Electronic Industry Citizenship Coalition

2008 Annual Report

Collaborating to promote

Social and Environmental Responsibility

in the Global Electronics Supply Chain

EICC

ELECTRONIC INDUSTRY CITIZENSHIP COALITION

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Reflections from the Chair Emeritus

"Would anyone be interested in exploring the concept of sustainability in the technology sector?" This doesn't even seem like a question to be poised today, but back in late 2003 it was a fairly new concept. A handful of companies accepted this invitation to explore forming a new technology-sector group within Business for Social Responsibility (BSR).

This small group set out to discuss the sustainability agenda for the technology sector and quickly supply chain social responsibility emerged as a top priority. Several companies had already published codes of conduct for their suppliers; recognizing the need for consistency throughout the industry we began to develop a common code. Within months, a parallel effort by Celestica, Dell, Flextronics, Hewlett-Packard, Jabil, IBM, Sanmina SCI, and Solectron produced the Electronic Industry Code of Conduct. Here was an opportunity to build industry alignment and the membership of the BSR technology group quickly endorsed the Code of Conduct at the November 2004 BSR conference. The "EICC group" was born and at our first meeting, dedicated its future efforts toward developing common tools to implement the Code. There was unanimous agreement that real leadership would lie in the actions we could collectively take to implement the Code rather than spending our time debating nuances in the Code itself. In that special moment, the Code of Conduct was transformed from a document to a global initiative focused on results.

In less than a year, what started as an initial inquiry grew into an industry-wide initiative. In March 2005, the EICC group and the Global e-Sustainability Initiative (GeSI) formed a strategic alliance to deliver a single corporate responsibility supply chain solution to our industry. Participation grew rapidly, with companies attracted by the value proposition of working together to efficiently and effectively improve social and environmental conditions throughout the electronics supply chain. This value proposition is at the heart of the initiative and has brought together one of the most amazing teams of professionals for whom I have had the pleasure to serve.

These individuals have contributed their talents to align a fast-growing, dynamic global industry around a comprehensive Code of Conduct. Looking back, it was the moments of tension when I witnessed this team at its best. Our commitment to the cause ultimately superseded our differences and, in the end, working through our disagreements strengthened us a team.

As the first EICC group Chair, I'd like to express my personal gratitude to some of the individuals who went above and beyond in supporting the launch of this initiative:

> Tod Arbogast, Arnie Bawden, Grainne Blanchet, John Gabriel, Laura Gitman, Danielle Harder, Keiko Hirai, Dunstan Hope, Kara Hartnett Hurst, Adriana Hunt, Kevin Kellerher, Ken Larson, Bob Leet, Mike Loch, Mike McGrath, Tim Mohin, Asako Nagai, Seb Nardecchia, Bonnie Nixon, Tom O'Connor, Sirima Sataman, Hidemi Tomita, Chris Tuppen, and Mike Vaudreuil

There are, of course, many more who have contributed a great deal of time and energy to the development of the EICC and, collectively, their efforts have established a legacy that will carry forward and make the world a better place. As you read this report, I hope you will gain a better understanding of the journey, the accomplishments, and the goals of the EICC. Admittedly, there are many challenges ahead. However, if we continue to focus on areas of convergence rather than becoming mired by points of divergence, I am confident the EICC will continue to grow and deliver tangible improvements in working conditions and environmental stewardship across the global electronic industry.

Bradley J. Bennett, Intel Corporation
Chair Emeritus, Electronic Industry Citizenship Coalition

Opening Thoughts

On behalf of the Electronic Industry Citizenship Coalition (EICC), I welcome you to our first Annual Report. I trust you will find the information in the report useful in expanding your understanding of the EICC and the goals and objectives we strive to attain. By some measures the EICC is a relatively young entity. As described in the reflections from the EICC Chair Emeritus, our brief history illustrates our members' commitment to making meaningful and lasting social and environmental improvements in electronics supply chain.

2008 was a dynamic year for the EICC. It was our first full year with a permanent business structure and a newly elected Board of Directors. We grew our membership to over 40 firms—expanding our scope and perspective both geographically and to new tiers of the supply chain. We also strengthened our working relationship with the Global e-Sustainability Initiative (GeSI) Supply Chain Work Group and conducted multiple stakeholder engagements.

Throughout 2008, the group made significant strides in implementing the EICC Code of Conduct in the supply chain. We completed the final pilot phases of our audit process—positioning us for greater shared audit deployment in 2009. We also took the learnings of the pilot audits and put them to work in the EICC. We identified the most frequent areas of Code non-conformance and worked to understand their root causes with an eye toward identifying solutions for practical and sustained improvements. In conjunction with GeSI, we also launched an in-depth study of metals extraction to gain a better understanding of the issues surrounding this complex and important part of the total electronics supply chain.

While 2008 was a solid year for the EICC, we are still early in our journey toward achieving our goals. Throughout this report you will read about our progress and see the challenges we face. And through testimonials, you should get a clear sense of the confidence our members have in the EICC and our ability to make a difference.

We appreciate your interest in the EICC and thank you for taking time to learn more about our work. We look forward to sharing with you a summary of our progress again after the coming year.

John Gabriel
Chairman of the Board, Electronic Industry Citizenship Coalition

Introduction

The Electronic Industry Citizenship Coalition, Inc (EICC) is a non-profit organization composed of members of the information and communications technology (ICT) industries collaborating to promote social and environmental responsibility and shared efficiencies in the global electronics supply chain. Through our joint efforts, we are committed to upholding strong standards for labor, ethics, health and safety, environmental impact, and management systems in the supply chain. When we use the terms corporate responsibility or social and environmental responsibility in this report, we are referring to these issue areas.

This is the EICC's first public performance report, in which we strive to discuss our efforts to collectively improve the industry's social and environmental performance. Published in 2009, this report references EICC activities and developments that occurred over the EICC's five-year history, with a focus on activities in the 2008 calendar year. Going forward, we intend to report annually on our activities and performance.

Within each section of this report, we aim to provide context for our efforts, as well as a description of key accomplishments, challenges, and plans for the future. We are proud to compile this review of our work to date, but we recognize that there is still much work to be done in the coming years.

About the Electronics Supply Chain

When thinking about corporate responsibility in the industry supply chain, what do we mean by the "electronic industry"? EICC members are a diverse set of companies: manufacturers of components for computers and consumer electronics, assemblers, contract manufacturers, telecommunications suppliers, software companies, technical and business service providers and retailers around the world. A few statistics help define the breadth of our industry's operations and impact. (Figure 1)

No matter what type of products and services we design, produce, or sell, the global electronic industry is characterized by:

- **"Networked" relationships.** Unlike supply chains in other industries where some companies are clearly customers and others are suppliers, companies along the global electronics supply chain often serve as both customer and supplier. To a large degree, we also use many of the same suppliers, as opposed to other industries where one company may have a clear set of proprietary suppliers.
- **Long-term supplier relationships.** Due to the types of goods and services we manufacture, companies often have long-term relationships with key suppliers. This means that customers are invested in their suppliers' success and seek to work together to ensure continuous improvement.
- **Rapidly shifting sourcing locations.** Production in our sector can rapidly shift to new geographies—Central Europe and India, for example, are emerging centers for manufacturing—as well as the specific facilities managed by a supplier company. These shifts in both context and composition can pose challenges for responsible supply chain management, emphasizing the need to cultivate a culture of

Figure 1. Global Industry Statistics

Total Employment:	15 million workers worldwide
Revenues of Top 250 Firms:	$3.8 trillion
Top Countries Exporting ICT Goods	China, European Union, United States, Korea, Japan
Fastest Growing Export Countries	Korea, Malaysia, Mexico, Thailand, Eastern Europe

Source: OECD ICT Industry Outlook, 2008

responsible facilities management among our member and supplier companies. We also need to keep supplier tools and processes flexible so they can be used in new regional contexts.

Key Corporate Responsibility Issues

As part of this report, we surveyed our members to identify the electronic industry's top three areas for improvement in labor, ethics, environment, health, and safety issues. (Figure 2) The results uncovered through the survey will help us consider how to help member companies resolve these challenges.

The EICC has taken steps to begin addressing some of these key areas, which align with the non-conformances identified in EICC shared audits. The sections of this report that address the activities of the EICC's work groups discuss our efforts in more detail.

Emerging Issues

In a dynamic world, social and environmental challenges constantly change and new ones arise. Feedback from EICC members and stakeholders helps to identify emerging issues. While we focus on corporate responsibility in the supply chain, we seek to address the issues common across our membership. In 2008, we worked to address the following emerging issues:

- **Climate change.** Climate change has become an important issue for the electronic industry supply chain. Organizations like the Carbon Disclosure Project and the World Resources Institute have increased work to help companies understand and manage supply chain carbon emissions. The EICC is laying the foundation for tracking emissions in our supply chain, so we can work together to make measurable reductions in future years.
- **Product toxicity.** With the passage of legislation in the European Union to increase oversight and regulation of the manufacture, import, marketing and use of chemicals (Registration, Evaluation and Authorization of Chemicals – REACH), attention to the materials and chemicals used in electronic products is on the rise. In 2008, the EICC discussed whether our organization should play a role in helping members respond to this issue and to prepare for the new legislation. We ultimately decided to encourage members to address this issue individually through existing initiatives outside of the EICC and that this would help us avoid duplication of effort.
- **Corporate responsibility in metals extraction.** Concern across member companies, media and other stakeholders about the social and environmental conditions in which metals used in the electronics supply chain are produced prompted the formation of a joint EICC and GeSI work group to explore the issue. An independent industry research project commissioned by the work group has helped identify tin, tantalum, and cobalt as key metals where the electronics sector accounts for a significant percentage of global use, and identify opportunities to take action on tracking metal content, increasing materials efficiency and metals recycling, and adding our voice to existing initiatives for social and environmental responsibility in the mining industry.

Figure 2. Top Issues in ICT Supply Chain

Labor & Ethics		Environment, Health & Safety	
Working hours	90%	Emergency preparedness	60%
Wages payments and benefits	59%	Occupational safety	33%
Child labor	17%	Environmental permits	30%
Discrimination	17%	Hazardous substances	30%

*Percentages represent ratio of EICC member companies surveyed who believe this issue is a top challenge for the sector

These three examples illustrate the types of issues facing the EICC that are broader than any one individual company. The problems are complex, and solving them requires collaboration—within the EICC, with our partners, and with stakeholders. By working together, the EICC can achieve lasting solutions for the industry.

Summary of Accomplishments

The EICC has many notable accomplishments since its inception. The following table provides a high level overview of the EICC's progress to date and plans for the future. All figures are as of December 31, 2008.

