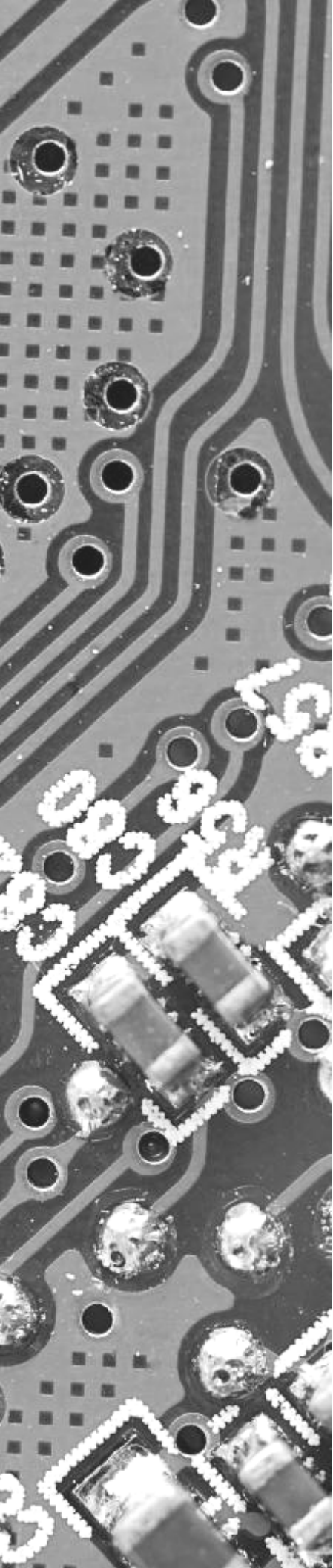


Electronic Industry Citizenship Coalition 2009 Annual Report





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Letter from John Gabriel, Chairman of the Board



The past year was challenging, yet productive. Members of the Electronic Industry Citizenship Coalition (EICC) dealt with the harsh realities of the global economic downturn, while not losing sight of our mission or slowing our activities to improve social, ethical, and environmental conditions throughout the electronics supply chain.

By nearly every measure we expanded our reach and solidified our portfolio of tools that enable our members to have a positive impact.

We strengthened our Code of Conduct and Code implementation activities—the bread and butter of the EICC mission. Through a successful review process, we adopted several changes to the Code of Conduct, which increased its relevance throughout the global supply chain. We built on the efforts we had begun in 2008 to develop a common audit model, creating the necessary pieces—including auditor training and certification—for a robust “validated audit program” that enables both individual and shared audits of facilities in the electronics supply chain. These audits are designed to meet consistent, high standards for quality. We also created two web-based training modules, which serve as a platform for larger scale capability-building in the supply chain.

We expanded our reach and scope of activity in the supply chain and welcomed four new member companies, increasing representation and adoption of the EICC Code of Conduct through companies several tiers into the supply chain. We continued work on activities focused on metals extraction in the electronics supply chain, creating a task force of EICC and Global e-Sustainability Initiative (GeSI) member companies, nonmember companies, and other key stakeholders that represent nearly every node in the extraction of tantalum, a key metal for the electronics industry.

Finally, we solidified organizational governance and structure. We expanded the Board of Directors, electing four new leaders and realigning board positions to oversee organizational priorities. We formalized regional leadership in Asia, enabling members’ employees in Asia to engage more substantially in EICC global activities and implement initiatives on the ground in Asia. We also recognize an important aspect of EICC leadership and governance depends on being cognizant of stakeholder viewpoints. We feel 2009 was a key turning point for our relations with external stakeholders, in particular NGOs interested in our mission. We took several important steps to have more regular contact and feedback with external stakeholders and shared ideas for future collaboration on concrete initiatives.

We are confident that our portfolio of tools has evolved to now support the supplier engagement model and when used will yield positive results. Lasting results, however, are not instantaneous. We still have work to do in achieving our mission and continue to face challenges. Key among them is remembering that members are at different stages in their implementation of the EICC Code of Conduct and their efforts to improve conditions in the supply chain. We will continue to support members and give them the tools and guidance to continually improve over time—no matter where they started when they joined the EICC.

Looking ahead, 2010 will be a transformational year for members to implement our portfolio of tools to make a measurable impact on supply chain conditions. More specifically, we have identified the following priorities:

- Expand **supplier training and capability-building resources**, focusing on opportunities with the largest possible benefit (such as those aligned with audit findings)
- Continue to improve **existing EICC tools**, such as E-TASC database and the Carbon Reporting System

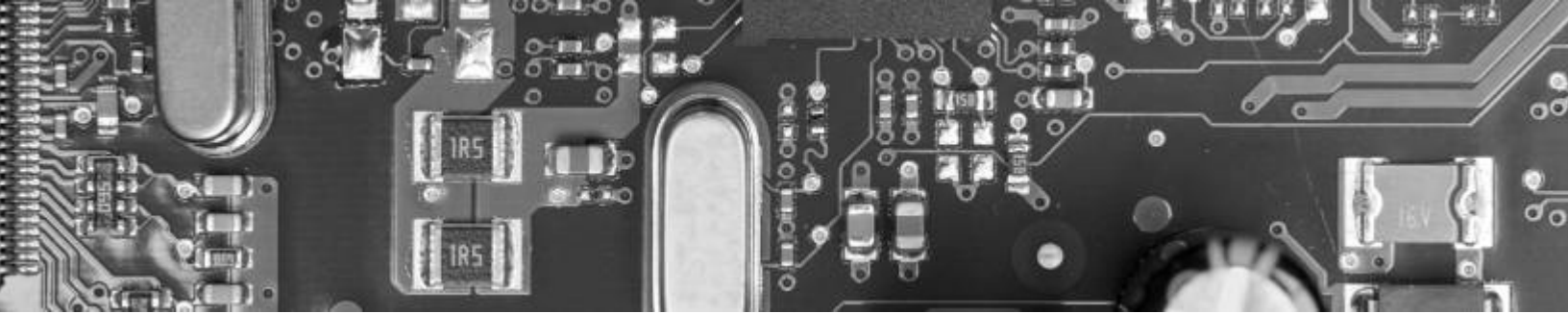
“The EICC evolved significantly in 2009 despite many challenges. Our approach and ever-improving portfolio of tools gives us confidence that we are driving measurable, positive changes in social and environmental conditions in the electronic industry supply chain.”

- Expand the EICC **Validated Audit Process** (VAP) to new geographies
- Employ the **Asia Work Group** to drive on-the-ground improvements and share expertise
- Increase visibility into the electronics supply chain and take steps to help members ensure that conflict minerals are not being used in electronic products
- Welcome **additional companies** to join the EICC, further spreading our vision and mission
- Periodically assess members against **organizational requirements** to determine how the EICC can further assist them in making sustained supply chain improvements
- Collaborate with **external stakeholders** to increase the impact of key initiatives

I look forward to seeing what we collectively achieve in each of these areas in 2010. It stands to be an exciting year.

A handwritten signature in black ink, appearing to read 'John Gabriel', with a long horizontal line extending to the right.

John Gabriel
Chairman of the Board, Electronic Industry Citizenship Coalition



Introduction

Since 2004, the Electronic Industry Citizenship Coalition (EICC) has played a critical role in driving improvement in the electronics industry.

The interconnectedness of business in today's globalized economies is very evident in the electronics and information technology supply chain. A company can simultaneously be a supplier, customer, and competitor. As a result, issues and challenges for one company are issues and challenges for an entire web of networked relationships. Given these industry dynamics, the EICC promotes improving social, ethical, and environmental conditions across the electronic industry's extended supply chain.

OUR VISION & MISSION

Through the application of shared standards and tools, we believe we can create better social, economic, and environmental outcomes for all involved in the electronics supply chain. These outcomes include: improved conditions for workers, increased efficiency and productivity for customers and suppliers, economic development, and a cleaner environment for communities.

Thus, the EICC mission is to promote a common Code of Conduct and a shared approach to implementing the Code throughout our members' operations and supply chain. We set goals and measure our impact in achieving our mission based on the following areas: Code awareness, Code adoption, and Code compliance. All of our activities relate to at least one, if not all, of these areas.

STRATEGIC PRIORITIES FOR 2009

Since its inception, the EICC has achieved significant progress in promoting high standards for labor, ethics, health and safety, and the environment. Heading into our fifth year, we identified several priorities to guide our activities:

- Evolving the common audit model into the Validated Audit Process (VAP) that enables **consistent, high-quality audits** against the EICC Code of Conduct
- Increasing **proactive capability building** via eLearning modules
- Increasing our understanding of **where raw metals come from**, by working to identify the multiple tiers of the supply chain and key opportunities for influence
- Improving **engagement and assessment tools** for broad use, including multiple enhancements to the E-TASC database
- Improving **organizational governance**
- Developing more collaborative relationships with **external stakeholders**

This report discusses our efforts around these priorities in the 2009 calendar year. While we recognize many challenges and areas for additional focus, we also pause to reflect on our substantial accomplishments.

