Supplier Responsibility
2014 Progress Report

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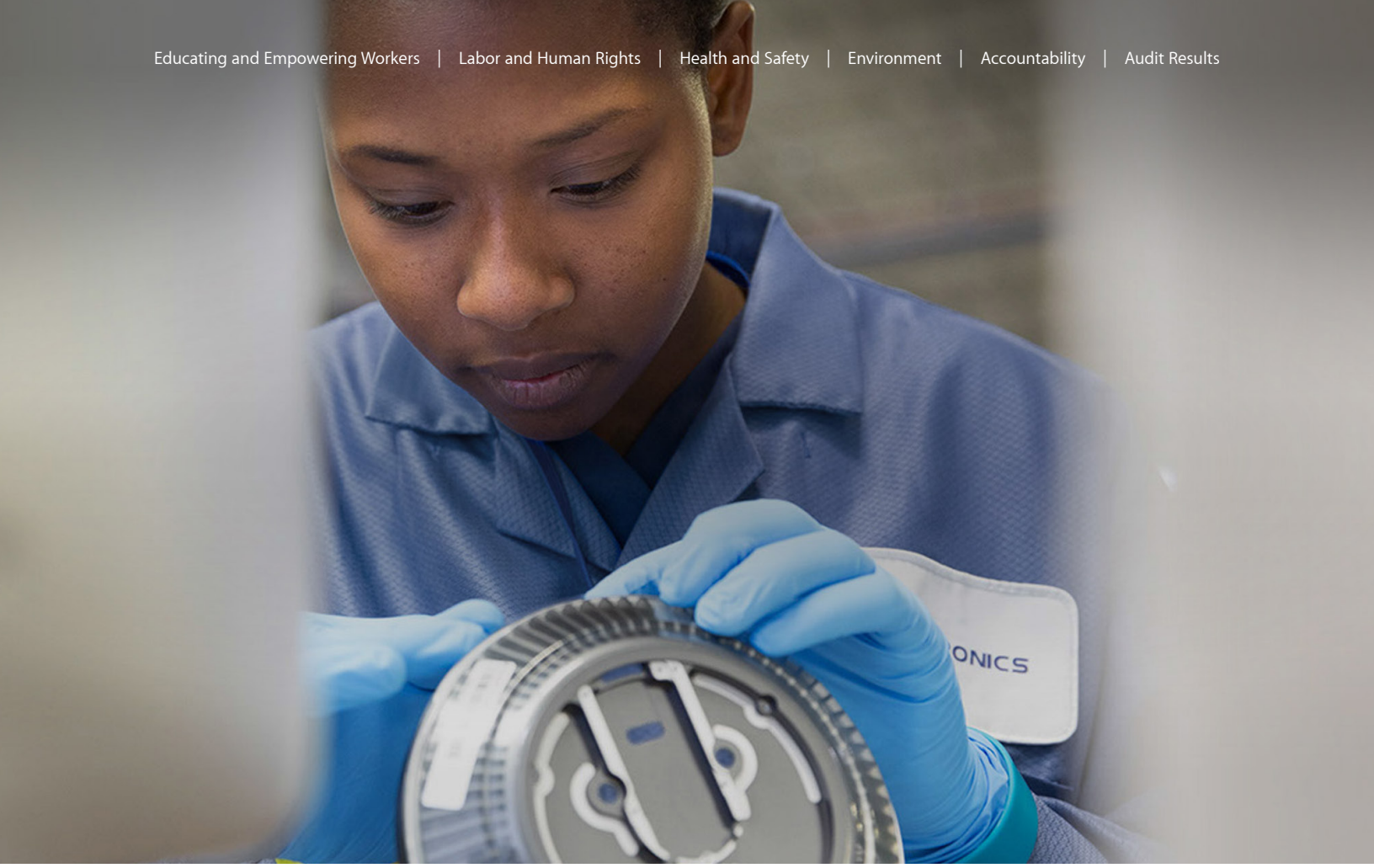


Supplier Responsibility
2014 Progress Report

At Apple, we believe in making complex things simple.
We strive to design products that are intuitive and enrich people's lives.

Behind that simplicity lies one of the biggest supply chains on the planet. Products like iPhone, iPad, and Mac all depend on the contributions of more than a million people across the globe, employed by both Apple and our hundreds of manufacturing partners.

Each of those workers has the right to safe and ethical working conditions. So we audit deep into our supply chain and hold our suppliers accountable to some of the industry's strictest standards. In fact, we care as much about how our products are made as we do about how they're designed.

This is our eighth annual Supplier Responsibility report, and we're proud of the progress we made in 2013. Our Supplier Code of Conduct was already one of the toughest in the electronics industry, and we made it even stronger. We enforced our Code through 451 audits at multiple levels of our supply chain, and our suppliers trained 1.5 million workers on their rights. We drove our suppliers to achieve an average of 95 percent compliance with our maximum 60-hour work week.

We know audits and followup action plans alone aren't enough to fix systemic issues. As we go deeper into our supply chain to discover and correct problems, we also tackle root causes through training and specialized programs to bring about real change.

We continued to expand our focus on education in 2013. Eighteen factories now offer our free education and development program — that's twice as many as in 2012. And more than 280,000 workers in 2013 took courses in such diverse subjects as accounting, English, web design, and even flower arranging. They gained new skills that can help advance their careers or open doors to new ones.

To address the shortage of qualified environment, health, and safety (EHS) personnel in China, we launched the Apple Supplier EHS Academy — a formal, 18-month program we believe to be one of the most comprehensive EHS training and education programs in any supply chain. In 2013, over 240 personnel representing factories with over 270,000 workers enrolled in this program. The EHS Academy will improve worker health and safety throughout the industry.

To protect student workers from exploitation, we also kicked off a study assessing the experience of over 12,000 student interns from more than 130 vocational schools. The project aims to increase accountability for the schools, raise the quality of education for interns, and ensure the legitimacy of on-the-job training in our supplier facilities.

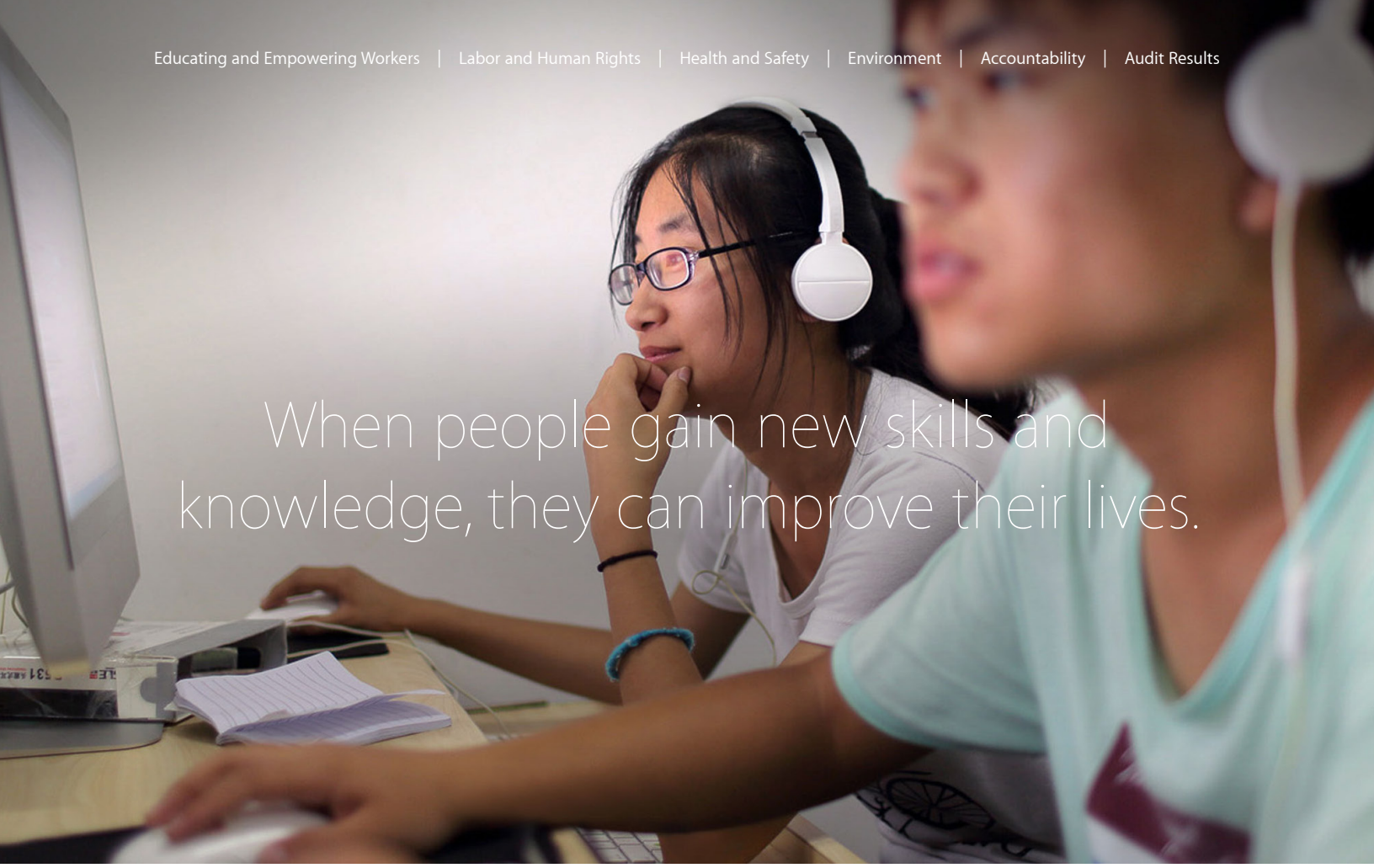
The ethical sourcing of minerals is an important part of our mission to ensure safe and fair working conditions. In January 2014 we confirmed that all active, identified tantalum smelters in our supply chain were verified as conflict-free by third party auditors, and we're pushing our suppliers of tin, tungsten, and gold just as hard to use verified sources. To heighten smelter accountability and help stakeholders follow our progress, we are releasing, for the first time, a list of the smelters and refiners in our supply chain along with their verification status.

The smelter list is just one example of how we work hard to be more transparent, which we believe is critical to improving conditions for workers around the world. We've made our Code of Conduct publicly available since 2005, but we thought it was important to also give stakeholders full access to the details. So for the first time, we're publishing our Supplier Responsibility Standards — more than 100 pages of comprehensive requirements our suppliers are expected to follow in order to do business with Apple. We will keep taking quick action when we find non-compliance, and we'll continue to report what we find — both the good and the bad.

Apple is deeply committed to expanding opportunities for the people who make our products and ensuring these workers are treated with respect and dignity. We will continue to work closely with our suppliers and stakeholders to provide fair and safe workplaces and protect the environment wherever Apple products are manufactured.

