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 three year contract that provides for an extended probation period of 6 months. However, in the FLA benchmarks, the probation period limit is 3 months.

• No specific policy and/or procedures related to some special categories of workers were available, e.g., short term workers and interns. This issue was resolved in the following week.

Local Law or Code Requirement:

FLA Workplace Code (Employment Relationship Benchmark ER.7; and Compensation Benchmark C.3).

Root Causes:

• Since Apple only recently affiliated with the FLA, and has yet to fully align its policy and procedures and Code of Conduct with FLA standards and benchmarks, Apple suppliers have not been informed of the FLA requirements.

• China’s Labor Contract Law Article 19 allows an extended probation period of up to 6 months in three-year employment contracts.

• Management has not previously seen the need to have policy and procedures for short term workers and interns; mainly because they do not represent a large number of workers (less than 3%)
employees to limit the probation period up to 3-6 months based on previous relevant working experiences and skill level requirements of critical work stations. (CHR: Director and iDPBG: 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 and 17 years of age)/ elderly workers/ pregnant/ lactating workers/ trainees/ apprentices/ interns/ short-term workers and employees with disabilities. (CHR: Director, Corporate Fire & Industrial Safety [CFIS]: VP, HSE committee and iDPBG: Director, 05/31/’12)

• Train workers and management team on the revised policy and/or procedures; refresh training periodically as operations move forward. (IDPBG: 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)

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 of age) 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.
• Assessors observed quality issues with job descriptions in workers’ files (e.g., job description of the new Learning and Development supervisor was not available in the files).

Local Law or Code Requirement:
FLA Workplace Code (Nondiscrimination Benchmark ND.2; Employment Relationship ER.1)

Root Causes:
• Since Apple only recently affiliated with the FLA, and has yet to fully align its policy and procedures and Code of Conduct with FLA standards and benchmarks, suppliers have not been informed of FLA requirements.
• Lack of a mechanism/procedure to ensure consistency in the creation and implementation of policies and procedures from Business Group-level down to factory-level and vice versa.
• Internal monitoring system does not provide adequate controls on possible quality issues in documentation on the 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
• Corporate management should create a mechanism to align all policies and procedures across all Business Groups producing Apple products; 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 potential 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

Remediation Plan:
• Review and revise existing policy and procedures to ensure consistency among corporate, business group and factory levels. (CHR: Director and iDPBG: Director, 04/30/’12)
• Review and revise Recruitment & Hiring policy and 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 iDPBG: Director, 04/30/’12)
• Enhance periodic monitoring on policy and procedures and document control to ensure internal documents are up-to-date. (iDPBG: Director, 04/30/’12 and continuously)
• Establish procedures to ensure the consistency of policy/procedures/handbooks/communication vehicles. (CHR: Director and iDPBG: 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: 3

EMPLOYMENT FUNCTION: COMPENSATION/HOURS OF WORK
FINDING TYPE: Immediate Action Required
Finding Explanation:
• 90% of the workers interviewed mentioned that training and testing for working skills improvement performed after regular working hours is not treated as working hours and not compensated accordingly.
• 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 being compensated accordingly.
• Almost 10% of the workers interviewed did not properly understand the wage structure.

Local Law or Code Requirement:
China Labor Law, Article 44, and FLA Workplace Code (Employment Relationship Benchmark ER.28 and Compensation Benchmarks C.5 and C.17; and Hours of Work Benchmark HOW.1)

Immediate Action:
Management to ensure full payment of all hours of work including meetings before and after regular working hours.

Root Causes:
• Training opportunities are seen by management as a benefit for workers; therefore time spent 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
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. (iDPBG: 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 iDPBG: Director, 04/30/’12)
  o Workers will be compensated (regular hours or overtime) for all work-related mandatory training.
  o Ensure that all work-related meetings are conducted on-the-clock during regular working time window.
  o Workers will be informed and trained to understand policy that compensation is not payable for trainings that are not work-related or mandatory, such as degree training programs subsidized by Foxconn, social skills trainings, training for personal hobbies, and so on.

• Enhance management of working hours and wage of workers with respect to the pre-shift 10 to 15 minute assembly for the employees; management will develop a process to ensure employees receive compensation for these meetings if they happen prior to employee clocking-in for work. (iDPBG: Director, 04/30/’12)
  o Synchronize time window for wage calculation of effective overtime to 15 minutes 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 on each and every building for their verification of attendance/overtime hours.
  o Overtime management remains on attending testing sessions, team meetings, arriving to work early, and so on, and top management is not aware of these practices.

Recommendations for Sustainable Improvement:

• Enhance Compensation/Hours of Work policies and procedures to address workers’ attendance of work-related meetings, early arrivals, etc. /3 months

• Department managers and supervisors should be trained on Compensation/Hours of Work policy and procedures / 4 months

• Workers should be trained on enhanced Compensation/Hours of Work policy and procedures / 5 months

• An effective internal monitoring procedure should be established and implemented to prevent recurrence of those practices and to ensure implementation of written policy and procedures/ 6 months

• Efficiency of the trainings and communication should be checked periodically to gauge workers’ awareness on wages and benefits / 6 months

• These issues have never been raised during external or internal social compliance audits.

• Workers lack awareness of factory’s Hours of Work & Compensation policy and procedures.

• There is no system in place for evaluating the efficiency of the training or communication to workers on wages and benefits.

• Enhance Compensation/Hours of Work policies and procedures to address workers’ attendance of work-related meetings, early arrivals, etc. /3 months

• Department managers and supervisors should be trained on Compensation/Hours of Work policy and procedures / 4 months

• Workers should be trained on enhanced Compensation/Hours of Work policy and procedures / 5 months

• An effective internal monitoring procedure should be established and implemented to prevent recurrence of those practices and to ensure implementation of written policy and procedures/ 6 months

• Efficiency of the trainings and communication should be checked periodically to gauge workers’ awareness on wages and benefits / 6 months
application basis and not based on punch-in / punch-out time basis.