Figure 3. EICC at-a-Glance

	Progress to Date	Looking Ahead
Governance	• Incorporated as not-for-profit legal entity	• Conduct next cycle of Board elections
Stakeholder Engagement	• Hosted 2 stakeholder forums in 2008	• Enhance approach to stakeholder engagement
Membership	• Established two levels of membership (full and applicant) with defined membership requirements • Grew membership to 45 companies	• Develop a fair and consistent process for tracking member progress against requirements
EICC Code of Conduct	• Achieved consensus on Code adoption policy • Strengthened Code review process • Held vote on Code revision in 2007	• Continue with periodic Code review process • Continue stakeholder input process
Supplier Engagement Model & Tools	• Launched Electronics Tool for Accountable Supply Chains (E-TASC) v1.0 • Made incremental improvements to supplier engagement and assessment tools	• Launch new tools to support the assessment and validation phases of supplier engagement • Upgrade E-TASC • Translate tools into more languages
Shared Auditing	• Completed second round of shared audit pilots	• Continue to expand the shared audit process • Continue to develop a corrective action format for shared audits • Implement auditor certification program
Learning & Capability-Building	• Hosted supplier training event with over 180 representatives of 76 companies in attendance • Published report on capability-building pilot projects in China • Created list of local training resources available to members and suppliers in China	• Continue to host at least one supplier training event each year • Launch e-Learning modules • Expand list of local resources to other regions
Extractives	• Published initial report on extractives used in the ICT industry	• Develop supply chain transparency models for tin, tantalum, and cobalt • Investigate product metals recycling
Working Hours	• Identified root causes of excessive working hours in the supply chain through extensive research	• Develop a set of analysis tools • Pilot best practices
Environmental Sustainability	• Benchmarked environmental metrics used by membership • Drafted an EICC approach to collecting carbon emissions data in the supply chain	• Pilot the EICC approach to carbon reporting

About the EICC

The EICC began with the launch of the Electronic Industry Code of Conduct, a set of standards and best practices adopted and implemented by some of the world's major electronics brands and their suppliers. Now, with more than 40 member companies, we have expanded our focus significantly. In addition to the common Code, we are consolidating and standardizing supplier audits, building supplier corporate responsibility knowledge and capabilities, and reporting on efforts so members of the industry and their suppliers can focus on achieving the high standards of performance set forth by the Code.

The following information on our mission, history, governance structure, membership, and external relations gives context for our 2008 activities and impact.

EICC Mission and Objectives

Through the application of high standards, we aim to create better social, economic, and environmental outcomes for the global electronics supply chain. These outcomes include increased efficiency and productivity for the industry and its suppliers, improved conditions for workers, greater economic development, a healthier environment for local communities, and a better understanding of risks to business continuity.

Our mission is to deliver these benefits through a standardized code of conduct and a shared approach to implementation. As a result, we can reduce duplication of efforts in the industry and focus our pooled resources to drive positive social and environmental change.

Objectives

To achieve this mission, the EICC has outlined the following objectives for integrating corporate responsibility in the supply chain:

- Establish and agree on a long-term governance structure to continuously improve working and environmental conditions in the electronic industry.
- Implement that structure based on a harmonized set of standards (Code of Conduct), tools and processes.
- Create a credible and verifiable process for companies to use in evaluating and managing their supply chain.
- Administer shared trainings and education to improve overall performance in the electronic industry.

Measuring Success

Regularly monitoring and measuring our impact is critical to ensuring that we are effectively employing our attention and resources. The EICC is committed to regular and ongoing reporting on progress and sharing results. The third and fourth sections of this report are dedicated to evaluating the EICC's success to date and to acknowledging the challenges we face in further achieving our mission. In addition, we are working to create a set of key performance indicators for tracking and reporting on the short- and long-term impact of our efforts in the future.

History

The EICC's roots trace back to 2004, when eight companies (three OEMs and five contract manufacturers) came together to discuss how they could improve corporate responsibility performance in the electronic industry. This group's first step was to create a standardized code of conduct for their supply chains. In 2004, the Electronic Industry Code of Conduct was published. (Figure 4)

The members also recognized, however, that the Code was not the end goal, but instead should be used as a

Figure 4. The Evolution of the EICC		
2004	Fall	Eight founding members create the Electronic Industry Code of Conduct
2004	Fall	Work group is formed around Code implementation
2005	Spring	Strategic partnership with Global e-Sustainability Initiative (GeSI) is established
2005	Fall	Supplier Self Assessment Questionnaire is developed
2006	Winter	Shared audit tools and processes are developed
2007	Winter	Shared audits are piloted
2007	Summer	Report on ICT capability-building strategy for China is published
2007	Fall	EICC incorporates in the United States as the Electronic Industry Citizenship Coalition, a 501c(6) organization
2007	Winter	Electronic Tool for Accountable Supply Chains (E-TASC) is launched
2008	Summer	Membership exceeds 40 companies

platform for shared implementation. Shortly after publishing the Code, the group created a ongoing team to support implementation of the Code. An expanded set of companies joined the team and agreed to collaborate on a comprehensive set of tools and methods for credible implementation of the Code throughout the global electronic industry.

Since 2004, membership has expanded greatly. Each year in our short history, the EICC has developed new tools and processes to expand the potential impact—enabling more companies to implement the Code, reducing duplication of efforts, and pursuing special topics of greatest concern. In the process, we have grown into the largest business-to-business group focused on corporate responsibility in the electronics supply chain.

Organizational Governance

While the EICC is a voluntary initiative, we are committed to maintaining strong, effective governance in all our activities. We recognize that effective governance will help ensure the organization's long-term stability and sustainability. To that end, in late 2007, the EICC incorporated as the Electronic Industry Citizenship Coalition, an independent, not-for-profit association. The EICC plans to apply for exemption from U.S. Federal income tax under Section 501(c)6 of the Internal Revenue Code. The organization is governed by a Board of Directors. (Figure 5)

Board of Directors

The Board of Directors oversees governance, budget, strategy, and administrative functions for the organization. The Board is also the steward of the organization's mission and actively supports membership needs in furthering the mission.

The Board is composed of elected individuals from member companies who serve three-year terms for up to two consecutive terms. To ensure effective safeguarding of member interests, the EICC strives for diversity in Board membership, including representation from a range of geographies and types of companies, such as name-brand companies, component suppliers, and contract manufacturers.

A key function of the Board is to authorize and oversee work groups that operationalize the strategic plan—developing practical tools and advancing best practices. Work groups are composed of voluntary representatives from member companies and range from five to 25 regular participants. The Board provides regular updates to members through emails and tri-annual, in-person membership meetings.

Policies and Guidelines

All activities of the EICC are subject to compliance with the bylaws of the organization. In addition, the EICC is subject to competition and antitrust laws in the United States, Europe, and other countries or regions in which our member companies conduct business. To ensure compliance with such regulations, the EICC has established the EICC Antitrust Guidelines, which are read at every membership meeting and can be downloaded from our website (www.eicc.info).

Figure 5. 2008 Organizational Structure and Governance Team

(As of December 2008)

Looking Ahead

The EICC has gone through significant change to better position ourselves for growth and longevity. In our first year as an independent legal entity, we solidified our governance practices and organizational structure. Yet the organization's continued rapid growth, while a testament to the penetration of the initiative within the global electronics supply chain, makes it increasingly challenging to ensure effective representation of diverse member interests in decision-making. The organization has had to evolve from a small, consensus-based organization to a much larger organization in which decision-making processes are more structured.

As part of incorporation, the EICC decided to remain a company-only organization, rather than adopting a multi-stakeholder structure. This was driven by our focus on implementation, and because our organization already includes multiple layers of the supply chain. However, the EICC recognizes the importance of ongoing stakeholder input, and we are continuing to explore ways to involve stakeholders in our organization's efforts. (See page 11 for more information)

In 2009, the EICC is committed to further strengthening its governance by:

- Implementing a formal rotation cycle for the Board of Directors, such that one-third of Board seats are up for election each year, balancing continuity in governance with regular opportunities to increase the diversity of the Board in line with membership growth.
- Continuing to explore organizational structures and partnership models that can provide increased ongoing support for the expanding operations of our organization.

Membership

Our membership is the core of the EICC: Members shape the strategic priorities of our organization and share experiences and best practices. As a volunteer group, our organization runs on the time invested by members. EICC membership also symbolizes a commitment to drive real corporate responsibility throughout the global electronic industry and supply chain. It is for this reason that one of

our key objectives is to support member implementation of the Code within their facilities and with their suppliers.

Since 2004, the EICC has grown substantially to an organization of 45 members in December 2008, with an average annual increase in membership of 55 percent. EICC members employ approximately 3.4 million workers and generate USD$1.2 trillion in revenue. (Figure 6)

This rapid growth is a testament to the penetration of the EICC in the electronic industry, and we are seeking ways to continue to increase our membership in the years to come—particularly in the growth markets of Asia, Latin America, and Eastern Europe. (Figure 7)

Unlike other business efforts focused on corporate responsibility in the supply chain, the EICC includes companies at multiple levels of the supply chain. In fact, the current membership represents raw materials and component suppliers, contract manufacturers, OEMs, and retailers. (Figure 8) This ensures that decisions are practical and able to be implemented throughout the supply chain. At times, our diversity means we progress more slowly to gain consensus, but we believe that ultimately this will make the outcome of our efforts more sustainable.

Membership Philosophy

EICC membership is open to any company in the global electronic industry, and a progressive dues structure facilitates the participation of smaller companies with more limited resources. (Figure 9)

Figure 7. Headquarters of EICC Member Companies

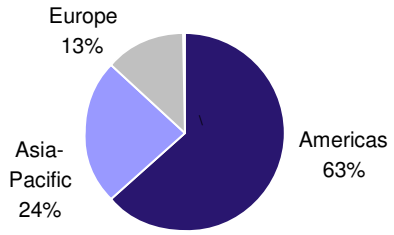
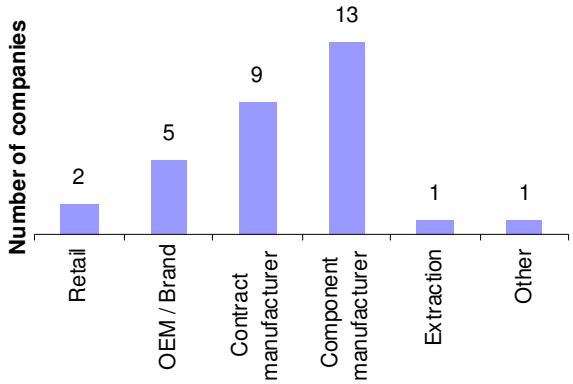


Figure 8. EICC Membership by Company Type



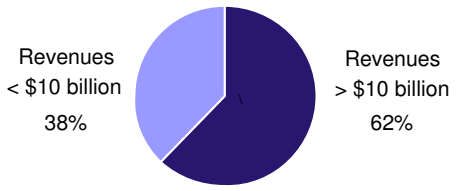
The EICC encourages all companies in the electronic industry—regardless of membership in the EICC—to adopt the EICC Code of Conduct. We strongly believe that this enables the Code to become the industry standard, making

Figure 6. EICC Member Companies

Acer, Inc	EMC Corporation	Logitech, Inc	Sony
Adobe Systems, Inc	Emulex Corporation	Micron Technology	Spansion
AMD, Inc	Flextronics	Microsoft Corporation	STMicroelectronics
Analog Devices, Inc	Foxconn	Numonyx	Sun Microsystems
Apple, Inc	Hitachi GST	Nvidia Corporation	Talison Minerals Pty Ltd
Applied Materials	Hewlett-Packard	NXP Semiconductors	Tellabs
Best Buy Co., Inc	IBM Corporation	Pegatron/ AsusTek	Venture Corporation, Ltd
Celestica International, Inc	Intel Corporation	Philips	Western Digital Technologies
Cisco Systems, Inc	Jabil Circuit	Quanta Computer, Inc	Xerox Corporation
Dell, Inc	Lenovo	Samsung Electronics	
DSG International, plc	Lexmark	Sanmina SCI	
Eastman Kodak	Lite-On Technology	Seagate Technology	

(As of December 2008)

Figure 9. EICC Membership by Company Revenues



expectations consistent across the industry. Membership in the EICC organization, however, signifies a greater level of commitment to shared implementation and learning that goes beyond adoption of the Code.

