Apple Supplier Responsibility
2011 Progress Report
Contents

Page 3  Apple and Supplier Responsibility
        Driving Change
        2010 Program Highlights

Page 5  Empowering Workers
        Expanding Training to Additional Facilities
        Enhancing Training Quality
        Supplier Employee Education and Development (SEED)

Page 7  Protecting Foreign Contract Workers
        Limiting Recruitment Fees
        Focusing Audits on High-Risk Facilities
        2010 Findings and Corrective Actions
        Training in Best Practices and Government Programs

Page 9  Preventing Underage Labor
        2010 Findings and Corrective Actions
        Returning Underage Workers to School
        Improving Management Systems Across Facilities

Page 11 Requiring Conflict-Free Sourcing of Extractives
        Mapping Apple’s Supply Base
        Validating Conflict-Free Smelters

Page 13 Monitoring Compliance
        Audit Program
        Overview of 2010 Audit Results
        2010 Core Violations

Page 18 Responding to Suicides at Foxconn

Page 20 Addressing the Use of N-Hexane

Page 21 Holding Suppliers Accountable

Page 22 Moving Forward

Page 23 Appendix
Apple and Supplier Responsibility

Driving Change

Apple is committed to driving the highest standards of social responsibility throughout our supply base. We require that our suppliers provide safe working conditions, treat workers with dignity and respect, and use environmentally responsible manufacturing processes wherever Apple products are made.

Suppliers commit to the Apple Supplier Code of Conduct as a condition of doing business with us. Drawing on internationally recognized standards, our Code outlines expectations covering labor and human rights, health and safety, the environment, ethics, and management commitment. Apple monitors compliance with the Code through a rigorous program of onsite factory audits, followed by corrective action plans and verification measures.

Apple's approach to supplier responsibility extends beyond our audit program. We empower workers through training, educate factory management, address underlying issues with nongovernmental organizations (NGOs) and industry groups, and hold suppliers accountable for their practices. By making social responsibility fundamental to the way we do business, we ensure our suppliers take Apple's Code as seriously as we do.

Apple Supplier Code of Conduct

<table>
<thead>
<tr>
<th>Labor and Human Rights</th>
<th>Health and Safety</th>
<th>Environmental Impact</th>
<th>Ethics</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Antidiscrimination</td>
<td>• Occupation injury prevention</td>
<td>• Hazardous substance management</td>
<td>• Business integrity</td>
</tr>
<tr>
<td>• Fair treatment</td>
<td>• Prevention of chemical exposure</td>
<td>• Wastewater management</td>
<td>• Disclosure of information</td>
</tr>
<tr>
<td>• Prevention of involuntary labor</td>
<td>• Emergency prevention, preparedness, and response</td>
<td>• Air emissions management</td>
<td>• Whistleblower protection and anonymous complaints</td>
</tr>
<tr>
<td>• Prevention of underage labor</td>
<td>• Occupational safety procedures and systems</td>
<td>• Solid waste management</td>
<td>• Protection of intellectual property</td>
</tr>
<tr>
<td>• Juvenile worker protections</td>
<td>• Ergonomics</td>
<td>• Environmental permits and reporting</td>
<td></td>
</tr>
<tr>
<td>• Working hours</td>
<td>• Dormitory and dining</td>
<td>• Pollution production and resource allocation</td>
<td></td>
</tr>
<tr>
<td>• Wages and benefits</td>
<td>• Health and safety communication</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Freedom of association</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Management Commitment

| • Company statement                     |  • Documentation and records                          |  • Worker feedback and participation                        |
| • Management accountability and responsibility |  • Training and communication                         |                                                          |
|                                          |                                                        |                                                          |

| • Antidiscrimination                    |  • Documentation and records                          |  • Worker feedback and participation                        |
| • Antidiscrimination                    |  • Training and communication                         |  • Corrective action process                               |
| • Worker feedback and participation     |  • Documentation and records                          |  • Worker feedback and participation                        |
| • Corrective action process             |  • Training and communication                         |  • Corrective action process                               |
2010 Program Highlights

Apple continues to drive improvements that make a difference. In 2010, our supplier responsibility program included the following key activities:

• We extended our compliance monitoring program deeper into our supply base. In 2010, we completed first-time audits of 97 facilities and comprehensive repeat audits of 30 facilities, for a total of 288 supplier facilities audited since 2007.

• We expanded our training initiative beyond our final assembly manufacturers so that more workers in our supply base understand their rights and protections under local law and Apple’s Code. Since launching in 2008, Apple’s programs have trained more than 300,000 workers.

• We dedicated additional resources to protecting the rights of workers who move from their home country to work in factories in another country. Many of these immigrants are charged exorbitant fees that drive them into debt, an industrywide problem that Apple discovered in 2008 and that we classify as involuntary labor. In 2010, we continued our search for these violations, auditing all of our production suppliers in Taiwan and many in Malaysia and Singapore. As a result of Apple’s audits and rigorous standards, foreign workers have been reimbursed $3.4 million in recruitment fee overcharges since 2008. We also trained suppliers on how to improve their recruiting practices, as well as on their legal and ethical obligations to foreign workers.

• We worked aggressively to prevent the hiring of underage workers. We equipped facilities with stronger age-verification tools, educated them on managing third-party recruiters, and held them accountable for the recruiting practices of affiliated schools and labor agencies. In addition, we are leading the industry by requiring suppliers to return underage workers to school and to finance their education.

• We mapped the use of potential conflict minerals in our supply chain. We identified 142 Apple suppliers that use tantalum, tin, tungsten, or gold to manufacture components for Apple products and the 109 smelters they source from. Apple is also at the forefront of a joint effort with the EICC and the Global e-Sustainability Initiative (GeSI) that will help our suppliers source conflict-free materials.