Year in Review

Commitments	Progress	Looking Ahead
GOVERNANCE		
		<i>More information ></i>
<ul style="list-style-type: none"> ■ Conduct board elections 	<ul style="list-style-type: none"> ■ Elected directors to four new board positions ■ Realigned director responsibilities and oversight around organizational priorities and work group activities 	<ul style="list-style-type: none"> ■ Continue to provide leadership and stability in the organization, setting the strategic direction and allocating resources
MEMBERSHIP		
		<i>More information ></i>
<ul style="list-style-type: none"> ■ Develop a fair and consistent process for tracking member progress against requirements 	<ul style="list-style-type: none"> ■ Welcomed four new members ■ Drafted process for assessing members against organizational requirements ■ Created Asia Work Group to increase member engagement in region 	<ul style="list-style-type: none"> ■ Continue to welcome new members ■ Implement process for assessing members against organizational requirements ■ Expand relationships with other industry groups
CODE OF CONDUCT		
		<i>More information ></i>
<ul style="list-style-type: none"> ■ Continue Code review process ■ Continue stakeholder input process 	<ul style="list-style-type: none"> ■ Conducted Code review process, resulting in 30 changes to the Code ■ Facilitated dialogue with internal and external stakeholders around the outcome of the Code review process ■ Released an updated Code, which was made available in 14 languages ■ Voted to adopt three-year review cycle 	<ul style="list-style-type: none"> ■ Engage stakeholders in Code review process on relevant topics ■ Benchmark Code against latest international standards
SUPPLY CHAIN ASSESSMENT & MONITORING		
		<i>More information ></i>
<ul style="list-style-type: none"> ■ Launch new tools to support assessment and validation phase of supplier engagement ■ Upgrade E-TASC database ■ Translate tools into more languages ■ Continue to expand the Validated Audit Process (VAP) ■ Develop a corrective action process for validated audits ■ Create Auditor Certification Program 	<ul style="list-style-type: none"> ■ Developed and released new audit tool and report ■ Enhanced auditee and auditor guidance and tools ■ Initiated the Auditor Certification Program, selected a training provider; and prepared to launch in 2010 ■ Initiated the VAP, preparing to complete more than 70 audits in the first half of 2010 in China and Latin America ■ Formed VAP Operations Management Team 	<ul style="list-style-type: none"> ■ Offer auditor certification training in all regions ■ Expand the VAP to other geographies in Southeast Asia and Latin America ■ Explore a recognition program for facilities that undergo a validated audit and address their identified issues
SUPPLY CHAIN CAPABILITY-BUILDING		
		<i>More information ></i>
<ul style="list-style-type: none"> ■ Host at least one supplier training event each year ■ Launch eLearning modules ■ Expand list of local resources to other regions 	<ul style="list-style-type: none"> ■ Hosted two-day supply chain training forums in Shenzhen, China, in February and June 2009, with 307 combined participants ■ Launched eLearning for commodity and procurement managers ■ Developed eLearning for facility managers in the supply chain 	<ul style="list-style-type: none"> ■ Launch eLearning for facility managers in the supply chain ■ Develop health and safety training program ■ Develop worker-management communication training program

Commitments	Progress	Looking Ahead
WORKING HOURS More information >		
<ul style="list-style-type: none"> ■ Develop a set of analysis tools ■ Research and benchmark best practices 	<ul style="list-style-type: none"> ■ Developed four tools to strengthen member awareness of and help members diagnose and manage issues around working hours 	<ul style="list-style-type: none"> ■ Gather member input to evaluate tool effectiveness
EXTRACTIVES More information >		
<ul style="list-style-type: none"> ■ Develop supply chain transparency models for tin, tantalum, and cobalt ■ Investigate product metals recycling 	<ul style="list-style-type: none"> ■ Contracted with RESOLVE to conduct traceability research on tantalum, tin, and cobalt ■ Formed tantalum supply chain work group composed of companies from all tiers of the supply chain (e.g., traders, miners, smelters, etc.) ■ Planned visits to assess six of the seven largest tantalum smelters in the world, which collectively represent 80 percent of the tantalum supply ■ Aligned with ITRI on a cooperative tin supply chain initiative 	<ul style="list-style-type: none"> ■ Publish results of supply chain research ■ Work to develop tantalum smelter verification plan ■ Collaborate with tin industry on development of mine-to-smelter identification scheme
ENVIRONMENTAL SUSTAINABILITY More information >		
<ul style="list-style-type: none"> ■ Pilot an EICC approach to carbon reporting 	<ul style="list-style-type: none"> ■ Piloted EICC Carbon Reporting System, by reaching out to 280 suppliers for carbon data and gathering data from 73 companies 	<ul style="list-style-type: none"> ■ Increase participation in EICC Carbon Reporting System ■ Support research on a simplified carbon footprinting approach ■ Provide training on energy efficiency
STAKEHOLDER ENGAGEMENT More information >		
<ul style="list-style-type: none"> ■ Enhance the EICC approach to stakeholder engagement 	<ul style="list-style-type: none"> ■ Discussed Code revisions with all external stakeholders who proposed changes ■ Participated in GoodElectronics and makeITfair stakeholder roundtable in Amsterdam ■ Hosted educational session with International Labour Organization (ILO) on Freedom of Association/Collective Bargaining and Better Work program ■ Identified projects to work on in collaboration with stakeholders ■ Solicited feedback on 2009 Annual Report 	<ul style="list-style-type: none"> ■ Implement stakeholder engagement road map ■ Continue to host educational sessions involving external stakeholders ■ Develop process for regular information sharing with stakeholders ■ Collaborate with stakeholders on selected projects

Key Performance Indicators

In 2009, we adopted the following key performance indicators (KPIs) to help monitor our efforts over time. These KPIs intend to reflect both our breadth and depth in achieving our mission.

We believe this is a critical step forward in keeping ourselves accountable to long-term objectives, and we will conduct a structured process in 2010 to set performance targets for future performance.

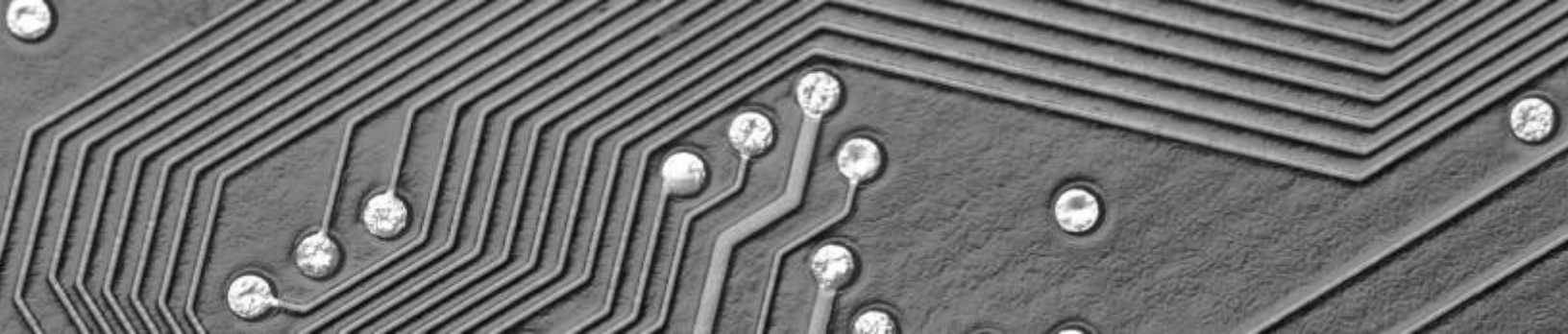
Data on member activity in the table below and throughout this report was gathered through an online survey of members. We received 42 survey responses—a 100 percent response rate. Data includes responses from applicant and full members alike, including the four companies that joined the EICC in 2009 and have had substantially less time to integrate EICC tools and practices into their operations and supply chain. In addition, some members did not provide information for every data point requested; the sample size for individual indicators varies. In the future we will strive to improve the quality of member survey responses and work to ensure members are interpreting our KPIs consistently and providing complete data sets for aggregation.

Indicator	2009 Performance	Commentary
ADOPTION OF CODE OF CONDUCT		
Member adoption of Code of Conduct for own manufacturing services facilities and supplier facilities	74%	Performance reflects members who have adopted or aligned their code of conduct for their owned operations to the EICC Code, and adopted the EICC Code verbatim as the code of conduct for their suppliers. All members have at least aligned their code of conduct for their suppliers to the EICC Code. Read the Code of Conduct section for more information.
RISK ASSESSMENT		
Members using the Self-Assessment Questionnaire (SAQ) for their manufacturing facilities ¹	81%	Performance reflects the portion of members that have completed an SAQ for at least one of their owned manufacturing facilities.
Member facilities with completed SAQ (as a percentage of members' total facilities)	62%	Performance reflects members' depth in completing SAQs across their facilities, and is measured as an average across membership.
Members auditing against the EICC Code	88%	Performance reflects the portion of members who have audited against the EICC Code for at least one of their owned manufacturing facilities or supplier facilities. This includes 57% of members who are using EICC audit tools, and 31% that are using their own audit tools.
TOOL USAGE		
Members using EICC audit tools	57%	Performance reflects the portion of members using any of the EICC audit tools, including the EICC audit checklist and Validated Audit Process. Read the Supply Chain Assessment & Monitoring section for more information.
Members who subscribe to the E-TASC database	64%	Performance reflects the portion of members that are either a full or partial subscriber to E-TASC.