- Enhance internal monitoring system to ensure that the actual implementation aligns with policy and procedures. (iDPBG: Director, 05/31/’12)
- Train department managers and supervisors on enhanced policy and procedures to. (iDPBG: Director, 06/30/’12)
- Provide training on enhanced policies and procedures to the newly-hired workers via orientation training and current workers via refresh training. (iDPBG: Director, 07/31/’12)
- Periodically conduct employee survey to confirm their awareness and perception on wages and benefits. (iDPBG: Director, 09/30/’12)

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/sbjxsgk/zcflxw/zctw/200810/t20081008_729.htm
- During the assessment there were 58 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 the students live in the dormitories. Even if they later decide not to live in the dormitories, 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 and 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 hometown.
• 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 insurance system for unemployment and pensions, 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 them with all social insurance types.

Remediation Plan:
• Review policy and procedures regarding interns to ensure free choice of lodging options; fees to be handled according to intern’s choice of lodging. (CHR: Director and iDPBG: Director, 04/30/’12)
• Workers and management team to be trained on the various social insurance coverage and protections. (CHR: Director and iDPBG: Director, 06/30/’12 and continuously)
• Urge the Labor Union to conduct a survey to evaluate employees’ preference on the options of unemployment insurance participated by migrant workers in Shenzhen and maternity insurance participated by migrant female workers in Shenzhen; Possible options are proposed below: (CHR: Director, Labor Union: Chairman and iDPBG: Director, 09/30/’12)
   o 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 immigrant workers (a 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 immediately receive maternity benefits).

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 or a reasonable alternative scheme 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%
• Work with CHR to research legal requirements and reasonable practices to implement social insurance for all employees that comply with national and local government law and regulations. (CHR: Director and iDPBG: Director, 03/31/’13)

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; FLA Workplace Code (Employment Relationship Benchmarks ER.1 and ER.13)
Immediate Action:
Factory management will stop the practice of allowing interns to work overtime hours and will not exceed 40 hours per week.
Root Causes:
• Management is not aware of the local regulation regarding working hours limit for interns.

Remediation Plan:
• Immediately stop overtime work by interns. (CHR: Director and iDPBG: 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 / 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

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 iDPBG: 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 iDPBG: Director, Done on 03/15/’12)
• Formally announce and train interns and management team on revised policies and procedures. (CHR: Director and iDPBG: Director, 04/30/’12 and continuously)
• Enhance e-HR system on working hours monitoring for interns. (iDPBG: 06/30/’12):
  o Automatically exclude interns from available candidate list for overtime arrangement.
  o Disable functions of overtime application in the system.
  o Monitor and report working hour 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 February 2011 and January 2012, most of the workers worked overtime beyond the legal limit of 36 hours per month: 20% of the total workforce exceeded this limit in July and August 2011, while for the remainder of the period almost 80% of the total workforce exceeded the legal limit.
• Most of the workers worked 60 hours per week (regular hours plus overtime) in recent months, but this was not the case in peak season: For example, 7% of the workforce worked more than 60 and up to 70 hours per week on average during October-December 2011.
• 7% of the workforce did not receive the required 24 consecutive hours of rest in a seven-day period during the peak season (October-December 2011).
• According to the factory’s written hours of work procedures, workers are to be provided with a 10-15 minute ergonomic break after every two consecutive hours of work; this procedure is not implemented consistently 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 and HOW.2)
Root Causes:
• The turnover rate results in decreased levels of productivity and efficiency which in turn requires workers to work more hours to be able to meet 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 adequate safeguards to prevent workers from working more than 60 hours a week or to ensure workers are provided one day off in every 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 overtime hours.
• Insufficient oversight by the buyer to address reasons behind excessive overtime (OT).
• 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 policies 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

Remediation Plan:
• Track and monitor hours of work on a weekly basis. (iDPBG: Director, Done on 01/01/’12 and continuously)
• Enhance e-HR system for overtime management and monitoring: (iDPBG: 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 for overtime.
working hours are within legal limits and workers are provided with ergonomic breaks/ 6 months
- Apple Sourcing and Supplier Responsibility teams should use the FLA Principles of Fair Labor and 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-work 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

o Monitor and report OT data to management on a weekly basis.
- 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 iDPBG: Director, ongoing and continuously)
- 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 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 iDPBG: Director, 07/01/’13)
- Formally announce the revised policy to all workers and management representatives through company newsletter, notice board, trainings, etc. (iDPBG: Director, 01/01/’13 and continuously)
- Strengthen communication with customer on production schedule, yield/quality improvement actions, production report and overtime status. (iDPBG: Director, Continuously)
- Commit to continuously improve productivity and quality and find out best practices for shift arrangement. (iDPBG: VP, Ongoing and continuously)
- Monitor consistency in implementing written policies regarding 10-15 minute ergonomic breaks. (iDPBG: 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, which have already resulted in significant improvements. (Apple Supplier Responsibility, on-going)

FINDING NO: 7

EMPLOYMENT FUNCTION: INDUSTRIAL RELATIONS
FINDING TYPE: Sustainable Improvement Needed
Finding Explanation:
• Despite the presence of a Business Group labor union in the factory (with approximately 70% of the workforce registered as members), 40% of interviewed workers were unaware the union represented them.
• Nearly all union committee members are managerial staff (40 of the union committee are either managers or supervisors, and only two representatives are workers, who were nominated by management). The Chairman of local union is the factory’s Human Resources Manager and the vice chairman is the Employment Relations 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, and FOA.11, Employment Relationship Benchmark 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 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 that CBAs be distributed to workers.
• It is not a legal requirement in China to provide a copy of the Collective Bargaining Agreement to the workers.

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 iDPBG: Director, 05/31/’12)
  o Print contents of Collective Bargaining Agreement on employee handbook, and/or
  o Post on database where workers can inquire online 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 worker representatives to enhance worker participation in policy formation process. (CHR: Director and iDPBG: Director, 06/30/’12)
• Labor Union to review formation of Labor Union committees consistent with the Shenzhen Municipal Implementing Regulations for the Trade Union Law. 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 should be actively involved in the decision-making process / 7 months

Recommendations for Sustainable Improvement:
• A copy of the 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 provided for in the Shenzhen Municipal Implementing Regulations for the Trade Union Law. 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 should be actively involved in the decision-making process / 7 months
• A copy of the 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 provided for in the Shenzhen Municipal Implementing Regulations for the Trade Union Law. 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 should be actively involved in the decision-making process / 7 months
o Conduct a dedicated session for Labor Union and introduce Labor Union staff and relevant representatives of Labor Union and make introduction of Labor Union staff and relevant representatives of Labor Union committee in new employee orientation training.

o Organize refresher training for employees to enhance the participation of workers in the activities of the Labor Union.

