Supply Chain Social Responsibility
Global Procurement
Apr 2017
IBM Corporate Citizenship
Corporate Citizenship / Responsibility – defined as:

The way that companies manage their business processes to produce an overall positive impact on society.

Corporate Citizenship is a platform for doing business in a globally integrated world

- Manage the challenges of globalization
- A key competitive differentiator
- Enabler to opening up and gaining share of new and growing markets
- Relate to more diverse key stakeholders (Communities, NGOs)
- For IBM, consistent with our Core Values

Corporate Citizenship is an increasingly important decision criteria for customers, partners and investors
“From its inception over a century ago, IBM’s business has been based on a set of fundamental values. These values shape and define our company and permeate all of our relationships including those between our shareholders, clients, employees, and our network of suppliers.

We have a responsibility to hold ourselves and our suppliers to high standards of behavior.

We can build a stronger and more responsible supply chain by working together to implement programs such as the one presented below.

Customers, shareholders and other stakeholders are increasingly interested in companies who demonstrate leadership in advancing social and environmental supply chain programs. The EICC Code and audit protocol was created to enable companies in their progress toward attaining a fully compliant supply chain.”

John Paterson, IBM Chief Procurement Officer
Jan 18, 2013
IBM Supply Chain Social Responsibility (SCSR)

- SCSR is integral to IBM’s Corporate Citizenship activity
- SCSR is a **requirement** for all IBM suppliers
- Compliance to the EICC Code of Conduct is the baseline
- Confirmed by completing an EICC Validated Audit (or demonstrated equivalent)
  - Requirements supported by the Chief Procurement Officer and Procurement managers/staff

- Suppliers are viewed (externally) as an extension of IBM’s brand
  - *Supply chains are visible; the Internet makes this possible*
IBM Supply Chain Social Responsibility

The Journey

- Supply Chain Social Responsibility (SCSR) program launched
- Product Environmental Compliance Team created
- Social & Environmental Management System (S&EMS) Program Established
- ISC’s S&EMS included as part of IBM’s ISO14001 registration
- June 2011 All existing Production suppliers assessed as in compliance
- Additional validation of suppliers compliance against S&EMS requirements
- Feb 2010 - CPO Letter communicated to suppliers informing them of 8 social and environmental requirements
- On going SCSR Audits Based on EICC Code of Conduct
- All suppliers making up the majority of S&GP spend as assessed as in compliance
- Supplier Communication Tool Launched
- Tool enhancements and process improvements

Special thanks to

- Supplier Communication Tool
- CPO Letter
- EICC Code of Conduct
- SCSR Audits
- S&EMs Tool
In relationships with approximately 14,000 suppliers worldwide, IBM requires a commitment to social and environmental responsibility — just as IBM’s own clients expect of us. We establish requirements for suppliers and assess compliance, collaborate with industry groups to drive broader improvements, and work to expand the diversity of our supply chain.
IBM Supply Chain Social Responsibility

Compliance Program

IBM Corporate Policies → EICC Code of Conduct

Supplier Assessment → Supplier Audit (EICC VAP Protocol)

Corrective Actions → Capability Building and Continuous Improvement
IBM Supply Chain Social Responsibility

**Compliance Program**

### 2013 - 2015 full audits: distribution of nonconformances

(by section of EICC Code of Conduct)

- 30% Labor
- 27% Health and safety
- 24% Management system
- 12% Ethics
- 7% Environmental

### Improved nonconformance rates from 2015 re-audits

(% Non conformances to EICC code provisions)