This report provides details about how we work with suppliers to protect worker rights and improve factory conditions. Also included are a summary of our 2010 audit results and descriptions of core violations, frequent findings, and the corrective actions that Apple has required.
Empowering Workers

Expanding Training to Additional Facilities

In 2009, Apple focused on efforts to raise awareness and empower workers through social responsibility training at our final assembly manufacturers. All workers, supervisors, and managers who worked on Apple products at these facilities were trained on worker rights under our Code.

In 2010, we extended the reach of this initiative, enabling 29 additional facilities—selected based on their lower audit scores—to deliver social responsibility training. In the past two years, more than 300,000 workers have been trained on occupational health and safety, work-related injury and disease prevention, worker rights, and local labor laws; and more than 6000 supervisors and managers have also been trained on their responsibilities to protect workers.

Training requirements

Apple-mandated social responsibility training must cover the following topics:

- Apple’s Code and the EICC’s Code of Conduct
- Occupational health and safety
- Work-related injury and disease prevention
- Workers’ rights related to antiharassment, antidiscrimination, and grievance processes
- Local labor laws
- Effective management practices (for line supervisors and managers)
Enhancing Training Quality

In 2010, we worked with Verité and the Fair Labor Association—two internationally recognized NGOs in human rights—to evaluate the quality of social responsibility training at our final assembly manufacturers. Impact assessments showed that Apple-mandated training had increased knowledge and awareness of worker rights under Apple’s Code and local law.

At the same time, we gained insight into areas for improvement, including: reducing class size, increasing interactivity, and enhancing coverage of antiharassment, antidiscrimination, and grievance mechanisms. We have integrated these recommendations into our supplier training programs.

Supplier Employee Education and Development (SEED)

More than 16,000 workers enrolled in Apple’s SEED initiative in 2010. This computer-based learning program offers classes in English language and in computer and technical skills. In addition, some workers are able to join onsite associate degree programs linked to Chinese universities.

Impact of social responsibility training

A survey of assembly line workers showed increased confidence in their rights since the launch of social responsibility training. For example, in 2009 only 59 percent of surveyed workers indicated that they would send feedback without any concern, while in 2010 the number rose sharply to 93 percent.

Candidates for the associate degree program take their qualifying examinations.
Protecting Foreign Contract Workers

Following a 2008 audit discovery that involved immigrant workers, Apple took independent action to address unethical hiring practices. We had learned of a complex recruitment process in which some foreign contract workers were paying fees in excess of applicable legal limits. Since then, Apple has enforced a groundbreaking standard for recruiting foreign workers, resulting in reimbursements of more than $3.4 million in overcharges—thousands of dollars per worker in some cases. To prevent future abuses, we engaged with government agencies, NGOs, and peer companies in Southeast Asia to educate our suppliers on how to improve their recruiting practices, as well as on their legal and ethical obligations to foreign workers.

Limiting Recruitment Fees

Some of our suppliers work with third-party labor agencies to hire contract workers from countries such as the Philippines, Thailand, Indonesia, and Vietnam. These agencies, in turn, may work through multiple subagencies in the hiring country, the workers’ home country, and, in some cases, all the way back to the workers’ home village. By the time the worker has paid all fees across these agencies, the total cost can equal many months’ wages, forcing workers into debt to gain employment.

Apple views recruitment fee overcharges as debt-bonded labor, or involuntary labor, which is strictly prohibited by our Code. We limit recruitment fees to the equivalent of one month’s net wages and require suppliers to reimburse overpaid fees for all foreign contract workers in their facilities, including workers not assigned to Apple projects. To the best of our knowledge, Apple is the only company in the electronics industry that mandates reimbursement of excessive recruitment fees.

Focusing Audits on High-Risk Facilities

In 2010, Apple dedicated additional resources to auditing suppliers in countries known to be destinations for migrant workers. We conducted full audits at 20 facilities in Taiwan—accounting for 100 percent of our Taiwanese production suppliers—and eight facilities in Malaysia and Singapore. Each audit involved a special team of individuals who speak the workers’ languages and understand the laws of the workers’ home countries.
Apple audits are supported by our stringent standard for Prevention of Involuntary Labor, which specifies contract requirements, grievance processes, agency management, the handling of workers’ passports, and other management practices. In addition, we hold our suppliers responsible for the recruitment practices of their labor agencies and the entire recruitment process.

“Apple is putting its significant business clout behind an initiative that is changing relationships between labor brokers and suppliers. We hope that more companies will adopt the approaches that Apple has taken.”
— Dan Viederman, Executive Director, Verité

“Apple has shown genuine commitment to addressing complex foreign/migrant worker issues such as debt bondage and unethical recruitment. They have taken positive steps by placing limits on the recruitment fees payable by foreign contract workers and requiring reimbursement of recruitment fee overcharges. Challenges remain, but these steps help define the responsible role business can play in protecting the rights of migrant workers.”
— Aron Cramer, President and CEO, Business for Social Responsibility (BSR)

2010 Findings and Corrective Actions

Our expanded auditing efforts in at-risk countries revealed 18 facilities where foreign workers had paid excessive fees to recruitment agencies. In each case, Apple conducted a detailed investigation of the recruitment process and the fees paid by workers. We required each supplier to reimburse any fees that exceeded Apple’s limits.

Training in Best Practices and Government Programs

Building on the success of our 2009 workshop, we required management from all our Taiwanese suppliers to attend a two-day interactive workshop that covered our Prevention of Involuntary Labor standard, as well as best practices for labor agency monitoring, direct hire processes, and onsite management of foreign workers.

We also invited government officials from Taiwan, Thailand, and the Philippines to share information on their laws and programs regarding recruitment and management of foreign workers, including direct hire processes that greatly reduce the fees charged to foreign workers by providing government assistance in place of labor agencies.