¹ A member "facility" is a facility owned or leased that is used to manufacture, assemble, or package the member's products. For the purposes of the EICC's activities it does not include remote employee locations or facilities solely dedicated to administration, management, sales, design, or call centers.

Indicator	2009 Performance	Commentary
ASSESSMENT RESULTS		
Average number of major nonconformances per facility audited	6.0	Performance is an average across audits conducted by membership against the Code; members conducted nearly 1,300 audits on their own. Members reported the greatest areas of major nonconformances found in their audits to be working hours, wage payments and benefits, emergency preparedness, and occupational health. In the future, this indicator will reflect only Validated Audits findings.
CAPABILITY-BUILDING		
Members who offer EICC training materials to employees or major suppliers ²	90%	Performance includes members who have adopted EICC training materials, such as eLearnings, developed their own trainings, or invited major suppliers to attend an EICC supply chain summit. Read the Supply Chain Capability-Building section for more information on EICC training activities.
MEMBERSHIP		
Number of member companies	42	Performance includes both full and applicant members. See the Leadership & Membership section for more information.
Members who have fulfilled the requirements of full membership	74%	Performance reflects the portion of members who are considered “full” members as defined by the EICC membership requirements in 2009.

² A member “facility” is a facility owned or leased that is used to manufacture, assemble, or package the member’s products. For the purposes of the EICC’s activities it does not include remote employee locations or facilities solely dedicated to administration, management, sales, design, or call centers.



EICC Leadership & Membership

The EICC is a coalition of 42 of the world's leading electronics and information technology companies, working together to improve efficiency and social, ethical, and environmental responsibility in the global supply chain.

LEADERSHIP

Strong leadership is critical for setting organizational strategy, ensuring effective use of resources, and providing long-term organizational stability. Representatives of member companies serve in a variety of positions to provide leadership in the EICC.

Board of Directors

As a nonprofit association incorporated in the United States, ultimate accountability resides with a Board of Directors. The board oversees organizational governance, budget, strategy, and administrative functions. Directors are elected to serve three-year terms for up to two consecutive terms. In 2009, board positions were reorganized to better align with organizational needs. Four new positions were created, including a board-level position focused on EICC activities in Asia.

Work Group Leadership

EICC Work Groups translate the strategy and guidance provided by the Board of Directors into action. There are eight EICC [Work Groups](#) and each is overseen by one or more leads elected by Work Group members. Work Group leads serve the important role of liaison with the Board of Directors. They develop work plans in line with organizational strategy, drive the Work Group's agenda, and motivate members to engage in activities.

Asia Work Group

In 2009, we established the EICC Asia Work Group, a regional structure to help coordinate activities across Work Groups in Asia. The Asia Work Group has three committees which provide support for the EICC Work Groups by providing a regional perspective on EICC policies and programs, and raising member awareness of issues and challenges in Asia. They are also charged with increasing awareness of the EICC Code of Conduct in Asia, supporting adoption of the Code through on-the-ground activities (such as supplier training events), and measuring conformance by coordinating with the EICC's broader audit and monitoring activities. The EICC's Director of Asia Programs oversees the Asia Work Group and provides regular updates to the Board of Directors. Once the Asia Work Group is well established, we expect to apply the model to other regions where appropriate.

MEMBERSHIP

EICC membership is open to electronic retailers, manufacturers, software firms, ICT firms, and manufacturing service providers that design, market, manufacture or provide goods or other materials or services to electronics companies.

Despite the economic downturn, EICC membership remained strong in 2009. As of December 2009, EICC had 42 members including four new companies that joined in 2009. Seven companies elected not to renew their membership due to the economic environment. EICC membership is broad and diverse. Members' headquarters are distributed among the Americas, Asia-Pacific, and Europe, Middle East, Africa (EMEA). In addition, members reflect

Board of Directors 2009

John Gabriel
IBM Corporation
Chair, Director of Oversight
Elected 2007

Eric Austermann
Jabil
Treasurer, Director of Code
Management
Elected 2007

Deborah Albers
Dell, Inc.
Director of Special Projects
Elected 2009

Kate Cacciatore
STMicroelectronics
Director of External Relations
Elected 2007

Brian Glazebrook
Cisco Systems
Director of Outreach
Elected 2007

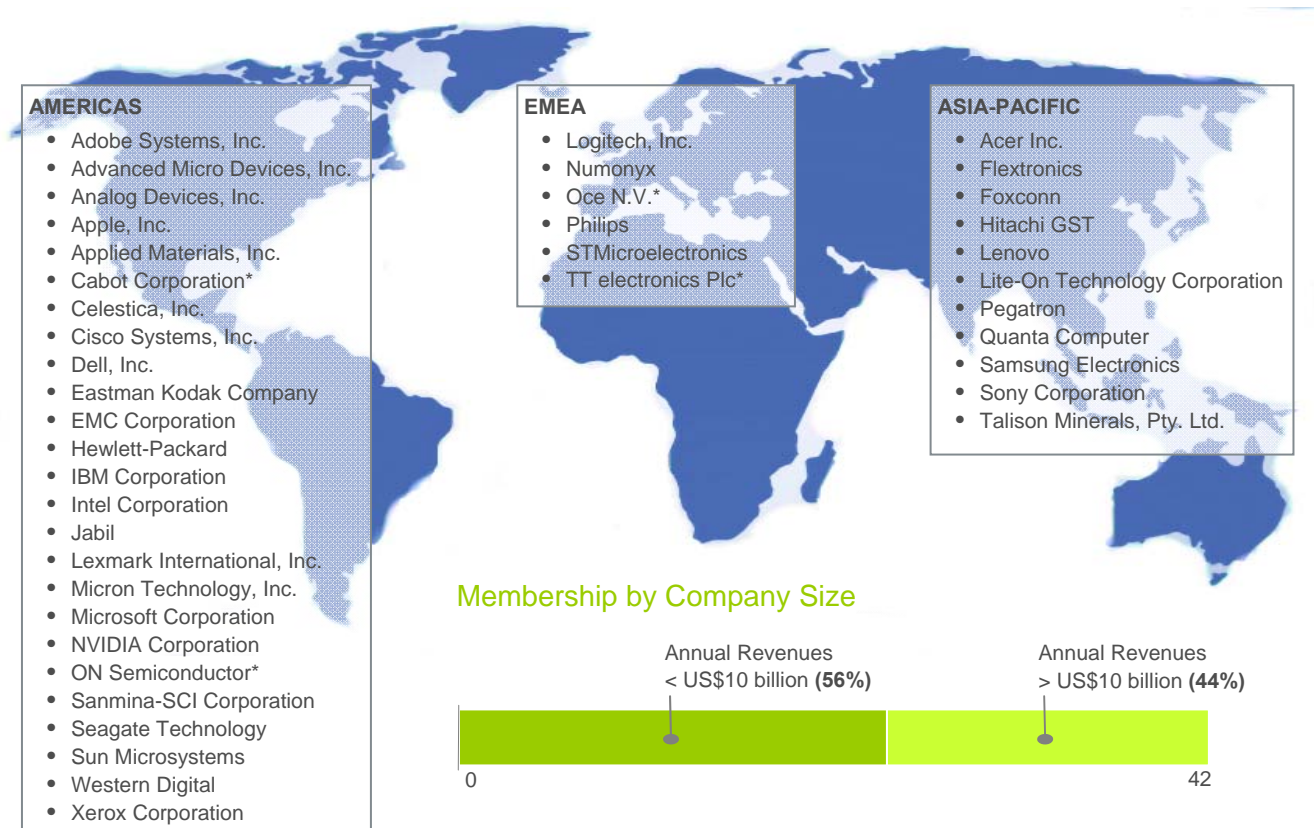
Steve Viera
Intel Corporation
Director of Capability Building
Elected 2009

Richard Wong
Flextronics
Vice Chair, Director of Asia
Programs
Elected 2009

many levels of the electronics supply chain, from raw materials extraction through manufacturing to brands.

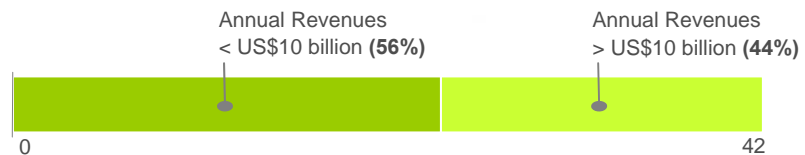
Any electronics company or supporting supplier is welcome to adopt the EICC Code of Conduct. Membership in the EICC signifies a commitment to not only adopt the Code, but also invest in implementation. Seeing the need to increase accountability against this commitment, we adopted requirements for membership in 2008 and created two membership categories—full and applicant. Requirements for both levels are published in the [membership application](#).