Key Accomplishments

To reach critical mass and acknowledge different levels of company progress, EICC membership for the first three years was open and required only a senior level commitment to the EICC Code of Conduct and mission, and participation in at least one work group.

The EICC has since revised the membership requirements and strengthened its oversight. We recognize that such requirements are critical to the EICC's long-term credibility, and we understand that we need to be flexible enough to enable companies at different phases of progress in implementation. Key activities to develop this new approach included:

- Definition of two membership tiers: "Full" and "Applicant" members, and establishment of requirements and benefits of each (Figure 10)
- Establishment of biannual member application periods
- Development of the requirement that all members (even previous members) complete the application process and commit to the member requirements
- Drafting of indicators for evaluating member progress toward implementation
- Establishment of the terms and protocol for member expulsion

The establishment of the two membership tiers recognizes that prospective members differ in their awareness and action with regard to implementation of the Code. Companies just beginning to understand and address social and environmental issues may enter the EICC as Applicant members, while more advanced companies may meet the requirements of Full membership. Applicant members must achieve full membership within two years or face probation and potential membership expulsion.

Figure 10. EICC Revised Membership Requirements

Requirements	Full Membership	Applicant Membership
	• Membership application • Letter of commitment from senior management • Completion of Self-Assessment Questionnaire (SAQ) • Dues payment • Public acknowledgement of commitment to EICC mission, vision, and bylaws in 30 days • Demonstration of progress toward implementation of the Code of Conduct	• Membership application • Letter of commitment from senior management • Completion of SAQ • Dues payment • Public acknowledgement of commitment to EICC mission, vision, and bylaws in 30 days
Benefits	• Use of EICC tools • Participation in membership meetings and work groups • Voting rights • Board and work group lead eligibility	• Use of EICC tools • Participation in membership meetings and work groups

Consistent with the EICC Antitrust Compliance Policy, member companies make individual company decisions, including which suppliers to do business with and on what terms.

"Our objective for the new membership requirements was to ensure that membership in the EICC represents active engagement in these issues and meets our goal of driving real change throughout the supply chain."

Brian Glazebrook, Cisco Systems
Director of Member Outreach

Looking Ahead

Challenges in the evolving membership process include:

- **Developing a fair and consistent process for evaluating member progress on implementation.** Full members are required to demonstrate the use of the Code of Conduct and EICC tools for implementation. Defining how members show progress is critical to conferral of Full member status and progression of Applicant members.
- **Serving a diverse membership.** The EICC must provide value for leadership companies as well as those just beginning to work on social and environmental issues in the supply chain. Responsiveness to corporations with different resources and management of global diversity also pose challenges.
- **Ensuring consistent use of the Code and implementation tools and processes.** By using the EICC Code and tools, companies are obligated to migrate from pre-existing proprietary methods. This can be challenging, but companies do understand that the efficiencies and the consistency for suppliers are critical.

As a result, priorities for membership enhancement in 2009 will include:

- **Developing a more robust process for orienting and integrating new members:** New members may find it challenging to get oriented to the EICC's many activities. Currently, new members participate in an initial call to introduce them to the EICC and our work groups. New members also can attend an in-depth orientation session at our membership meetings.
- **Providing guidance and support to help Applicant members move toward Full membership.** A key priority for membership will be to understand the challenges Applicant members face in timely implementation of the Code of Conduct and EICC tools and processes, and to provide adequate guidance to those Applicant members.
- **Exploring a grievance process for failure to fulfill membership requirements.** A confidential grievance process can help address concerns about a company violating its membership requirements.

For more information, visit the membership section of our website (www.eicc.info).

Stakeholders

The EICC's activities have an impact on and are influenced by many people, companies, and organizations. We value the perspectives of our many diverse stakeholders, all of who help us understand our impact and push us to effectively realize our mission.

These stakeholders include:

- **Members.** Member companies are the driving force and critical factor behind the EICC's ability to achieve success and fulfill our mission
- **Companies in the electronics supply chain.** EICC member companies buy from thousands of manufacturers and service providers around the globe. Maintaining a positive and collaborative relationship with the companies in the global electronics supply chain is critical to making lasting change for the workers and local communities where we conduct business.
- **Industry organizations.** The EICC works with other industry organizations and trade associations to maximize our ability to implement the EICC Code of Conduct. Since 2005, we have had a strategic partnership with the Global e-Sustainability Initiative Supply Chain Working Group (GeSI SCWG) on the

development and deployment of consistent tools and processes for measuring and monitoring supply chain responsibility. GeSI is an international not-for-profit industry association organized under the laws of the EU and headquartered in Belgium. GeSI's mission is to further sustainable development within the ICT industry and, through the works of SCWG, promote best practices to reach this goal in the ICT supply chains. It provides membership opportunities and support for companies and institutions across the ICT sector, including manufacturers, network operators, service providers, trade associations, NGOs, and other organizations connected to the industry.

- **Partners.** A handful of organizations and companies provide critical ongoing support to the EICC. Key partners include Business for Social Responsibility (BSR), which provides facilitation and strategic expertise on a range of issues in corporate responsibility and responsible supply chain management. In addition, we work with Phylmar to manage our shared audit process and Achilles to develop and upgrade E-TASC.
- **Multi-stakeholder groups, NGOs, investors, and academia.** The EICC's activities span many issues and regions. As such, our scope of activity intersects with other groups focused either on the electronic industry or corporate responsibility, including socially responsible investment firms, academic institutions, and NGOs focused on international development, labor relations, extractives, and the environment. This includes global organizations and local groups in the regions where our industry has a significant manufacturing presence, such as China and Mexico.
- **Government.** We believe that governments play a critical role in establishing and enforcing appropriate laws and regulations to improve social and environmental conditions. We are not a lobbying organization. As part of our stakeholder engagement and capability-building efforts we have conducted discussions with specific agencies, such as the U.S. Department of State, the World Bank, and local and national government agencies in China on improvements to social and environmental conditions.

Results of Stakeholder Dialogue

Stakeholder engagement is an ongoing priority, and we are still evolving our approach. For the past several years, the EICC has provided forums to facilitate dialogue with our external stakeholders. These forums are used to share the EICC's practices and results, to understand the concerns of stakeholders, and to develop mutually acceptable improvement ideas where possible. (Figure 11)

In recent engagements, many stakeholders commended the EICC's collaborative processes and tools. At the same time, stakeholders continue to highlight issues with respect to working conditions in factories, living conditions and canteens on factory campuses, worker awareness of rights, worker safety in handling hazardous substances, worker wages, and worker benefits. As a result, they outlined the following areas where the EICC has considered further action:

- **The Code of Conduct.** The EICC leads an annual Code review process, and in response to stakeholder concern, we have opened the doors for stakeholder input directly into the process. In the coming years, the EICC will continue to discuss and vote on stakeholder suggestions for changing the language of the Code. See page 14 to learn more about the Code of Conduct.
- **Capability-building.** Stakeholders stressed the need for more supplier training, engagement, and local support for implementing the EICC Code. In response, the EICC held a supplier training event in 2008 and is working to host regular supplier forums and develop training materials both for suppliers and for the commodity managers who work with them.
- **Broad industry challenges.** Stakeholders encouraged the EICC to directly address some of the broader issues facing the industry. As a result, the EICC has chartered work on three special topics: working hours, extraction of metals, and environmental sustainability.

Figure 11. Recent Stakeholder Engagements		
2006, April	Guadalajara, Mexico	Forum focused on issues affecting local factories and including worker testimonials, in partnership with CEREAL, a local labor rights organization
2006, November	New York, United States	Forum focused on feedback on the EICC Code of Conduct
2007, April	Geneva, Switzerland	Forum focused on shared EICC and GeSI efforts, including capability building and shared audits
2007, June	Shenzhen, China	Large multi-stakeholder workshop for suppliers, NGOs, and government representatives to discuss capability building strategy for China
2007, July	Guadalajara, Mexico	Follow-up forum with CEREAL focused on issues affecting local factories
2008, June	San Francisco, United States	Attempt to create a more formal stakeholder advisory board based on previous feedback from stakeholders; also reviewed new EICC governance, membership requirements, working hours work group, and commitment to transparency
2008, November	New York and Washington, D.C., United States	Forums focused on issues related to extractives and metals

- **Member accountability.** Stakeholders expressed concern about individual companies upholding their commitments as members of the EICC and that the lack of accountability posed a risk to the EICC's credibility. As a result, the EICC developed more stringent membership requirements and is working to be transparent about which members are in each membership category, enabling external stakeholders to analyze company actions and progress appropriately.
- **Stakeholder dialogue and reporting**. Stakeholders suggested ways to better leverage external dialogue and input, including encouragement for the EICC to: speak with local NGOs, not just global organizations; engage with stakeholders more frequently; and increase transparency and reporting. In response, the EICC is exploring how to partner with individual groups on projects and issue-specific engagements, rather than through broad-based annual discussions. This is reflected in the recent engagements on extractives issues. In addition, the EICC is working on more ongoing communications, of which this report is a critical step.

Challenges and Future Activities

It is a challenge to balance our members' drive for short-term implementation of the Code and supporting tools, with the need for long-term stakeholder collaboration. In addition, EICC member companies are at different stages in their adoption of tools and implementation of the EICC Code of Conduct., which makes it difficult to assess and collaborate on the status of the EICC as a whole.

Despite these challenges, we take stakeholder feedback very seriously. We understand the critical value of taking action following dialogue, which helps build long-term trust with our stakeholders and increases participation in stakeholder forums. We will increase our focus on addressing specific issues raised by stakeholders—delivering on areas for improvement. In addition, we will reevaluate our stakeholder engagement model and confirm our approach for incorporating stakeholder feedback going forward.

Finally, to ensure that we continue to improve and meet the expectations of a very diverse set of stakeholders, we ask for feedback throughout this process and encourage anyone to provide input on the EICC's activities or goals. Contact us via our website (www.eicc.info).