• Monitor the level of participation of the 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 iDPBG: Director, 10/31/’12)

• Apple will evaluate alternatives for independent monitoring of the election process. (09/30/12)

• Apple will align its current policy, procedures and Code of Conduct with FLA’s standards and benchmarks. (Apple Supplier Responsibility, 06/30/12)

EMPLOYMENT FUNCTION: INDUSTRIAL RELATIONS
FINDING TYPE: Sustainable Improvement Needed
FINDING NO: 8
Finding Explanation:
• Article 113-64 of the work rules in the worker handbook stipulates that workers would be fired in case of any involvement in an illegal 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 not in compliance with the FLA benchmark.

Local Law or Code Requirement:
FLA Workplace Code (Employment Relationship Benchmark ER.26, Freedom of Association Benchmarks FOA.4, FOA.5 and FOA.22)

Root Causes:
• Since Apple only recently affiliated with the FLA and 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 113-64 in the work rules.

• This issue has never been brought to the attention of the factory management during previous 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 the Workplace Conduct and Discipline policy and related procedures to

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 most updated statements will be printed on the next
FINDING NO: 9

EMPLOYMENT FUNCTION: WORKPLACE CONDUCT
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.
Local Law or Code Requirement:
FLA Workplace Code (Harassment or Abuse Benchmark H/A.6)
Immediate Action:
• Factory management should stop this practice and communicate its discontinuance to the workers
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 in violation of 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.

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 Conduct 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 / 9 months

Remediation Plan:
• Review and revise Workplace Conduct policy to eliminate the possibility of posting the names of workers that have been the subject of disciplinary actions, e.g., removing workers’ names prior to posting. (CHR: Director and iDPBG: Director, 03/31/’12)
• Enhance the Discipline module of the e-HR system to make sure there is confidentiality during the whole process. (iDPBG: Director, 03/31/’12)
• 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

• Train management representatives and all relevant workers on revised policy and procedures. (CHR: Director and iDPBG: Director, 04/30/’12)

• Enhance internal monitoring frequency on disciplinary process to ensure successful implementation of the written policy and procedures. (iDPBG: 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:
• Although there are several ways to lodge grievances at this factory, including suggestion boxes (President’s Suggestion Box, Communist Party Suggestion Box, General Manager’s Suggestion Box, Trade union box, and Business Group Suggestion box), almost 20% of the workers interviewed mentioned that they do not know the factory’s grievance and counseling procedures.

• There is inconsistency in procedures regulating how to lodge a grievance. For example: the grievance procedures suggest grievances can be anonymous whereas article 140 of the worker handbook stipulates that the Company does not accept anonymous grievances.

• 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 Benchmark ER.25)

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.

• Lack of understanding of 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 established system for evaluating the efficiency of the trainings provided or communication procedures in place.

• There is no worker representation and integration on current grievance policy and procedures therefore workers do not trust these systems

Recommendations for Sustainable Improvement:
• Management should train all workers as well as supervisory and managerial staff on the factory’s grievance system / 3 months

• Apple should align its current policy, procedures and Code of Conduct with FLA’s standards and

Remediation Plan:
• Use a variety of means (email, bulletin boards, posters, trainings, meetings, and so on) to inform workers and management about grievance channels and counseling procedures. (iDPBG: Director, 04/30/’12)
• Enhance the consistency in policies and procedures regarding how to handle grievances at the business group and factory level. (CHR: Director and iDPBG: Director, 04/30/'12)

• Workers and management representatives will be trained on revised policy and procedures. (iDPBG: Director, 05/31/'12)

• Conduct periodic employee surveys to assess awareness and perception of grievance system. (iDPBG: Director, 06/30/'12)

• Elected worker representatives will be placed in Workers’ Committee so that they can provide active worker representation and involvement in 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

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 since they have never experienced any downsizing, 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.

**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)
- Periodic internal monitoring to ensure consistent implementation of written policy and procedures. (CHR: Director and iDPBG: 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)

**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 developed and implemented to ensure consistent implementation of written policy and procedures / 9 months

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**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) procedure for protecting workers from hazardous equipment that might accidentally turn on and harm them.
- List of machines that need guarding is missing.
- No procedure for controlling working conditions and protecting workers from potential risk of falling when they work at heights.
- Incomplete Material Safety Data Sheets (MSDS) of chemical substances in use that do not cover all necessary information about these chemicals such as ingredients and the full chemical composition.
- No periodic control system for checking both health and safety and social conditions 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 internal audits and routine HSE inspections, along with absence of an effective review process. These areas, arguably due to the ineffectiveness of the HSE committee and of the methodology and tools used for

- Most managerial staff interviewed mentioned that these issues have never been raised during external OHSAS 18001 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 will be elected and promote worker participation in HSE efforts such as implementing a system for collecting problems/observations/feedbacks 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 Lock out-Tag out procedure with at least the following details:/6 months
  - Identification of equipment, tasks (e.g., installation, maintenance, inspection, cleaning or repair of machinery or equipment)
  - Identification of associated hazards resulting from uncontrolled hazardous energy sources
  - Evaluation of risks associated with hazardous energy
  - Control measures to reduce or eliminate the risks
- Develop and implement thermal comfort control procedure with at least the following details:/6 months
  - Definition of required heat-related measurements
  - Allowances for workers to take heat-related breaks as needed