Membership by Headquarters

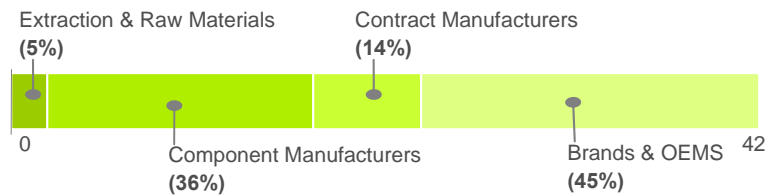


*New members in 2009

Membership by Company Size



Membership by Company Type



The membership requirements adopted in 2008 were a critical first step toward increasing accountability among membership, but we recognize that still more can be done. In 2009, we decided to adopt a more structured and formal program for assessing members' performance against membership requirements and their progress in furthering social and environmental responsibility in the supply chain. We are designing the program to recognize that responsible supply chain management is a marathon, not a sprint, and to emphasize continuous improvement. We are working to define what it means to have "demonstrated progress toward implementation of the Code."

LOOKING FORWARD: LEADERSHIP & MEMBERSHIP

We recognize that members' commitment to the EICC mission, and accountability to demonstrating progress on Code implementation, is critical to the EICC's long-term credibility and impact. Thus, we will focus our efforts on the member assessment program in 2010. We will roll out the program, help members understand the requirements, and put the right resources in place to support the program.

In addition, we aim to welcome additional new members in 2010. Having a coordinated presence in Asia through the EICC Asia Work Group is instrumental to recruitment efforts and will support the EICC's goal of ensuring wider adoption and compliance with the EICC Code of Conduct.

In the long term, we will create an equitable process that tracks, measures, and enforces performance against the Code of Conduct, while respecting anti-trust requirements.

JOIN THE EICC

EICC membership is open to electronic retailers, manufacturers, software firms, ICT firms, and manufacturing service providers that design, market, manufacture or provide goods or other materials or services to electronics companies.

Qualified applicants may become EICC members upon a majority vote of the EICC Board of Directors. Members that cease to provide goods, materials, or services for a continuous period of two years shall no longer be qualified for membership.

If your company is interested in joining the EICC, please visit the member section of our [website](#) for more information.



EICC Code of Conduct

The EICC Code of Conduct was created in October 2004 as the first step in a collaborative approach to industry improvements.

The Code focuses on five core aspects: labor, health and safety, ethics, environment, and management systems. In terms of breadth and content, it draws from many international standards, such as the International Labour Organization core conventions, SA 8000, Fair Labor Association Code, United Nations Global Compact, and the Ethical Trading Initiative Base Code. More information on the Code is summarized on our [website](#).

PROGRESS IN 2009

The EICC continued its Code review process, which is an opportunity to ensure that the Code evolves and remains relevant. The process is open to participation by both internal and external stakeholders. Suggesting changes were 14 individual submitters, including 9 member companies and 5 NGOs. A description of the process can be found on our [website](#).

The EICC took a concise approach to gathering unaltered feedback and ensuring accurate representation of a submitter's proposal. We conducted a web-based member forum to review and openly discuss submissions. To get more feedback, we added a step to the Code review process—capturing reasons a member voted against a submission. We also held individual feedback sessions with all external submitters to discuss their submission and the results of the vote. As a result of these efforts, the 2009 review process provided the best feedback to date and included many constructive, open discussions.

More than 100 proposed changes to the EICC Code of Conduct were received in 2009, of which 30 were approved by membership and implemented. In 2009, all full and applicant EICC members were given one vote per company on all proposed changes to the Code.

Of the 30 changes approved, the most common changes added enforcement language and clarified terms to strengthen the Code. In addition, several elements were added to the health and safety provisions, including adding elements to the industrial hygiene and sanitation, food, and housing subsections. Additional requirements added to the health and safety provisions reflect the members' commitment to ensuring better working conditions for workers.

Approved changes to the Code were implemented within three months of the final vote, including translation into 14 languages. Given the effort required to update and relaunch the Code within member operations and supply chain, EICC members voted to change the revision cycle from one year to three years. We realized that running an annual review cycle was not an effective use of EICC resources and shifting to a three-year cycle will be a substantial improvement.

Finally, we worked diligently to further educate ourselves on issues and proposed Code changes that did not receive enough support to be implemented. We recognize that our external stakeholders would like a more participative role in the process of drafting proposed language in order to educate the EICC on emerging issues.

IMPACT

The Code of Conduct is at the heart of the EICC's mission and influences all we do. As of the end of 2009, 74 percent of EICC members had adopted the Code word for word as their code

30
changes to the Code of
Conduct were
approved and
implemented in 2009

The Code has been
translated into

14
languages, including
Chinese, Hungarian,
Malay, Portuguese,
Polish, and Russian

of conduct for suppliers, and ensured that their code of conduct for owned operations aligned to the provisions outlined in the Code.

We are pleased to see member progress on Code adoption since 2008, when 68 percent of members claimed to have adopted the Code as required. Code adoption is a requirement of EICC membership, and as such, we are working closely with the few members who have yet to fully adopt the Code. All of these members reported that the Code currently aligns with other supplier guidelines they have in place, but they have not adopted it verbatim for their suppliers. We recognize that it often takes one to two years after joining the EICC to receive the necessary internal approvals to adopt the Code verbatim, and expect to see further adoption in 2010.

LOOKING AHEAD: CODE OF CONDUCT

The EICC continues to see opportunities to improve the Code and its review process. Given the effort required to update and re-launch the Code within member operations and supply chain, EICC members voted to change the revision cycle from one year to three years. As we move forward with a three-year review cycle, we will work on a more effective channel for stakeholder participation in response to their feedback. For future review cycles, stakeholders requested active sessions with EICC membership to collaboratively draft Code changes and find the right language for provisions, as opposed to drafting and submitting changes in isolation.

100%

of EICC members have implemented policies for their owned operations and supply chain that align with the EICC Code provisions



Supply Chain Assessment & Monitoring

At the core of the EICC’s approach is an engagement model for supporting members’ implementation of the Code in their operations and supply chain.

Our model is designed to drive long-term change, rather than short-term fixes. It emphasizes a risk-based approach to supply chain management, supplier ownership and responsibility for workplace practices, investments in capability-building, and rewards for continuous improvement. Member implementation of the engagement model varies based on the risk profile of their supply chain. For example, while one member may audit all major suppliers, another member may focus on a sub-set that has been identified as particularly high-risk.

To support the supplier engagement model, the EICC has collaborated with the Global eSustainability Initiative (GeSI) to create a suite of tools that enhance and streamline member efforts to implement the Code and ultimately improve social and environmental conditions in the electronics supply chain. Members can use the tools in their existing supply chain programs, such as using the audit checklist with internal auditors, and can participate in collaborative efforts, such as the VAP. Key tools in the Supplier Engagement Model portfolio are summarized in the following table.

Phase	Objective	Tools
Introduction	<ul style="list-style-type: none"> Establish common expectations of performance Conduct initial assessment to identify high-risk facilities and suppliers for Code compliance 	<ul style="list-style-type: none"> Code of Conduct: Establishes common standards for performance around labor, ethics, health and safety, environment, and management systems Risk Assessment 1 (RA1): Assesses a company’s facilities or suppliers based on broad risk factors, such as country of operations and production characteristics
Self-Assessment	<ul style="list-style-type: none"> Encourage facility or supplier ownership of performance by self-assessing performance 	<ul style="list-style-type: none"> Risk Assessment 2 (RA2): Consists of a Self-Assessment Questionnaire (SAQ) and system for scoring SAQ responses to identify areas for improvement Electronics Tool for Accountable Supply Chains (E-TASC): Database for using the SAQ application and results, enabling data sharing among subscriber companies
External Assessment	<ul style="list-style-type: none"> Conduct audit of a facility to assess conformance to the EICC Code of Conduct and identify areas that can be improved 	<ul style="list-style-type: none"> Validated Audit Process (VAP): Provides standardized audit process and resources; audits are conducted by auditors that have completed the Auditor Certification Program, qualifying them for conducting an evaluation of a facility Audit Checklist: Provides questions for auditing against the EICC Code provisions and guidance on how to assess a response
Corrective Action & Improvement	<ul style="list-style-type: none"> Establish clear steps for improving compliance with the Code 	<ul style="list-style-type: none"> eLearning courses, training forums, and other capability-building efforts to support continuous improvement

PROGRESS IN 2009

While members continued to adopt EICC tools and integrate them into their existing supply chain monitoring programs, our joint efforts in 2009 focused primarily on the development of the VAP and enhancing E-TASC. Both tools are critical to increasing the efficiency and effectiveness of our members' supply chain assessment and monitoring efforts.

Validated Audit Process

In 2009, we focused efforts on finalizing the VAP model and preparing for launch. VAP is a standard model for auditing labor, ethics, health, safety, and environmental practices based on the Code, laws, and regulations. The audit is conducted by an EICC- and GeSI-selected auditor using standardized templates and audit methodology to ensure quality and consistency.

The VAP model builds on our shared audits piloted in 2007-2008 and enables the results of a single audit of a supplier facility to be shared across customers. This reduces the burden on suppliers and saves money for customers by eliminating redundant audits. Unlike our shared audit model, validated audits can be conducted on behalf of a single company or on behalf of multiple companies.