Highlights from Our 2014 Report

- We launched the Apple Supplier Environment, Health, and Safety (EHS) Academy, an 18-month curriculum aimed at raising the level of EHS expertise in our supply chain. In 2013, over 240 factory personnel — representing more than 270,000 workers — enrolled in this program.
- We started a project to drive accountability for the vocational schools that place student interns in our supplier facilities.
- We drove our suppliers to achieve an average of 95 percent compliance with our standard maximum 60-hour workweek. We tracked more than 1 million workers weekly in this program.
- We confirmed in January 2014 that all active, identified tantalum smelters in our supply chain were verified as conflict-free by third-party auditors.
- We released a list of the smelters and refiners whose tin, tantalum, tungsten, and gold we use so it's clear which ones have been verified as conflict-free and which ones still need independent verification.
- We launched a pilot of our Clean Water Program with 13 supplier sites — who collectively use more than 41 million cubic meters of water per year — with a goal to reuse a significant amount of treated process wastewater and recycle water within the production process.
- We continued to seek out abuses of migrant workers by conducting 33 audits specific to this topic, including 16 factories not previously audited. We required suppliers to reimburse these foreign contract workers US$3.9 million in excessive fees paid to labor brokers, bringing our total reimbursements since 2008 to US$16.9 million.
- We have driven our suppliers to train more than 3.8 million workers on their rights since 2008 — including over 1.5 million in 2013 alone.
- We conducted 451 audits at all levels of our supply chain — a 51 percent increase from 298 audits in 2012 — in facilities where nearly 1.5 million workers make Apple products.
- We strengthened our Supplier Code of Conduct and publicly released our Supplier Responsibility Standards — a document with more than 100 pages outlining Apple's detailed expectations on labor and human rights, ethics, health and safety, and environment.



When people gain new skills and knowledge, they can improve their lives.

Educating and Empowering Workers

We provide educational resources for workers throughout our supply chain — from training on their rights under the law to free college classes in language skills, computers, and other subjects. Workers also have the opportunity to earn an associate's or bachelor's degree.

Highlights from our 2014 Report

- Trained 1.5 million workers on their rights in 2013 and over 3.8 million since 2007.
- Doubled the Supplier Employee Education and Development (SEED) program from 9 to 18 sites.
- Provided free courses to more workers through SEED — with over 280,000 participants in 2013.

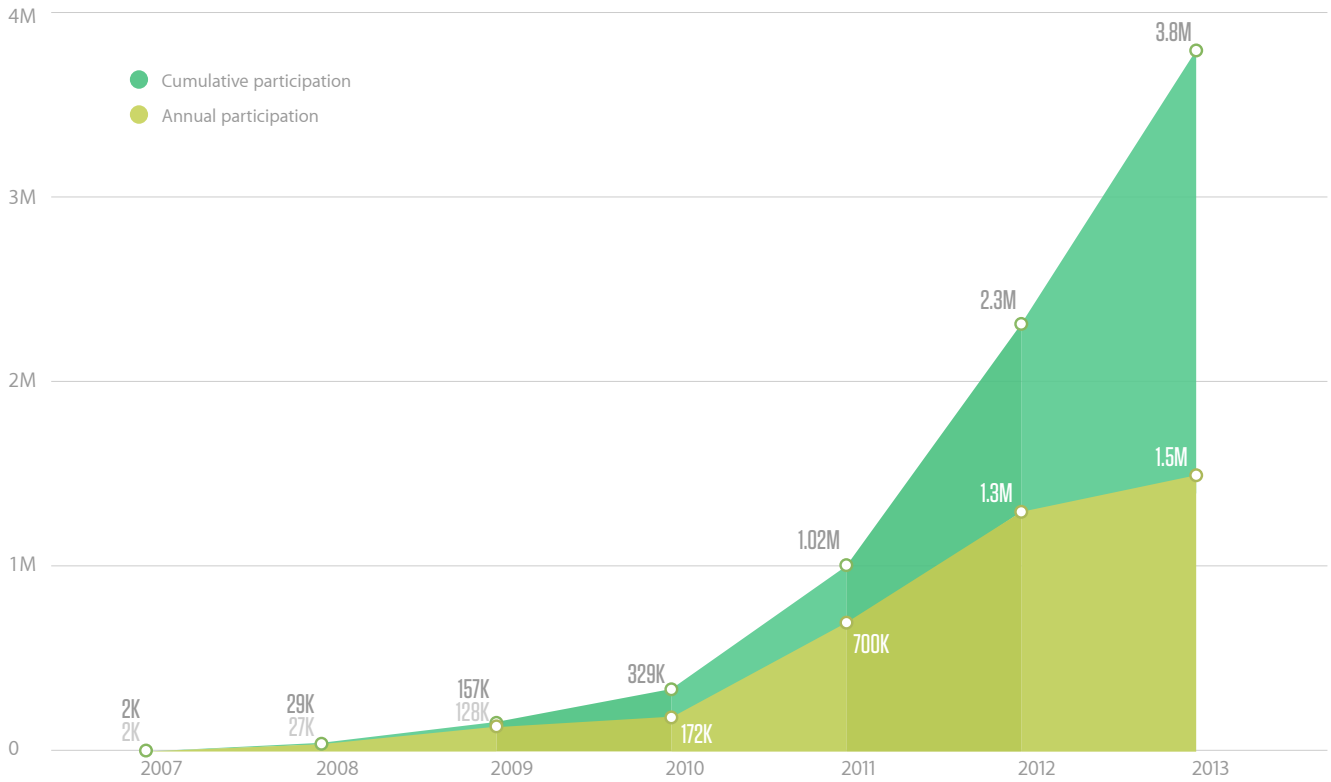
Training workers and managers on responsible practices.

To do business with Apple, our suppliers must live up to the toughest standards in the industry, and we make sure there's no confusion about our expectations. We train factory supervisors how to meet the high bar we set, with instruction on communicating with workers, maintaining a safe and respectful workplace, and avoiding harassment.

It's crucial that workers also understand their rights so they can speak up if they're unsure about anything they see or if they believe their rights are being violated. We require training for new and existing employees about Apple's Code of Conduct, local laws, and occupational health and safety.

Since 2007, more than 3.8 million workers and managers in our supply chain have received this training, including 1.5 million in 2013.

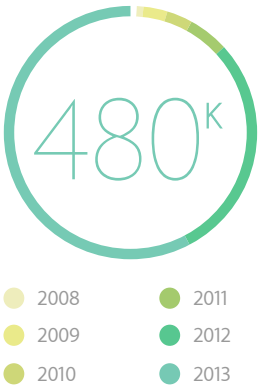
Participation in Workers' Rights Training



Giving workers opportunities to learn.

As part of our Supplier Employee Education and Development (SEED) program, we have invested millions of dollars to equip classrooms on the factory grounds with computers, educational software, and video conferencing systems. Workers who want to expand their education can take courses free of charge before or after their factory shifts. The offerings are diverse: English, electrician and welder certification, basic computer proficiency, management principles, computer-assisted design, economics, cosmetology, and more. We also partner with local universities to give workers access to high school equivalency and advanced degree programs.

We doubled the facilities in our SEED program from 9 to 18 in 2013. Over 480,000 workers have taken classes through the program since 2008.



Over 480,000 workers have participated in SEED since 2008, including 280,000 in 2013.

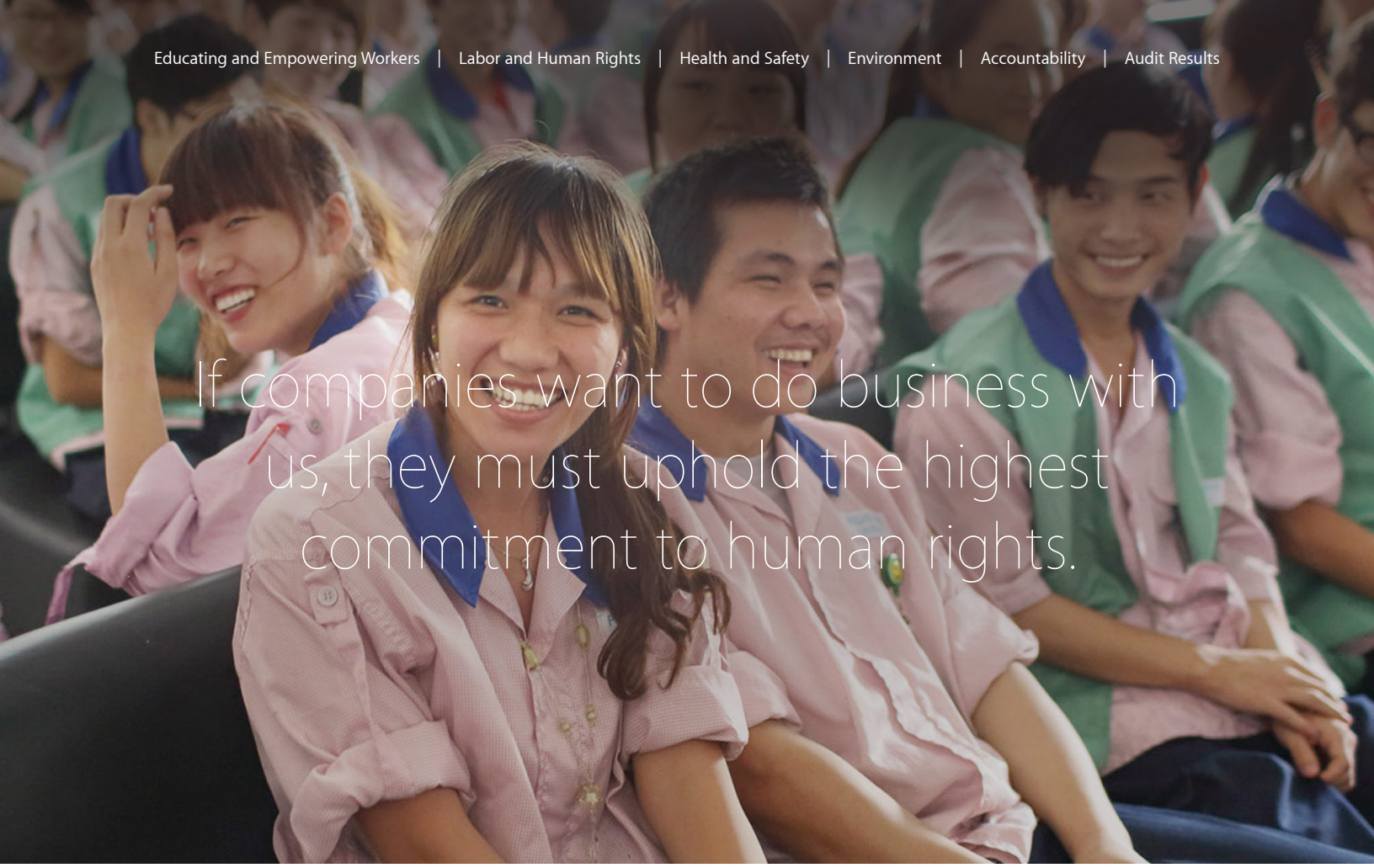
The EHS Academy: Building knowledge to build safer workplaces.

To address the shortage of qualified environment, health, and safety (EHS) personnel, we launched the Apple Supplier EHS Academy (described in detail in Health and Safety). The 18-month Academy offers 25 courses for environment, health, and safety, and it includes general and customized classes in subjects such as hazards risk identification and assessment, fire safety, hazardous chemical management, industrial hygiene, ergonomics, personal protection equipment, and lockout tagout (LOTO) — a procedure related to isolation of hazardous materials and energy during maintenance and modifications. The Academy focuses on foundation setting, skill building, management, and leadership. Participants must choose and complete 19 courses. At the end of the program, participants are granted a certificate of completion by the universities. Participants are also required to apply their knowledge to create and implement real-time projects at their facilities. In 2013, more than 240 participants from over 60 supplier facilities — representing over 270,000 workers — enrolled in the Academy. We plan to expand the program in 2014.