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Key EICC Activities and Impact

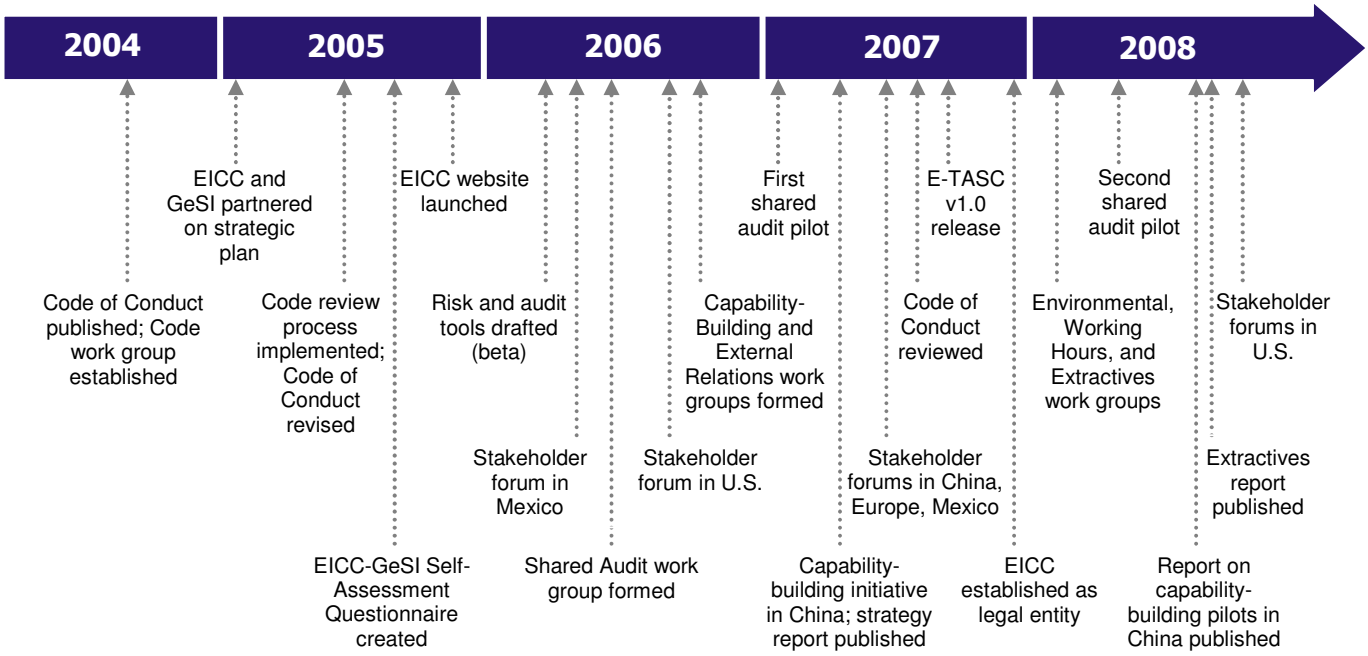
Through the coordinated efforts of our member companies, the EICC takes measurable steps to achieve our mission. Members primarily collaborate through a set of active work groups. We form work groups around specific areas of mutual interest or concern to member companies. In a volunteer organization, they provide the structure in which member companies can effectively turn ideas into actions.

In 2008, we had eight work groups in place. (Figure 12) This section discusses the specific activities and impact achieved through their efforts in the EICC's current focus areas: the EICC Code of Conduct, supplier engagement model, shared auditing, learning and capability-building, extractives, working hours, and environmental sustainability. A summary of their progress and key milestones is included below for easy reference. (Figure 13)

Figure 12. Work Group Charters

Work Group	Objective
Code of Conduct Management	Maintaining the EICC's Code of Conduct and evolving the review process to ensure that it reflects the latest best practices and shared expectations of member companies and external stakeholders
Tool Management	Overseeing all established EICC processes and tools to maintain their ongoing usability, quality, and cohesiveness
Shared Audits	Creating a common, credible audit process and tools for following up on supplier noncompliance with the Code
Learning and Capability-Building	Building awareness on social and environmental issues through training and practical initiatives in the supply chain
Extractives	Influencing the social and environmental conditions in the metals extractives supply chain as it relates to the electronic industry
Working Hours	Identifying root causes of work hour noncompliance in the supply chain, and developing practical solutions
Environmental Sustainability	Improving environmental performance in the supply chain
Communications and External Relations	Building awareness of the EICC as a leader in ethical manufacturing of electronics, and communicating its key activities; engaging stakeholders in dialog about the EICC focus areas and progress

Figure 13. EICC Milestones to Date



The EICC Code of Conduct

By setting a common standard for issues like safe working conditions, respectful and dignified treatment of workers, and environmentally responsible manufacturing, the EICC Code of Conduct provides a foundation for the improvement of social and environmental conditions in the global electronics supply chain.

About the Code of Conduct

The EICC's founding members created this common Code in response to the difficulties other sectors had in agreeing on a common standard corporate responsibility. The founding members recognized an opportunity to reduce the time and resources suppliers spent in understanding different codes of conduct and participating in multiple audits; they decided instead to focus these resources on addressing the problems identified. They also saw an opportunity for efficiency among customers, who could share the responsibility and cost of monitoring implementation of standards for social and environmental performance. A single code provides a united voice for customer expectations, streamlines the oversight of supply chain conditions for both suppliers and customers, and allows both to focus on changing social and environmental conditions.

The Code itself focuses on five elements: labor, health and safety, ethics, environment, and the management systems that help members of the industry and their suppliers to identify, monitor, and address these issues. (Figure 14) The expectations in the Code serve as the basis for the EICC's supplier engagement tools and shared auditing program. The inclusion of management systems was especially unique among similar codes, and demonstrates the EICC's commitment to preventing and addressing root causes, rather than simply checking for problems after they occur.

Reviewing the Code of Conduct

The EICC recognizes that the Code is a living code that should evolve to meet the expectations of the industry and stakeholders. To do so, we instituted a three phase Code review process:

Figure 14. Elements of the EICC Code of Conduct

1. **Feedback submission period**: changes to the code can be proposed
2. **Review, evaluation, and decision period:** EICC members review and vote on proposed changes
3. **Code revision period:** revisions to the code and supporting documents are made

Members, stakeholders, and the public can submit proposed changes at any time via the EICC website. A simple majority of voting EICC members must approve any changes to the Code. The Code was originally published in 2004, and revised in October 2005 to reflect member and stakeholder input. In addition to English, the Code is available in Japanese, Mandarin, and Spanish.

Putting the Code in Perspective

As an organization, the EICC decided to prioritize the Code's implementation over efforts to perfect its requirements. After speaking with companies from other sectors, we decided to move forward with the 95 percent of

the Code requirements where there was agreement, and to allow the other 5 percent to evolve over time, rather than trying to force consensus on every aspect. This has enabled our group to make progress on implementation, using the Code to communicate our shared expectations and as the platform for building tools for implementation.

A Code revision means that every member company, as well as nonmembers who use the Code, are required to roll out the revised Code to all owned factories. Furthermore, the feedback gathered as part of the Code review process occasionally relates to the details of implementation, and is therefore reviewed for incorporation into the audit tools or training as well as the Code.

"The EICC's Code of Conduct represents our belief that together we can ensure working conditions are safe, workers are treated with respect and dignity, and that manufacturing processes are environmentally responsible. By developing better auditing, learning and capability, and continuous improvement —as well as a host of other tools -—we will be better able to ensure we achieve our goals."

Eric Austermann, Jabil Circuit
Board Member and Code Review Lead

Challenges and Future Activities

In 2007, the EICC conducted its second revision of the Code of Conduct. This proved to be a crucial test for us, sparking passionate debate about the provisions for freedom of association, a critical issue for stakeholders. As an organization, we also addressed the issue of members' inconsistent use of the Code, which impacted the ultimate purpose of presenting suppliers with a single code of conduct and meant suppliers continued to spend time interpreting differences among member companies. And finally, we identified areas where we needed to strengthen and clarify governance around the Code review process.

As we take the Code review and the input provided by members and stakeholders very seriously, we devoted an entire day at the July 2007 EICC membership meeting to discuss voting results in general and the issues above specifically. These topics were hotly debated and significant time spent considering how to move forward as a group:

- **Freedom of association.** Individual members and the EICC as a whole conducted and shared research on the freedom of association issue to inform the membership prior to a re-vote conducted following the July meeting. We have committed to continue to educate members to increase our understanding of the issue and engage stakeholders in mutual dialogue.
- **Members' adoption of the Code.** In 2008, we achieved consensus on consistent Code adoption: Members now must adopt the Code of Conduct verbatim, but they can include clearly identified addendums with supplemental requirements.
- **Strengthening governance.** Based on the results of the July meeting, we made changes to strengthen the Code Review process and increase our trust in the rules of governance surrounding Code votes. The membership also recognizes that external stakeholders feel passionately about the Code and need to have an avenue for input. We have taken steps to invite stakeholder submissions and communicate results of votes going forward.

While the 2007 review did not result in any changes to the Code, the EICC has committed to an ongoing process for Code review and to better communication with stakeholders on how their input has been addressed, whether through a change to the Code itself or changes to our implementation tools. We will also continue discussions amongst our membership and with stakeholders on debated topics—increasing awareness of different viewpoints and striving to move toward agreement.

Supplier Engagement Model & Tools

The EICC supports members' implementation of the Code of Conduct in their facilities and supply chains through a

defined supplier engagement model, which guides the development of tools and processes for effective use of the Code in the supply chain. (Figure 15)

About the Supplier Engagement Model

The supplier engagement model emphasizes:

- **Supplier ownership.** Lasting change will be possible only if suppliers take responsibility for improving their practices.
- **Continuous improvement.** Improving performance on social and environmental issues requires sustained dedication of time and resources. In addition to rewarding absolute performance, continuous improvement should be encouraged and rewarded.
- **Capability-building.** Suppliers need training on how to improve social and environmental performance.

Implementation Tools

Each phase of the supplier engagement model is supported by practical tools and processes that EICC member companies use to communicate the social and environmental standards in the Code, monitor performance, and drive change. These tools include:

- **E -TASC:** The online Electronics Tool for Accountable Supply Chains (E-TASC) system enables data management and sharing among companies within the bounds of commercial relationships (i.e. between existing customer-supplier relationships). Data managed via E-TASC includes supplier Self-Assessment Questionnaires and audit reports from the shared audit program. Users can join E-TASC either as a full subscriber to manage large numbers of facilities, or as a per-facility partial subscriber; this two-tier model is intended to facilitate participation by small companies with limited resources as well as brands monitoring large supply chains. EICC members, GeSI members and nonmembers are adopting E-TASC, and it is on track to become a central, accessible, and integrated portal for meeting the data management needs of supplier engagement. (Figure 16) To date, version 1.0 has been released in both English and Chinese.
- **Risk Assessment #1:** This tool enables companies to prioritize suppliers according to broad areas of risk, including country-specific risk factors, existing relationship with the suppliers, and characteristics of production.
- **Self-Assessment Questionnaire (SAQ):** This tool allows suppliers to conduct their own assessments of risk for violations of the EICC Code of Conduct. The SAQ is divided into corporate- and facility-level questionnaires and covers all aspects of the Code. Members and their suppliers can use the automated

Figure 15. Supplier Engagement Model

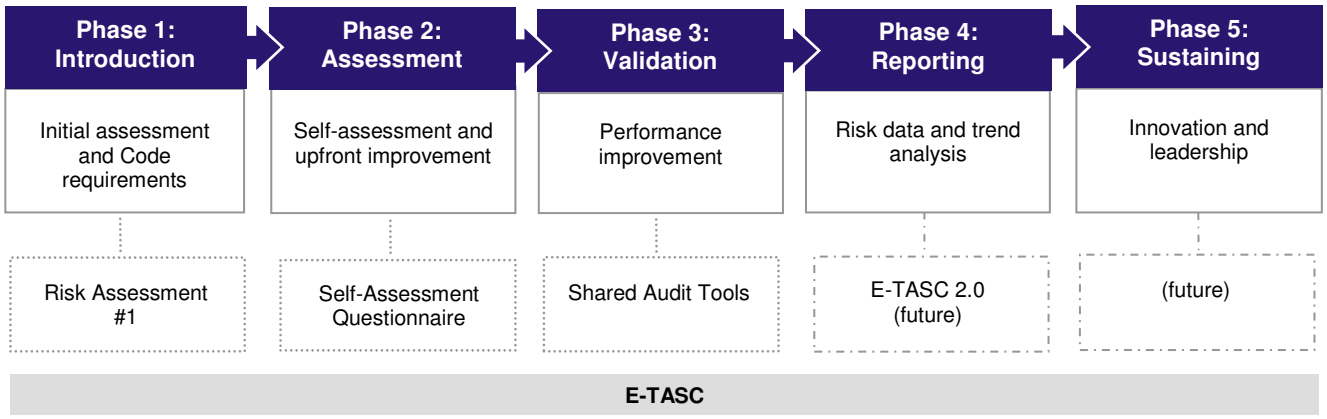


Figure 16. E-TASC Subscriptions	
Total Subscribers:	255 companies
Full Subscribers:	41 companies
Partial Subscribers:	214 companies

SAQ in E-TASC, which includes scoring of answers, to identify areas for improvement.