<table>
<thead>
<tr>
<th>Category</th>
<th>2015 Re-audits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working Hours (Lab)</td>
<td>9 17</td>
</tr>
<tr>
<td>Emergency Preparedness (H&amp;S)</td>
<td>2 10</td>
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<tr>
<td>Wages and Benefits (Lab)</td>
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<tr>
<td>Occupational Safety (H&amp;S)</td>
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<tr>
<td>Food, Sanitation and Housing (H&amp;S)</td>
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<tr>
<td>Occupational Injury and Illness (H&amp;S)</td>
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<tr>
<td>Freely Chosen Employment (Lab)</td>
<td>1 4</td>
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<tr>
<td>Management Accountability and Responsibility (Mgt)</td>
<td>3 0</td>
</tr>
<tr>
<td>Hazardous Substances (Env)</td>
<td>3 0</td>
</tr>
<tr>
<td>Child Labor Avoidance (Lab)</td>
<td>3 1</td>
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</tbody>
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IBM Corporate Citizenship
EICC Code of Conduct & Validated Audit Process
The EICC is a coalition of the world’s leading electronics companies working together to improve efficiency and social, ethical, and environmental responsibility in the global supply chain.

- **Vision:** A global electronics industry supply chain that consistently operates with social, environmental and economic responsibility.

- **Mission:** To enable and encourage our members to progress towards the EICC vision through a common code of conduct, collaborative efforts and shared tools and practices.

Any electronics company or supporting services company can adopt the EICC Code of Conduct.

www.eicc.info
Electronic Industry Citizenship Coalition - EICC
The Code of Conduct provides guidelines for performance and compliance with critical CSR policies and provides companies a structure to deploy Corporate Social Responsibility into their extended supply chain.

The Code of Conduct addresses five areas:

- Labor
- Health and Safety
- Environment
- Ethics
- Management System

The EICC Code of Conduct is updated every three years.

EICC developed a Self Assessment Questionnaire (SAQ) to help users determine potential risk of noncompliance to the Code; and an audit protocol to assess compliance with the Code.

The audit protocol is called the Validated Audit Process (VAP).
EICC Code of Conduct

The Validated Audit is a key step of a capability development model that assesses conformance to the EICC Code of Conduct, local laws, and regulations through a management systems approach to drive sustainable solutions.

Treat employees with dignity & respect
1) Freely Chosen Employment
2) Young Workers
3) Working Hours
4) Wages and Benefits
5) Humane Treatment
6) Non-Discrimination
7) Freedom of Association

Evaluate & control exposure to hazards
1) Occupational Safety
2) Emergency Preparedness
3) Occupational Injury & Illness
4) Industrial Hygiene
5) Physically Demanding Work
6) Machine Safeguarding
7) Sanitation, Food, and Housing
8) Health and Safety Communications

Protect the environment
1) Environmental Permits & Reporting
2) Pollution Prevention & Resource Reduction
3) Hazardous Substances
4) Wastewater & Solid Waste
5) Air Emissions
6) Material Restrictions
7) Storm Water Management
8) Energy Consumption and GHG Emissions

Uphold the highest standards
1) Business Integrity
2) No Improper Advantage Disclosure of Information
3) Intellectual Property
4) Fair Business, Advertising and Competition
5) Protection of Identity
6) Responsible Sourcing of Minerals
7) Privacy

IBM Corporate Responsibility
The Validated Audit Process follows a six step process from the Self Assessment and initial request for an audit to corrective action management and the Closure Audit (Re-Audit)

Start

EICC-on SAQ

Register on EICC-on and conduct a Self Assessment of your facility

Initiate Request

Request a VA for a supplier or your own company facility

Schedule

The APM schedules the audit with the facility and the approved auditors

Onsite Audit

On site audit is conducted under the oversight of the EICC APM

Report

Audit report is reviewed by the EICC APM for quality assurance and released to the Auditee

Follow Up

Corrective Actions Plans are reviewed and approved and VAP Closure audits (re-audits) are arranged

Click [here](#) to access other tools, resources, and contracts related to the VAP
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Resources

- IBM Corporate Citizenship Report
  (www.ibm.com/ibm/responsibility)

- Electronic Industry Citizenship Coalition
  (www.eicc.info)