

Case Study: Apple

Apple's profile

Apple Inc. (hereafter Apple) was established in 1977 and is registered on the NASDAQ Global Select Market exchange. According to its Form 10-K 'Apple designs, manufactures and markets mobile communications, media devices, personal computers and portable digital music players, and sells a variety of related software, services, peripherals, networking solutions, and third-party digital content and applications'. Its products are sold through Apple's retail stores, online stores and third parties. Apple is a world leader in producing innovative electronic goods and technology. In 2011 Apple's net sales were estimated at \$108.2 billion. Its net sales in 2011 increased by 60% compared to 2010. Apple worldwide employs 60,400 full-time people and 2,900 temporary employees and contractors. The company utilizes outsourcing through the manufacturing of its products overseas; most of the factories are located in Asia.

Apple's CSR policies and reporting

As required by the SEC, Apple has made the Form 10-K annual report available on its website. The Form 10-K contains – amongst other things – information on Apple's business strategy and organization, the company's risk factors, legal proceedings and financial data. It also includes the business conduct policy of Apple: 'Apple conducts business ethically, honestly and in full compliance with all laws and regulations. This applies to every business decision in every area of the company worldwide'. Furthermore, the business conducts deals with corporate governance, information disclosure, non-corruption and bribery, environmental health and safety. Apple has considered the GRI G3.1 indices relating to the economy, the environment, human rights, society and labor for its publication on Governance, Product Environmental Reports, Recycling and Facilities Environmental Report and Supplier Responsibility. For Supplier Responsibility, Apple, for example, has taken into account the indicator which reports on measures it has taken to contribute to the elimination of child labor. With regard to Product Environmental Reports, Apple has used the EN26 performance indicator, and sets out initiatives to lessen the environmental impact of its products. Apple designs its products with the aim of being as energy efficient as possible, and it is the only company that can claim all electronic goods are Energy Star qualified. Apple's products have become more powerful while, at the same time, fewer materials are used and fewer carbon emissions are generated. Almost all of Apple's products are outsourced for manufacturing overseas. On its Supplier Responsibility website Apple states: 'Apple is committed to the highest standards of social responsibility across our worldwide supply chain. We insist that all of our suppliers provide safe working conditions, treat workers with dignity and respect, and use environmentally responsible manufacturing processes. Our actions – from thorough site audits to industry-leading training programs – demonstrate this commitment'. The Supplier Code of Conduct (Supplier Code) outlines Apple's expectations for the suppliers it does business with. As a condition for doing business with Apple, suppliers have to commit to the Supplier Code. For the Supplier Code, Apple has adopted the Electronics Industry Code of Conduct (EICC), the guidelines and standards for the electronics sector. Through onsite audits Apple ensures that suppliers comply with the Supplier Code. The final assembly manufacturers are audited every year and the components suppliers are audited arbitrarily. Apple obliges its suppliers to respect the human rights of its workers, to inform the workers of their rights, and to treat them with dignity and respect. Apple requires from its suppliers that they

prevent discrimination, involuntary and underage labor, excessive working hours and that they pay workers with wages and benefits in accordance with the applicable laws and regulations.

Apple's conflicts

The limited transparency of Apple's supplier sustainability policy has often been criticized in the media. In February 2010 Apple also turned down two shareholders' sustainability proposals to establish a sustainability report on Apple's environmental policies and the impact that climate change has on the company. The other proposal was to establish a board of directors' sustainability committee.