Remediation Plan:
- Include on-going HSE issues and corrective actions in the agenda of annual “Management Review” of the HSE system and regular HSE committee meetings. (iDPBG: Director and HSE Committee, Done on 03/01/’12 and continuously)
- Revise and expand 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. (iDPBG: Director and HSE Committee, 04/30/’12)
- Review and enhance procedures of HSE committee to encourage participation by worker representatives and periodically implement meetings on a monthly basis. (iDPBG: 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, iDPBG: Director, 05/31/’12)
- Develop comprehensive policies at the Foxconn Corporate level to manage safety and health issues involving contractors who work in the factory, such as in construction, maintenance, or waste handling. (iDPBG: Director, 06/30/’12)
- HSE policy and procedures with respect to the following items to be continuously implemented and strengthened: (iDPBG: Director, 6/30/’12 and continuously)
  - Procedures for Young Workers (16 to 17 years of age) Protection Management:
    HRD20120228A
  - Young Workers (16 to 17 years of age)
    Special Protection Guidance: SR-OP-003
- Periodic measurements of thermal conditions including humidity and temperature in areas where heat risks are high
- Steps to reduce potential negative heat-related impact
  - Prepare list of machines that need guards and periodically update list /6 months
  - Develop and implement a fall protection procedure with at least the following details: /6 months
  - Identification of job tasks where an employee or object is at risk of falling
  - Evaluation of the risk associated with tasks involving work at height
  - Identification and implementation of control measures to reduce the risk
- 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
- Chemical Product and Company Information
  - Composition/Ingredients
  - Hazards Identification
  - First Aid Measures
  - Fire Fighting Measures
  - Accidental Release Measures
  - Handling & Storage
  - Exposure Controls/Personal Protection
  - Physical and Chemical Properties
  - Stability and Reactivity
  - Toxicological Information
  - Ecological Information
  - Disposal Considerations
  - Regulatory Information
  - Other Information
- Revise and expand emergency 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 will be revised through joint efforts of the below-listed participants: /7 Months
  - External Consultant and/or Brand Social Compliance Department Representatives
  - Factory Manager
  - HR Manager
  
- Procedures for Disabled Workers
  - Recruitment and Management: HRD20120217A
  - Procedures for Contractors in the Factory: HSE-iDPBG-SP-11
  - Procedures for High Above Ground Work (Fall Protection) Regulation: CFIS-OP-00020
  - Procedures for Lock Out/Tag Out Management: HSE-iDPBG-OP-090
  - Procedures for Thermal Comfort Control: HSE-iDPBG-OP-058
  - Procedures for HSE Staff and Worker Representatives Training: HSE-iDPBG-SP-08
  - Procedures for Internal Monitoring: HSE-iDPBG-OP-052
  - List of Complete sets of analysis on all equipment requiring guarding
  - MSDS Information enhancement by suppliers.
- The following items will be managed by additional policies and procedures: (CHR: Director, Corporate Public Health [CPH]: Manager, iDPBG: Director, 06/30’12)
  - Procedures for protection of elderly employee
  - Procedures for protection of workers with disabilities
- HSE committee to enhance risk assessment report through joint efforts by the following participants:
  - (HSE committee and iDPBG: Director, 06/30’12)
  - External Consultant
  - Brand Social Compliance Department Representatives
  - Plant Manager
  - HR Manager
  - SER Specialist
  - Worker Representatives
  - Maintenance Department Representative
  - Clinic Doctor (from Health Center in the campus)
- Enhance internal monitoring program that specifically emphasizes thermal conditions, LOTO, machine guarding, fall protection, complete MSDS, and emergency action plan coverage. (HSE committee and iDPBG: Director, 06/30’12)
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**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 Benchmarks HSE.1 and HSE.3; Employment Relationship Benchmarks ER.25 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.
- 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.

**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 a month along with additional number of days required for periodic reviews.

**Remediation Plan:**
- Enhance procedures of HSE committee to encourage the participation by worker representatives and other stakeholders and implement regular meetings on a monthly basis; the mission, goals, milestones and working plan of HSE.
FINDING NO: 14

EMPLOYMENT FUNCTION: HEALTH & SAFETY
FINDING TYPE: Sustainable Improvement Needed
Finding Explanation:
• Shower/eye washing station in chemical warehouse area is not in a good condition. Cap of the right eye washing part was missing and open valve is rusted.
• Hearing protectors (ear plugs) not being used appropriately by workers, as many workers were not actually using them and others were not using them properly.
• Although periodic working environment check results do not indicate any risk of potential dust and chemical exposure in assembly areas, all workers were told to use carbon layered paper masks during working hours.
• No protective shoes provided to workers in warehouse areas, forklift and pallet truck traffic areas.
• Forklift truck drivers are not using safety belts; also some forklift trucks are operating with worn out tires which affect safe brake distance.
• Rear gear sound alarms of forklift trucks are missing or not operational; maximum safe load signs are also missing. No speed limiting systems installed in forklift trucks.
• Maximum working pressure limits are not indicated on the manometers of pressure vessels (compressed air and pressurized water).
• Color coding of pipes within the factory varies in different areas. While there is no legal requirement to do so, they are not in line with international standards such as British Standard 1701 on color for pipes (e.g., yellow color used for compressed air pipes) and could cause accidents.
• Many workers working with chemicals (cleaning solvent and adhesives) use different type of gloves (finger gloves or half gloves); these gloves are providing enough protection against potential risk of skin absorption.

Local Law or Code Requirement:
Production Safety Law, Article: 37; Prevention and Treatment of Occupational Diseases Law, Article 23; and FLA Workplace Code (Health, Safety, Environment Benchmarks HSE.1, HSE.6, HSE.7, HSE.8, and HSE.15; 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.
- No clear links between PPE selection/usage and workplace environment measurements (noise measurement, thermal comfort conditions, indoor air quality, dust, etc.).
- Some PPEs in use are for product safety concerns rather than personal protection; for example, paper masks are actually for protecting products from possible particles such as saliva from the workers.
- 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 procedure should be revised and all H&S committee members (including elected worker representatives) should actively participate in the selection process / 3 months
- Maximum working pressure levels should be marked on manometers / 3 months
- Workers should be trained to raise their awareness on importance of PPE usage. Positive incentives would be useful to encourage PPE use (like employee of the month selection) / 6 months
- Develop and implement an effective internal monitoring procedure to assess eye wash/shower conditions, earplug usage, masks, and safety devices in forklifts for successful monitoring of the implementation of written policy and procedures/ 6 months
- Revise periodic control/maintenance procedures for all vehicles (trucks, forklift trucks, pallet trucks) to ensure that necessary periodic control and maintenance activities are done on a timely basis / 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 should be to reduce/isolate possible risks at their source with engineering studies rather than direct suggestion of PPE usage / 9 months