- **Shared Audit Tools**: These tools enable qualified auditors to evaluate supplier performance against the EICC Code of Conduct. Results are scored and audit reports are posted to E-TASC to be shared with suppliers' customers.

Challenges and Future Activities

In many ways, the EICC is like a start-up company, where the early years are often focused on putting the infrastructure in place to scale activities. This has been particularly true for the EICC's development of implementation tools and the supplier engagement model.

Several of the challenges we experienced in the tool development process are inherent in being a new enterprise. This includes helping users realize the value of tools and the case for investment before the tools are built, as well as managing the tension between making tools available quickly and fully vetting tools before use. It's also a challenge to keep the tools relevant in a constantly changing environment. Nonetheless, as a volunteer-led organization, we believe each tool needs to stand on its own without considerable administrative support.

In the coming years, the EICC recognizes many opportunities for evolving its supplier engagement model and supporting tools. In the short term, several of the EICC work groups will be involved in:

- **Launching new tools** to more fully support the assessment and validation phases of supplier engagement. These include a certified auditor program and a validated audit process, both of which are described in upcoming sections.
- **Enhancing existing tools**, including plans to improve the Audit Reports, translation of tools into more languages, and incremental improvements to E-TASC.
- **Assembling an Audit Operations Management Team** to provide coordinated, internal support for companies that audit themselves and their suppliers against EICC expectations.

In the long term, the EICC will view the supplier engagement model and tools as successful when all member companies feel they have sufficient tools and support to effectively implement the Code in their own companies and their supply chain. This will require us to provide further support for the engagement model with an integrated, end-to-end, web-based workflow that uses the supplier engagement tools, supplier assessments, corrective action plans, and training and capability-building efforts. In addition, it will require us to better incorporate feedback from internal users and subject matter experts, in order to grow the credibility of the EICC's model.

"E-TASC provides us qualitative and quantifiable data to assist us in tracking the performance of our supply chain. Our increased visibility—into individual suppliers and across the supply chain— allows us to prioritize the areas, issues, and suppliers we need to address and improve. Even more exciting is the potential to track our performance as an industry over time as other EICC members and supplier companies adopt this tool."

Steve Viera, Intel Corporation
Supplier Corporate Responsibility Manager

Shared Audits

While it's an achievement to create a common set of standards for supplier social and environmental conduct, that is only an initial step toward real change in the supply chain. EICC members quickly realized that we could expand our collaboration by working together on monitoring implementation of, and adherence to, the Code. This is particularly true in that we share many of the same

suppliers, and our "networked" supply chain means that many of us are customers and suppliers to each other.

Therefore, we developed a *shared* auditing process where a single audit of a supplier facility can be shared across customers. In doing so, we reduce the burden of duplicate audits on suppliers and allow them to focus resources on addressing issues and improving conditions. Furthermore, we can reduce costs for customers and pool resources for monitoring and collaborative training efforts targeted at common issues. Therefore, two key principles of the shared auditing process are: supporting capability-building, and encouraging supplier ownership of the monitoring process and corporate responsibility more broadly.

In sum, we recognize that auditing is not the goal itself—it is the first step in a process of learning and collaboration. Shared audits give us an efficient and effective way to gather the information that will allow us, and our suppliers, to work together to create sustained, long-term improvement in conditions in the supply chain.

We have encountered challenges in trying to create this shared approach. For example, obtaining the detailed information we need to understand the root causes of social and environmental problems at supplier facilities has required skilled auditors and a higher level of quality in audit reporting than was available in the marketplace at the time. At times, this has meant that we have "gone slow to go fast," and not always on the timeline that members or stakeholders would prefer. However, our hope is that this investment of time and resources will ultimately pay off for customers, suppliers, workers, and communities in the form of real, sustainable change in supply chain conditions.

The Shared Audit Model

An EICC shared audit evaluates supplier facilities against the requirements in the Code of Conduct. (Figure 17) Over the past two years, the EICC has piloted a shared audit approach with member facilities and suppliers in China. This has resulted in an improved shared auditing process, which we will begin using in 2009 and will meet member needs for timely and cost-effective auditing.

Figure 17. The Shared Audit Model

What is an EICC Shared Audit?

- A single-facility audit, whose results can be shared by multiple customers and is valid for two years
- Uses the EICC audit questionnaire
- Conducted by EICC-certified, trained auditors
- Third-party audit program manager validates and conducts quality-assurance and quality-control
- Watermark and serial number indicate report approval

Objectives:

- Reinforce the expectations of EICC with suppliers
- Validate supplier self-assessments
- Serve as a consistent, credible and verifiable assessment process to evaluate supplier conformance to the EICC Code of Conduct
- Identify both the root causes of issues and opportunities for improvement in supplier practices, performance, and management systems
- Reduce duplicative audits, saving time and resources for EICC member companies and suppliers to focus time and resources on improvement efforts
- Improve auditor consistency and the quality of audit reports

"The goal of the EICC Shared Audit is to help suppliers establish the programs and systems that enable sustainable improvements in performance. Before launching our program we benchmarked with other industry sectors, learning from their successes and challenges to create an audit process that looks beyond simply identifying issues, and instead focuses on determining their root, management system causes."

Michael Vaudreuil, Hewlett-Packard
Shared Audits Work Group Lead

Key Accomplishments

The EICC conducted two rounds of pilot audits to test and refine the auditing tools and the shared auditing process, to evaluate and select auditors, and to select the audit program manager. The first round began with audits of 11 EICC and

GeSI member facilities in late 2006 and early 2007, and the second phase included audits of 38 supplier sites through 2007 and 2008. All pilot audits took place in China.

Results from the Shared Audit Pilot

The data in Figures 18 and 19 reflect the results of 36 of the second-round pilot shared audits completed by the EICC in 2007 and 2008.[1]

Figure 18 highlights the distribution of non-conformances across the five code components. Key findings include:

- The greatest number of both major and minor non-conformances occurred in the area of management systems. Our audit experience confirms that this is a major area for improvement for suppliers. Addressing gaps in management systems is critical to eliminating not only a specific violation of the Code of Conduct, but correcting its root cause.
- The low number of ethical non-conformances is notable and is area of focus for us to improve our auditing capabilities going forward.

Figure 19 shows the most frequent non-conformances by specific code requirement.

- *Working hours* emerged as the most prevalent area of major non-conformance with the EICC Code. This is primarily driven by excessive overtime or not granting days off in a set period. In response, the EICC has created the Working Hours Work Group to better understand the issue and offer recommended solutions.
- *Emergency preparedness* was the second highest area of non-conformances. Frequently, these were due to inadequate emergency plans, lack of evacuation drills, and improperly maintained exit facilities.
- *Violations of wage and benefit* also emerged as a key area of non-conformances and included instances of paying workers less than the required wages, overtime premiums, and imposing disciplinary wage deductions.

Figure 18. EICC Shared Audit Pilots: Non-Conformances by Code Section

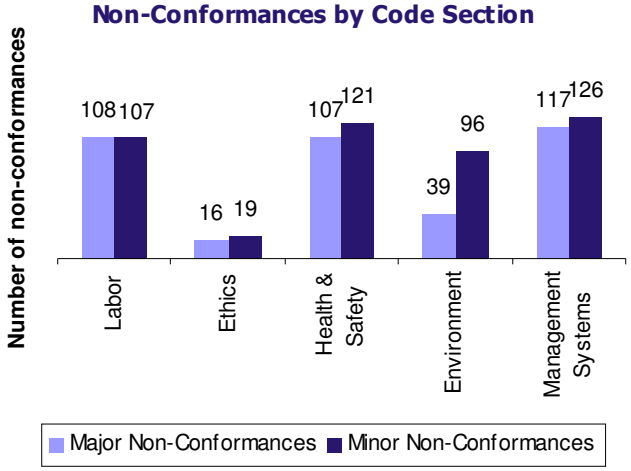
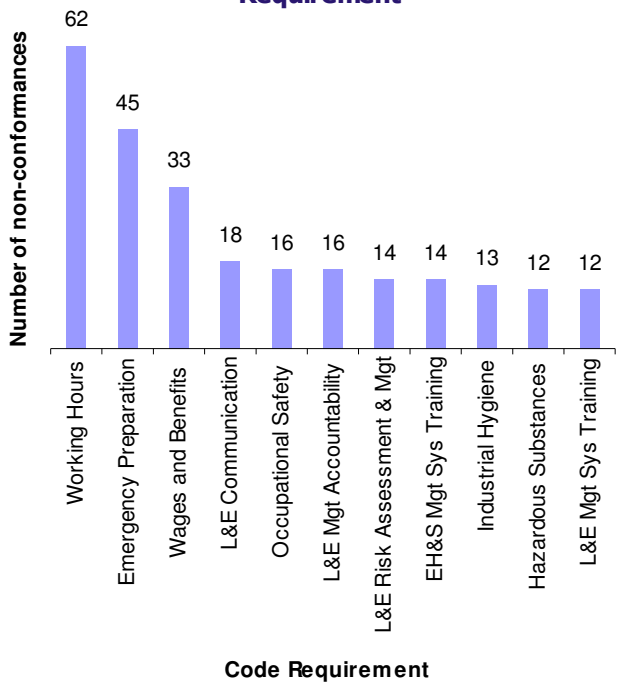


Figure 19. EICC Shared Audit Pilots: Major Non-Conformances by Code Requirement



L&E = Labor & Ethics Management Systems

EH&S = Environment, Health, and Safety Management Systems

[1] The results of two audits were not yet available for inclusion at the time of publication. The results of the eleven audits conducted in the first round of audits have not been included as the numerous changes have been made to improve the audit process since their completion make the information too inconsistent for meaningful analysis.