Making sure workers' voices are heard.

Workers have the right to an environment where they can voice their concerns freely and where managers and supervisors act on those concerns. That's why our manager training programs offer guidance on fostering positive worker-manager communication. But we know that's not enough. So we're seeking new and more effective ways for workers to communicate grievances with their managers and for suppliers to address the feedback in a way that satisfies the workers' needs. Suppliers representing nearly 105,000 workers are participating in these worker-manager communication programs and pilot assessments. Additionally, we're continuing to participate in a multistakeholder program supported by the IDH Sustainable Trade Initiative, which allows us to collaborate with other companies to offer our supplier management teams and workers more tools and resources to strengthen grievance systems.

Workers attend a training session in a semiconductor plant in Kuala Lumpur, Malaysia.



If companies want to do business with us, they must uphold the highest commitment to human rights.

Labor and Human Rights

We're working to eradicate unethical hiring and exploitation of workers — even when local laws permit such practices. We're continuing our efforts to end excessive work hours. And we're driving responsible sourcing of tin, tantalum, tungsten, and gold.

Highlights from our 2014 Report

- Tracked weekly work hours for over one million workers throughout our supply chain.
- Drove our suppliers to achieve an average of 95 percent compliance with our standard maximum 60-hour workweek.
- Launched a project to drive accountability for the vocational schools that place student interns in our supplier facilities.
- Conducted 33 specialized audits at facilities employing migrant workers who may be at risk for unfair treatment.
- Required suppliers to reimburse US$3.9 million in excess foreign contract worker fees.
- Confirmed in January 2014 that all active, identified tantalum smelters in our supply chain were verified as conflict-free by third-party auditors.
- Released a list of the smelters and refiners whose tin, tantalum, tungsten, and gold we use so it's clear which ones have been verified as conflict-free.

Suppliers averaged 95 percent compliance with our 60-hour workweek in 2013, a 3 percent increase from 2012.

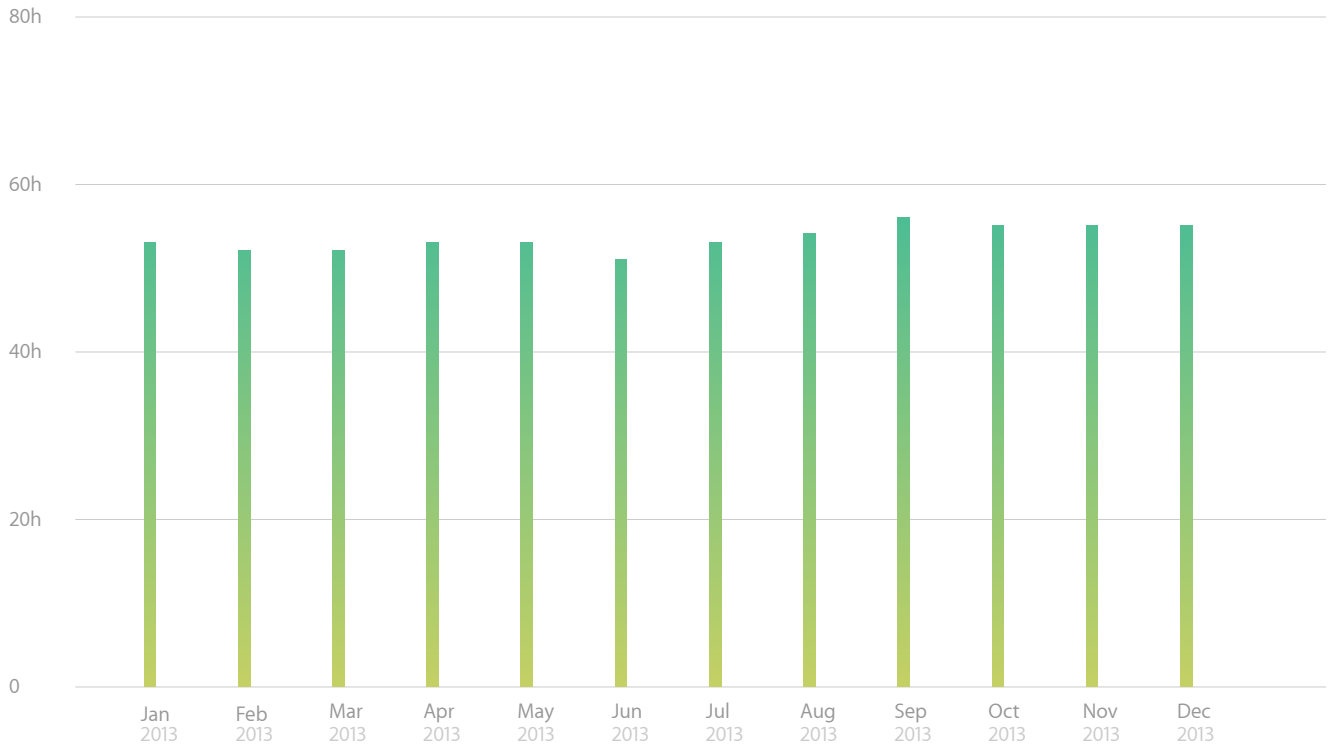
Ending excessive working hours.

Workweeks exceeding 60 hours have been a persistent problem for the electronics industry, and reducing excessive overtime remains a priority for Apple. We limit workweeks to 60 hours except in unusual circumstances. And all overtime must be absolutely voluntary. To help protect the people who make our products from working excessive hours, we track work hours weekly for over one million people in our supply chain — a program we started in 2011.

While working hours can be difficult for Apple and our suppliers to predict, we require suppliers to notify us in advance when they anticipate that production plans might cause high working hours. That way, we can get ahead of problems and work with both the supplier and Apple's procurement teams to find the best solutions.

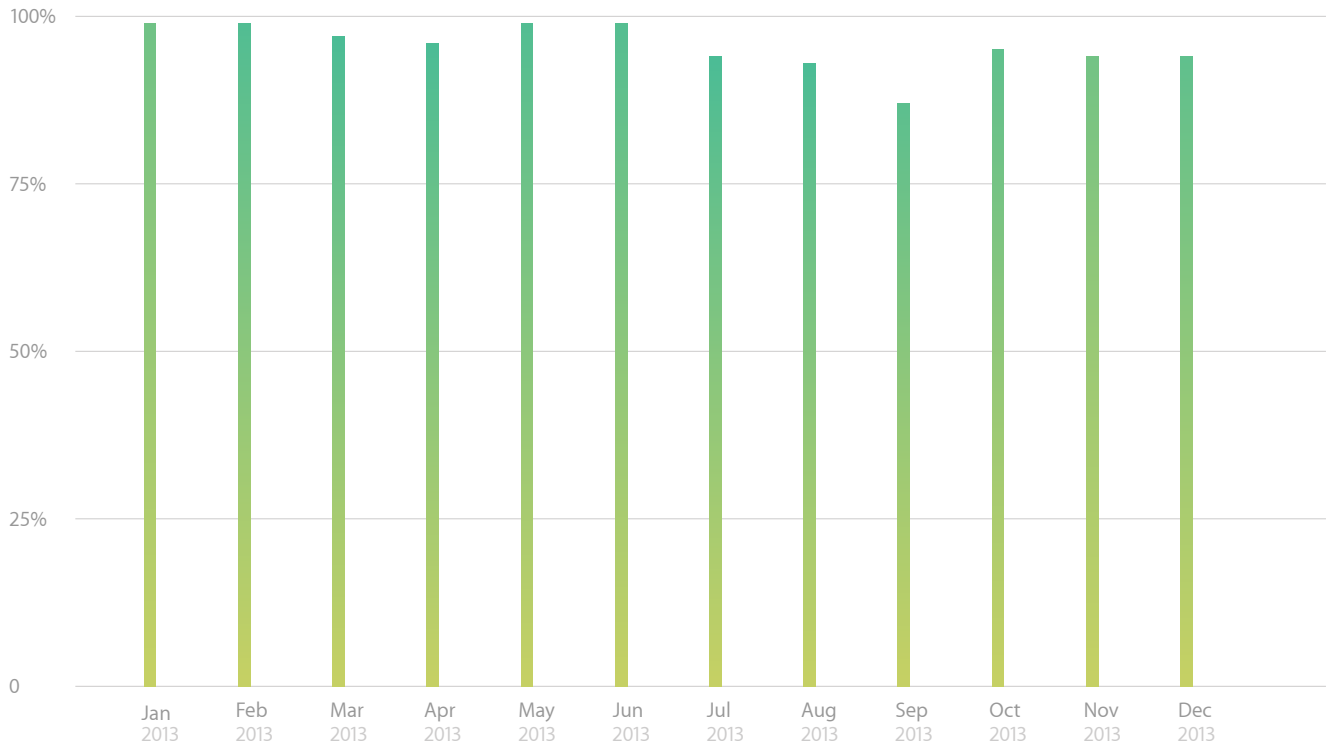
As a result of Apple's and our suppliers' efforts, our suppliers achieved an average of 95 percent compliance across all workweeks in 2013. The average hours worked per week was under 50 for all employees. In 2013 we also tracked employees working at least 40 hours, and found they worked an average of 54 hours per week. Over 97 percent of all workweeks met our requirement of at least one day of rest every seven days.

Average Weekly Working Hours



* Employees working at least 40 hours per week.

Supplier Work-Hour Compliance



* Work weeks compliant with 60-hour standard.

Protecting student workers from exploitation.

Middle school graduates in China have several choices: They can enter the workforce, pursue high school and college education, or enroll in a vocational (trade) school. It's common for vocational schools to require students to complete internships as part of the curriculum. But these schools often fail to perform the necessary due diligence to match students with appropriate internship opportunities or provide them with adequate support.

At their best, these schools provide students with useful on-the-job training and economic opportunities. At their worst, the schools can act more like labor brokers, recruiting workers simply to fill factory demand with little regard for educational relevance.

We believe it's important for students to have high-quality internship opportunities. But the lack of available data about these schools makes it difficult for students, suppliers, and electronics companies to assess their quality. So in 2013, Apple partnered with Stanford University's Rural Education Action Program (REAP) and Dell Inc. on a project designed to match our suppliers with credible schools, drive accountability for vocational schools, and raise the quality of education for student interns. Together we're evaluating the education and internship performance of over 12,000 students representing more than 130 schools, from 2013 to 2014. The data will be used to evaluate the educational quality of each school. We're also developing tools to help human resources managers in supplier factories responsibly and systematically assess the quality of schools as they make hiring decisions. These tools will be made public so that all students — not just interns who work for Apple suppliers — can make more informed decisions when enrolling in vocational schools and choosing internships.

Apple suppliers that hire student interns are required to follow additional standards. They must ensure that the educational program matches the student's educational goals. Students' working hours must not conflict with school attendance, and suppliers with a large population of students must attend our Student Worker Training programs.

"In our experience, Apple is a leader in ensuring that student workers thrive, working closely with suppliers to institute practical standards and innovative strategies for protecting student workers. We're working with Apple to assess the quality of vocational schools — the main source of student workers in China. Making our findings widely available will not only help Apple to selectively partner with good schools, but also allow hiring managers across the industry to protect and educate workers."

Scott Rozelle
Director, Rural Education Action Program,
Stanford University

12K

130

We're evaluating the education and internship performance of over 12,000 students, representing more than 130 schools.

