Guidebook for Assisting Electronic and Electrical SMEs to Meet Global Buyers' Requirements on Green and Ethical Procurement

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Funded by SME Development Fund:

工業貿易署
Trade and Industry Department

Win Global Market with GREEN AND ETHICAL PRACTICES

Printed on recycled paper

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SME Development Fund Project

"Assisting SMEs in the Electronic and Electrical Industry to Comply with Global Sourcing Buyers' Requirements on Green and Ethical Procurement"

About this Guidebook

With funding support by the SME Development Fund of the Trade and Industry Department, HKSAR Government, the captioned project is organized by the Hong Kong Electronic Industries Association and implemented by the Hong Kong Productivity Council.

This project aims to assist Small and Medium Enterprises (SMEs) in the Hong Kong electronic and electrical industries to understand and comply with various international buyers' requirements on environmental and ethical aspects. It embraces a range of activities including seminars, pilot gap analysis, publication of guidebook, and information dissemination through website. In particular, this guidebook is published to provide a quick overview on leading green and ethical procurement requirements, general methodology to achieve and demonstrate related compliance, as well as reference of good practices currently carried out by some local companies.

This guidebook is written by the Hong Kong Productivity Council.

Acknowledgements

Preface

In view of the fact that many international buyers of electronic and electrical products have established their own environmental and ethical requirements and evaluation mechanisms in selecting appropriate suppliers, it is anticipated that Small and Medium Enterprises (SMEs) who fail to comply with such requirements will unlikely be included into the buyers' supply chain.

The Electronic Industry Code of Conduct (EICC) was created by the Electronic Industry Citizenship Coalition and released in 2004. The EICC provides guidelines on social, environmental and ethical aspects to the global electronics supply chain. It aims to have a series of standardized requirements for adoption by businesses on a voluntary basis. Companies that endorsed the code are encouraged to apply the associated requirements to their procurement process.

Up to now, more than 40 world-leading corporations of different regions have officially declared their support to the EICC. It is being spread to the electronic industry worldwide through the extensive procurement network of the corporations.

In order to provide assistance to the local companies on maintaining their business competitiveness, the Hong Kong Electronic Industries Association (HKEIA), in collaboration with the Hong Kong Productivity Council (HKPC), carried out a programme financed by the SME Development Fund of the Trade and Industry Department to assist SMEs in the electronic and electrical industry complying with the global sourcing buyers' requirements on green and ethical procurement. Through this programme, it is expected that SMEs would benefit from an enhanced awareness and understanding of EICC and international buyers' requirements and trends, so that they could embark on their own compliance actions.

This guidebook provides concise information on the EICC and international buyers' green and ethical requirements, guidance on meeting such requirements, and case studies.

I hope the electronic and electrical industries in Hong Kong would benefit from this meaningful programme, and our industries could be able to achieve success in various markets around the world.

Prof. K. B. Chan
Chairman
The Hong Kong Electronic Industries Association

A Message from Epson Hong Kong Limited

Epson, established in the rich natural surroundings of Central Japan, has always been committed to conducting its business activities in a way that minimizes the company's environmental footprint. In line with our environmental action policy, we seek to create and provide eco-considerate products. In this connection, when choosing the parts and raw materials for building our products, we give preference to lower environmental impact alternatives.

We buy green production materials (including all components, raw materials and packaging materials) based on the same standards around the world and have maintained a worldwide 100% green purchasing rate since 2004. In May 2010, we revised the SEG Green Purchasing Standard for Production Materials to encompass the latest legislative and regulatory requirements. Developing and adopting the global procurement standards not only assures the reliability of the substance content of our products, but also facilitates our communication with appropriate suppliers.

It is our pleasure to participate in this meaningful programme. Through the programme, we hope SMEs in the electronic and electrical industry will not only be able to acquire a thorough understanding of market demand and requirements, but also enhance their competitiveness and ability to achieve success in various markets around the world.

A Message from Hewlett-Packard AP (Hong Kong) Limited

HP is one of the world's largest information technology (IT) companies and has the industry's most extensive supply chain – with more than 700 production suppliers working in more than 1,200 locations worldwide and employing more than 300,000 people. We embrace the challenge of raising standards in our supply chain and have been driving social and environmental responsibility (SER) progress for ten years. HP has engaged more than 600 suppliers in this process and conducted over 500 supplier site audits since 2000. Since then, suppliers' performance has been improved and the number of non-conformances seen in our earlier audits has been decreased in many areas.