Specific accomplishments in 2009 associated with the VAP include:

- **Enhanced audit materials.** EICC invested in major improvements to the Validated Audit checklist, audit guidance materials, and audit report. Auditors and member companies now have a comprehensive audit tool that incorporates a clear audit protocol, references and guidance, real-time scoring, an audit report, and a corrective action template. These tools are aligned to the latest version of the Code of Conduct, including the Code changes implemented in 2009.
- **Initiated the Auditor Certification Program.** The EICC and GeSI partnered with the International Register of Certificated Auditors (IRCA) to define certification criteria, a process for obtaining certification, and requirements for certification training courses. A five-day EICC lead auditor training course (developed with Verite) is currently under development and is expected to be commercially available in the first half of 2010.
- **Assembled the VAP Operations Management Team.** Continuing our work to formalize the VAP, we established an operational team to provide coordinated, internal support for companies participating in the VAP that audit themselves, their suppliers, or both. The contracted audit program manager, in this case the Phylmar Group, acts as an independent third-party that manages the end-to-end process between the audit firms and participating companies, including auditees and customers. The audit program manager drives the process, ensures quality requirements are met, and protects confidential information of participating companies.
- **Launched the VAP.** Under the leadership of the VAP Operations Management Team, EICC members nominated supplier facilities for audits, and contracts were established with third-party auditors. With 16 members nominating supplier facilities, more than 70 Validated Audits were contracted and will be completed by July 2010.

No Validated Audits were conducted in 2009 due to unforeseen challenges associated with contracting audit buyers, auditees, and audit firms. Our investments in VAP infrastructure in 2009 are expected to ensure a sustainable, efficient program in 2010.

E-TASC

EICC and GeSI members along with our service provider (Achilles) continued to strengthen the E-TASC database to provide greater value to users. E-TASC is a web-based platform; members and other electronics companies can subscribe to easily store, share, and access assessment information on owned and supplier facilities.

CASE STUDY:

PHILIPS

As part of Philips's commitment to improving conditions in the supply chain, Philips has been auditing suppliers to identify and correct issues since 2004, and implemented the EICC checklist into audit activities in 2008. This change led to a marked increase in recorded issues. EICC checklist includes a broader range of parameters, amongst others a focus on management systems which was the main cause of the rise in identified issues.

Integrating New Suppliers

With the acquisition of Partners in Lighting, 140 new suppliers were added to the Philips Supplier Sustainability Involvement Program. Frameway Glass in Guangdong, China, is a large Philips supplier, and as a glass factory it faces safety challenges. "It was our first time experiencing an EICC audit," says Ryan Law, Project Engineer, Frameway Industries Limited. "We learned a lot about how we can improve our internal systems for labor, environment, and safety. Our factory is now a safer, cleaner, more comfortable place to work for our 350 employees."

Auditing Philips Sites

Mirroring its approach to suppliers, Philips began auditing internal sites in risk countries using the EICC checklist in 2008. The audits have affected many facilities. "We had ISO9001 and ISO14001 certificates, but didn't have an OHSAS 18001 certified Management System. All Environment, Health and Safety activities were controlled by different departments," explains David Feng, Quality Manager, China Industrial Operations, Philips Lighting Electronics. "As a corrective action, we set up our OHSAS system with help from the Philips Sustainability Resource team. As a result, we are managing status and risks systematically at a company-wide level as part of the business management agenda."

In 2009, EICC and GeSI members continued participation in the E-TASC Management Group, User Group, and Development Group to shape the evolution of E-TASC, support existing users, and increase adoption. Specific developments in 2009 included:

- **Released E-TASC version 1.5.** Several updates were implemented based on feedback from subscribers and their suppliers. Changes included the addition of new help text and definitions of terms to the SAQ, and updates to the RA1 to reflect the latest publicly available country-specific risk data.
- **Creation of a public listing of subscribers.** As a result, companies can more easily see which of their customers are on the system and release data when requested.
- **Aggregated data tracking and analysis.** Utilization and average performance scores became available across the E-TASC system.

These developments helped to increase efficiency in supply chain assessments and spurred a 111 percent increase in E-TASC subscribers. EICC and GeSI also identified additional enhancements to E-TASC and began work for releases in 2010.

IMPACT

While supplier assessments are not a complete solution in themselves, the results they provide are an indicator of our effectiveness in driving responsible labor and environmental practices in the supply chain. In 2009, members reported the following usage of EICC tools and results of supplier assessments:

Self Assessment Questionnaire:

- 81 percent of members reported having at least one owned manufacturing or production facility in 2009. Of those, 78 percent reported using the Self Assessment Questionnaire (SAQ) to assess their own manufacturing and production facilities and build internal capability in 2009. On average, members have completed SAQs for 62 percent of their facilities. There are 15 members that completed SAQs for 100 percent of their facilities.
- 54 percent of members asked their major suppliers to complete an SAQ in 2009.
- Members reported approximately 4,000 major suppliers completed SAQs in 2009 (not accounting for overlap), reflecting 36 percent of members' collective major supply base. Members used the results of the SAQ to provide a baseline for assessing improvement and identify facilities to audit. Audits serve as a way of confirming the self-reported data provided in the SAQ.
- For nine members, more than 90 percent of their major suppliers have completed an SAQ.

Audit:

- 57 percent of members used the EICC audit tools, such as the EICC audit checklist, or subscribed to the VAP program to audit their own facilities or supplier facilities in 2009.
- Members reported collectively conducting nearly 1,300 audits in 2009. Across these audits, members reported that the average number of major nonconformances per site was 6.0 out of 76 possible nonconformances outlined in the EICC audit checklist. In addition, members reported an average of 12.2 minor nonconformances per site, out of 101 possible nonconformances outlined in the EICC audit checklist.
- According to members, the most common areas of nonconformance identified through audits were: working hours, wage payments and benefits, emergency preparedness, and occupational health. The EICC continued to dedicate attention in 2009 to understanding the root causes of working hour violations (see [Special Topic: Working Hours](#)) and has prioritized investment in health and safety training in 2010 (see [Supply Chain Capability-Building](#)).

78%

of EICC members used the SAQ to assess their own facilities in 2009

15

members assessed 100% of their owned manufacturing facilities using the EICC SAQ

57%

of members used EICC audit tools to audit facilities in 2009

97%

of members required a corrective plan for nonconformances

Corrective Action:

- 97 percent of members who identified major nonconformances required suppliers to create a corrective action plan.
- 95 percent of members conduct follow up assessments or require suppliers to confirm progress against the corrective action plan, including 46 percent that follow-up on corrective actions through additional audits.

E-TASC:

- 64 percent of the EICC members were subscribed to E-TASC in 2009.
- 386 new subscribers joined E-TASC in 2009, bringing the cumulative total of new subscribers to 581 since E-TASC launched in 2007. These subscribers include EICC and GeSI suppliers and subcontractors.
- Subscribers have invited over 1,062 facilities to report data on the system since 2007.
- The system began to yield the efficiency benefits that are produced with a growing number of suppliers sharing their data with multiple customers. For instance, one supplier shared data with 7 customers.

LOOKING AHEAD: SUPPLY CHAIN ASSESSMENT

In 2010, we expect to manage over 100 Validated Audits, including the 70 Validated Audits initiated in 2009. The VAP will continue to evolve based on a solid foundation, becoming a reliable, scalable, high-quality, assessment program. We believe the time invested in refining the process in 2009 will yield dividends in the long run. The VAP will save the industry—both suppliers and customers—a significant amount in direct costs and staff time and through the elimination of redundant audits and corrective action management.

Building on the VAP, we will release an additional service for companies to purchase corrective action management as needed following a facility audit. The VAP corrective action process will be coordinated by the audit program manager. We will also explore ways to recognize facilities that take the journey to internalize the EICC Code of Conduct requirements, be subject to a Validated Audit, and subsequently address any nonconformances.

Finally, we will continue to strengthen our other tools, providing additional functionality for users and increasing adoption by EICC members and other companies in the electronics supply chain.

CASE STUDY:



Hewlett Packard (HP) has had a robust responsible supply chain management program for years and leverages many EICC tools for implementing the Code. As a logical next step in expanding its program, HP looked beyond its manufacturing supply base to its indirect suppliers. HP recognized that E-TASC provided an effective platform for supporting this goal.

“I wanted a clear process with defined milestones in a campaign project plan, a strong message and ultimately to get results” said Martin Robinson, Global Program Manager for HP’s “Indirect” Supply Chain Social & Environmental Responsibility program.

HP setup a campaign to target 62 indirect suppliers identified as high risk. 87 percent of the suppliers enrolled in E-TASC within 6 weeks of the campaign’s launch. To date 95 percent have submitted completed SAQs. Participating suppliers paid to participate, taking ownership for their performance.

HP analyzed the supplier performance data gathered, and identified ways to make the SAQ more relevant for assessing non-manufacturing suppliers.



Supply Chain Capability-Building

Building supplier capabilities through training and knowledge development will have a far greater impact on long-term improvements in the supply chain than monitoring efforts alone.

The EICC is committed to investing in training and practical initiatives that build awareness on social and environmental issues in the supply chain. We recognize that nonconformance to the Code is often due to a lack of awareness, knowledge, or skills. Thus, our training strategy rests on building understanding of social and environmental responsibility fundamentals—with an emphasis on implementing strong management systems—and providing in-depth training around the most common issues and greatest concerns in the supply chain.