Figure 20. Fostering Auditor Excellence: The EICC Auditor Certification Program

A key challenge identified early on in the shared audit pilots was the need for skilled auditors capable of conducting high-quality audits of labor, ethics, health and safety, and environmental performance, and the systems to manage them. This holistic approach is an important difference between an EICC audit and a standards-based audit (such as ISO 14001). An EICC audit is also a significant departure from some "checklist" type audits being done in other sectors—our focus is on assessing management systems, identifying root causes, and enabling continuous improvement, not just a list of incidents or violations. To acquire the variety of skills and the level of quality that the EICC desired for the audits, we implemented a qualifications process to evaluate potential audit firms and select the individual auditors within those firms considered qualified to conduct EICC audits.

For the initial round of pilot audits, we asked interested audit firms to submit information about their management and quality-control practices, as well as the resumes of the auditors they planned to use. The EICC evaluated the quality of the audit firms and auditors based on the quality of their education, certifications, and experience. Finally, while some audit firms qualified to conduct full EICC audits, we asked others to partner with other firms with complementary skills, such as environmental systems.

By the second round of pilots, the EICC provisionally had qualified 11 audit firms and approximately 175 auditors (from an initial pool of 750) who demonstrated an acceptable quality of work. Over three days, we conducted a master training to communicate the requirements of the Code of Conduct and introduce the auditing tools developed by the EICC and GeSI. However, problems persisted in auditor quality. Specifically, we found that:

- In many cases, the resumes of the auditors overstated their on-the-ground skills.
- Many auditors who are qualified for more technical audits (e.g. to ISO standards) need improvement in their "soft" skills such as information-gathering from workers.
- Auditors struggled to adequately determine root causes of problems identified during the audit. For example, most auditors could identify when workers had insufficient personal protective equipment, but they did not have the investigative skills to determine why—limited supply of equipment, insufficient training, etc.

To resolve these issues, the EICC is developing an auditor certification program to help build auditor skills, particularly with regard to root cause analysis and interviewing abilities.

The EICC plans to launch the program in late 2009. Initially, training will be available in English, Chinese, and Spanish, with the addition of other languages and expansion of the program to new regions (beyond China and Latin America) to follow in 2010 and beyond. The auditors qualified under the pilot process will be required to obtain certification under the new program within a defined period.

Looking Ahead

Key challenges in developing and launching the shared auditing process included:

- **Creating a new kind of audit process.** Moving from a single-company to a multi-company auditing process has posed several challenges. Not only has it required innovation and creativity to develop basic processes such as how an audit is initiated, how to determine who gets the audit report, and how payment works, it has also required substantial education of the membership about how the process differs from company-specific auditing processes. Membership in the EICC also requires that companies migrate from their own proprietary auditing programs to the shared audit process where available; this is a big adjustment, requiring that they place significant trust in the process and its quality.
- **Gaining member support.** As noted above, the shared auditing process may be significantly different from companies' own processes—especially in the timelines and costs that they may expect for an individual audit. For example, an EICC audit may cost more than individual company audit. However, an EICC audit covers the entire facility (versus only one customer's product lines), addresses all components of the Code, may demand a higher quality of investigation and reporting (and hence more auditor hours), and replaces the "hidden" costs for in-house personnel to manage and execute the auditing. The audit team continues to work on shaping the program to meet both customer and supplier expectations of timeliness and cost.
- **Improving audit quality.** The EICC made a significant investment in improving the comprehensiveness and quality of audits conducted within the shared auditing programs. (Figure 20)

In 2009, we will focus on: launching the "steady state" shared auditing process; determining how to address corrective action for shared audits; and encouraging supplier ownership of the audit process, such as supplier initiation of audits.

The EICC is also considering how to create a shared process for creating corrective action plans and working with suppliers to "close" problems identified in audits, while complying with applicable law.

Ultimately, we plan to use the audit data to determine supplier capability-building needs and to shape our efforts to provide training or other resources to help our industry operate in socially and environmentally responsible ways—both as part of, and outside of, the audit process.

Learning and Capability-Building

As the Code of Conduct and shared audits demonstrate, the EICC's activities are deeply rooted in the belief that collaboration is critical to creating change. That belief extends to the EICC's approach for ensuring that our members and their supply chain have the tools and knowledge necessary to comply with the EICC's global social and environmental expectations.

The EICC also believes that simply auditing for compliance does not create sustained change. Many instances of supplier non-conformance are due to a lack of knowledge or skills to meet EICC expectations—and not to a lack of supplier interest or willingness to change their practices. Other suppliers would likely meet the expectations faster if there were more opportunities to learn practical techniques for improving performance.

About Learning and Capability-Building

The EICC takes a collaborative approach to supplier development. In the fall of 2006, we formed the Learning and Capability-Building Work Group to develop a capability-building strategy for EICC and GeSI companies and their supply chains. The strategy calls for creating tools and practical solutions to:

- Build broad awareness on issues through the web, print materials, local networks, local training resources, and educational forums
- Transfer knowledge between companies through training workshops and best practices sharing

- Drive behavioral change to support long-term integration of EICC performance standards

Key Accomplishments

Since its inception, the Learning and Capability-Building Work Group has pursued practical initiatives to build competencies in the electronics industry and to help suppliers meet the EICC's expectations. In 2008, the work group achieved the following:

- **Hosted first large-scale supplier forum.** Designed to prepare suppliers for the shared audit process and to introduce them to E-TASC, the supplier forum featured two days of training sessions for more than 180 people representing 76 companies.
- **Concluded an initiative to develop a capability-building strategy for the electronics sector in China.** The work group, in collaboration with BSR and the Foreign Investment Advisory Service (a joint venture of the World Bank and the International Finance Corporation), investigated the barriers to meeting global social and environmental standards and tested strategies and activities that would improve social and environmental conditions while also providing business benefits to the supply chain. The research produced recommendations for different stakeholder groups, including national and local government in China, brands, suppliers, the electronic industry association, and NGOs.

  We documented the overall initiative in a comprehensive published report, which included the detailed learnings and a list of actionable recommendations. In July 2008, we published a follow-up report based on the learnings from several pilot projects with suppliers. For more information, download the pilot report "Building Capabilities to Implement CSR Management Systems at ICT Suppliers in China" and the original "Corporate Social Responsibility in China's ICT Sector" report. To read these reports and others, visit our website (www.eicc.info).
- **Created an extensive list of local resources for developing supplier capabilities in China.** We developed this list following our report on an ICT capability-building strategy in China. We encourage members and their suppliers to use the resources both independently and collectively to further supply chain social and environmental skills.
- **Began developing a series of web-based training (eLearning) modules.** The modules can be completed at the participant's own pace and are interactive, featuring quizzes to test progressive learnings. In early 2009, we will release the first two modules—one for commodity managers at EICC and GeSI member companies and one for managers at suppliers.

Challenges and Future Activities

Several challenges must be overcome to advance training and capability-building in the supply chain, including:

- **Achieving scale.** The focus of EICC activities largely has been on China, yet EICC member companies purchase from all over the globe. We recognize the importance of expanding trainings to other regions and translating them into other languages to reach more companies in the supply chain.
- **Increasing effectiveness.** We have learned that the most effective capability-building efforts require tailored training and significant customer involvement. The effectiveness of training will vary greatly depending on a factory's state of compliance, management awareness and commitment to social and environmental performance, customer incentives and contract terms, and other external factors. Multiple approaches must be considered and used to effectively build suppliers' capabilities, which in turn, requires considerable focus and resources. Customization to increase the effectiveness of training must be balanced with the importance of achieving scale.
- **Measuring success:** How do you effectively measure increased knowledge and ability? Unlike Code compliance, which can be tracked through an audit process, the direct impact of the EICC's trainings and capability-building activities is difficult to quantify, making it hard to know which methods are effective.

What does this mean for our future capability-building activities? In the short term, the EICC plans to continue focusing on developing new trainings for our key audiences. Supplier training on specific issues—such as health and safety, environment or worker communication, as well as training on the EICC audit process and E-TASC—are among the resources in development. For each topic and audience, the EICC is challenged to explore innovative training formats that increase the likelihood of knowledge and best practices being applied.

Other short-term initiatives underway include: hosting a two-day supplier forum in China in 2009; continually updating the list of local supplier resources to reflect the best resources available in China; and expanding the list of local resources to other supplier regions.

Long term, the EICC aims to better integrate our capability-building efforts with our audit and tools development initiatives. We have recognized the potential to make supplier engagement more seamless and comprehensive by integrating capability-building resources into E-TASC. There is also opportunity for working with external stakeholders in developing training curriculum to increase the perspectives and best practices represented. Lastly, the EICC aims to adopt clear metrics for measuring and tracking impact in this area over time.

Extractives

In late 2007, attention from media and other stakeholders raised concern among EICC member companies and our GeSI partners about the potential negative social and environmental impacts at the root of the electronic industry supply chain, in the mining of metals used in electronic products.

We discussed these issues at a membership meeting in 2007. However, many questions were left unanswered: What metals *are* used in large quantities by the electronic industry, and at what scale? To what degree could the brands and manufacturers that constitute the EICC and GeSI membership influence activity at this level of the supply chain? How many tiers of suppliers separate them?

About the Extractives Work Group

These questions represent new territory for both the EICC and GeSI; they address conditions at a substantially deeper level of the supply chain than our efforts to date. In 2008, these issues returned to the forefront due to intensive mining activity driven by the recent commodities boom, along with renewed conflict in countries such as the Democratic Republic of the Congo. Based on these events and the questions we still had, the EICC and GeSI formed a joint work group to enhance members' understanding of social and environmental conditions in the metals supply chain and to determine if and how we can collaborate to improve performance.

"The social and environmental conditions in which metals used in electronics are produced are a nascent area of focus for the EICC and GeSI members; however, members are committed to working diligently on this issue. We realize that the supply chain for extractives and mining is very complex and it will be very challenging to make progress and impact, especially over the short term. We hope that by working together with our industry partners and key stakeholders, and by applying the knowledge and learning's from our previous work with the electronics supply chain, that this will expedite our efforts to be a positive influence on the social and environmental conditions in the mining and extractives industry."

Bob Leet, Intel Corporation
Extractives Work Group Lead

Key Accomplishments

To equip EICC and GeSI members with more information, the Work Group commissioned an industry research project to understand:

- How six key metals (aluminum, cobalt, copper, gold, palladium, and tin) are mined, recycled, purchased, and used within the electronic industry

- How the EICC and GeSI can effectively influence social and environmental issues associated with the mining of metals used in electronic products

The Work Group selected independent Canadian researchers GHGm to conduct the research, and the group published a final report entitled "Social and Environmental Responsibility in Metals Supply to the Electronic industry" in June 2008. (Figure 21)

The report helped increase EICC and GeSI members' knowledge of impacts at the initial stages of the supply chain. It also has provided a clearer picture of the challenges involved in tracing the sources of metals used in electronics products, the social and environmental issues related to the mining of particular metals, and how we might have the greatest responsibility for and influence over the conditions for their production.

The Extractives Work Group also brought new participants to the table. An unexpected result of this new focus on extractives has been the addition of the first minerals company to EICC membership, which actively participates in the Work Group and has helped EICC and GeSI consider how to encourage the entire supply chain to collaborate on improving corporate responsibility in mining.