Providing a foundation for the most ethical employment.

We take extra measures to protect workers aged 16 to 18, student interns, and foreign contract workers. In 2013, we expanded our Prevention of Underage Labor Training and Student Worker Training programs, pulling them together under a single program we call Ethical Hiring. The new program includes tools and training to help our suppliers prevent these workers from being exploited.

In 2013, representatives from 64 suppliers — covering more than 240,000 workers — attended our Ethical Hiring training. This program offers instruction on human resources best practices like manpower planning and staffing, and it emphasizes ethical hiring and management of all classes of workers. The training focuses on the recruitment and management of student, dispatch, and juvenile workers; management of private employment agencies; and prevention and remediation of underage labor.

64

Representatives from 64 supplier facilities attended the Ethical Hiring training in 2013.

Supplier managers attend Apple's Student Worker Training in Shanghai, China.

Preventing underage labor.

Our policy on underage labor is clear: We don't tolerate it, and we're working to eradicate it from our industry. Any supplier found with underage labor is placed on probation. In the most egregious cases, we terminate the business relationship. We use a comprehensive audit approach to uncover underage labor, including reviewing thousands of employment documents — comparing workers' onboarding and birth dates to make sure they were not underage when hired. We also look for signs of underage labor during factory tours, we conduct face-to-face interviews to verify the workers' photo IDs, and we ask questions about the facility's recruitment and applicant screening process.

In 2013, we audited deeper in our supply chain than ever and conducted 451 audits of supplier facilities that collectively employ nearly 1.5 million workers. Those audits uncovered 23 workers who were underage when hired — significantly fewer than the previous year.

Underage Labor Remediation Program

Suppliers must:

- Return underage workers to school.
- Finance their education.
- Continue to provide income.

As part of our Underage Labor Remediation Program, suppliers found violating underage worker rules must return underage workers to school, finance their education at a school chosen by their families, and continue providing income to the workers matching what they received while employed. We follow up regularly to ensure that the workers remain in school and that suppliers continue to uphold their financial commitment.

Stopping excessive recruitment fees and bonded labor.

In countries where labor is in short supply, manufacturers commonly use elaborate networks of third-party brokers to help fill their factories. These labor agencies recruit contract workers from other countries. The agencies often use multiple subagencies, each of which may require the workers to pay fees in exchange for employment. This means many workers find they have taken on huge debt even before they start work. To pay off this debt, workers must hand over a high proportion of their wages to the recruiters and remain at the job until the debt is paid. We consider excessive recruitment fees — anything higher than the equivalent of one month's net wages — a form of bonded labor, and these fees are strictly prohibited by our Supplier Code of Conduct.

Apple requires suppliers to reimburse excessive recruitment fees for any eligible contract worker found working on Apple projects. We strongly encourage our suppliers to uphold this same standard throughout the facility, even in areas with non-Apple workers. Since 2008, our suppliers have reimbursed a total of US$16.9 million to contract workers, including US$3.9 million in 2013. Because we know factories in certain countries are more likely to employ foreign contract labor, we target them for bonded labor audits and help them modify their management systems and practices to comply with our standards. We rarely find recurrences of bonded labor when we conduct follow-up audits, giving us confidence that the combination of strong policies and rigorous checks can make a difference in tackling this problem.

$17 M

Our suppliers have reimbursed nearly US$17 million to workers for excessive recruitment fees since 2008.

Responsible sourcing of minerals.

What is a conflict mineral?

Metals such as tantalum, tin, tungsten, and gold are used in many industries, including electronics manufacturing. But some sources of these minerals are in the Democratic Republic of Congo (DRC) and adjoining countries, and their extraction may finance or benefit armed groups that are associated with human rights violations. That's why these four metals are known as "conflict minerals."

The ethical sourcing of minerals is an important part of our mission to ensure safe and fair working conditions for everyone in our supply chain. We were one of the first companies to survey our suppliers to identify the smelters they use and understand the potential entry points for conflict minerals. We are driving smelters and refiners to be compliant with the Conflict-Free Smelter Program (CFSP) or an equivalent third party audit program. And rather than avoiding minerals from the DRC and neighboring countries entirely, we're supporting verified supply lines and economic development in the region.

"The easy path is to disengage and run away from the complex minerals sourcing issues in the African Great Lakes region. The more important, courageous thing to do is to stay, work with the cooperative Rwandan and DRC governments, and directly contribute to meaningful change and a better world through industry leadership initiatives. We are pleased that Apple supports the latter, more remarkable path."

Mark Viso
President, Pact, an iTSCi partner

In January 2014, we confirmed that all active, identified tantalum smelters in Apple's supply chain were validated as conflict-free by third-party auditors, and we will continue to require all suppliers to use only verified tantalum sources. We know supply chains fluctuate, and we'll maintain ongoing monitoring of our suppliers' smelters.

For tin, tungsten, and gold, the electronics industry uses a small percentage of these minerals. We believe the only way to impact the human rights abuses on the ground is to have a critical mass of smelters verified as conflict-free, so that demand for the mineral supply from questionable sources is affected. We are focused on expanding the verified smelter base rather than simply funneling our demand through a limited number of verified smelters or those that are not sourcing in the DRC. We are working directly with these smelters, visiting many throughout the world, to encourage their participation in the CFSP. To drive accountability and help stakeholders follow our progress, we are publishing quarterly the names, countries, and CFSP participation status of the smelters and refiners in our supply chain. Download the list (PDF) ›

In addition, we continue to work with NGOs, trade groups, government agencies, and others to keep up the pressure and drive real change. The in-region programs we support include the Conflict-Free Tin Initiative (CFTI), KEMET's Partnership for Social and Economic Sustainability, Solutions for Hope, and the Public-Private Alliance (PPA).

"Apple is always one of the first companies to step up and show their commitment to supply chain responsibility — even extending to mineral sourcing. Apple has taken a proactive leadership role in forming and supporting the IDH Indonesian Tin Working Group. They're committed to making real impact in responsible sourcing by working together with smelters, peers, and stakeholders."

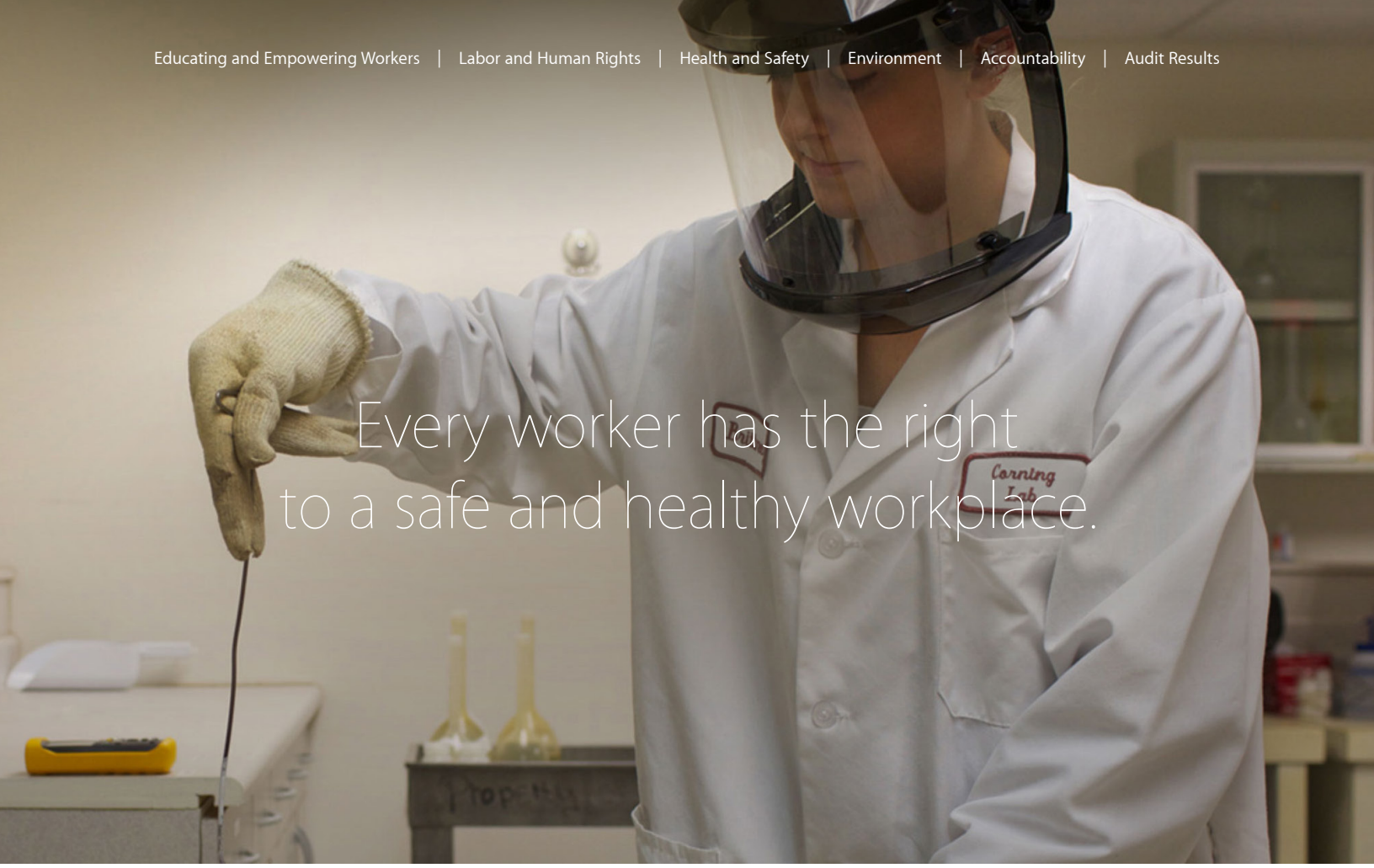
Ted van der Put
Program Director, IDH Sustainable Trade Initiative

Our work on ethical sourcing is not limited to Africa. A large percentage of the world's tin — including tin in Apple products — comes from Bangka and Belitung Islands, Indonesia. After learning that some of the tin may contribute to environmental damage or pose risks to miners, Apple went to Indonesia to investigate and visited with key stakeholders, including officials from the government, NGOs, and the smelters. We have since worked with the EICC and IDH Sustainable Trade Initiative to develop the Indonesian Tin Working Group, whose goal is to explore how its members can help resolve the environmental and social challenges of tin mining

on Bangka and Belitung Islands while also supporting the economic benefits of a robust mining trade. We will continue to work with the Indonesian Tin Working Group and our regional partners to address these concerns.

Key Partners and Stakeholders

- Conflict-Free Sourcing Initiative (CFSI)
- Conflict-Free Tin Initiative (CFTI)
- Electronics Industry Citizenship Coalition (EICC)
- Enough Project
- IDH Sustainable Trade Initiative's Indonesian Tin Working Group
- ITRI
- KEMET's Partnership for Social and Economic Sustainability
- London Bullion Market Association (LBMA)
- Partnership Africa Canada (PAC)
- Public-Private Alliance (PPA)
- Responsible Jewellery Council (RJC)
- Tungsten Industry-Conflict Minerals Council (TI-CMC)



Health and Safety

We don't let anyone cut corners on safety. We constantly find ways to make production processes and facilities safer. We also provide leading education opportunities to increase health and safety management in our supply chain.