Remediation Plan:

- Enhance PPE selection procedures by HSE committee in accord with China Labor Protective Equipment Selection Principle. (HSE committee and iDPBG: Director, 04/30/’12)
- Label maximum working pressure limits on the manometers of pressure vessels. (iDPBG: Director, 04/15/’12)
- Conduct training for the relevant workers on PPE to raise their awareness about the use of PPE. (Director: iDPBG, 05/31/’12)
- Develop and implement an effective internal monitoring procedure to assess the effectiveness of the implementation of safety measures such as eye wash/shower conditions, earplugs, masks, and safety devices in forklifts according to policies and procedures. (HSE committee and iDPBG: Director, 04/30/’12)
- Revise periodic control/maintenance procedures for all vehicles (trucks, forklift trucks, pallet trucks) to ensure that periodic inspection and maintenance are well done on a timely basis (HSE committee and iDPBG: Director, 04/30/’12)
- Check all PPEs in use with respect to results of workplace environment measurements and revised risk assessment study in order to reduce/isolate possible risks at their source with engineering studies. (HSE committee and iDPBG: Director, 04/30/’12)
• HSE committee should work on color coding of pipes to avoid possible accidents/issues in the future /9 months

• Define color coding of pipes to enhance standardization and prevent potential accidents according to China National Standard: GB7231-2003. (HSE committee and iDPBG: Director, 05/31/’12)

FINDING NO: 15

EMPLOYMENT FUNCTION: HEALTH & SAFETY

FINDING TYPE: Sustainable Improvement Needed

Finding Explanation:

• No non-smoking warning signs placed near fuel station.
• No protective barriers placed around fuel pumps to protect against potential truck or forklift crash.
• In some areas, the selection of fire extinguishers is not suitable for the potential fire risks, such as CO2 type fire extinguisher in fuel station, which is not the best option for fuel oil fires considering the re-ignition risk.
• No sprinkler protection at the fuel station area, except in the office area.
• Emergency assembly areas are not marked and no signs for directing workers to these areas in case of an emergency.
• Emergency exits do not meet local law requirements in assembly production floors (total width of the emergency exits is 10 meters in these floors, while it should be 15 or 20 meters given the number of workers).
• No fire extinguishers on forklift trucks
• No fire detectors in wastewater treatment plant and in the following areas: office, control room, laboratory and compressor room.
• Some flammable materials stored in logistic warehouse, which is located on the ground floor of dormitory building (C25), are posing a risk of fire; compressor room is located under the office building.
• Annual fire drills for production and dormitory buildings were not conducted during all shifts and therefore some workers did not participate.
• Fire drills are conducted once a year in production area instead of twice as required by local law.

Local Law or Code Requirement:

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 managerial staff interviewed mentioned that these issues have never been raised during external OHSAS 18001 audits.
• No active worker representation and participation on HSE committee.
• No active system for encouraging workers to participate in ongoing HSE efforts.
• No effective system for controlling or implementing fire safety guidelines on a periodic basis.
• 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.
Remediation Plan:

• Fire drill for production workers to be executed with full coverage of day and night shift according to the frequency defined by local law and regulations. (iDPBG: Director, 03/31/’12 and continuously)
• Complete upgrading/corrections of the following facility/equipment: (iDPBG: Director, 04/15/’12)
  o Fire detector at waste water treatment plant, office, control room, laboratory and compressor room
  o No-smoking sign at fuel station (Done already)
• Evaluate to upgrade of the following facility/equipment: (iDPBG: Director, 06/30/’12)
  o Sprinkler protection at fuel stations
  o Add the exterior steel structure emergency ladders as recommended
• HSE committee to enhance risk assessment report through joint efforts by the following participants: (HSE committee and iDPBG: 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 on the campus)
• Engage HSE Committee and Foxconn Corporate management to work on improving emergency exits to address the following topics: (iDPBG: Director, 12/31/’12)
  o Potential construction improvements on assembly areas to increase the total width of the emergency exits
  o Possibilities for usage of alternative emergency evacuation routes
  o Close monitoring of evacuation performance during the fire drills to identify bottlenecks and problematic areas in assembly areas for possible improvements
• Install fire extinguishers on forklift trucks to provide quick response to potential fires in the warehouse or other remote areas where forklifts operate as well as a potential fire in the forklift / 3 months
• Install fire detectors in the following areas of the wastewater treatment plant: office, control room, laboratory and compressor room. / 6 months
• HSE Committee should conduct a study on minimizing the risk of possible fire or explosion in logistic warehouse area and compressor room which are located close to dormitory and office areas. The study should cover at minimum:

Recommendations for Sustainable Improvement:

• Fire detectors should be installed at wastewater treatment plant, office, control room, laboratory and compressor room / 1 month
• No-smoking warning signs should be placed at fuel station /1 month
• Protective barriers should be placed around fuel pumps for protection against potential truck or forklift crash / 1 month
• Establish and mark emergency assembly areas and install signage for directing workers to these areas / 1 month
• Fire extinguisher selection within the factory should be re-assessed by HSE committee with respect to potential fire risks in areas where they are located—with consideration given to environmental impact (e.g., avoid using halocarbon type fire extinguishers to protect the ozone layer) / 6 months
• Sprinkler protection should be installed at fuel station area / 6 months
• HSE Committee and management should work together on improvements to emergency exits, addressing at least the following topics:/9 months
  o Potential construction improvements on assembly areas to increase the total width of the emergency exits
  o Possibilities for usage of alternative emergency evacuation routes
  o Close monitoring of evacuation performance during the fire drills to identify bottlenecks and problematic areas in assembly areas for possible improvements
• Install fire extinguishers on forklift trucks to provide quick response to potential fires in the warehouse or other remote areas where forklifts operate as well as a potential fire in the forklift / 3 months
• Install fire detectors in the following areas of the wastewater treatment plant: office, control room, laboratory and compressor room. / 6 months
• HSE Committee should conduct a study on minimizing the risk of possible fire or explosion in logistic warehouse area and compressor room which are located close to dormitory and office areas. The study should cover at minimum:
Possibilities of removing/minimizing flammable and combustible material stored in logistic warehouse
Possible construction improvements to minimize risk/impact of a potential fire/explosion in these areas
Possible relocation of current compressor/warehouse areas
Frequent internal audits/engineering controls on these areas to minimize risk
Fire drills should be conducted twice a year and procedure for conducting fire drills should be revised to be in accord with domestic law; fire drills should be scheduled to ensure participation of all workforce in all production shifts. / 3 months
Risk Analysis report should be revised through joint efforts of the below listed participants: / 7 Months
External Consultant
Brand Social Compliance Department Representatives
Factory Manager
HR Manager
Person responsible for Social Compliance
Elected HSE Worker Representatives
Maintenance Department representative
Workplace Doctor (from hospital in the campus)