We will incorporate feedback on this curriculum and expand training to suppliers in Malaysia and Singapore in 2011.
Preventing Underage Labor

Apple does not tolerate any instance of underage labor. Whether we discover active workers or historical cases (workers had either left or had reached legal working age by the time of the audit), we classify these as core violations. Apple demands immediate corrective actions, including returning the underage workers to school, financing their education, and improving management practices to prevent future occurrences.

2010 Findings and Corrective Actions

In recent years, Chinese factories have increasingly turned to labor agencies and vocational schools to meet their workforce demands. We learned that some of these recruitment sources may provide false IDs that misrepresent young people's ages, posing challenges for factory management.

To address this difficult scenario, we intensified our search for underage labor in 2010, interviewing more workers and further scrutinizing recruiting practices, employment records, and worker IDs, especially where third-party labor agencies and schools were involved. Our audits of 127 facilities revealed ten Chinese factories that had hired workers under the age of 16 years, the minimum age for employment in China.

Across nine of these facilities, a total of 49 workers were hired before reaching the legal age. Working with experts in the field, Apple conducted a complete analysis of the hiring systems at each factory. We found that all facilities had unsophisticated systems for age verification and ID checks. Apple has required the facilities to institute policies and procedures that will prevent employment of underage workers—and to enforce them with third-party recruiters. To ensure effective implementation, we required managers to attend training and to follow up with one-on-one consulting. All facilities have cooperated fully with these measures.

Of the ten facilities with underage labor violations, we found one that had hired a much larger number of underage workers—a total of 42. In addition, we determined that management had chosen to overlook the issue and was not committed to addressing the problem. Based on the poor likelihood of improvement, we terminated business with the facility. During our investigation, we also discovered that the vocational school involved in hiring the underage workers had falsified student IDs and threatened retaliation against students who revealed their ages during our audits. We reported the school to appropriate authorities in the Chinese government.

"Apple has been aggressive in their efforts to root out cases of child labor in their supplier factories. Where issues arise, Apple digs deep to understand the causes and helps the young people return to their families and get back into school."

—Rosey Hurst, Director, Impactt Ltd

Underage Workers

60 Active Cases

31 Historical Cases

Recruitment Source

89 via School or Labor Agency

2 via Factory

Most of the underage workers discovered in our 2010 audits had been recruited through schools or labor agencies.
Returning Underage Workers to School

Apple has been aggressive in helping underage workers return to their families and get back to school. For both active and historical cases, our industry-leading standard requires suppliers to pay educational expenses, living stipends, and lost wages for six months or until the worker reaches the age of 16, whichever is longer.

Apple also ensures that these students have the support they need to succeed in school. For all active and historical underage workers, we provide individual assistance, including contacting the family, identifying educational options, enrolling the young person in school, and following up on their progress. If underage workers have already left the factory, we make every attempt to locate them and offer the same support for their education.

Improving Management Systems Across Facilities

Apple's Code has always clearly prohibited underage labor. In 2010, we issued a new standard on Prevention of Underage Labor to specify methods for preventing employment of underage workers and to clarify management’s responsibility. Our suppliers must maintain robust documentation and age-verification procedures, personnel records, and systems for communicating labor policies across the facility and with third-party recruiters. The standard also holds our suppliers accountable for the practices of all employment agencies and school programs that provide workers to their factories.

To prevent the future hiring of underage workers, Apple launched a training initiative in November 2010. Our first interactive workshop trained HR managers from 25 Chinese facilities on our new standard and provided an opportunity for suppliers to share challenges and best practices. Topics included China labor law, relationships with schools and labor brokers, record-keeping systems, protection of juvenile workers, and remediation of underage labor cases. As follow-up to the training, we are working individually with suppliers to implement improvements to their HR management systems.
Requiring Conflict-Free Sourcing of Extractives

Apple's commitment to social responsibility extends to the source of raw materials used in the manufacturing of our products. We require our suppliers to use only metals that have been procured through a conflict-free process and from sources that adhere to our standards of human rights and environmental protection. The supply chains for "conflict minerals" consist of many types of businesses—family-run mines, brokers, smelters, refiners, and commodity exchanges—before reaching a component or subcomponent manufacturer. The combination of a lengthy supply chain and a refining process makes it difficult to track and trace these materials.

Apple is taking multiple steps to tackle this challenge. We started by mapping our supply chain to the smelter level, so that we know which suppliers are using tantalum, tin, tungsten, or gold and where they are getting the metal. Next, we are working at the forefront of a joint effort with the EICC and the Global e-Sustainability Initiative (GeSI) to audit smelters of these ores and to validate conflict-free sources. Audits of tantalum smelters began in 2010. Upon completion, we will require suppliers to source only from smelters that comply with EICC and Apple standards.

Mapping Apple’s Supply Base

In 2010, Apple completed a detailed investigation into the use of extractives at all levels of our supply base. The results include both component and subcomponent suppliers that use tantalum, tin, tungsten, or gold in the manufacturing of Apple products, as well as the smelters that originally processed the ore.

<table>
<thead>
<tr>
<th></th>
<th>Tantalum</th>
<th>Tin</th>
<th>Tungsten</th>
<th>Gold</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers using metal in components of Apple products*</td>
<td>23</td>
<td>125</td>
<td>23</td>
<td>116</td>
</tr>
<tr>
<td>Smelters used by these Apple suppliers</td>
<td>12</td>
<td>43</td>
<td>13</td>
<td>41</td>
</tr>
</tbody>
</table>

* Many of our suppliers use more than one metal.