HP is a co-lead of the development of the Electronic Industry Code of Conduct (EICC), the standard which has been adopted by HP and is now applied across the industry's global supply chain. Based on this code, our work with suppliers follows a four-phase process. In phase one, we assess suppliers' risks and establish a contractual framework for SER performance expectations. In phase two, HP's suppliers conduct self-assessments that help them to understand, prioritize and address specific risks. Higher-risk suppliers move into the third phase of validation and improvement through onsite audits. In the last phase, we address the needs for supplier capacity building, education and implement regionally based programmes designed for continual improvement.

Improving supply chain standards is an ongoing process, and collaboration is vital to our programme's success. To achieve this, it is important to go beyond assessment and hence actively support suppliers in developing their labour, health and safety, environmental and ethics management capabilities. HP provides the level and types of support appropriately for each region's specific needs within our supply chain. We invest in supplier training, often in collaboration with local non-governmental organizations (NGOs) and industry partners.

HP supports green and ethical procurement. We encourage local SMEs to establish their own green and ethical supply chain strategy and programmes that achieve green and ethical sourcing.

Mr. Raymond Ho
Director of Environmental Management (North Asia)
Hewlett-Packard AP (Hong Kong) Limited

A Message from
Philips Electronics Hong Kong Ltd.

We believe achieving a sustainable supply base is about taking care of workers' lives and the environment. As a member of the Electronic Industry Citizenship Coalition, our goal is to improve conditions in the supply chain. We developed an approach on a risk profile basis with reference to spending, business risk, country of production and type of supplier relationship.

Mr. Jason Wong
Senior Manager
Global Supplier Sustainability
Philips Electronics Hong Kong Ltd.

We endorsed the Electronic Industry Code of Conduct (EICC) and joined its Implementation Steering Committee in 2006. Working with other electronic companies to develop standardized tools and processes brings increasing efficiency, productivity and simplicity to us and to our suppliers. All suppliers with certain annual spending must sign and adhere to the Supplier Sustainability Declaration, which constitutes an integral part of our purchase agreements, purchase orders and terms and conditions.

To help us determine the criteria for supplier sustainability audits, Philips conducts onsite sustainability audits to gain a general picture of supplier's overall sustainable performance on the EICC. The audits are conducted by an in-house auditor or an EICC-certified auditing body with using the Philips Supply Sustainability Audit Tool. If non-conformances are identified during the audit, Philips will work with the supplier to define a Corrective Action Plan which specifies the required steps, milestones and responsibilities in rectifying the situation, as well as trace and track progress of the plan. We are committed to awarding business to suppliers who conform to our standards of sustainability. To do this, we will periodically audit suppliers against these standards and rate them for performance and improvement.

We communicate these results in our management reviews with suppliers. The results are also incorporated in our overall supplier rating system which helps us decide which suppliers to be used. Generally, suppliers who comply with the EICC or accreditations related to green and ethical procurement is highly appreciated by our supply chain. We hope SMEs will be beneficial from the help of EICC and this guidebook so as to enhance their competitiveness in the global market.

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INTRODUCTION

1

Introduction

Overview on Global Green and Ethical Procurement Trend

With the increasing public awareness of environmental protection, sustainability, and corporate responsibility in recent years, more and more local and overseas organizations have published or are developing their own procurement policies with regard to environment protection as well as ethical code of conduct. These organizations often include national and local governments, public sector institutions, non-profit organizations, and most of all many large businesses and multinational enterprises.

Thanks to a series of influential international legislations instituted in the last decade, e.g. EU RoHS (2002/95/EC), China RoHS (SJ/T 11363-2006), EU REACH (EC 1907/2006), and US CPSIA (2008), governments, NGOs (non-governmental organizations), media and the general public have paid close attention to the environmental sustainability issues related to electronic and electrical industries, especially large multinational corporations. In this connection, despite higher product premium cost and lack of uniform selection criteria for various product types, many large organizations are quickly adopting the concept of environmental sustainability into their business and daily purchasing activities.

Through green and ethical purchasing, companies can not only better achieve compliance to mandatory regulations in different countries/regions, build up positive public image, reduce environmental footprint, assist development of local community, but also gain tangible benefit in terms of business bottom-line. For example, ethical treatment to employees, business partners and other stakeholders can help cooperation and reduce business risks. In addition, eliminating toxins or increasing recyclable content in a product may lower the fees related to end-of-life product recycling and disposition.