FINDING NO: 16

EMPLOYMENT FUNCTION: HEALTH & SAFETY
FINDING TYPE: Sustainable Improvement Needed
Finding Explanation:
Despite the fact that chairs and stools are provided and most of the workers use them (around 95% of the total workforce), instances of the following issues were observed:
Chairs are not adjustable (both height and backrest)
Chairs do not have proper backrest to support the lower back
No removable armrests on chairs
No back support provided on stools
Both chairs and stools made of uncomfortable material (non-breathable/non-slippery material)
In many areas of assembly lines, workers are positioned very close to each other, which reduces their ergonomic comfort as there is not enough space provided for separating their usual and occasional work areas
Illumination levels are inconsistent, not sufficient in some areas, while other areas are over-illuminated.
Although, according to factory’s written hours of work procedures, workers are to be provided with 15 minutes of ergonomic breaks after every two consecutive hours of work, this procedure is not always implemented.
Some workers use hand pallet trucks for moving heavy loads for long distances.

performance during the fire drills to identify bottlenecks and problematic areas in assembly areas for possible improvements.
HSE Committee to conduct a study on minimizing the risk of possible fire or explosion in logistic warehouse area and compressor room which are located close to high density population areas: (HSE committee, and iDPBG: Director, 04/30/12)

Possibility of removing/minimizing flammable and combustible material stored in chemical warehouse.
Possible improvements to minimize risk/impact of a potential fire/explosion.
Possible relocation of current compressor/warehouse areas.
Frequent internal audits/engineering controls to minimize risk.
• Number of toilets in assembly production floors is insufficient and below legal requirement. (There are 1,500 to 2,000 workers in each assembly floor and only 20 to 24 toilets.)
• Some workers return to the production area after lunch break and sit at workstations or in hallways, rather than a rest area which is not provided by management
• No ergonomic training provided to workers to increase their awareness and knowledge on ergonomic risks in the workplace.
• Although there was an ergonomic study conducted and there is a report suggesting some possible improvements, the report does not contain detailed information about necessary improvements on workstations’ design and job simplification. Problems observed include workers hunching or leaning in some operations, uncomfortable body postures, usage of pneumatic tools (which are a source of vibration/noise, etc.)

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; Environment Benchmarks HSE.1, HSE. 17, and 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 external OHSAS 18001 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 Disorders (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 recreational areas for break hours around factory buildings.

**Recommendations for Sustainable Improvement:**
• Enforce 10-15 minutes ergonomic breaks for workers /1 month
• HSE committee should check illumination levels in production areas to determine needed improvements on over/under illuminated areas /3 months
• 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

**Remediation Plan:**
• Establish an ergonomic laboratory to research and develop ergonomic programs and anthropometric database for the continuous improvement of ergonomic health and comfort of workers.
  (Ergonomic laboratory: Director, Done and continuously)
• Strengthen HSE committee roles and functions in making improvements to the ergonomic comfort of workers: (HSE committee and iDPBG: Director, 06/30/’12)
  o Over/under Illumination levels on production areas.
• Workers should be trained on Ergonomic Risk factors in workplace. /4 months
• HSE committee should check with workers to assess if additional toilets are needed for assembly areas. If there is a need, HSE committee should work with factory management to add new toilets or to designate existing toilets in different sections for worker use. /6 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(s) responsible for Social Compliance
  o Elected HSE Worker Representatives
  o Maintenance Department representative
  o Workplace Doctor (from hospital on the campus)
• 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 should immediately start working on defined Ergonomic risks to minimize or avoid those risks./9 months
• Toilet requirements which may be needed by workers at specific areas.
• Ergonomic risk and protections.
• Define action items and monitor the effectiveness of execution of ergonomic risk prevention actions.
• Enhance training programs for workers and worker representatives: (iDPBG: Director, 06/30/12 and continuously)
  o Ergonomic Risk factors in workplace.
  o Knowledge and skills in detecting/managing potential HSE risks.
• Enforce and monitor the consistency in implementing the written policies of 10-15 minutes ergonomic breaks. (iDPBG: VP, Ongoing and continuously)
• Revise Risk Analysis report that includes all Ergonomic Risks within the workplace through joint efforts by the following participants: (HSE committee and iDPBG: 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 on the campus)
• Strengthen effective internal monitoring procedures to ensure consistent illumination, sufficient toilets, improved ergonomic program, and successful implementation of written policies and procedures. (HSE committee and iDPBG: Director, 11/30/12)
• Review the effectiveness of ergonomic improvement actions. (HSE committee and iDPBG: Director, 12/31/12)
• Encourage workers to fully utilize and enjoy on campus recreational facilities such as library, internet cafe, gym and lounge between breaks.
  Encourage workers to utilize various facilities outside of factory such as internet cafe, TV rooms at apartment, library. (iDPBG: Director, continuously)
EMPLOYMENT FUNCTION: HEALTH & SAFETY
FINDING TYPE: Immediate Action Required
Finding Explanation:
• Two out of three emergency exit doors from the TV room on the 2nd floor of outside male dormitory were locked.
Immediate Action:
All dormitories should be checked in order to make sure that all emergency exit doors are unlocked.
Local Law or Code Requirement:
Fire Prevention Law, Article 28; FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.5 and HSE.25)
Root Causes:
• Since dormitory is operated by a service provider and located outside of the factory premises, management thought that HSE activities there did not fall under their responsibility.
• Management is not aware of possible legal and financial consequences of accidents in the dormitories