What is a “conflict mineral”?
The mining of columbite-tantalite, cassiterite, wolframite, and gold—which are refined into tantalum (Ta), tin (Sn), tungsten (W), and gold (Au), respectively—is believed to fuel political strife in the Democratic Republic of Congo (DRC) and neighboring regions. The metals derived from these “conflict minerals” are used in small quantities in electronics components found in automotive, household, communications, and computing devices, as well as in non-electronics industries.
Validating Conflict-Free Smelters

Apple is applying pressure on our suppliers and through industry groups to establish methods to identify the origin of ores in our supply base. As an active participant in the Extractives Workgroup, a joint effort of the EICC and GeSi, we have launched a process to validate smelters that comply with our standards.

Apple serves in many capacities on the Extractives Workgroup. We participate on subteams that develop protocols for auditing smelters and tools for gathering data throughout the supply chain. We are also one of several companies on the Executive Audit Review Committee, responsible for reviewing audit results.

In 2010, the Extractives Workgroup began audits to identify smelters that can demonstrate, through an independent third-party process, that they do not procure materials from sources associated with conflict in the Democratic Republic of Congo (DRC) or adjoining countries.

Smelter audits include a thorough review of business systems and documentation of raw materials purchases. A smelter is identified as noncompliant if a conflict material is present, if the smelter has insufficient documentation to support validation, or if the smelter refuses to participate in the audit.

EICC audits of electronics-grade tantalum smelters are under way, and we expect audits of all tantalum and tin smelters to be completed by the end of 2011. See www.eicc.info/extractives.htm for more information.

As the EICC/GeSi Extractives Workgroup completes smelter audits, Apple will require our suppliers to source only from approved conflict-free smelters, and we will incorporate source validation into our regular audits.

New SEC requirements

Apple is working to ensure full compliance with provisions of the Dodd-Frank Consumer Protection and Wall Street Reform Act, which became U.S. law in July 2010. Under Dodd-Frank, the Securities and Exchange Commission (SEC) is required to publish regulations in April 2011 to establish 10K reporting requirements for companies on the use of conflict minerals. As Apple continues to improve information about our supply base, we have engaged—along with others in the electronics industry—with the SEC and the U.S. State Department as they develop these regulations.
Monitoring Compliance

Apple's supply base

- **Final assembly manufacturers** assemble the Mac, iPad, iPod, and iPhone.

- **Component suppliers** manufacture parts and components, such as LCDs, hard drives, and printed circuit boards from which finished Apple products are assembled. Component suppliers also manufacture Apple peripheral products, such as Time Capsule, the LED Cinema Display, and keyboards.

- **Nonproduction suppliers**, such as office supply vendors and call centers, provide products and services that are not part of the Apple manufacturing process.

Audit Program

Apple continues to execute a rigorous monitoring program to ensure our products are produced under socially and environmentally responsible conditions. Of the suppliers Apple audited in 2010, more than 40 percent stated that Apple was the first company ever to have audited their facility for social responsibility compliance.

Audit site selections

Each year, we audit more factories across our supply base. Apple audits all final assembly manufacturers every year. We select other suppliers based on risk factors—such as conditions in the country where a facility is located and the facility’s past audit performance—enabling us to focus our efforts where we can have the greatest impact. As of December 2010, Apple has audited 288 facilities located in China, the Czech Republic, Malaysia, the Philippines, Singapore, South Korea, Taiwan, Thailand, and the United States.

### Audited Facilities

<table>
<thead>
<tr>
<th>Year</th>
<th>First-Time Audits</th>
<th>Repeat Audits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>39</td>
<td>69</td>
</tr>
<tr>
<td>2008</td>
<td>83</td>
<td>69</td>
</tr>
<tr>
<td>2009</td>
<td>102</td>
<td>83</td>
</tr>
<tr>
<td>2010</td>
<td>127</td>
<td>97</td>
</tr>
</tbody>
</table>

Audit process

An Apple supplier responsibility auditor leads every audit, supported by local third-party auditors trained to use our detailed audit protocol and to assess the requirements specified in our Code.
Protection against retaliation
When workers are interviewed during an audit, they receive a hotline card with a telephone number and a case number that identifies the facility and audit date. This mechanism enables workers to provide additional information after an audit and to report any adverse consequences of their participation in the audit.

Apple audits cross-reference data from multiple sources. We conduct interviews with employees, contract workers, and senior management in relevant functional areas. We also conduct a physical inspection of manufacturing facilities and factory-managed dormitories and dining areas, as well as a review of records and relevant policies and procedures.

Management system examinations
There may be cases where our audit reveals compliance in actual practice, but the underlying management system may not be strong enough to prevent violations. For this reason, Apple audits include examination of the management systems—such as policies and procedures, roles and responsibilities, and training programs—underlying every category in our Code.

Corrective action process
Apple reviews all audit findings with the facility’s senior management team. When a violation is found, we require the facility to implement a corrective action plan that addresses the specific violation, as well as the underlying management system. We expect that all corrective and preventive action plans will be closed within 90 days after the audit.

Apple’s goal is to drive each facility toward compliance with our Code, as this provides the best path to positive change over the long term. We perform a verification audit to confirm that actions have been executed, and we collaborate with the supplier until issues are fully addressed. However, if a facility’s actions do not meet our demands, Apple may have no choice but to terminate the business relationship.
Working-hour challenges
We consistently see violations of our limits on working hours. Apple is addressing this industrywide problem by investigating root causes, training supplier management, and requiring implementation of preventive action plans.

Overview of 2010 Audit Results
Apple conducted audits at 127 facilities, including 30 repeat audits and 97 first-time audits. Our repeat audits showed continued performance improvements and better working conditions. First-time audits revealed patterns of compliance and noncompliance similar to first-time audits in previous years. For details concerning violations in subcategories where audits revealed noncompliance across many facilities, see the appendix on pages 23 to 25.