PROGRESS IN 2009

While the EICC is still in the early stages of implementing our capability-building strategy, we made significant progress in developing a more robust program in 2009. In collaboration with the GeSI, we advanced supply chain capabilities through the following:

- **Hosted two large-scale supplier forums.** The EICC and GeSI led two-day training sessions in February and June in Shenzhen, China. The training curriculum focused on the performance expectations outlined in the Code, supplier assessment tools, and VAP.
- **Launched training module for commodity managers.** This web-based training module, or eLearning, was developed for commodity managers at member companies and their suppliers. It works to build awareness of the Code and best practices in implementing it through procurement practices. The module is interactive and tests participants' knowledge through checkpoints after each session. Launched in August 2009, the eLearning has been adopted by nine member companies to date.
- **Developed training module for supplier management.** Similar to the commodity manager eLearning, this training module aims to build basic awareness of the expectations outlined in the Code. It is targeted at facility managers and is available in both English and Chinese. The training was developed in 2009; we expect to launch it in early 2010 and track supplier participation.
- **Expanded training resource lists to include additional regions.** Building on the resource list created for companies in China, we developed a list of training resources for companies in Southeast Asia. The lists include training organizations, experts, and consultants in a specific region who provide relevant training on issues in the EICC Code. We encourage members and their suppliers to use these resources to obtain assistance with addressing nonconformances to the EICC code.
- **Established partnership with the Automotive Industry Action Group (AIAG).** Recognizing overlap in supply chain issues and challenges with the automotive industry, the EICC laid the foundation for collaborating with AIAG's Corporate Responsibility Work Group on supply chain training activities. The EICC expects to share training resources and knowledge with AIAG, and in return, learn from AIAG's experience building capabilities in a supply chain.

229

representatives from 75 companies attended the supply chain forum in Shenzhen, China in June 2009

88%

of members train their employees on responsible supply chain management

- **Developed a road map for future capability-building efforts.** Leveraging the findings documented in the EICC and GeSI's 2008 report, "[Buildings Capabilities to Implement CSR Management Systems at ICT Suppliers in China](#)," the EICC and GeSI developed a road map for future capability-building activities. The road map includes recommendations for additional research and benchmarking, as well as long-term initiatives focused on specific knowledge gaps. We plan to implement the activities outlined in the road map over the coming years.

IMPACT

Measuring the long-term impact of the EICC training and capability-building efforts remains a challenge. It often takes years for increased knowledge and awareness to translate into behavioral change. Thus, the EICC is focused on tracking member participation in training activities. Members reported the following activities in 2009 related to the EICC training efforts:

- 88 percent of members train employees on responsible supply chain management. This includes adoption of the EICC eLearning for commodity managers by nine members. Members trained commodity and procurement managers, factory employees, human resources staff, and other relevant departments.
- 39 percent of members have integrated training on the Code, the EICC membership, or tools into their company orientation for new employees.
- 90 percent of members offer training on the EICC Code to their employees or suppliers. Members employ a range of training methods, including in-person trainings led by staff or third-party trainers and web-based trainings.
- 69 percent of members offer training on the EICC Code to both their employees *and* their suppliers.
- 307 company representatives attended EICC supply chain training events in 2009. Roughly 60 percent of members invited their suppliers to attend at least one of the two supplier forums held in 2009.

We expect members' training activities, and eLearning adoption in particular, to increase as more members integrate the EICC training materials into their existing training programs.

LOOKING AHEAD: SUPPLIER CAPABILITY-BUILDING

The EICC/GeSI training and capability-building activities have focused on China because that is where majority concentration of the EICC member companies' strategic suppliers are located. Looking ahead, however, we recognize the need to expand training efforts into other regions. We believe we will accomplish this through investment in scalable training models, like our two eLearnings, and investment in on-the-ground trainings in new regions, particularly Latin America and Southeast Asia. In addition, we plan to release two new training programs focused individually on occupational health and safety and worker-management communication—two areas identified in audits as key concerns in the supply chain. We strive to provide EICC and GeSI members with the resources and knowledge to effectively implement these training programs in their supply chain.

Finally, we will partner with other industry associations and external stakeholders to expedite expansion of our training efforts and learn from others' experience with capability-building.

CASE STUDY:



STMicroelectronics (ST) worked for several years to develop and begin the implementation of a clear and effective strategy for furthering its responsible sourcing program. ST recognized the EICC eLearning as a strategic opportunity to engage ST's purchasing managers, ensuring suppliers receive a consistent message aligned with EICC processes.

After uploading the eLearning to its learning management system, ST required all global purchasing managers to complete the course. In addition, it extended enrollment invitations to many members of ST's Sustainable Excellence community, which includes 30 representatives of major ST sites, regions and product groups. To date, over 160 ST employees have enrolled in the eLearning.

Looking ahead, ST plans to continue to expand enrollment throughout the company and beyond. Local Sustainable Excellence steering committees have requested access and are keen to use the eLearning to reinforce their own knowledge and eventually share the course with their local suppliers to support them in their EICC-related continuous improvement process. In addition, ST plans to make the Supplier Management eLearning available to its suppliers. It will put in place processes for measuring the impact of these trainings on supplier performance.

"The eLearning for Commodity Managers gives ST employees a concrete sense of what responsible sourcing means in their day-to-day activities," said Kate Cacciatore, Corporate Responsibility Director of ST. "We are equipping them with the skills and knowledge to have an impact, and we see enormous potential to cascade this training throughout the supply chain."



Special Topic: Working Hours

Many industries' supply chains face the challenge of excessive working hours, and the electronics industry is no exception.

Employees can face long working hours and overtime for many reasons that are influenced by changing supply and demand for electronic products. We have come to understand that key influences on working hours include purchasing practices and production planning, lax enforcement of country labor law requirements, local culture, and macroeconomic pressures. The complexity of the issue requires collaborative solutions.

In 2008, the EICC identified working hours as a key issue in the electronics supply chain that demanded in-depth exploration. Supplier assessments and audits conducted by members in 2008 supported this conclusion, and 74 percent of members cited "working hours" as one of the top three areas for improvement in the supply chain in 2009.

PROGRESS IN 2009

In 2009 we set out to develop a set of resources to help the EICC members and their suppliers address excessive working hours. Building on research conducted in 2008, we engaged with EICC members, third-party auditors, NGOs, fair labor organizations, and other industry groups to identify root causes of working hour nonconformance and best practices for addressing working hour issues. Root causes identified through our outreach are summarized at right.

We also looked at the issue through a product life-cycle lens, analyzing products from conception to production to end-of-life to identify potential "touch points" where working hours may be affected. We then identified potential leading and lagging indicators that can be used to predict the likelihood of working hour issues. Finally, we worked to identify specific, practical solutions that could be implemented by member companies to make a positive impact. These solutions included the following:

- **Root Cause Analysis Tool:** Enables the EICC members to evaluate and analyze root causes of excessive working hours within manufacturing operations
- **Performance Indicators:** Offers potential indicators for tracking performance relating to working hours' issues
- **Resource Portal:** Houses relevant research, information, and resources for the EICC members and their suppliers
- **Communication Materials:** Strengthens awareness and knowledge of working hours' issues and communicates a call to action to the EICC members to help address this important issue

LOOKING AHEAD: WORKING HOURS

We are optimistic about the potential solutions we have identified. We will finish developing and we will launch the resources mentioned above in 2010. We will invest substantial time in educating members about the issue and the new resources that will enable them to make progress. This includes educating commodity managers about the ripple effects of procurement decisions and emphasizing collaborative approaches to increase supplier conformance with the EICC expectations for working hours. Once the tools are available to members, we will seek ongoing feedback and maintain the tools as part of our broader capability-building efforts. We will also seek opportunities to integrate the resources into the follow-up activities for Validated Audits completed in 2010.

Root Causes of Working Hour Nonconformance

- **Fluctuation in customer demand** and lack of timely communication from customer to supplier when demand changes
 - **Customers' lack of understanding** of the impact of production changes, including supplier costs and remediation activities
 - **Challenges in workforce and human resource planning** because of the fluctuating nature of production demand
 - **Lack of financial incentives** to support corporate social responsibility (CSR) compliance
 - **Inconsistent supplier understanding and government enforcement of country labor requirements**, which can result in an unlevel playing field for suppliers
 - **Macroeconomic factors**, particularly the recent economic downturn, which significantly impacted supply and demand and the ability to plan effectively
-



Special Topic: Extractives

The sourcing of metals by companies in the electronics, jewelry, and other sectors has increasingly come under public scrutiny.

In collaboration with GeSI, the EICC sees metals extraction as a priority focus area and established an Extractives Work Group in 2008. The minerals and metals used in electronic products usually come from numerous sources and are processed in ways that make them difficult to trace. We have invested substantial efforts in better understanding issues around metals extraction and developing a scheme for identifying the origin of raw metals in electronics products. We are committed to extending our influence beyond our immediate suppliers to create better social and environmental conditions throughout our extensive supplier networks, including the parts responsible for minerals extraction.

PROGRESS IN 2009

Through research in 2009, we gained deeper understanding of the difficulties and challenges related to tracing minerals and metals in the electronics supply chain. The Extractives Work Group decided to look specifically at tantalum, tin, and cobalt—the metals used in the largest quantities by the electronic industry. We contracted with [RESOLVE](#) to lead an initiative to understand the flows tracing these metals upstream to their extraction. Their collaborative approach consisted of research, company interviews, and engagement with external stakeholders, including NGOs. All stakeholders are encouraged to visit RESOLVE's [wiki page](#) to engage in the project and find up-to-date information.