Recommendations for Sustainable Improvement:
• Risk Analysis report should be revised to cover possible risks/emergencies in the dormitories.
• Develop and implement an effective internal monitoring procedure to ensure emergency exit doors in the dorms are unlocked at all times and a successful implementation of HSE activities in dormitories/ 8 months
Remediation Plan:
• Continuously implement effective internal monitoring procedures. (Apartment service agents, HSE committee and iDPBG: Director, Done and continuously)
• Meet with apartment service agents and review procedures to ensure that all emergency exit doors are unlocked. (Apartment service agents and iDPBG: Director, Done on 02/20/12)
• Enhance risk analysis report to cover all possible risks/emergencies in the apartments. (Apartment service agents, HSE committee and iDPBG: Director, 04/30/'12)

EMPLOYMENT FUNCTION: HEALTH & SAFETY
FINDING TYPE: Immediate Action Required
Finding Explanation:
• Food Hygiene Permits of the two food service providers in the factory expired in December 2011.
Immediate Action:
• Food hygiene permits of the two food service providers should be renewed.
Local Law or Code Requirement:
Food Safety Law Article: 29, FLA workplace Code (Health, Safety, and Environment Benchmarks HSE.1 and HSE.22)
Root Causes:
• Management thinks that it does not have a role in food-related HSE activities as these involve independent service providers.
• 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 external OHSAS 18001 audits.

### Remediation Plan:

- Expedite food hygiene permits of the two food service providers which are in a renewal process.
  (Food service providers, Corporate General Affair [CGA]: Manager and iDPBG: Director, 04/15/’12)
- Upgrade monitoring to prevent expiration of hygiene permits through proactive alert system installed for the renewal process of hygiene permit which are applied by food service providers; e-system will be coded with pre-alert capability.
  (Food service providers, CGA: Manager and iDPBG: Director, 11/30/’12)

### Recommendations for Sustainable Improvement:

- Develop and implement an effective internal monitoring procedure to prevent expired hygiene permits and to ensure successful implementation of HSE activities by service providers/ 8 months
provider on environmental issues / 1 month
• Brand social compliance team should continue to check environmental issues in detail and help factory management to improve its overall performance on environmental protection issues / 1 month
• HSE worker representatives should be elected and management should encourage workers to participate in ongoing HSE efforts / 3 months
• HSE Committee members should be trained on environmental issues / 6 months
• HSE committee should start working more actively on environmental issues combining efforts of different departments and providing elected worker representation / 7 months
• Prepare and implement an effective internal monitoring procedure to assess waste management and solid waste separation procedures to ensure successful implementation of written policy and procedures / 8 months

providers. (iDPBG: Director, 04/30/’12)
• Review and enhance procedures of HSE committee to encourage the participation by worker representatives and implement meetings on a monthly basis. (iDPBG: Director, 04/30/’12)
• At a minimum once per year, review and upgrade as needed solid wastes management procedures and conduct periodic audit on the effectiveness of implementation. (HSE committee, iDPBG: Director, 04/15/’12 and continuously)
• Formulate and implement training program for HSE committee members. (HSE committee, Environmental Technology & Service Business Group [ETSBG]: Director and iDPBG: Director, 05/31/’12)
• Work on environmental enhancement programs with full participation by all stakeholders. (HSE committee, iDPBG: Director, 06/30/’12)
• Engage environmental protection work in campus with consultants to optimize the stream of waste management. (ETSBG: Director, 07/30/’12)
• Apple will work with suppliers on the continuous improvement and implementation of corrective actions. (Apple Supplier Responsibility: on-going)

EMPLOYMENT FUNCTION: ENVIRONMENTAL PROTECTION
FINDING TYPE: Immediate Action Required
Finding Explanation:
• There is a direct discharge connection to the factory’s main discharge point over a storm water canal at the sludge car washing section.
Immediate Action:
Practice should be halted. Wastewater from sludge car washing section should be directed to wastewater treatment plant / 1 month
Local Law or Code Requirement:
Prevention and Control of Environmental Pollution by Solid Wastes Article: 58, FLA Workplace Code (Health, Safety, and Environment Benchmarks HSE.1, HSE 11, and Employment Relationship Benchmark ER.31)
Root Causes:
• 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.
• Most of the managerial staff interviewed mentioned that these issues have never been raised during external ISO 14001 audits.
• No system for conducting periodic assessments for checking the environmental issues in the factory.
• Quality issues regarding ISO 14001 audits, as they provide superficial information about environmental requirements to management and focus more closely on documentation.
• HSE Committee is not active; HSE staff is trying to deal with all environmental issues rather than doing so in a collaborative effort with the HSE committee.
• No active worker representation and participation on HSE committee.
• No active system for encouraging workers to participate ongoing HSE efforts.

Remediation Plan:
• Complete construction of project to redirect waste water drained from sludge car washing section to waste water treatment facility; in the meantime, relocate sludge car washing to an alternative waste water recyclable area. (iDPBG: Director, 04/20/’12)
• Review and complete upgrading of procedure for Contractors Management in the Factory (HSE-iDPBG-SP-11) and performance evaluation of environment protection service providers. (iDPBG: Director, 04/15/’12)
• Enhance procedures of HSE committee to encourage the participation by worker representatives and implement regular meetings on a monthly basis. (iDPBG: Director, 04/15/’12)
• At a minimum once per year, review and upgrade as needed waste water treatment management procedures and conduct periodic assessment on the effectiveness of implementation. (HSE committee, iDPBG: Director, 04/15/’12 and continuously)
• Formulate and implement training program for HSE committee members. (HSE committee, iDPBG: Director, 05/31/’12)
• Work on environmental enhancement programs with full participation by all stakeholders. (HSE committee, iDPBG: Director, 06/30/’12)
• Apple will work with suppliers on the continuous improvement and implement corrective actions. (Apple Supplier Responsibility: on-going)

Recommendations for Sustainable Improvement:
• Factory management should review and reconsider the performance of external consultant/service provider on environmental issues / 1 month
• Brand social compliance team should continue to check environmental issues in detail and help factory management to improve its overall performance on environmental protection issues / 1 month
• HSE worker representatives should be elected and management to encourage workers to participate in ongoing HSE efforts/ 3 months
• HSE Committee members should be trained on environmental issues / 6 months
• HSE committee should start working more actively on environmental issues combining efforts of different departments and providing elected worker representation / 7 months
• Prepare and implement an effective internal monitoring procedure to ensure proper wastewater discharge and to ensure successful implementation of written policy and procedures/ 8 months

EMPLOYMENT FUNCTION: ENVIRONMENTAL PROTECTION
FINDING TYPE: Sustainable Improvement Needed
Finding Explanation:
• No periodic control system in place to ensure that underground diesel tank is not leaking.
• Remains of diesel fuel spill contamination around underground diesel tank probably caused by
overflows during filling operations.