<table>
<thead>
<tr>
<th>Category</th>
<th>Subcategory</th>
<th>Practices in Compliance</th>
<th>Management Systems in Place</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labor and Human Rights</td>
<td>Antidiscrimination</td>
<td>69%</td>
<td>53%</td>
</tr>
<tr>
<td></td>
<td>Fair treatment</td>
<td>91%</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>Prevention of involuntary labor</td>
<td>76%</td>
<td>72%</td>
</tr>
<tr>
<td></td>
<td>Prevention of underage labor</td>
<td>96%</td>
<td>83%</td>
</tr>
<tr>
<td></td>
<td>Juvenile worker protections</td>
<td>73%</td>
<td>62%</td>
</tr>
<tr>
<td></td>
<td>Working hours</td>
<td>32%</td>
<td>30%</td>
</tr>
<tr>
<td></td>
<td>Wages and benefits</td>
<td>70%</td>
<td>65%</td>
</tr>
<tr>
<td></td>
<td>Freedom of association</td>
<td>99%</td>
<td>79%</td>
</tr>
<tr>
<td>Health and Safety</td>
<td>Occupational injury prevention</td>
<td>57%</td>
<td>57%</td>
</tr>
<tr>
<td></td>
<td>Prevention of chemical exposure</td>
<td>85%</td>
<td>87%</td>
</tr>
<tr>
<td></td>
<td>Emergency prevention, preparedness, and response</td>
<td>66%</td>
<td>70%</td>
</tr>
<tr>
<td></td>
<td>Occupational safety procedures and systems</td>
<td>77%</td>
<td>74%</td>
</tr>
<tr>
<td></td>
<td>Ergonomics</td>
<td>64%</td>
<td>47%</td>
</tr>
<tr>
<td></td>
<td>Dormitory and dining</td>
<td>75%</td>
<td>77%</td>
</tr>
<tr>
<td></td>
<td>Health and safety communication</td>
<td>73%</td>
<td>80%</td>
</tr>
<tr>
<td>Environmental Impact</td>
<td>Hazardous substance management</td>
<td>68%</td>
<td>76%</td>
</tr>
<tr>
<td></td>
<td>Wastewater management</td>
<td>89%</td>
<td>89%</td>
</tr>
<tr>
<td></td>
<td>Air emissions management</td>
<td>69%</td>
<td>74%</td>
</tr>
<tr>
<td></td>
<td>Solid waste management</td>
<td>95%</td>
<td>93%</td>
</tr>
<tr>
<td></td>
<td>Environmental permits and reporting</td>
<td>70%</td>
<td>73%</td>
</tr>
<tr>
<td></td>
<td>Pollution production and resource allocation</td>
<td>97%</td>
<td>95%</td>
</tr>
<tr>
<td>Ethics</td>
<td>Business integrity</td>
<td>96%</td>
<td>85%</td>
</tr>
<tr>
<td></td>
<td>Disclosure of information</td>
<td>96%</td>
<td>87%</td>
</tr>
<tr>
<td></td>
<td>Whistleblower protection and anonymous complaints</td>
<td>92%</td>
<td>73%</td>
</tr>
<tr>
<td></td>
<td>Protection of intellectual property</td>
<td>98%</td>
<td>88%</td>
</tr>
<tr>
<td>Management Commitment</td>
<td>Company statement</td>
<td>57%</td>
<td>57%</td>
</tr>
<tr>
<td></td>
<td>Management accountability and responsibility</td>
<td>52%</td>
<td>52%</td>
</tr>
<tr>
<td></td>
<td>Documentation and records</td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td></td>
<td>Training and communication</td>
<td>73%</td>
<td>73%</td>
</tr>
<tr>
<td></td>
<td>Worker feedback and participation</td>
<td>86%</td>
<td>86%</td>
</tr>
<tr>
<td></td>
<td>Corrective action process</td>
<td>57%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Category and subcategory percentages represent the average across all facilities of the line items scored under that category or subcategory. Category percentages are not averages of the subcategory percentages.
2010 Core Violations

A core violation is the most serious class of violation. It refers to any practice or situation that we consider to be contrary to the core principles underlying Apple’s Supplier Code of Conduct. Core violations include instances of abuse, underage labor, involuntary labor, falsification of audited materials, worker endangerment, intimidation or retaliation against workers participating in an audit, and significant threats to the environment.

Whenever a core violation is detected, we require that the facility immediately remedy the situation to ensure the health, safety, and human rights of its workers. We follow with a thorough examination of their management systems and require improvements that prevent future violations. To help with implementation of corrective and preventive actions, we may require the facility to work with a specialized consultant. In addition, the facility is placed on probation, usually for a period of one year, ending with a reaudit to verify that the core violation had not reoccurred.

In 2010, our audits of 127 facilities revealed 36 core violations: 18 facilities where workers had paid excessive recruitment fees, which we consider to be involuntary labor; 10 facilities where underage workers had been hired; two instances of worker endangerment; four facilities where records were falsified; one case of bribery; and one case of coaching workers on how to answer auditors’ questions.

When core violations occur, Apple’s goal is to work with suppliers to address problems, verify corrective actions, and drive improvements. We expect suppliers to take these situations as seriously as we do. Our 2010 audits and corrective action processes revealed three facilities where management failed to demonstrate serious commitment. In all three cases, we terminated business.

### Involuntary labor

For more information, see pages 7 and 8.

<table>
<thead>
<tr>
<th>Finding</th>
<th>Apple response</th>
</tr>
</thead>
<tbody>
<tr>
<td>18 facilities</td>
<td>We discovered foreign contract workers who had paid excessive recruitment fees to labor agencies.</td>
</tr>
<tr>
<td></td>
<td>We required suppliers to reimburse any fees that exceeded Apple’s limits. A total of $3.4 million has been repaid to workers since 2008.</td>
</tr>
</tbody>
</table>

### Underage labor

For more information, see pages 9 and 10.

