30/'12)
- Strengthen periodic monitoring on the possible leakage of underground diesel tanks and review the effectiveness of implementation of preventive actions to minimize the risks. (ETSBG: Director and HSE Committee, ongoing and continuously)