Highlights from our 2014 Report

- Launched the Apple Supplier Environment, Health, and Safety (EHS) Academy.
- Enrolled 240 supplier participants covering over 270,000 workers in the EHS Academy.
- Strengthened ergonomic standards for managing workstation design changes.

Improving health and safety through education.

Worker health and safety have long been priorities at Apple, and we have been driving improvements through our audit and corrective action process. It's important to go beyond this foundation, and experienced EHS managers are critical to taking this next step. But there's a problem: There's a shortage of people with advanced EHS skills. So in too many cases, factory supervisors have had no alternative but to assign underqualified personnel to EHS leadership roles. These people can fix problems after the fact, but they lack the education and knowledge to proactively find and resolve issues before they become problems.

To address this education gap and expand the pool of qualified EHS managers, we launched the Apple Supplier EHS Academy — a formal, 18-month program we believe to be one of the most comprehensive EHS training and education programs in any supply chain. To develop the Academy, we worked in partnership with Nanjing University; Sun Yat-sen University; and the Institute for Sustainable Communities, a nonprofit organization focused on community-based solutions to reduce climate pollution in the United States and China. Leveraging existing curricula, we created a unique program that aims to build strong EHS personnel. We share the cost of the program with our suppliers, who pay only half the Academy fees for their participants. In 2013, more than 240 factory personnel from over 60 supplier facilities covering 270,000 workers enrolled in the EHS Academy. We plan to expand the program in 2014.

"We're proud to be partnering with Apple to provide comprehensive training to their supply chain through the EHS Academy, one of Asia's most advanced EHS training programs. Together we help factory managers improve workplace safety and reduce environmental impact — not just at their facility, but also in their local community."

George Hamilton
President, Institute for Sustainable Communities

The Academy offers 25 courses for environment, health, and safety. It includes general and customized classes in subjects such as hazards risk identification and assessment, fire safety, ergonomics, industrial hygiene, water management, and air pollution control. The Academy focuses on foundation setting, skill building, management, and leadership. Participants must choose and complete 19 courses. At the end of the program, participants receive a certificate of completion from the universities. Participants are also required to apply their knowledge to create and implement real-time projects at their facilities. Furthermore, they can use their new

EHS Academy in 2013

240
participants

60
supplier facilities

270K
workers represented

skills wherever their careers take them — at Apple suppliers or elsewhere. Which means the Apple Supplier EHS Academy has the power to raise standards for EHS management far beyond our own supply chain.

It's not just factory personnel who are required to get involved in the Academy. Decision makers at the senior leadership level learn about the program at a mandatory one-day seminar that's co-led by our Supplier Responsibility and Operations teams. Through their attendance at this seminar, factory managers personally commit to supporting their EHS managers throughout the course of the Academy.

Identifying and reducing risk.

We supplement the Apple Supplier EHS Academy with specialized training on EHS topics that require deeper technical attention. This additional training helps prepare both suppliers and Apple employees to address hazards while working in a supplier facility. In 2013, we trained over 320 supplier personnel on topics such as lasers, non-ionizing and ionizing radiation, and accident prevention. Over 100 supplier personnel — including 100 percent of our anodizing suppliers — were trained on chemical hazards management, and we completed chemical hazards assessments and industrial hygiene monitoring at nearly 20 facilities. More than 1200 Apple employees working in our supply chain participated in training courses on topics such as first aid, ergonomics, supplier site safety, and environment, health, and safety. Pairing specialized assessments and training allows our employees to identify hazards, educate suppliers, and empower suppliers to make changes to improve safety at their manufacturing facilities.

420

A total of 420 supplier personnel were trained on health and safety topics in 2013.

An EHS expert talks to supplier leadership about the importance of the Apple Supplier EHS Academy in Suzhou, China.

Emergency preparedness.

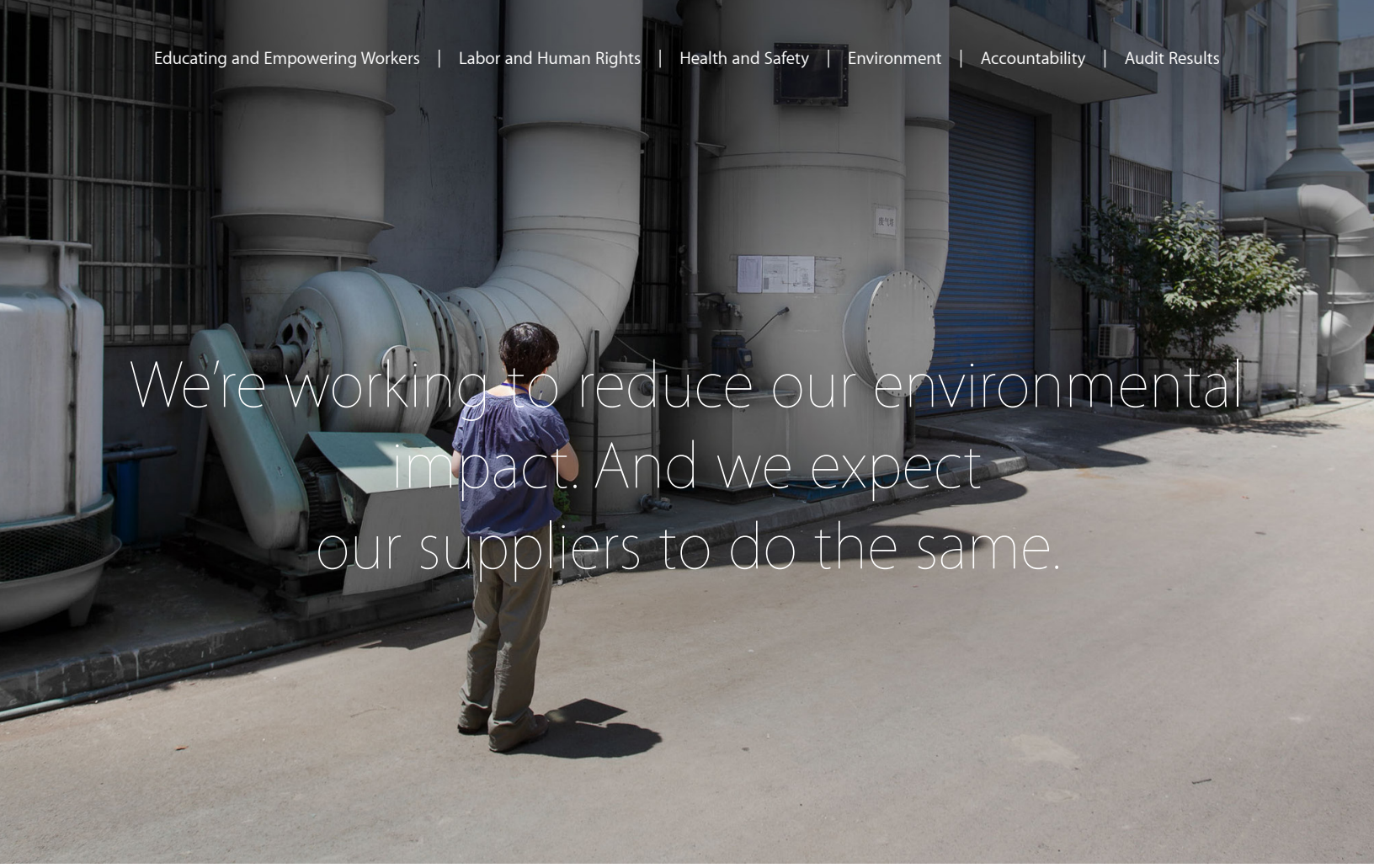
When a disaster occurs, it's critical that suppliers are prepared to protect their workers and respond to any situation. To help our suppliers prepare for and respond to emergencies, we created checklists for suppliers to use during self-inspection and for our team to use during onsite review and validation. These checklists also act as a practical guide for suppliers to create a safe and secure workplace that is equipped to handle emergencies. The checklists cover important topics like proper fire equipment, permits, emergency lighting, first aid kits, aisle width, maps and signs for exit routes, emergency response plan/team/drill, and specific safety precautions involving hot work. We will continue conducting assessments and implementing standards and procedures at high-risk facilities in China to help our suppliers keep their workers safe in the event of an emergency.

Worker well-being and ergonomics.

In 2013, we trained human resources managers, line supervisors, and other supplier personnel on worker well-being topics such as communication skills, trust building, and mental health assessments. And to help create healthier work environments, we set high standards and requirements for dormitory and dining quality and ergonomic hazards prevention.

Through a partnership between outside ergonomic experts and Apple's ergonomics department, we conducted research and analysis on approximately 75 common jobs within our supply chain to identify ergonomic risks. Based on our findings, we strengthened our standards for managing workstation design changes. We require suppliers to screen workstations, evaluate risks, create and implement controls, and monitor for effectiveness. And we're providing further education on ergonomics through our EHS Academy courses.

Workers eat lunch in a factory canteen in Shanghai, China.



We're working to reduce our environmental impact. And we expect our suppliers to do the same.

Environment

We take great care to design environmentally sound products. And we work with suppliers to make sure they use environmentally responsible manufacturing processes wherever those products are made.

Highlights from our 2014 Report

- Completed more than 520 site profile surveys to help determine environmental risks.
- Conducted 62 focused environmental assessments.
- Launched the Clean Water Program pilot with 13 supplier sites to increase reuse and recycling.

Apple's commitment to environmental responsibility.

Our commitment to environmental responsibility extends deep into our supply chain. Even when local regulations are less stringent than our Supplier Code of Conduct, we expect our suppliers to go above and beyond the law to protect their local communities and minimize impact to the environment. Suppliers must uphold all of our environmental standards — including hazardous waste management, wastewater management, stormwater management, air emissions management, and boundary noise management — wherever Apple products are made.

We look for environmental risks through a variety of methods, including onsite compliance audits, environmental profile surveys, NGO partnerships, and resources like the Institute of Public and Environmental Affairs (IPE) water and air pollution database. We completed more than 520 environmental profile surveys in 2013, focusing on our top 200 suppliers. The survey data allows us to determine risks by commodity, and it enables us to build targeted training, tools, and programs to minimize our suppliers' environmental impact.

Our work with IPE.

The nonprofit Institute of Public and Environmental Affairs (IPE) maintains the China Water Pollution Map and other public databases designed to hold corporations in China accountable for environmental violations. Apple has partnered with IPE to systematically review and assess all supplier violations appearing in the IPE database. In 2013, we searched the database for environmental findings related to our top 200 suppliers (by spend), covering more than 400 locations in China. Through this search, we identified 58 sites with 114 violations. We already knew about some violations and were addressing them, but others were new to us. We are working with our suppliers and IPE to conduct onsite assessments and develop action plans to correct the problems, and we regularly review with IPE the cases we've closed. In 2013, 15 sites worked with IPE to remediate 26 violations and had their records closed through the IPE process. We'll continue to search the database to identify and fix new findings.

"By working with stakeholders and its suppliers to correct environmental issues that affect local communities, Apple has become a clear environmental leader in the IT industry — and in some cases, the leader among all industries. China's landscape is quickly changing. While Apple is addressing the environmental challenges posed by the industry, it'll be increasingly important for Apple to continue staying ahead of the curve and driving real change."

Ma Jun
Director, Institute of Public and Environmental Affairs

520

environmental profile surveys conducted in 2013.

We are committed to the environment and reducing our impact.