Labour and human rights

A well-known conflict involving Apple's suppliers is the suicides at Foxconn.¹²² It is the largest contracted electronics manufacturer in the world, with dealings involving Dell and Sony. Foxconn is the manufacturer of iPhones and iPads and employs over 900,000 workers, of whom 420,000 employees work at the Foxconn Shenzhen plant. This plant covers 15 factories, including dormitories, a hospital, a bank, a grocery store and restaurants. The workers live and work inside the complex. In 2006 the Chinese local press reported on the excessively long working hours and the discrimination of mainland Chinese workers by Taiwanese superiors. In May 2010 several media sources reported several cases of suicide at Foxconn.¹²⁴ From 2009 to 2010 a total of 13 workers had committed suicide. The first worker, Sun Danyong, committed suicide after he had been interrogated on the loss of an iPhone 4 prototype that he had in his possession.¹²⁵ When the former CEO Steve Jobs was asked about the suicides at Foxconn, he responded: 'Foxconn is not a sweatshop. During an undercover investigation it was discovered that the reason for the multiple suicides was related to internal management.¹²⁷ 'The facilities of Foxconn are fine, but the management is poor,' revealed Zhu Guangbing, who organized the investigation. According to Audrey Tsui, a professor at the National University of Singapore Business School, Foxconn maintains a military-style management approach. The workers were not allowed to interact with each other. Workers who violated the rule were penalized with a fine or were held to be in contempt by the manager. The weekly working hours of workers were up to 70 hours, ten hours above the maximum hours set by Apple's Supplier Code. The Foxconn factory has good facilities. The workers have access to swimming pools and tennis courts. Foxconn organises activities such as chess clubs, mountain climbing or fishing expeditions. But with a 70-hour workweek, employees did not have any time to enjoy these facilities. However, interviews with several Foxconn workers by Dreamworks China revealed that not all the employees were dissatisfied. Some believed that the working conditions at smaller factories are worse. One of Foxconn's workers stated that employees at Foxconn thought the media had exaggerated the suicides regarding their connection to Foxconn and that possibly some suicides had a sentimental or romantic cause. In February 2011, the media reported the child labor issues had worsened at the suppliers for computers, iPods and iPhones. Apple's Supplier Responsibility Report 2011 revealed 91 underage workers at the suppliers.

Workers' health and safety

Concerning workers' health and safety conditions at the suppliers, in May 2010 two workers were killed and sixteen employees were injured during an explosion at Foxconn. An Apple spokesperson stated: 'We are deeply saddened by the tragedy at Foxconn's plant in Chengdu, and our hearts go out to the victims and their families. We are working closely with Foxconn to understand what caused this terrible event'. In the same month, The Guardian reported that workers from Wintek had been poisoned by n-hexane, a

toxic chemical used to clean the touch screens of iPhones. The employees complained that the compensation Wintek offered for the health damage was not sufficient. The workers who did receive compensation were asked to resign from their jobs.

Apple's CSR policy post-conflicts

Apple makes sure that suppliers comply with the Supplier Code by conducting audits. The audits cover working and living conditions, health and safety but also environmental practices at the facilities. According to Apple's Supplier Responsibility Report 2010, Apple conducted 102 audits in 2009. In 2011 Apple conducted 229 audits, an increase of 80% compared to 2010. An audit is conducted by an Apple auditor and supported by local third-party auditors. In the Supplier Responsibility Report 2010, published in February 2011, Apple included a paragraph responding to the suicides at Foxconn. In the Supplier Responsibility Report 2011, Apple reports that during inspections Apple discovered ten facilities with underage labor violations. One of the facilities had a large number of underage workers. Because the management did not want to address the problem, Apple terminated businesses with this facility where underage labor has been discovered, suppliers are required to pay educational expenses, living stipends and lost wages for six months or until the worker reaches the age of sixteen. In November 2010, Apple set up a training programme to prevent the future hiring of underage workers. The human resources managers are trained in Chinese labor law. Training human resources managers, however, will not solve child labor issues. When the costs of labor, energy and raw materials rise and there is a shortage of labor, factory owners are forced to cut costs or to find cheaper labor. Child labor can easily be hidden by providing fake wages and work schedule data. Also, it is difficult to prevent child labor when underage workers want to work to provide for their families. The Supplier Responsibility Report of 2012 states that suppliers are obliged to return underage workers to school and finance their education through Apple's Child Labor Remediation Program. Regarding abolishing underage labor, Tim Cook, the CEO of Apple, stated: 'We would like to totally eliminate every case of underage employment. We have done that in all of our final assembly. As we go deeper into the supply chain, we found that age verification system isn't sophisticated enough. This is something we feel very strongly about and we want to eliminate totally'. In the Supplier Responsibility Progress Report of 2011 Apple addressed the issue of the use of n-hexane. Apple obliged Wintek to stop using n-hexane and required Wintek to repair its ventilation system and to work with a consultant to improve its environmental health and safety systems. In order to take action it is important for companies to be transparent about their supply chain. In February 2012 Apple announced it would be the first technology company to join the Fair Labor Association (FLA) as a participating company.