Since the completion of the report, the Work Group has been considering GHGm's findings and recommendations to determine the best course of action for the EICC and GeSI partnership in 2009. In response to GHGm's recommendations, and in order to further refine next steps, the work group organized two stakeholder forums in New York and Washington, D.C, in November of 2008. The forums provided an opportunity to share and discuss the research results with stakeholders and to obtain their feedback on how the EICC and GeSI should focus their time and resources in order to have the greatest impact.

Figure 21. Key Findings and Recommendations

"Social and Environmental Responsibility in Metals Supply to the Electronic Industry"
Dr. Steven B. Young, GHGm

Key Findings

- Metals in electronics products vary by product, by brand, and as technologies evolve.
- The electronics sector accounts for a significant percentage of global use of tin and cobalt annually.
- Some metals (e.g. gold) are mined in more than 75 countries; others, such as tin and palladium, have a more concentrated geographic source.
- Metal processing may take place in a completely different location from where the metal is mined.
- The majority of the metals trade is executed through direct contracts between sellers and buyers; a small but important fraction is traded through commodity exchange. Each producer at each stage of production may mix different flows from different sources, depending on economics and availability. This makes it challenging to track metals throughout the supply chain.
- Recycled metal accounts for approximately 25 to 40 percent of metal production.
- Social and environmental impacts vary substantially by metal, by geology, and by region.
- Artisanal and small-scale mining (ASM) has particular problems and solutions. ASM accounts for the majority of tin and a significant amount of gold production.
- Key environmental concerns include natural resource depletion, land degradation, water and air pollution, and greenhouse gas emissions.
- Key social concerns include ineffective sharing of wealth, government and company corruption, human rights violations, native land rights disagreements, and the disruption of traditional communities.

Recommendations

- Engage with appropriate existing initiatives and stakeholders aimed at social and environmental responsibility in the mining industry, possibly in partnership with other end-use sectors (automotive and jewelry) to strengthen efforts and reduce proliferation of overlapping initiatives.
- Emphasize active management of end-of-life for electronics products, including efforts to enhance materials efficiency in product design, and attention to recycling of metals after use.
- Individual companies should further characterize specific metal content and use in electronics to support the tracking of metals used, the tracing of sources, and to facilitate recycling.

Looking Ahead

Based on GHGm's recommendations, feedback from participants in the stakeholder forums, and input from EICC and GeSI member companies, action items in 2009 include:

- Publishing appropriate Statements of Concern from EICC and GeSI. This will involve identifying important corporate responsibility issues impacting the supply chain of key metals used in the ICT sector.
- Commissioning supply chain transparency models for Tin, Tantalum and Cobalt in order to provide a relevant model of the information and communication technology sector's supply chain for these metals, without identifying their commercial relationships.
- Evolving the Extractives work group by further defining stakeholder engagement needs and opportunities and identifying synergies with other initiatives (and stakeholder relationships) related to extractives.
- Exploring key metals recycling and product stewardship opportunities. To do so, we will seek improvement opportunities in existing metals recycling and product stewardship activities and collaborate with recycling industry members, metals association members, and members from the information and communications technology sector to broaden recycling success.

Working Hours

Assessments conducted under the EICC's shared auditing program suggest that excessive overtime is one of the persistent issues in the electronics supply chain. This is particularly evident in China, but also arises in other parts of the world. Evidence from other sectors suggests that excessive overtime is frequently challenging to detect because of falsified records. This can result from misaligned incentives or competing pressures from customers, suppliers, governments, and other stakeholders.

About the Working Hours Work Group

Analysis of initial results from shared audit pilots in January 2008 showed that working hour violations were the most common non-conformances discovered at supplier facilities. In response, the EICC formed the Working Hours Work Group to recommend actions companies might take to reduce excessive overtime in production facilities.

"I started my work with the Working Hours Work Group looking at the issue primarily from a Human Resources perspective, based on my professional background. Through my work on this Work Group I've gained a stronger understanding of the complexities of working hours issues, the many factors influencing hours worked, and the actions a company can take to drive compliance with laws and standards."

Lesley St. Pierre, Seagate Technology
Working Hours Work Group Lead

Key Accomplishments

Recognizing that tackling a complex problem like excessive working hours would require a deep understanding of the issues, the Work Group began its work with a survey to member companies about the factors that influence supplier abilities to meet EICC work hour requirements.

The survey results, along with the expertise of Work Group members, provided insight for an initial analysis of the root causes of excessive overtime. Based on the root-cause analysis, the group decided to focus on issues upon which the EICC had the most influence, rather than on issues related to government factors.

Consequently, the Work Group has conducted:

- **Detailed benchmarking of existing research** on the root causes of excessive overtime and best practices for reducing or eliminating the issue in electronics and other sectors. This includes both desktop research and interviews with NGOs, auditors, and companies.
- **Life cycle analysis** of how go-to-market decisions at brand companies impact working hours.

- **Confidential survey of brand commodity managers** to measure their level of awareness of the potential impact their decisions may have on suppliers' abilities to meet EICC expectations.
- **Interviews with brand companies** within the EICC to identify best practices in integrating supplier corporate responsibility performance into procurement decisions.
- **Interviews with supplier companies** to assess capacity-building needs and best practices for managing the factors contributing to excessive overtime.

Challenges and Future Activities

There has been extensive research to understand the root causes of excessive working hours and overtime in other sectors. The Work Group wants to use this knowledge to avoid replication of work that has already been done. Next steps we are considering include:

- Providing member companies with practical advice and tools to help them reduce excessive overtime. These also may be integrated into the training programs the Learning and Capability-Building Work Group is currently developing.
- Piloting best practices or new ideas to address excessive overtime with member companies.

Environmental Sustainability

Climate change, the depletion of natural resources, and the degrading health of global ecosystems are increasingly pressing issues for all industries. The scientific evidence on the growing risks and challenges facing EICC member companies is undeniable. While individual efforts are critical, no one company can create the change necessary to protect the environment for generations to come.

About the Environmental Sustainability Work Group

Recognizing both the urgency of the issues and the power of collective action, we created the Environmental Sustainability Work Group in early 2008 to focus on reducing the environmental impact of the global electronics supply chain. In its first year, the Work Group set out to increase consistency in measurement and data gathering on environmental performance, as well as to identify collaboration opportunities with the greatest potential for measurable environmental performance improvements.

"At most EICC companies, energy use is responsible for over 90 percent of greenhouse gas emissions from operations. Although the electronics sector only accounts for 2 percent of global greenhouse gas emissions, proactively managing our own emissions is the right thing to do and will help establish a methodology for other industries to consider."

Ted Reichelt, Intel Corporation
Environmental Sustainability Work Group Lead

Key Accomplishments

In 2008, the Environmental Sustainability Work Group focused on three key activities:

- **Benchmarking current environmental priorities of member companies.** The Work Group gathered information from member companies on existing initiatives and best practices in improving their environmental performance, with a focus on identifying common metrics used to track progress. With a shared understanding of member priorities, the Work Group crafted a list of environmental issues that were of mutual concern. (Figure 22)
- **Using life cycle analysis (LCA) to better understand the material environmental impacts and opportunities across the global electronics supply chain.** Based on current, publicly available LCA data, the work group explored the environmental impacts of common electronics products: laptop computers and desktop computers. The findings illustrated that the most significant impacts across the products at the manufacturing stage in their lifecycle are greenhouse gas emissions, raw material usage, and hazardous materials.

Figure 22. Common Environmental Metrics Used by Members

Operations	Products
• Energy usage • Renewable energy usage • GHG emissions • Water usage • Hazardous waste • Non-hazardous waste	• Chemical content • Recyclable material in product and packaging • Restricted materials • Energy efficiency • Take-back, reuse and recycling

- **Creating a standard approach to measure and report carbon emissions in the global electronics supply chain.** Because carbon emissions are an increasingly common concern for companies, the EICC recognized the need to better understand the carbon emissions associated with manufacturing in the electronics supply chain. The work group set out to implement a standard approach for reporting carbon emissions data, which could be used to: track carbon emissions of EICC suppliers, develop meaningful group data on emissions in the electronic industry, and enable individual companies to better understand their own supply chain emissions.

  In 2008, in collaboration with BSR, the Work Group researched existing emissions reporting initiatives, such as the Carbon Disclosure Project, and designed an EICC approach to calculate, track, and report emissions of direct suppliers to member companies based on a standardized allocation methodology. The approach will provide a set of carbon measurement and reporting tools, including a web-based platform for reporting emissions and an emissions calculator designed to help companies that never have calculated their carbon footprint. To date, draft versions of the tools have been reviewed by EICC members and experts in greenhouse gas accounting to confirm the accuracy of our approach.

Challenges and Future Activities

We plan to pilot our carbon reporting system within our supply chain in 2009. The initiative is one of the first industry-specific collaborations on supply chain emissions. Some of the key challenges we foresee are:

- **Lack of knowledge in the supply chain on carbon emissions measurement practices.** Carbon footprinting is still a new concept for many companies, and it's a complicated task considering the amount of data to be collected across a company. The EICC recognizes a need for significant training and capability building for suppliers to participate.
- **Inconsistencies in emissions measurement.** Following the guidance of key carbon accounting standards, such as the World Resource Institute's Greenhouse Gas Protocol, there is still significant room for interpretation. What some companies choose to include in their emissions measurement, others may exclude. The credibility of the initiative will depend on the EICC's ability to further standardize emissions measurements in the electronic industry.

"HP views this protocol as valuable because it supports standardized, consistent, comparable, scalable and reliable reporting among suppliers to advance transparency and accountability across the industry. HP is proud to play a key part in developing the EICC protocol and looks forward to advancing it further because it shows high potential for impacting the broader global economy."

Jay Celorie, Hewlett-Packard
Environmental Sustainability Work Group Lead

In 2009, the Work Group's focus will be on starting to address these challenges. The Work Group's long-term aim is to include EICC companies' second-tier suppliers (and beyond) to create a robust and credible carbon footprint of the global electronic industry. Armed with this information, EICC member companies can collaborate to drive measurable reductions in emissions for operations, and consequently, reduce the embedded carbon in electronic products.

In addition, the Work Group plans to look beyond carbon emissions in the coming years to address other environmental impacts identified in the benchmarking and LCA initiatives—including raw materials, waste, and water.

Member Implementation and Results

As an industry organization, the full impact of our efforts is contingent on both our collaborative efforts to develop standardized tools and individual companies' efforts to adopt and implement the tools into their programs. While the previous chapter focused on our collaborative activities, this chapter reports on the progress our member companies have made in adopting and implementing the EICC Code of Conduct and tools.

Overview

All member companies are expected to show annual progress in implementing the EICC Code of Conduct and standardized tools. Experience has shown that full implementation of the EICC Code and tools can be a challenge for companies, as it often requires replacing existing company codes of conduct and amending internal programs. As such, implementing the EICC Code is typically a journey rather than a swift mandate; members are currently at many stages in the journey. Some factors that affect a members' level of implementation include: the maturity of their corporate responsibility and supply chain management programs, internal alignment and cross-departmental collaboration, and executive support.

The EICC is a resource to member companies throughout the journey. We recognize the need to be flexible in setting member requirements given each member's unique stage of implementation. We encourage member companies to seek advice from other members on how to effectively secure internal buy-in, change internal policies to align with EICC tools, and communicate new expectations with suppliers. Ultimately, however, it is up to each member company to take the necessary steps to fulfill their commitment.