Learn more about Apple and the environment >

Once we identify risks or problems, we conduct a further in-depth environmental assessment. In 2013, we conducted 62 assessments, which consisted of analyzing historical issues, taking environmental samples of things like discharge water and sediment, gathering information, and uncovering violations of Apple's Code of Conduct. We take any findings and violations through our corrective action process, then verify them for remediation by third-party auditors and as needed by environmental NGOs in China.

The EHS Academy: Building knowledge to build better environments.

To address the shortage of qualified environment, health, and safety (EHS) personnel, we launched the Apple Supplier EHS Academy (described in detail in Health and Safety). The 18-month Academy offers 25 courses for environment, health, and safety, and it includes general and customized classes on topics such as environmental regulatory compliance, environmental aspects identification and evaluation, water management, air pollution control, and cleaner production. The Academy focuses on foundation setting, skill building, management, and leadership. Participants must choose and complete 19 courses. At the end of the program, participants are granted a certificate of completion by the universities. Participants are also required to apply their knowledge to create and implement real-time projects at their facilities. In 2013, more than 240 participants from over 60 supplier facilities covering over 270,000 workers enrolled in the EHS Academy. We plan to expand the program in 2014.

"The EHS Academy is practical. It includes both education on EHS subjects and guidance on actual implementation at the factory level. The biggest values for the participant are improving professional skills and increasing EHS awareness and management."

Light Tseng
HR and EHS Director, Casetek Holdings Ltd. (Pegatron)

Managers from Apple suppliers attend the inaugural meeting of the Apple Supplier EHS Academy in Suzhou, China.

Introducing the Clean Water Program.

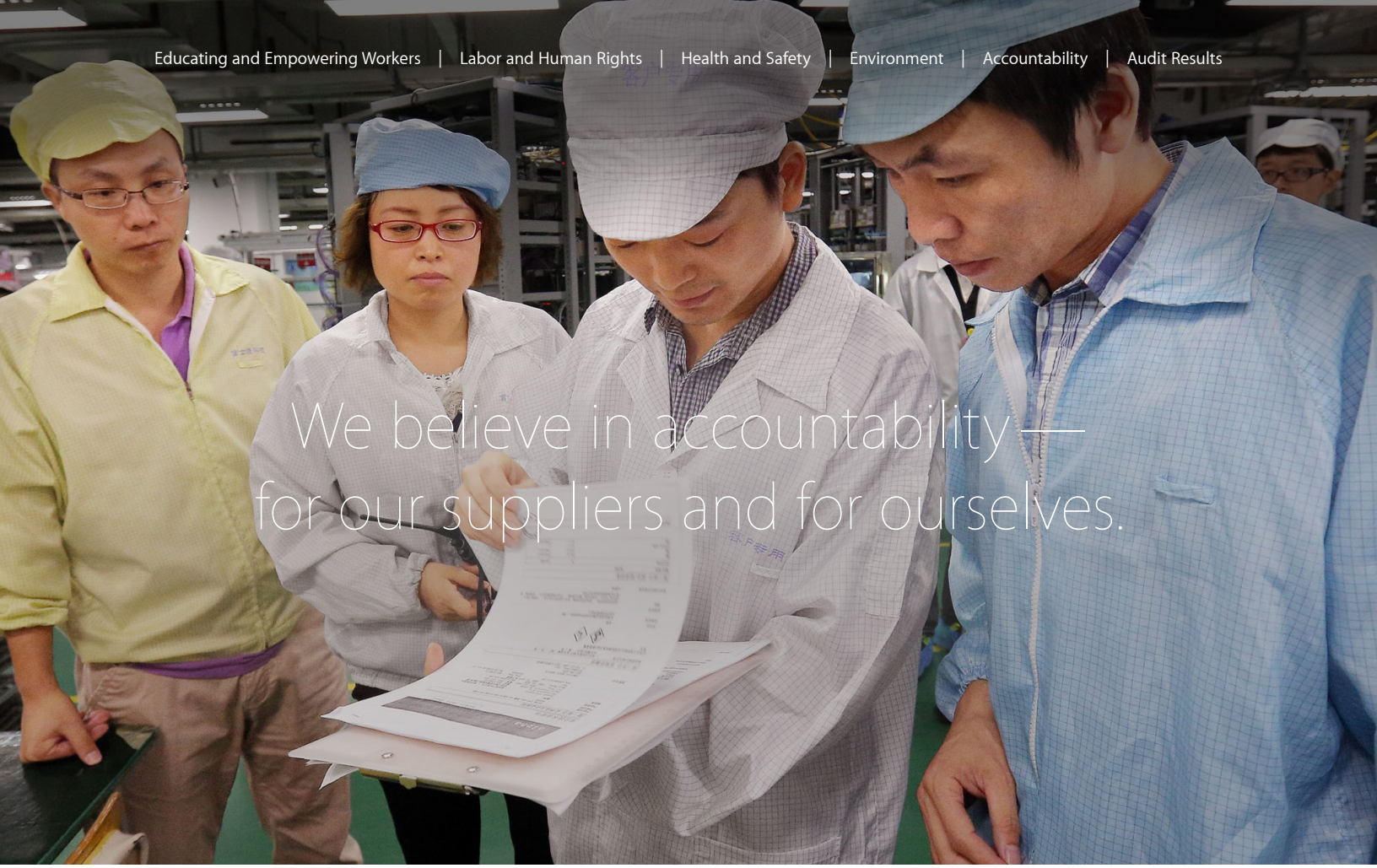
Fresh water is a precious resource, and it is everyone's responsibility to preserve and limit its use. Some manufacturing processes within Apple's supply chain use larger amounts of water than others. To make sure our suppliers are part of the solution to preserve this resource, Apple instituted the Clean Water Program to help reduce water usage, promote water recycling, and prevent illegal water pollution within our supply chain.

We targeted suppliers that are manufacturing product parts known to consume larger amounts of water. These included suppliers of printed circuit boards (PCBs), enclosures, cover glass, packaging, printing, and some electrical board suppliers. Thirteen water-intensive sites — which collectively consume more than 41 million cubic meters of water per year — became the pilot facilities for our Clean Water Program in 2013.

This program goes beyond simply ensuring compliance and checking for accurate permits. We start with a complete process map of the facility's hazardous chemicals use and process waste streams. The supplier's existing reuse and recycling programs are just one of many things we analyze. We also evaluate the entire wastewater treatment process along with its efficiency and performance relative to the type of manufacturing. And we make sure it can handle the facility's capacity for treating generated process wastewater. We measure water input and output and sample water throughout the facility's treatment process up to the final discharge point. We also consider local water risks like continual access to daily production needs while minimizing impact to the local community, whose neighbors rely on this resource.

After our in-depth evaluation, we score the supplier on categories including water usage; wastewater management; wastewater treatment facility operation, maintenance, performance, and monitoring; stormwater management; and hazardous waste management. Depending on improvement needs, we give the supplier specific remediation actions to work on with our team and third-party technical consultants.

In 2014, we'll apply the findings and best practices from this pilot program to other suppliers with water-intensive production processes.



We believe in accountability — for our suppliers and for ourselves.

Accountability

By vigorously enforcing our Supplier Code of Conduct, we ensure that our suppliers follow the same principles and values we hold true. We collaborate with experts in areas such as human rights and the environment to conduct comprehensive, in-person audits deep into our supply chain. When we uncover problems, we work with our suppliers to fix them.

Highlights from our 2014 Report

- Conducted 451 audits at all levels of our supply chain, a 51 percent increase from 298 audits in 2012.
- These audits covered facilities where nearly 1.5 million workers make Apple products.
- Publicly released more than 100 pages of comprehensive requirements behind our Supplier Responsibility Standards for the first time.

We incorporate standards and frameworks created by:

- International Labour Organization
- United Nations
- Electronic Industry Citizenship Coalition
- Fair Labor Association

Strengthening the Apple Supplier Code of Conduct and Supplier Responsibility Standards.

Historically, Apple has had one of the toughest Supplier Codes of Conduct in the electronics industry. Yet each year we raise the bar higher. These strict requirements communicate our expectations of how responsible global supply chains should operate.

For the first time, we're publicly releasing our updated Supplier Responsibility Standards (PDF) — more than 100 pages of comprehensive requirements our suppliers must follow to do business with Apple. We've made our high-level Code of Conduct available since 2005, but we thought it was important to give stakeholders full access to the details. Our Standards show the specific requirements our suppliers must follow in 20 key areas under labor and human rights, health and safety, environment, management systems, and ethics. We've also expanded our Standards by including requirements for student workers, ergonomic breaks, boundary noise, dormitory space and occupancy, emergency preparedness, responsible sourcing of minerals, environmental topics, and more.

In 2013, we rolled out the new Code and Standards to our suppliers and included guidance on how to implement these standards in their factories. The new Code and Standards became effective in January 2014, and all future audits will follow these guidelines. To make sure suppliers adhere to our Code, we have an aggressive compliance-monitoring program that includes Apple-led factory audits and corrective action plans and requires confirmation that these plans have been carried out.

How an Apple audit works.

An Apple auditor leads every onsite audit, supported by local third-party auditors who are experts in their fields. Each third-party expert is trained to use Apple's detailed auditing protocol. At each audited facility, the teams conduct physical inspections, interview workers and managers, and observe and grade suppliers based on more than 100 data points corresponding to each category of our Supplier Code of Conduct. We may also ask a supplier to immediately show us portions of a facility that are not scheduled for review. We use this data not only to ensure compliance and sustainable improvement over time, but also to consider new programs that will meet the changing needs of our suppliers and workers.

In addition to regularly scheduled audits, we conduct a number of surprise audits. In these audits, our team visits a supplier unannounced and insists on inspecting the facility within an hour of arrival. We conducted 31 surprise audits in 2013.

A Supplier Audit in Action

An Apple auditor meets with factory managers to review the day's agenda.

Auditors inspect documents and records at an electroplating facility in Suzhou, China.

Managers at a supplier in Shanghai, China, listen to the findings of a three-day audit of their facility.

What happens after an audit interview?

After an audit interview, each worker receives a hotline card with case numbers to identify the facility and audit date. This gives the worker a private opportunity to provide additional information to our team or report any unethical consequences as a result of the interview — an action for which we have zero tolerance. When we receive calls, we follow up with suppliers to make sure each issue is properly addressed. In addition, our authorized third-party partner made more than 17,000 phone calls in 2013 to workers interviewed by auditors to find out if retaliation or other negative consequences resulted from the interview.