<table>
<thead>
<tr>
<th>Finding</th>
<th>Apple response</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 facilities</td>
<td>We discovered a total of 49 underage workers across the 9 facilities.</td>
</tr>
<tr>
<td></td>
<td>We required the suppliers to support the young workers’ return to school and to improve their management systems—such as labor recruitment practices and age-verification procedures—to prevent recurrences.</td>
</tr>
<tr>
<td>1 facility</td>
<td>We discovered a total of 42 underage workers. We determined management had chosen to overlook the issue and was not committed to addressing the problem.</td>
</tr>
<tr>
<td></td>
<td>We required the supplier to support the young workers’ return to school and to improve their management systems to prevent recurrences. Apple has terminated business with the facility.</td>
</tr>
</tbody>
</table>
## Worker endangerment

<table>
<thead>
<tr>
<th>Finding</th>
<th>Apple response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 facility Workers suffered adverse health effects following exposure to n-hexane in poorly ventilated areas.</td>
<td>We required the facility to discontinue use of n-hexane, to fix the factory's ventilation systems, and to implement improvements to their management systems for Environmental Health and Safety. For more information, see page 20.</td>
</tr>
<tr>
<td>1 facility Workers performed activities at heights greater than 3 meters without guardrails or safety harnesses.</td>
<td>We required the facility to establish clear procedures and provide training for elevated work; to ensure elevated work areas have appropriate guardrails; to provide workers with safety harnesses, where required; and to review operations regularly to ensure workers are following safety procedures.</td>
</tr>
</tbody>
</table>

## Falsification of audit materials

<table>
<thead>
<tr>
<th>Finding</th>
<th>Apple response</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 facilities Presented falsified payroll records and provided misleading interview answers to Apple's audit team.</td>
<td>We required an independent audit to review payroll records and to look for additional falsification. Investigation at one facility revealed no actual violations. Investigation at the other facility indicated underpayment of basic wages, underpayment of overtime premium, and illegal benefit practices. We required the facility to pay workers the appropriate amount and to adjust benefits according to Apple's Code and local law.</td>
</tr>
<tr>
<td>1 facility Presented falsified payroll records and provided misleading interview answers to Apple's audit team. Repeat core violation for falsification.</td>
<td>Apple has terminated business with the facility.</td>
</tr>
<tr>
<td>1 facility Concealed a production area from Apple's audit team, preventing assessment of associated environmental health and safety risks.</td>
<td>We conducted a complete inspection of the concealed production area, which revealed poor health and safety working conditions. We required them to fix all violations in this area and to certify that all facilities used to manufacture Apple products had been disclosed.</td>
</tr>
</tbody>
</table>

## Bribery

<table>
<thead>
<tr>
<th>Finding</th>
<th>Apple response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 facility A facility manager offered cash to Apple's third-party auditors, asking them to reduce the number of audit findings.</td>
<td>Apple has terminated business with the facility.</td>
</tr>
<tr>
<td>Repeat core violation for ethics.</td>
<td></td>
</tr>
</tbody>
</table>

## Coaching

<table>
<thead>
<tr>
<th>Finding</th>
<th>Apple response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 facility A facility manager assembled workers and told them to provide false wage payment information to Apple auditors.</td>
<td>We required the facility to provide accurate payroll records. We also required them to train all facility management on the prohibitions against providing false information in an audit. We will return for a full reaudit in 2011.</td>
</tr>
</tbody>
</table>
Responding to Suicides at Foxconn

Like many of our customers and others around the world, we were disturbed and deeply saddened to learn that factory workers were taking their own lives at the Shenzhen facility of Foxconn.

Recognizing that we would need additional expertise to help prevent further tragedies, we launched an international search for the most knowledgeable suicide prevention specialists—particularly those with experience in China—and asked them to advise Apple and Foxconn.

Two leading experts accompanied Apple COO Tim Cook and other Apple executives on a visit to the Shenzhen factory in June 2010. This group met with Foxconn CEO Terry Gou and members of his senior staff to better understand the conditions at the site and to assess the emergency measures Foxconn was putting in place to prevent more suicides.

Apple then commissioned an independent review by a broader team of suicide prevention experts. This team was asked to conduct a deeper investigation into the suicides, evaluate Foxconn’s response, and recommend strategies for supporting workers’ mental health in the future.

During July 2010, the independent team:

• Surveyed more than 1000 workers about their quality of life, sources of stress, psychological health, and other work-related factors. The team designed the questionnaire, delivered and collected it, and tabulated the results without Foxconn’s involvement.

• Interviewed workers face to face, met separately with their managers, and evaluated working and living conditions firsthand.

• Reviewed the facts of each suicide and the known circumstances behind them.

• Evaluated Foxconn’s management of the crisis, assessing the effectiveness of counseling services and emergency response systems.
In August 2010, the independent team presented its findings and recommendations to Terry Gou and senior executives from Foxconn and Apple. The team commended Foxconn for taking quick action on several fronts simultaneously, including hiring a large number of psychological counselors, establishing a 24-hour care center, and even attaching large nets to the factory buildings to prevent impulsive suicides. The independent team also found that Foxconn had worked openly with many outside experts and government officials in reacting to the crisis. Most important, the investigation found that Foxconn's response had definitely saved lives.

The independent team suggested several areas for improvement, such as better training of hotline staff and care center counselors and better monitoring to ensure effectiveness. Foxconn incorporated the team's specific recommendations into their long-term plans for addressing employee well-being. The company is implementing an employee assistance program (EAP) that focuses on maintaining employee mental health and expanding social support networks. In addition, they have begun the process of expanding operations to other parts of China, enabling workers to be closer to their home provinces.