Progress to Date

The following sections review member progress in implementing the EICC Code and integrating key EICC tools into their company initiatives in 2008. The data were gathered through a member survey and aggregated by an independent third party. We received 38 responses to the survey. It is important to note that the findings reflect responses from companies that have been EICC members for more than three years, as well as from companies that joined the EICC in 2008 and who have had far less time to implement the Code and tools.

EICC Code of Conduct

The EICC Code of Conduct is a hallmark of member commitment to our mission. Member adoption is critical to our credibility, and the historical lack of standardization in adopting the Code was a key driver for us to develop a formal membership requirement around Code adoption. In 2008:

- 68% of responding EICC members used the Code as their company's code of conduct. This includes a few members who used the Code as a base and added clauses specific to their company in an addendum. (Figure 23)
- The remaining 32% of respondents have not yet replaced their company's code of conduct with the EICC Code of Conduct.

In light of the expanding membership, we are pleased with member progress in adopting the Code. Many companies that have yet to fully adopt the Code are new to the EICC and have just begun the journey of replacing their existing company code with the EICC Code. We expect these companies will adopt the Code within two years of becoming a member.

Building Support and Awareness

Training and awareness building are a critical step following a company's adoption of the Code. Efforts to increase internal, cross-departmental support have shown to reduce many of the common challenges associated with replacing a member company's proprietary tools and processes with the standardized EICC tools and processes. In addition, we believe training for suppliers on EICC expectations will reduce the number of instances of non-conformance with the Code. In 2008:

- 87% of respondents referenced the Code in their company's policies, such as their procurement policies, corporate responsibility policies, and supplier contracts. (Figure 24)
- 87% of respondents provided training to various employee groups on social and environmental responsibility in the supply chain. The most frequently cited groups were employees in procurement and supply chain management.
- 32% of respondents included training on the EICC (membership, Code, or tools) in their company's orientation and training for all new employees.
- 59% of respondents trained their suppliers on their company's commitment to responsible labor, ethics, health, safety and environmental management, and/or the EICC Code of Conduct.
- At least 24% of respondents reached more than 50% (based on spend) of their suppliers with training specifically on the Code.

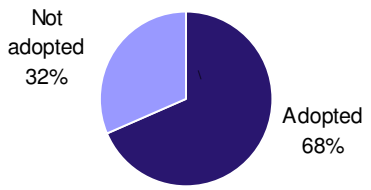
This data indicates that a majority of membership worked to further advance EICC knowledge, awareness, and support in their companies and in the supply chain. Many of these companies leveraged the Learning and Capability-Building Work Group's collective trainings for suppliers. As the Work Group rolls out new training materials in the coming year, we expect member training activities to only increase.

Supplier Engagement Tools

The EICC has created many tools to help companies more effectively and consistently engage with suppliers on EICC expectations. Member adoption of tools is a critical indicator of tool effectiveness and progress on implementation. In 2008:

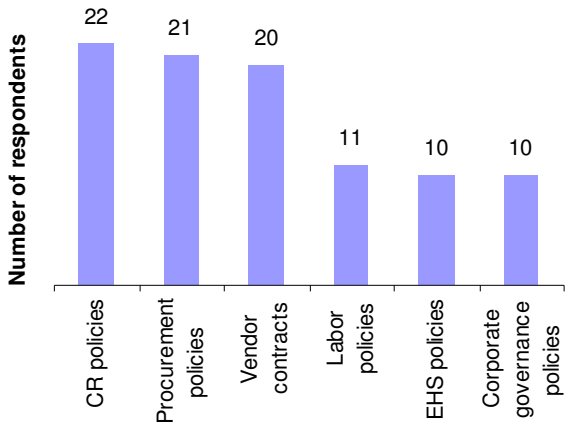
- 37% of respondents opted to use the EICC Risk Assessment #1 to help prioritize their supplier assessments.
- More than 60% of respondents *require* at least a subset of their suppliers to complete the Self-Assessment Questionnaire (SAQ). Of these, five companies require the SAQ for all direct, or tier one, suppliers.

Figure 23. Member Adoption of the EICC Code of Conduct



(Based on 38 responses)

Figure 24. Integration of the Code into Company Documents



(Based on 38 responses)

- When looking at penetration into the supply chain, 26% of respondents had more than half (based on spend) of their suppliers complete an SAQ. (Figure 25)
- Respondents are using results of their suppliers' SAQ in many ways, with the most common being the establishment of baseline performance for continuous improvement discussions.
- 91% of respondents completed an SAQ for at least one of their own facilities, including 47% that completed it for 100% of their owned facilities.
- 47% of respondents subscribed to the Electronics Tool for Accountable Supply Chains (E-TASC).

This data reflects the progress of companies "first getting their own house in order"—applying the tools to their own facilities—and later applying the tools to their suppliers. We are pleased with broad member adoption of the SAQ, and we recognize the need for greater penetration in the supply chain. For tools in which we have invested significant resources, like E-TASC, we strive to see higher participation levels in the future. As members' supply chain social responsibility programs mature and the functionality of E-TASC expands, we expect there will be increased adoption of E-TASC.

Audits

Audits are used to determine compliance with the EICC Code of Conduct in the supply chain. To audit against EICC expectations, member companies are using the many EICC resources available, including the EICC audit template and shared audits. In 2008:

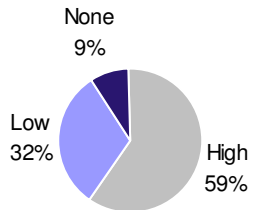
- 74% of respondents audited suppliers against EICC standards.
- 50% of respondents used the EICC shared audit process or used the EICC audit template to audit suppliers.
- At least six companies were able to reach more than 25% (based on spend) of their suppliers, using the EICC audit template. (Figure 25)

Figure 25. Penetration of EICC Tools

These charts indicate the extent to which respondents implemented EICC tools with their company facilities and direct suppliers in 2008.

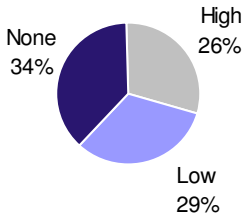
High = More than 50% of a respondent's facilities/ suppliers used the tool
Low = Less than 50% of their facilities/suppliers used the tool
None = None of their facilities/suppliers used the tool

Completed SAQ for Own Facilities:



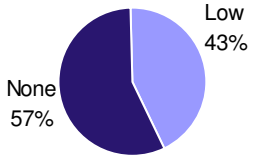
(Based on 34 responses)

Completed SAQ for Suppliers:



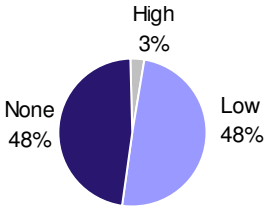
(Based on 34 responses)

Audited Suppliers Using EICC Template:



(Based on 35 responses)

Audited Suppliers through EICC Shared



(Based on 31 responses)

- 39% of respondents are participating in shared audits. Through these audits, most companies reached between 1 and 25% of their suppliers (based on spend). (Figure 25)

This data exceeds our expectations given the newness of several members and the recent release of many of our audit tools. We completed the final shared audits pilot in 2008, and are pleased that a notable portion of membership has already participated. Considering the pilot shared audits were only focused in China, this is a solid foundation for further expanding support to members auditing against EICC expectations.

Findings from Supplier Assessments and Corrective Action Plans

By using the SAQ and auditing suppliers against EICC expectations, member companies tracked trends in the supply chain and identified critical areas for improvement. Key findings included:

- In looking at labor and ethics issues, more than 90% of respondents specifically cited "working hours" as one of the top three opportunities for improvement in the supply chain, based on their supplier audits. In addition, 57% of respondents cited "wage payments and benefits" as one of the top three opportunities.
- In looking at health, safety, and environmental issues, 62% of respondents cited "emergency preparedness" as one of the top three opportunities for improvement in the supply chain, based on their supplier audits. In addition, 41% of respondents cited "occupational safety" as one of the top three opportunities.

This is consistent with findings from the pilot shared audits. In addition, member companies are following up with suppliers on Code violations and ensuring that progress is made. 74% of respondents required suppliers to create a corrective action plan when a major issue was identified in auditing against EICC expectations. Corrective action plans are an area that the EICC plans to explore in the coming years to identify opportunities for collaboration and provide more direct support for member activity.

Looking Ahead

The past year has been instrumental in building our understanding of how our activities have advanced corporate responsibility in member companies, their direct suppliers, and the broader electronics supply chain.

The data presented in this report is a starting point for adopting key metrics and defining baseline performance. In the coming year, consistent with our organizational goals, the EICC will continue to work toward the goals of:

- Deepening implementation of the EICC Code and tools within member companies—ensuring that each member fully adopts the Code within their own company and throughout their company's supply chain programs
- Expanding implementation in the supply chain—getting more companies, including nonmembers, to adopt the EICC Code to standardize expectations with their suppliers

Full adoption of EICC tools requires significant time and effort by each member company. Member companies must build internal, cross-department support; integrate the EICC Code and tools within their own company; determine how their suppliers' performance will affect business decisions and align with company objectives; and then commit the necessary time and resources to implement the EICC model for engaging with their suppliers.

In light of these hurdles, we recognize the path to creating sustained performance is a marathon, not a sprint. While there is still much room for improvement, the data presented in this section illustrates the significant commitment member companies have made to the EICC's collaborative approach to improving social and environmental performance in the electronic industry. As the EICC continues to reach new levels of collaboration and tool development, we are confident that the individual performance of members in implementing on EICC expectations will only increase in the coming years.

Closing Thoughts

In the 2008 member survey, greater than 85 percent of responding companies agreed their membership and participation in the EICC has strengthened their company's supply chain corporate responsibility efforts. Through anecdotal evidence and feedback from suppliers, we are confident we are furthering social and environmental responsibility and increasing efficiencies in the supply chain. We owe our progress as a voluntary organization to the ambitions and innovative thinking of our member companies.

We invite other companies and stakeholders to join us in this journey, either as EICC members or as industry partners, in sharing best practices. The social and environmental challenges of a rapidly changing world are too great for any one company to tackle alone. We look forward to working with you to create long-term sustainable change in our industry.

John Gabriel
Chairman of the Board, Electronic Industry Citizenship Coalition

Appendices

Acronyms and Abbreviations

CR	corporate responsibility
EICC	Electronic Industry Citizenship Coalition
E-TASC	Electronic Tool for Accountable Supply Chains
GeSI	Global e-Sustainability Initiative
ICT	information and communications technology
LCA	life cycle analysis
NGO	nongovernmental organization
OEM	original equipment manufacturer
SAQ	Self-Assessment Questionnaire

Contact Us

Feedback

Your feedback is much appreciated. This is our first annual report, and we rely on comments from our stakeholders to help us identify areas for improved activity and reporting in future years. Please email your comments to stakeholders@eicc.info.

Join the EICC

If your company is interested in joining the EICC, please visit the member section of our website for more information. Membership is open to all to electronics manufacturers, software firms, technical services firms, ICT firms, retailers, and manufacturing service providers, including contracted labor that designs, markets, manufactures, or provides electronic goods.

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.