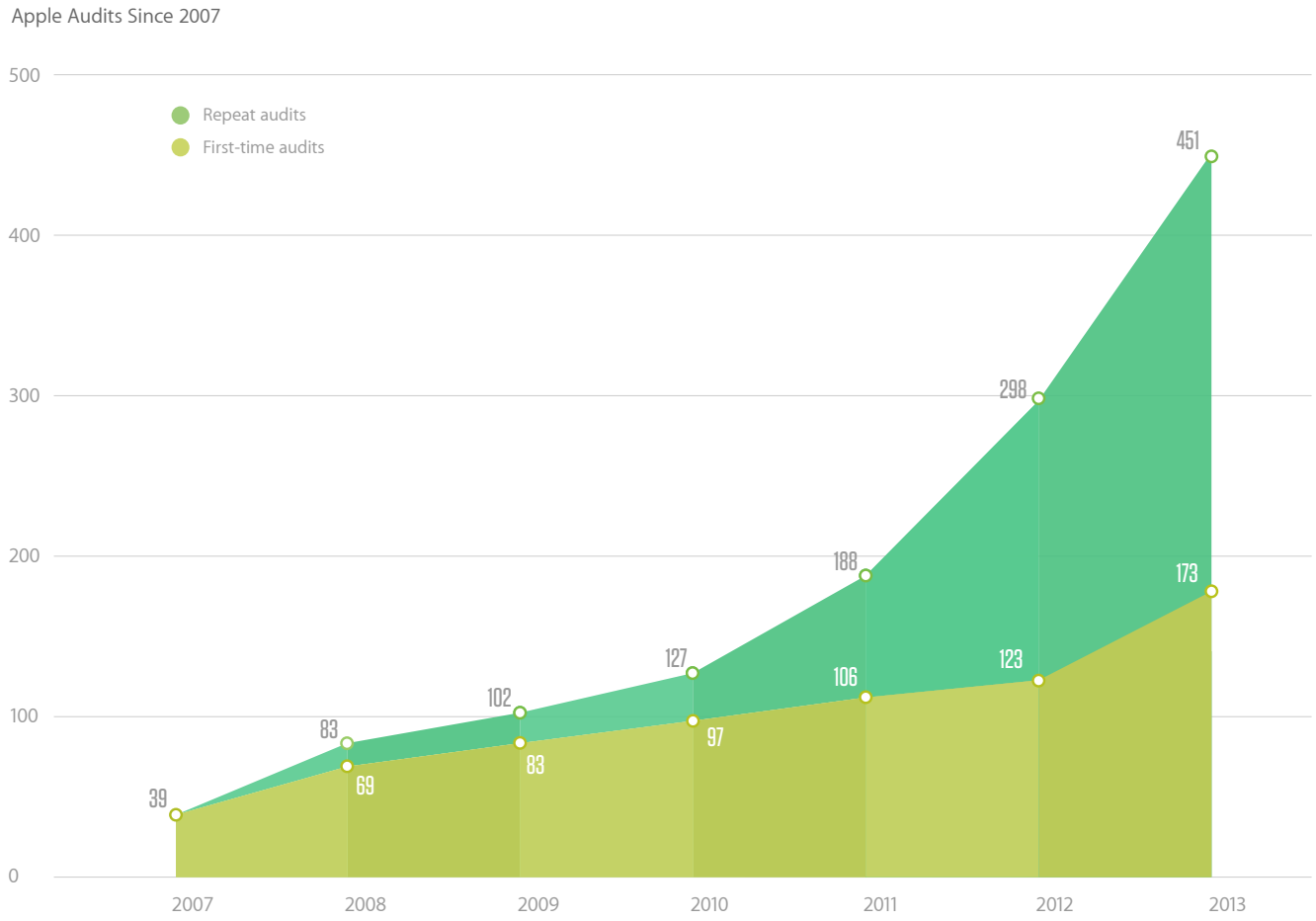
Audits around the world.

Since our first audits in 2006, we've audited in more countries and more supplier categories. And we have expanded our audit coverage every year— far beyond our 18 final assembly facilities. We've now conducted audits in 16 countries, and in 2013, our 451 audits covered nearly 1.5 million workers. We audit our final assembly manufacturers every year, and we audit other facilities based on certain risk factors, including location and geographic sensitivities, past audit performance, and the nature of the facility's work. We also perform audits in select nonproduction facilities, including call centers and warehouses. And we conduct specialized audits focusing on areas such as the environment and safety.

451

audits in 2013 covering 1.5 million workers.

Some facilities that are deep in the supply chain have never been audited by Apple or other industry peers. So it is not uncommon that our audits give these companies their first opportunities to evaluate their factories against social and environmental standards. These efforts not only improve working conditions for these suppliers, but also help improve conditions industrywide, since many of our peers use the same companies.



Core violations and corrective action.

Apple considers core violations to be the most serious breaches of compliance. These include the following: physical abuse; underage, debt-bonded, or forced labor; falsification of information or obstruction of an audit; coaching workers for audits or retaliating against them if they provide information; bribery; significant pollution and environmental impacts; and issues posing immediate threat to workers' lives or safety. All core violations must be stopped and corrected immediately. Our preference is to correct problems rather than just fire the supplier — which in the absence of other enforcement would allow these violations to continue. However, if a violation is particularly egregious or if we believe a supplier is not fully committed to stopping the behavior, we terminate our relationship with that supplier and, when appropriate, report the behavior to the authorities. And any supplier with

a core violation is placed on probation until the next re-audit — typically in one year — and may not be considered for new business until the issue is fully remediated and the probation period ends.

A supervisor shows auditors around a final assembly facility in Jundiaí, Brazil, near São Paulo.

Integrating responsible principles into our business.

Audit data isn't just used for corrective actions after the fact. We're also incorporating that information directly into our product introduction processes. In 2013, we piloted a program to analyze 138 suppliers that were being considered for our new products. We evaluated the suppliers' activities regarding the environment, health and safety, and labor and human rights. We used this analysis when making decisions about sourcing.

This program also allows us to anticipate challenges and address them before they arise. Suppliers can prepare more effectively for upcoming product launches by doing things like obtaining proper permits, reviewing emergency preparedness plans, and updating their policies on work hours and student workers. In 2014 and beyond, we'll integrate this program further into our business.

138

suppliers reviewed for new products.

Audit Results

Our suppliers are required to uphold the rigorous standards of Apple's Supplier Code of Conduct, and every year we raise the bar on what we expect. We strengthen our Code based on learning from our audits and feedback from external experts. As a result, when we return to suppliers that have been audited in the past, we often find new areas for improvement. We audit all final assembly suppliers every year. And we audit additional suppliers based on risk factors, including conditions in the country in which a facility is located or a facility's past audit performance. Many of the suppliers we evaluate for the first time tell us they have never been audited — which gives Apple the opportunity to work with them to improve their social and environmental performance. In 2013, we conducted 51 percent more audits than 2012 — going deeper into our supply chain than ever before. Of the 451 facilities audited, nearly 40 percent were new to our process.

An Apple auditor leads every onsite audit, supported by local third-party auditors who are experts in their fields. Each of these experts is trained to use Apple's detailed auditing protocol and to assess requirements specified in our Supplier Code of Conduct. During a typical audit, Apple's auditing team reviews hundreds of records, conducts physical inspections of manufacturing facilities — including factory-managed dormitories and dining areas — and conducts interviews with the workers themselves. At the same time, we evaluate the facility's senior managers, including their policies and procedures, their roles and responsibilities, and the training programs they provide for workers, line supervisors, and managers. Our auditors then grade each facility's level of compliance with our Supplier Code of Conduct.

When we complete an audit, we review its findings with the facility's senior management team. And when an audit reveals violations of our Code, we require the facility not only to address those specific violations, but to change any underlying management systems to prevent problems from recurring. Apple tracks the progress of all corrective and preventive action plans, with the expectation that all issues will be closed within 90 days of the audit. We then verify that action has been taken.

Apple considers the most serious breach of compliance to be a core violation. Core violations include instances of underage or involuntary labor, falsifications of audit materials, worker endangerment, intimidation of or retaliation against workers participating in an audit, and significant environmental threats. All core violations must be remedied immediately. If a violation is particularly egregious, or we determine that a supplier is unwilling or incapable of preventing recurrence of a violation, we terminate the relationship. When appropriate, we also report the violation to the proper authorities.

In 2013, we set more stringent guidelines on what we consider an environmental core violation—actions severely impacting the environment for which we have zero tolerance. These include things like using prohibited or regulated chemicals above the allowed limit; discharging process wastewater without treatment into storm drains, sewers, or the surrounding environment; emitting hazardous air pollutants without treatment or above the limit; and disposing hazardous waste

at a non-regulated facility. While these findings were always violations, we worked with stakeholders to establish clearer definitions for environmental core violations and terms of probation.

Apple audits suppliers annually in five broad categories: labor and human rights, health and safety, environment, ethics, and management systems.

Labor and Human Rights

Category	Practices in Compliance	Management Systems Compliance
Anti-discrimination	87%	78%
Fair treatment of workers	96%	88%
Prevention of involuntary labor and human trafficking	87%	85%
Prevention of underage labor	97%	91%
Juvenile worker protection	73%	66%
Working hours	95%*	*
Wages and benefits	75%	72%
Freedom of association	99%	97%
Overall compliance	81%	77%

* In 2012 we changed our measurement on working hours to one that is more meaningful and effective. We gauge our process by tracking real time work hours weekly for over 1 million employees in our supply chain, publishing the data every month. As a result of this effort, in 2013 our suppliers achieved an average of 95 percent compliance across all work weeks, and the average hours worked per week was under 50 for all workers, and 54 for those who worked at least 40 hours per week.

Significant Findings and Actions Taken

Anti-discrimination

Apple's Code protects against discrimination on the basis of race, color, age, gender, sexual orientation, ethnicity, disability, religion, political affiliation, union membership, national origin, and marital status, and prohibits pregnancy tests or medical tests for discriminatory use.

4 facilities conducted pregnancy testing. We classified these practices as discrimination — even if permissible under local laws. We required the facilities to stop the pregnancy testing and develop and implement anti-discrimination management procedures to regularly check this practice is eliminated. In addition, facilities conducted training for appropriate employees.

2 facilities conducted medical tests such as Hepatitis B tests. We classified these practices as discrimination — even if permissible under local laws. We required the facilities to stop the medical tests for all workers and regularly check to ensure these tests are eliminated. In addition, the facilities conducted training for appropriate employees.

Juvenile worker protection

Apple's Code states suppliers may employ juveniles who are older than the applicable legal minimum age for employment but are younger than 19 years of age, provided they do not perform work likely to jeopardize their heath, safety, or morals, consistent with ILO Minimum Age Convention No. 138.

Our Code requires our suppliers to provide special treatment to juvenile workers. 50 facilities did not provide regular free health exams to juvenile workers. Facilities were required to provide health exams to all juvenile workers and implement management procedures to regularly confirm health exams are provided to juvenile workers. In addition, facilities conducted training for appropriate employees on the health exam requirement.

Working hours

Apple's Code sets a maximum of 60 work hours per week and requires at least one day of rest per seven days of work, while allowing exceptions in unusual or emergency circumstances. All overtime must be voluntary.

As part of our audit program, we continue to audit facilities on their compliance to this metric, measuring sample data from the previous year. Where we find gaps in our audit, we require facilities to ensure workers' weekly working hours are no more than 60 hours and to analyze work-hour data and conduct in-depth investigations on the root causes of excessive working hours. In addition, we continue enrolling the facilities in our work hour program.

Wages and benefits

Apple's Code requires suppliers to pay wages and benefits adequately and timely as required by applicable laws and regulations, and prohibits using deductions from wages as a disciplinary measure.

106 facilities did not pay night shift workers the appropriate pay for legal holidays, typically when the night shift spanned over two days. For example, if Wednesday is a national holiday, a night-shift on Tuesday that starts at 6 p.m. and ends at 2 a.m. should have the final 2 hours paid at holiday rates rather than normal night-shift overtime rates. 71 facilities underpaid overtime due to incorrect calculations. We required the facilities repay workers according to legal requirement and change related procedures according to Apple requirement. In addition, facilities also reviewed and inspected payroll on a regular basis to ensure proper payment. We require all of our suppliers to compensate workers for any illegal deductions and wage deficiencies, and in 2013 we required our suppliers to repay more than US$2.1 million.