In addition, the Extractives Work Group fostered ongoing dialogue and relationships with external stakeholders, including companies not in the electronics business, other industry associations, and the NGO community. To that end, Extractives Work Group:

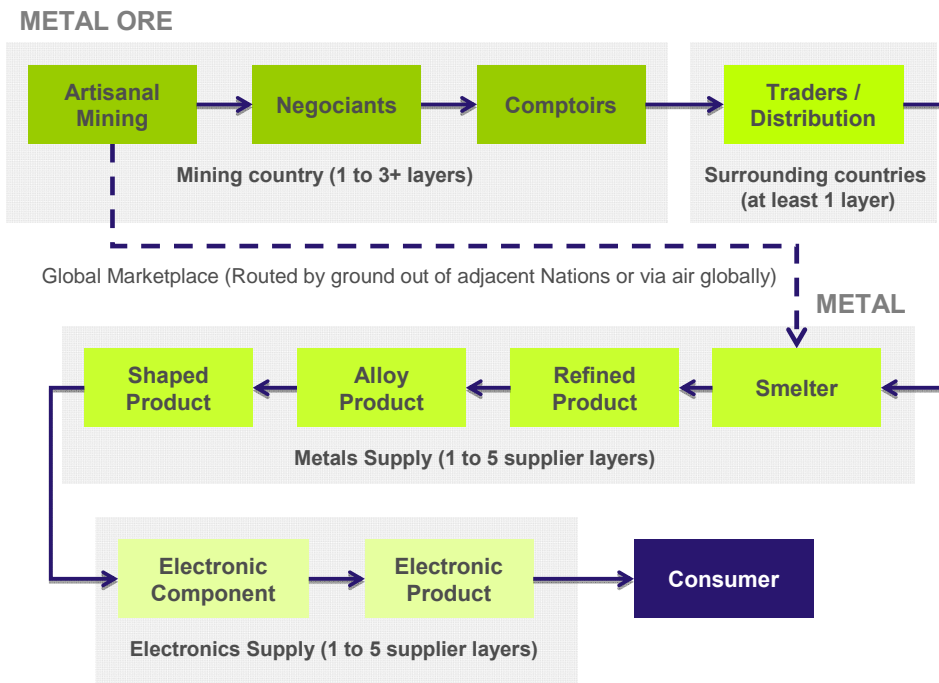
- **Hosted two workshops focused on the tantalum supply.** The tantalum workshop participants consisted of companies from all tiers of the supply chain (e.g., traders, miners, smelters, etc.) who are working collaboratively to improve the tracking and tracing processes. A kickoff meeting was held in September 2009, and had 50 representatives from 30 companies. At a second meeting held in November 2009, the group discussed specific ways to evaluate the tantalum supply. The workshop participants agreed to support the creation of a responsible sourcing certification process for smelters in the supply chain.
- **Worked with trade associations to better understand how other industries approached similar challenges of traceability.** The Extractives Work Group is evaluating the criteria associated with certification processes, such as the Kimberley Process (diamonds) and the Forest Stewardship Council (wood) to identify their most effective methods. We are also working closely with the ITRI and supporting the ITRI Tin Supply Chain Initiative (ITSCI) on the path to a solution.
- **Planned visits to six of the seven largest tantalum smelters in the world.** Recognizing smelters as a critical node in the raw materials supply chain, the Extractives Work Group visited two of the seven largest tantalum smelters in the world in November 2009. The Extractives Work Group used the visits to assess smelters against a common questionnaire, identifying gaps in smelters' knowledge of mines of origin and conditions at those mines. Visits to four additional smelters are scheduled for early 2010, which will collectively represent 80 percent of the world's tantalum smelters by volume. .

50
representatives from 30
companies, including
several non-EICC
members, participated
in a kick-off meeting for
collaborating to
improve traceability in
the tantalum supply
chain

IMPACT

As a result of the Extractives Work Group's research, we have a better understanding of the challenges and potential solutions associated with tracing sources of metals for electronic products. The Extractives Work Group and RESOLVE have produced a flow chart that represent the supply chain for tin, tantalum, and cobalt. Tracing metal to specific mines is very challenging. We have learned that there are often three or more layers of participants before metal ore reaches the global marketplace. Metal ore also passes through at least one trader or distributor before reaching smelters who turn ore into metal for use in products. A sample chain of activities for supply that starts with artisanal mining is illustrated below.

SAMPLE CHAIN OF ACTIVITES



* Large-scale mining and commodity markets are also possible and not included in this diagram

Source: Based on work by RESOLVE

LOOKING AHEAD: EXTRACTIVES

We believe focusing on smelter verification and the iTSCi program is the best way to explore and support potential solutions for more closely managing the sourcing of the minerals. In 2010, we will continue to understand and connect with key smelters in the tantalum supply chain, working toward the goal of smelter verification and identification of the ores coming into those facilities.

Learning from our efforts around tantalum, we will expand our focus to other key metals, particularly tin. We will hold a tin industry workshop meeting in 2010, to launch dialogue specifically with the tin supply chain.

At the same time, our research indicates that it will be difficult to solve the challenge of responsible metals sourcing without government involvement. The EICC itself is not a lobbying organization and does not engage directly with governments on policy. However, we encourage governments in conflict zones to play a larger role in driving development and security of mineral sites located in these regions. Thus, we will continue to provide those with influence access to our learnings so that we may be able to facilitate a solution to this challenge.

CASE STUDY:



Mineral and metals extraction is a particularly important issue to Intel. A co-chair of the Extractives Working Group since it was formed in 2008, Intel saw an opportunity to take a proactive approach to the mineral mining situation in the electronics supply chain.

The EICC's multistakeholder approach has led Intel to understand that tantalum smelters are the "pinch point"—the one step in the supply chain that has a small number of players. Working with fellow members of the EICC Extractives Working Group, Intel has successfully visited and assessed nearly all the world's tantalum smelters.

The EICC played an important role in insuring that all key stakeholders in the Ta supply chain were convened in one room to explore the issues associated with tantalum mining practices. These results are a direct result of having a clear plan and determined EICC work group. This enabled the WG to move as fast as possible and leverage the power in numbers.



Special Topic: Environmental Sustainability

As the world faces climate change, water scarcity, and degradation of ecosystems, it has never been clearer that businesses must minimize their environmental footprint.

The manufacturing of electronic products can have a significant impact on the environment. From the use of rare materials to energy demands of manufacturing processes, there is a clear need for electronics companies to employ and promote environmentally responsible practices in the electronics supply chain.

The EICC created the Environmental Sustainability Work Group in early 2008 to better understand the environmental impact of the supply chain and advance responsible practices. Our initial focus has been on minimizing the risks of climate change, as that is an area of significant concern to members.

PROGRESS IN 2009

In 2009, the EICC continued its efforts to create a standard approach to measuring and reporting carbon emissions in the global electronics supply chain. Leveraging the tools drafted in 2008 and based on global standards, such as the Carbon Disclosure Project and Greenhouse Gas Protocol, we launched the EICC Carbon Reporting System—a web-based platform through which companies can measure and share emissions data. The platform integrated a standardized questionnaire for gathering quantitative carbon emissions and energy data, as well as qualitative information on carbon and energy management practices. Unlike the Carbon Disclosure Project, the EICC system provided an emissions calculator to help companies that have never calculated their carbon footprint. Upon receiving a completed questionnaire from a supplier, the System shared it with the company's customers.

All members of the EICC were encouraged to use the system to gather data from their supply chain partners. The system was provided to EICC members at no additional cost (beyond their membership fees) and is open to use by companies who are not EICC members for a nominal cost. All supply chain participants who were asked to provide data were also invited to training sessions led by BSR on carbon footprinting and using the Carbon Reporting System. These sessions were conducted virtually to engage a wide cross-section of suppliers.

IMPACT

Eleven EICC members and one non-EICC member participated in the Carbon Reporting System in 2009. These participants collectively reached out to 280 individual suppliers, requesting them to complete the standard questionnaire and submit their data into the web-based platform. Seventy-three suppliers, or 26 percent, the majority of whom are based in China, responded to the request. In piloting the Carbon Reporting System in 2009, we realized the following benefits:

- **Reduced redundant requests for supplier data.** On average, participating suppliers shared their data with three customers, saving themselves the efforts of having to respond to those customers individually.
- **Increased awareness in the supply chain on the importance of carbon footprinting and how to measure carbon emissions.** Emissions measurement is the first step

73

companies shared their carbon footprint with supply chain partners using the EICC Carbon Reporting System

toward effective management. As a result of being asked to participate in the Carbon Reporting System, several suppliers measured their carbon footprint for the first time.

- **Provided a foundation for having informed, targeted discussions with suppliers about performance improvement.** Using the data collected through the Carbon Reporting System, participating companies are engaging directly with their manufacturing suppliers to develop a strategy for reducing carbon emissions and increasing energy efficiency.