Apple will continue to work with Foxconn through the implementation of these programs, and we plan to take key learnings from this engagement to other facilities in our supply base.
Addressing the Use of N-Hexane

Investigating reports of violations
Apple investigates reports of alleged violations in our supply base, ranging from public reports by NGOs to information submitted directly by factory workers. Once we verify that the report pertains to an Apple supplier facility, we discuss the alleged violation with the supplier, review the facility’s past audits and corrective actions, and conduct an unannounced audit, if appropriate.

For all chemicals in the workplace, Apple’s Code requires adequate ventilation systems, proper handling and disposal, and robust processes for risk assessments, training, and emergency response.

In 2010, we learned that 137 workers at the Suzhou facility of Wintek, one of Apple’s suppliers, had suffered adverse health effects following exposure to n-hexane, a chemical in cleaning agents used in some manufacturing processes. We discovered that the factory had reconfigured operations without also changing their ventilation system. Apple considered this series of incidents to be a core violation for worker endangerment.

We required Wintek to stop using n-hexane and to provide evidence that they had removed the chemical from their production lines. In addition, Apple required them to fix their ventilation system. Since these changes, no new workers have suffered difficulties from chemical exposure.

To prevent future incidents at this facility, we required Wintek to work with a consultant to improve their Environmental Health and Safety processes and management systems. We are monitoring the implementation of these corrective actions and preventive measures, and will conduct a complete reaudit of the facility in 2011.

In parallel, Apple has verified that all affected workers have been treated successfully, and we continue to monitor their medical reports until full recuperation. Following China law, Wintek has paid medical treatment, meals, and foregone wages for sick or recuperating workers. A majority of the 137 workers have returned to employment at the same factory.

We are aware of another reported incident involving n-hexane. Apple learned that a logo supplier and its subcontractor were using the chemical. When we investigated, we found that the subcontractor had been shut down by local officials. We audited the logo supplier and verified that n-hexane was no longer in use. However, we found poor management systems for Environmental Health and Safety, and we are working with the facility to expedite corrections. We are also following up on the health of workers who were exposed to n-hexane at this facility.
Holding Suppliers Accountable

Apple incorporates social responsibility performance indicators in business review scorecards with all final assembly manufacturers and suppliers of components such as the following:

- Batteries
- Board electrical components
- Cables and connectors
- Displays
- Fans
- Heat sinks
- Hard drives
- Memory
- Microphones
- Peripheral devices
- Power systems
- Printed circuit boards
- Speakers
- Trackpads
- Touchscreens

For an ongoing view of social responsibility performance, Apple requires our final assembly manufacturers to provide quarterly reports of Key Performance Indicators (KPIs) for social responsibility, including statistics related to employee overtime, training, injuries, living conditions, complaints, and turnover. KPIs allow us to evaluate how a facility’s performance has changed over previous quarters, and we can compare their results with those of similar facilities.

Business reviews with suppliers cover commitment to Apple’s Code, past and current audit performance, closure of corrective action plans, leadership activities, and KPIs for social responsibility. Any open issues are discussed and resolved between Apple and the supplier’s executive management.

Apple’s procurement decisions take into account a facility’s social responsibility performance, along with factors such as quality, cost, and timely delivery. When social responsibility performance consistently fails to meet our expectations, we terminate business.

By addressing what’s important to Apple and by holding suppliers accountable, we motivate our suppliers to improve their practices. In this way, Apple continues to increase awareness of social responsibility and to drive improvements in working conditions more broadly across our supply base.
Moving Forward

Apple continues to improve our supplier responsibility program to ensure that working conditions in our supply base are safe, workers are treated with respect and dignity, and manufacturing processes are environmentally responsible.

Our priorities for 2011 are to:

• Extend the reach and improve the quality of Apple-mandated social responsibility training so that more workers understand their rights and how to communicate with factory management.

• Equip additional suppliers with Apple SEED classrooms to help workers continue their education while remaining employed.

• Collaborate with industry groups and NGOs in China to address key issues—such as working hours, underage labor, and employee well-being—through root cause analysis, more aggressive audits, stronger requirements for corrective and preventive actions, and expanded supplier training and assistance.

• Drive conflict-free verification measures to smelters in our supply chain, and require our component suppliers to source tantalum and tin from conflict-free producers.

To provide feedback on this report, comment on Apple’s supplier responsibility program, or report a possible violation in Apple’s supply base, please send an email to supplierresponsibility@apple.com.
Appendix

Frequent findings in subcategories where audits revealed noncompliance across many facilities

**Antidiscrimination**

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

<table>
<thead>
<tr>
<th>Findings</th>
<th>Corrective actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>41 facilities screened job candidates or current workers for hepatitis B, and 54 other facilities lacked policies and procedures that prohibit discrimination based on results of medical tests.</td>
<td>We classified these practices as discrimination—even where permissible under local laws—and required facilities to discontinue the practice and to establish clear policies and procedures to prevent reoccurrence.</td>
</tr>
<tr>
<td>30 facilities conducted pregnancy tests, and 57 other facilities did not have policies and procedures that prohibit discriminatory practices based on pregnancy.</td>
<td></td>
</tr>
</tbody>
</table>

**Working hours**

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

<table>
<thead>
<tr>
<th>Findings</th>
<th>Corrective actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>76 facilities had records that indicated workers had exceeded weekly working-hour limits more than 50 percent of the time. At 74 facilities, more than half of the records we reviewed indicated that workers had worked more than six consecutive days at least once per month.</td>
<td>We required facilities to develop management systems or improve existing systems to drive compliance with Apple's limits on work hours and required days of rest.</td>
</tr>
</tbody>
</table>