Local Law or Code Requirement:

Regulation for Safety of Dangerous Chemicals Article: 16, FLA Workplace Code (Health, Safety, and Environment Benchmark HSE.1, Employment Relationship Benchmark ER.31)

Root Causes:

- 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.
- Most managerial staff interviewed mentioned that these issues have never been raised during external ISO 14001 audits.
- No system for conducting periodic assessments for checking the environmental issues in the factory.
- Quality issues with ISO 14001 audits as they provide superficial information about environmental requirements to management and focus almost exclusively on documentation
- HSE Committee is not active; HSE staff is trying to deal with all environmental issues rather than doing so in a collaborative effort with the HSE committee.
- No active worker representation and participation on HSE committee.
- No active system for encouraging workers to participate in ongoing HSE efforts.

Remediation Plan:

- Strengthen periodic monitoring on the possible leakage of underground fuel tanks and review the effectiveness of implementation of preventive actions to minimize the risks. (CGA: Manager, iDPBG: Director, 04/07/'12 and continuously)
- Work with an external consultant to identify proper methodology and standards to periodically monitor and control the integrity of diesel tank. (CGA: Manager, 04/30/'12)
- Formulate and implement training program for HSE committee members. (HSE committee, iDPBG: Director, 05/31/'12)
- Build recycling facility to collect possible spill and/or overflow contamination around fuel tank area. (CGA: Manager, 06/30/'12)
- Work on environmental enhancement programs with full participation by all stakeholders. (HSE committee, iDPBG, 06/30/'12)
- Offer environmental training lessons to HSE committee members by consultants. (ETSBG: Director, 09/30/'12)
- Apple will work with suppliers on the continuous improvement and implement corrective actions. (Apple Supplier Responsibility: on-going)

Recommendations for Sustainable Improvement:

- Factory management should review and reconsider the performance of external consultant/service provider on environmental issues / 1 month
- Brand social compliance team should continue to check environmental issues in detail and help factory management to improve its overall performance on environmental protection issues / 1 month
- HSE worker representatives should be elected and management should encourage workers to participate in ongoing HSE efforts/ 3 months
- HSE Committee members should be trained on environmental issues / 6 months
- HSE committee should start working more actively on environmental issues combining efforts of different departments and providing elected worker representation / 7 months
- 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
EMPLOYMENT FUNCTION: ENVIRONMENTAL PROTECTION

FINDING TYPE: Sustainable Improvement Required

Finding Explanation:

• Emission permits for Kitchen-Generator-Ovens-Ventilation System (extractors) are missing.
• Factory sends sludge of wastewater treatment plant to a landfill via a certified service provider; however, permit for usage of this landfill is missing.

Local Law or Code Requirement:
Prevention and Control of Atmospheric Pollution Law, Article 12; FLA Workplace Code (Health, Safety, and Environment Benchmark HSE.1; Employment Relationship, ER.31)

Root Causes:

• Although factory has a valid ISO 14001 Certificate and the environmental protection system has been developed at the documentation level, implementation issues were observed because there is no comprehensive approach to environmental protection activities.
• No system for conducting periodic assessments to check the environmental issues in the factory.
• Quality issues with ISO 14001 audits as they provide superficial information about environmental requirements to management and focus more closely on documentation.
• HSE Committee is not active; HSE staff is trying to deal with all environmental issues rather than doing so in a collaborative effort with the HSE committee.

Recommendations for Sustainable Improvement:

• Factory management should review and reconsider the performance of external consultant/service provider on environmental issues / 1 month
• Brand social compliance team should continue to check environmental issues in detail and help factory management to improve its overall performance on environmental protection issues / 1 month
• Obtain emission permits for Kitchen-Generator-Ovens-Ventilation System (extractors) / 3 months
• Obtain permit for landfill usage / 3 months
• HSE committee should start working more actively on environmental issues with mutual efforts of different departments and provide worker representation with elected representatives/ 7 months
• Prepare and implement an effective internal monitoring procedure to prevent lack of emission permit and usage of landfill to ensure successful implementation of written policy and procedures/ 8 months

Remediation Plan:

• At a minimum once per year, implement analysis and monitoring of emission of Kitchen-Generator-Ovens-Ventilation System (extractors), and take corrective actions for any possible deficiency. (CGA: Manager and iDPBG: Director, Done on 08/19/’11 and continuously)
• Strengthen periodic monitoring on waste disposal and emission of Kitchen-Generator-Ovens-Ventilation System (extractors), and review the effectiveness of implementation of management system to minimize the risks. (CGA: Manager, iDPBG: Director, 04/15/’12 and continuously)
• Formulate and implement training program for HSE committee members. (HSE committee, iDPBG: Director, 05/31/’12)
• Work on obtaining a permit for the usage of landfill space which is held by a certified service provider under management by local government. Please refer to the government web site: http://www.szpl.gov.cn/main/ghdt/tzgg/20060126013938.shtml. (Corporate Service [CS]: Manager, iDPBG: Director, 06/30/’12)
• Work on environmental enhancement programs with full participation by all stakeholders. (HSE committee, iDPBG, 06/30/’12)
• Work with local government on obtaining emission permits for Kitchen-Generator-Ovens-Ventilation System (extractors) which are currently not issued by local government in Shenzhen. (CGA: Manager and iDPBG: Director, 11/30/’12)
• Apple will work with suppliers on the continuous improvement and implement corrective actions. (Apple Supplier Responsibility: on-going)