LOOKING AHEAD: ENVIRONMENTAL SUSTAINABILITY

The EICC remains focused on gathering raw, primary emissions and energy data throughout the supply chain. We believe we will be in a better position to understand potential risks, and in turn, identify collaborative opportunities for performance improvement. Looking ahead, we recognize the need to increase the number of suppliers reporting data into the Carbon Reporting System. Increasing participation will depend on expanding our supplier outreach efforts, enhancing supplier communications, and offering more training. We plan to invest in further training for the EICC members and their suppliers to improve the quality of their footprint calculations and reporting practices.

To increase supply chain capabilities around environmental management, we plan to leverage external training resources and environmental experts. We will offer two training sessions—one each in the United States and China—on how to conduct an energy audit. We also plan to collaborate with other organizations, including the World Resource Institute, World Business Council for Sustainability Development, and Sustainability Consortium, to increase our understanding and ability to quantify supply chain and product-level environmental performance.

We also uncovered several challenges that we must work to overcome as we refine the carbon reporting tool. The quantity and quality of data submitted by companies varied greatly, identifying a need for further education. A complete analysis of the data collected through the Carbon Reporting System will be published in 2010.

We are also keeping an eye toward expanding our focus to other environmental impacts, such as water. We plan to consult recognized environmental assessment protocols, such as the Global Social Compliance Programme, to identify indicators and performance standards that can be integrated into the assessment and monitoring tools, such as the SAQ.



Stakeholder Engagement

The EICC considers the impact of its activities on many diverse stakeholders, including: member companies, employees of firms in the electronics industry and their representatives, suppliers, industry organizations, multistakeholder groups, NGOs, investors, government, and academia.

Through both informal and formal engagement mechanisms we work to maintain an open dialogue with our stakeholders and to find creative and effective ways of working collaboratively with them.

Over the past year the EICC has received input and participated in productive conversations with key stakeholders which have been valuable to our programs and evolution as an organization. The EICC enhanced its stakeholder engagement activities in 2009 through the following activities:

- **Invited stakeholder participation in the Code of Conduct review process.** Members and external stakeholders were invited to propose changes to the Code through the EICC's annual Code review process. Following the member vote on the proposals, the EICC spoke with each external stakeholder about the results of their proposal.
- **Participated in the GoodElectronics and makeITfair Roundtable.** The two-day engagement in Amsterdam featured participation from the EICC, GeSI, members of NGOs, and other stakeholders. Through focused break-out sessions, participants discussed a wide range of topics with the goal of defining best practices in improving labor standards in the global electronic industry. A [session report](#) is available on the makeITFair website. This event initiated our process of identifying projects for collaboration with stakeholders in 2009 and beyond.
- **Hosted an educational session for members with the International Labour Organization (ILO) and Better Work program.** Members were given the opportunity to meet with senior representatives of ILO and Better Work to more fully understand the ILO's position on Freedom of Association and Collective Bargaining, and learn about the successes and challenges of the Better Work program.
- **Solicited feedback on the EICC 2008 Annual Report.** Through one-on-one conversations with external stakeholders, we collected feedback on our 2008 annual report. The stakeholder insights influenced the content of this 2009 report.
- **Developed a 2010 stakeholder engagement road map.** Following the makeITfair Roundtable, the EICC identified several opportunities for external stakeholders to play a more active role to increase the effectiveness of the EICC activities in 2010. The EICC is seeking feedback on the road map and plans to implement the outlined activities. The road map is summarized at right with a description of our focus areas for engagement.

Feedback and actions from the EICC stakeholder engagements in 2009 are summarized in the following table.

2010 Stakeholder Engagement Roadmap

Education Sessions: Invite stakeholders and experts to educational forums held at 2010 EICC membership meetings for members to learn about specific topics of importance to EICC stakeholders. Potential topics include precarious work, migrant workers, and living wage.

Code Review: Continue to work with stakeholders to identify areas of the Code that could be strengthened in preparation for the next Code review cycle.

VAP Process Advisor: Select an external advisor to review the VAP and provide feedback and suggestions for improvement.

Supplier Training: Engage stakeholders and training experts in the scoping and content development for EICC trainings focused on worker-management communication, health and safety, and other topics as they arise.

Extractives Work Group: Continue to invite stakeholders to participate in EICC efforts focused on metals extraction, hosting forums for stakeholders to provide input on the EICC's approach.

Annual Reporting: Invite stakeholders to provide feedback on the EICC's 2009 Annual Report, and input into the EICC's 2010 Annual Report.

2009 Stakeholder Feedback

WE LISTENED TO:	WE HEARD IN 2009:	AS A RESULT, WE:
Members	<ul style="list-style-type: none"> ■ Interest in better implementing the EICC approach in Asia and making use of the EICC resources there ■ Member compliance—make membership more meaningful ■ Request for the EICC to develop a location-specific certification scheme to deliver better business value ■ Need to more substantially expand focus beyond United States 	<ul style="list-style-type: none"> ■ Established the Asia Work Group to coordinate activities ■ Began to create the member assessment program ■ Began to explore recognition program for facilities that undergo a validated audit and address their identified issues <p>Established the Asia Work Group to infuse a regional perspective into the EICC activities</p>
Potential members	<ul style="list-style-type: none"> ■ Unaware of the EICC or the EICC's activities 	<ul style="list-style-type: none"> ■ Redesigned our website and began to develop new marketing materials ■
NGOs	<ul style="list-style-type: none"> ■ Need to collaborate more with civil society on the EICC activities ■ The Code's Freedom of Association provision does not meet expectations ■ Concern over member accountability to membership requirements and member implementation of the Code ■ Need to be more transparent about decision-making structure, member progress on Code adoption and membership requirements, stakeholder engagement activities, and performance targets ■ Concern over metals extraction from conflict zones 	<ul style="list-style-type: none"> ■ Developed 2010 stakeholder engagement road map that reflects key opportunities for collaborating with our external stakeholders ■ Continued commitment to open dialogue on Freedom of Association by hosting an educational session with ILO and the Better Work program ■ Continued to recognize Freedom of Association as a critical item for the EICC Code Management Work Group to engage with NGOs with the potential for developing collaborative proposals for submission in the next Code review cycle ■ Began to develop a program for assessing member performance against membership requirements ■ Adopted KPIs to track organizational progress, and aimed to be more transparent in this report about key areas of stakeholder concern ■ Published a position on potential legislation
Government	<ul style="list-style-type: none"> ■ Concern over metals extraction from conflict zones and United States government actions toward developing legislation on conflict minerals 	<ul style="list-style-type: none"> ■ Published a position on potential legislation

LOOKING AHEAD: STAKEHOLDER ENGAGEMENT

The EICC will continue to build strong relationships with its internal and external stakeholders through open communication and strategic collaboration. We have found that stakeholder dialogue and engagement is most effective when focused on a specific issue or opportunity. Thus, we plan to collaborate with stakeholders in 2010 on the targeted activities outlined in our stakeholder engagement road map. We will continue to provide regular updates to both our internal and external stakeholders through the more formalized channels established in 2009, to help us stay fully informed of emerging issues and perspectives.

We also plan to host educational sessions at membership meetings in 2010. We recognize that the more we understand pressing issues, the more we are able to implement changes. To that end, we expect to explore the topic of precarious work in at the 2010 first-quarter membership meeting, inviting external stakeholders and experts on the topic into the discussion. Topics for additional educational sessions will be chosen in 2010.

Report Information

REPORTING PRINCIPLES

This report was published in March 2010 and covers the EICC performance and activities in the 2009 calendar year. To select content for inclusion in this report we applied the following principles from the Global Reporting Initiative:

- **Stakeholder Inclusiveness.** The EICC engaged key stakeholders to ensure this report responds to their expectations and interests. Stakeholders provided feedback on the EICC 2009 Annual Report and a draft of this report prior to publication.
- **Context.** The EICC reflected on the broader sustainability context and its impact on EICC activities in 2009.
- **Completeness.** The EICC reviewed all Work Group and board activities, as well as all material issues and indicators of performance. Unless otherwise noted, the data in this report covers all EICC members.
- **Materiality.** The EICC prioritized topics for discussion in this report based on their potential impact to the success of the EICC and its member companies, and their significance to EICC stakeholders.

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

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ACRONYMS

EICC	Electronic Industry Citizenship Coalition, Incorporated
E-TASC	Electronic Tool for Accountable Supply Chains
GeSI	Global e-Sustainability Initiative
ICT	information and communications technology
ILO	International Labor Organization
ISO	International Standards Organization
NGO	nongovernmental organization
OEM	original equipment manufacturer
OHSA	Occupational Health & Safety Administration
SAQ	Self-Assessment Questionnaire
VAP	Validated Audit Process

A SPECIAL THANKS

The EICC would like to thank our member companies who provided case studies and information on their company activities for inclusion in this report. We also thank BSR for their insights and assistance with publishing this report.



Finally, we thank the following stakeholders for their time and feedback on the EICC's reporting activities:



FEEDBACK

Your feedback is much appreciated. We rely on comments from our stakeholders to help us identify areas for improved activity and reporting in future years. Please provide feedback by completing a brief [survey](#), or send comments to:

Wendy Dittmer
EICC Director of
Communications
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This report, along with the EICC's other reports, can be found at www.eicc.info.

The EICC decided to save resources by making this report available only in an electronic format. We ask that you consider the environment before printing this report.