**Occupational injury prevention**

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

<table>
<thead>
<tr>
<th>Findings</th>
<th>Corrective actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>64 facilities had violations in engineering controls. For example, we found machines that were missing safety devices, such as gear guards or pulley guards.</td>
<td>We required facilities to equip all dangerous machines with adequate safety devices and to conduct regular maintenance to prevent injuries.</td>
</tr>
<tr>
<td>95 facilities had violations in administrative controls. For example, facilities did not conduct regular safety inspections, and workers who performed specialized tasks did not have legally required licenses or certifications.</td>
<td>We required facilities to establish a schedule for performing required inspections and to ensure workers have appropriate training, licenses, and certifications as required by law.</td>
</tr>
<tr>
<td>54 facilities had workers who were not wearing appropriate personal protective equipment (PPE), such as earplugs, safety glasses, and dust masks. In some instances, the facility had not provided the appropriate safety equipment. In others, the workers neglected to use the equipment or were using it improperly.</td>
<td>We required facilities to provide the necessary PPE, to educate both workers and supervisors on the risks of not wearing the equipment, and to hold supervisors accountable for ensuring that workers use the equipment properly.</td>
</tr>
</tbody>
</table>
Emergency prevention, preparedness, and response

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

Findings | Corrective actions
--- | ---
47 facilities did not have appropriate first-aid supplies for emergency situations. For example, there were no eyewash stations in areas where chemicals were used or stored. | We required facilities to provide properly supplied first-aid stations in all production areas.

78 facilities did not have properly maintained fire detection and suppression equipment. For example, access to some fire hydrants or fire extinguishers was blocked, and some fire extinguishers were placed on the ground. | We required facilities to provide appropriate fire equipment, to ensure it remains in good condition, and to provide easy access in emergency situations.

81 facilities did not have adequate exit paths for emergency situations. For example, we found narrow evacuation aisles or locked emergency exits. | We required facilities to make improvements to their exits and to check them regularly to ensure fast and easy evacuation in the event of an emergency.

Ergonomics

Apple's Code requires facilities to assess which of its operations pose ergonomic risks to workers—even where not required by law—and to implement risk reduction measures, such as redesigning workstations to facilitate better posture, providing magnifying glasses for close-up work, and rotating workers among tasks to reduce repetitive motion.

Findings | Corrective actions
--- | ---
36 facilities had not conducted ergonomic risk assessments. | We required facilities to have a qualified professional determine which manufacturing operations pose risks of repetitive motion and other ergonomic injuries and to take steps to reduce the associated risks.

Hazardous substance management

Apple's Code requires facilities to comply with the most recent version of Apple's Regulated Substances Specification and with any applicable laws and regulations prohibiting or restricting the use or handling of specific substances. Facilities must identify and manage substances that pose a hazard if released to the environment and comply with applicable labeling laws and regulations for safe handling, transport, recycling, reuse, and disposal.

Findings | Corrective actions
--- | ---
80 facilities were not storing or handling hazardous chemicals properly. For example, some facilities did not provide secondary containment for hazardous chemicals or separate storage for incompatible chemicals. | We required facilities to establish chemical management procedures for proper handling and storage of hazardous substances.

41 facilities were not recycling or disposing of hazardous wastes properly and as required by law. | We required facilities to correct their hazardous waste disposal practices and to maintain documentation to demonstrate compliance with Apple requirements and applicable laws.

Air emissions management

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

Findings | Corrective actions
--- | ---
37 facilities failed to monitor and control air emissions. For example, facilities did not inspect discharges regularly to ensure compliance with the law, or the air emission outlets were not marked clearly. | We required facilities to treat air emissions, to conduct regular inspections to ensure compliance with the law, and to mark clearly all air emission outlets.
### Environmental permits and reporting

Apple’s Code requires facilities to hold up-to-date permits for air emissions, wastewater discharge, hazardous waste disposal, X-ray equipment, and boundary noise. Facilities must comply with applicable laws requiring an analysis of the environmental impact of their facilities and operations.

<table>
<thead>
<tr>
<th>Findings</th>
<th>Corrective actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>63 facilities had not completed or had not received official approval for an environmental impact assessment. Some of these facilities were missing assessments in one or more areas of the Environmental Impact section of our Code, did not update their assessments after a process or equipment change, or did not have permits for X-ray radiation equipment.</td>
<td>We required facilities to conduct an environmental impact assessment of their entire facility and file it with the government for approval. We also required them to establish a process for regular validation of impact assessments and approvals, and to obtain permits and to communicate procedures for adhering to the conditions of the permits.</td>
</tr>
</tbody>
</table>

### Management commitment

Apple’s Code requires facility management to demonstrate commitment to our Code, including assigning a dedicated resource accountable for compliance; implementing procedures for corrective actions when deficiencies are identified; and establishing training programs for workers and management.

<table>
<thead>
<tr>
<th>Findings</th>
<th>Corrective actions</th>
</tr>
</thead>
<tbody>
<tr>
<td>54 facilities did not have a company statement on social and environmental responsibility that covered all categories of Apple’s Code. For example, some facilities had a statement for Health and Safety or Environment, but not for Labor and Human Rights or for Ethics.</td>
<td>We required facilities to establish a comprehensive statement on social and environmental responsibility and to appoint qualified personnel to ensure specified measures are implemented in management systems and daily business operations.</td>
</tr>
<tr>
<td>53 facilities did not have dedicated personnel accountable for compliance with all categories of Apple’s Code, including implementing corrective actions when Apple identifies violations to our Code.</td>
<td>We required facilities to appoint qualified personnel, ensuring that responsibility and accountability for compliance are included in their job descriptions. These job descriptions include ownership of a process for correcting deficiencies identified by internal and external audits, written corrective action procedures, and verification of the completion of appropriate actions.</td>
</tr>
</tbody>
</table>

For More Information

For more information about Apple’s Supplier Responsibility Program, visit www.apple.com/supplierresponsibility.