105 facilities did not provide sufficient social insurance. We required the facilities to provide all social insurance to workers and periodically inspect worker's social insurance status.

Core Violations Found and Actions Taken

Prevention of involuntary labor and human trafficking

Apple's Code protects workers who are required to pay a fee in connection with obtaining employment through third party labor agencies. Suppliers are responsible for payment of all fees and expenses in excess of one month of the worker's anticipated net wages.

14 facilities were found with excessive recruiting fees which we consider bonded labor. Suppliers were required to pay back any excess foreign contract worker fees, totaling USD $3.9 million in 2013. We also required suppliers to implement robust procedures to prevent recurrence. We conducted 33 bonded labor focused investigations in 2013.

Prevention of underage labor

Apple's Code states child labor is strictly prohibited. The minimum age for employment or work shall be 15 years of age, or the applicable minimum legal age, whichever is higher.

8 facilities were found with underage labor, with a total of 11 active cases and 12 historical cases — significantly fewer than the previous year. These facilities had insufficient controls to verify age or to detect false documentation, for example, appearance verification, age identification, or fingerprint systems. We found no evidence of intentional hiring of underage labor. All facilities were required to follow our Underage Labor Remediation Program. We required suppliers to return underage workers to school and finance their education at a school chosen by the family. In addition, the suppliers must continue providing income to the workers matching what they received while employed. We also followed up regularly to ensure that the children remain in school and that the suppliers continue to uphold their financial commitment.

Health and Safety

Category	Practices in Compliance	Management Systems Compliance
Occupational injury prevention	72%	63%
Prevention of chemical exposure	82%	76%
Emergency prevention, preparedness, and response	77%	67%
Occupational safety procedures and systems	80%	78%
Ergonomics	70%	65%
Dormitory and dining	80%	76%
Health and safety communication	73%	61%
Overall compliance	77%	71%

Significant Findings and Actions Taken

Occupational injury prevention

Apple's Code requires suppliers to provide a safe work environment, to eliminate physical hazards wherever possible, and to establish administrative controls that reduce risk.

209 facilities were found lacking approval or inspection reports or building certificates related to some aspect of fire safety, construction completion, or lightning prevention safety. We required the facilities to engage local government immediately and get approval or inspection reports or building certificates. Facilities were required to create a process to track the certificates status and keep the certificates current.

157 facilities did not have proper licenses, permits, or certificates for at least one machinery operator. Facilities were required to obtain the operator license, permit, or certificate from the local government, and conduct training for appropriate employees. In addition, facilities were required to periodically review equipment and operator licenses, permits, or certificates.

144 facilities had at least one machine that lacked or had inadequate machine guarding such as covers to stamping or cutting machines and protections on conveyer belts. We required the facilities to install machine guarding for all equipment and develop regular machine guarding inspection procedures and conduct training for applicable employees.

96 facilities lacked Lockout Tagout (LOTO) systems. While not a legal requirement for running a factory, our suppliers must implement this best practice. We required the facilities to develop and implement LOTO management and inspection procedures, as well as conduct training for appropriate employees.

Prevention of chemical exposure

Suppliers shall identify, evaluate, and control worker exposure to hazardous chemical, biological, and physical agents. Suppliers must eliminate chemical hazards where possible. Where chemical hazards cannot be eliminated, Suppliers shall provide appropriate engineering controls such as closed systems and ventilation. Where appropriate engineering controls are not possible, Suppliers shall establish appropriate administrative controls such as safe work procedures. In all cases, Suppliers shall provide workers with appropriate personal protective equipment.

At 90 facilities, there were instances where appropriate PPE (personal protective equipment) such as safety shoes, gloves, masks, goggles and earplugs were not provided to workers. At 98 facilities, PPE provided to the workers did not meet relevant standards. We required facilities to conduct an evaluation to assess what PPE is needed in which workstations and provide appropriate PPE to workers immediately. Facilities were also required to provide sufficient training to both supervisors and workers on how to properly wear the provided PPE, and hold supervisors accountable for ensuring that workers made proper use of PPE.

Emergency prevention, preparedness, and response

Apple's Code requires facilities to anticipate, identify, and assess emergency situations and to minimize their impact by implementing emergency plans and response procedures.

137 facilities lacked exit signs, emergency lighting, or evacuation route indicators, and 94 had insufficient signs, lighting, and routes. Facilities were required to review all exit signs, emergency lighting, or evacuation route indicators completely and fix the damaged or missing devices. Additionally, facilities developed and implemented regular inspection procedures.

115 facilities lacked regular monitoring, testing, or maintenance of fire protection systems. We required the facilities to repair fire safety equipment and implement procedures and conduct regular monitoring, testing, maintenance, and inspections of the fire protection systems. Facilities also conducted training for appropriate employees.

106 facilities had obstructed emergency exits or evacuation passages. We immediately required the facilities to remove the obstructions during the audit. In addition, facilities were required to develop and implement exit and evacuation management procedures, regularly inspect the exits and passages to make sure they're clear, and conduct training for appropriate employees.

Dormitory and dining

Suppliers shall provide workers with clean toilet facilities, access to potable water, and sanitary food preparation and storage facilities. Worker dormitories provided by the Supplier or a third-party agency shall be clean and safe and provide adequate emergency egress, adequate heat and ventilation, reasonable personal space, and reasonable entry and exit privileges.

129 facilities did not have smoke detectors in dormitory or dining sleeping rooms, public areas, or both. Most of the findings were related to smoke detectors in dormitories, which is a requirement of Apple's Code that goes beyond the law. We required the facilities to install smoke detectors and develop and implement smoke detector management and inspection procedures. Facilities also conducted training for appropriate employees.

Ergonomics

Suppliers shall identify, evaluate, and control worker exposure to physically demanding tasks, including manual material handling, heavy lifting, prolonged standing, and highly repetitive or forceful assembly tasks.

112 facilities lacked ergonomics control management processes and procedures to identify risk and implement proper ergonomic controls. Facilities were required to establish a program to control the risks of workers' exposure to ergonomic hazards and regularly review and solve workers' ergonomic issues.

Core Violations Found and Actions Taken

None.

Environment

Category	Practices in Compliance	Management Systems Compliance
Hazardous substance management and restrictions	72%	64%
Wastewater and stormwater management	78%	71%
Air emissions management	71%	63%
Solid waste management	70%	64%
Environmental permits and reporting	72%	66%
Pollution prevention and resource reduction	91%	90%
Overall compliance	77%	71%

Significant Findings and Actions Taken

Hazardous substance management and restrictions

Apple's Code requires suppliers to comply with the most recent version of Apple's Regulated Substances Specification, 069-0135, and with any applicable laws and regulations prohibiting or restricting the use or handling of specific substances. To ensure safe handling, movement, storage, recycling, reuse, and disposal, suppliers shall identify and manage substances that pose a hazard if released to the environment and comply with applicable labeling laws and regulations for recycling and disposal.

159 facilities were found without proper storage areas for hazardous waste. For example, some lacked weather proofing or anti-leakage ground. We required the facilities to bring up storage areas to our standards and properly store hazardous waste. Facilities were also required to create hazardous waste storage rules or regulations in internal procedures and conduct training for related employees.

96 facilities disposed of hazardous waste by unqualified vendors. We required the facilities to dispose of the hazardous waste by licensed companies, as well as develop, implement and regularly inspect hazardous waste disposal procedures. Facilities also conducted training for appropriate employees.

Air emissions management

Apple's Code requires suppliers to characterize, monitor, control, and treat air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone-depleting chemicals, and combustion by-products generated from operations, as required by applicable laws and regulations, before discharge.

120 facilities lacked or had inadequate monitoring or reports. We required the facilities to invite licensed third-party experts to monitor and report on waste air. Facilities also developed and implemented monitoring and inspection procedures.

Environmental permits and reporting

Apple's Code requires suppliers to obtain, maintain, and keep current all required environmental permits (for example, discharge monitoring) and registrations and follow the operational and reporting requirements of such permits.

104 facilities did not have Environmental Impact Assessment (EIA) documentation, or it was incomplete. We required the facilities to contact licensed companies to conduct EIA assessments, obtain EIA reports, and implement management procedures.

Core Violations Found and Actions Taken

Hazardous substance management and restrictions

Apple's Code requires suppliers to comply with the most recent version of Apple's Regulated Substances Specification, 069-0135, and with any applicable laws and regulations prohibiting or restricting the use or handling of specific substances. To ensure safe handling, movement, storage, recycling, reuse, and disposal, suppliers shall identify and manage substances that pose a hazard if released to the environment and comply with applicable labeling laws and regulations for recycling and disposal.

1 facility was found using a chemical which is banned by Apple. We required the facility to stop using the chemical and immediately find a replacement, as well as check for and replace any other substances which are banned by Apple. In addition, the facility established a proper new chemical review process.

Air emissions management

Apple's Code requires suppliers to characterize, monitor, control, and treat air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone-depleting chemicals, and combustion by-products generated from operations, as required by applicable laws and regulations, before discharge.

3 facilities released air emissions without treatment. Facilities were required to immediately stop the practice of discharging industrial waste air emission. We also required the facilities to install treatment equipment to filter the waste air before discharging, shut down the production lines which generated the waste air, or outsource relevant production lines to a qualified contractor.

Wastewater and stormwater management

Apple's Code requires suppliers to monitor, control, and treat wastewater generated from operations as required by applicable laws and regulations before discharge. This covers stormwater as well as sanitary and industrial water.

11 facilities discharged wastewater into pipes, drains, or directly into bodies of water without treatment. We required the facilities to stop the practice of discharging industrial wastewater without treatment, and discharge future wastewater according to Apple's Code of Conduct and local laws and regulations.

Solid waste management

Suppliers shall manage and dispose of non-hazardous solid waste generated from operations as required by applicable laws and regulations.

2 facilities incorrectly disposed of hazardous waste. We required the facilities to sign disposal contracts with licensed vendors to properly dispose those of hazardous waste.

Ethics

Category	Practices in Compliance	Management Systems Compliance
Business integrity	98%	91%
Disclosure of information	96%	94%
Protection of whistleblowers and anonymous complaints	92%	87%
Protection of intellectual property	98%	94%
Overall compliance	96%	91%

Significant Findings and Actions Taken

None.

Core Violations Found and Actions Taken

Disclosure of information

Suppliers must accurately record and disclose information regarding their business activities, structure, financial situation, and performance in accordance with applicable laws and regulations and prevailing industry practices.

18 facilities provided falsified payroll or attendance records to Apple's audit team or were uncooperative in providing access to records. The facilities ultimately provided the authentic records to our auditors. All facilities subsequently conducted reviews of their ethics management systems and instructed all management staff to provide correct documents. These suppliers were placed on probation and required to have a third-party conduct a focused audit on their working hours system. No falsification was found in the focused audit.

Management Systems

Category	Practices in Compliance	Management Systems Compliance
Company statement	79%	79%
Management accountability and responsibility	64%	64%
Documentation and records	84%	84%
Training and communication	81%	81%
Worker feedback and participation	93%	93%
Corrective action process	72%	72%
Overall compliance	75%	75%

Significant Findings and Actions Taken

None.

Core Violations Found and Actions Taken

None.

For More Information

For more information about Apple's Supplier Responsibility Program, visit www.apple.com/supplier-responsibility.