The demand for green and ethical purchasing is expected to keep growing. As indicated by a recent survey, more than half (56.5%) of North American organizations have formulated a formal or informal sustainability policy and/or a "green" purchasing policy, and 53% of those who do not have the policy expressed the willingness to implement one in the near future. (Ecomarkets Summary Report 2009, Terrachoice, http://www.terrachoice.com)

Impact to Hong Kong Industries

Large multinational corporations have long been sourcing their parts and components from overseas markets because of cost advantage. China is estimated to represent approximately 76% of all electronic manufacturing services output in Asia and 54% of the whole world (BuyUSA, http://www.buyusa.gov). Playing an important role in import/export activities between Mainland China and overseas markets, Hong Kong small and medium enterprises (SMEs) in the electronic and electrical industries have established a wide connection in both domestic and global supply and distribution networks. While some of the SMEs are still striving to comply with ever-evolving international legislative mandates, many SMEs are facing other sourcing requirements beyond legislations and are searching for a more comprehensive and sustainable solution to meet various expectations from customers in order to enhance their market competitiveness.

Whereas some have established their own product brands, many Hong Kong based SMEs are deemed to be OEMs (original equipment manufacturers) which refer to vendors providing manufacturing services to other overseas companies. Therefore, it is important for Hong Kong SMEs to get to understand the emerging green and ethical procurement trend and explore associated market opportunities. Furthermore, SMEs may also find it necessary to provide proper guidance to their own operation facilities located in Mainland China or elsewhere, as well as to their supply chain in order to reduce accumulative risk resulted from upstream suppliers.

It's Time to Go Green and Ethical

According to the latest Terrachoice EcoMarkets Summary Report 2009, despite the recent economic downturn, about 80% of professional purchasers in North America expect their organizations will keep buying more "green" products/services in the upcoming two years.

In fact, many leading companies in the electronic and electrical industries have announced their commitment in developing green and ethical supply chain partnership on top of purchasing environmentally friendly products/services, and included such commitment as an important part of their corporate sustainability target. Besides buyers' specific requirements, the recent years have also seen the emergence of various international standards aiming to address issues related to sustainability and corporate social responsibility. Accordingly, to further address the specific supply chain issues related to the electronic and electrical industries, the Electronic Industry Code of Conduct (EICC) has been introduced to the industries' supply chain, with its third version released in 2009. For more reference and guidance on some sample purchasing and supplier requirements, please refer to Chapter 2.

Compared to large size companies, SMEs are confronted with limited resources, manpower, and market share. However, green and ethical initiatives are not the privilege of large companies. The associated positive outcomes of such initiatives, including enhanced business and brand images, reduced resource consumption, prevention of wastage, elimination of toxins and pollution, control of environmental footprint, and establishment of sustainable relationship with stakeholders and local community on the basis of ethical principles, are also applicable and beneficial to SMEs.

Furthermore, SMEs can be deeply involved in the supply chain network of international buyers. Taking the initiative to move proactively towards meeting the challenge of current international green and ethical procurement demand, SMEs would be able to discover new business opportunities and sharpen their competitiveness through a sustainable approach of development.

To assist SMEs to benchmark their business against some of the best green and ethical practices of both local and overseas electronic and electrical industries, a quick self-evaluation tool based on the voluntary industrial standard of EICC will be introduced in Chapter 3, and relevant local successful experiences will be shared in Chapter 4.

2

Understanding Buyers' Green and Ethical Expectation

Key Elements of Green and Ethical Procurement Requirements

To earn the trust of all stakeholders including customers, business partners, employees, and members of the community, organizations must not only provide them with value through their business activities, but also take a positive stance toward fulfilling their corporate social responsibilities. In view of this, organizations should proactively tackle the whole range of corporate responsibility issues, including principally legal compliance, accountability, and environmental protection.

Adapting green and ethical procurement polices and processes can incorporate appropriate safeguards and checks to avoid abuses or inadvertent infringement on key corporate responsibility issues, and the most important areas of which are listed below.

Labour	Health/Safety	Environmental	Management	Ethics
Legal compliance	Legal compliance	Legal compliance	Commitment	Legal compliance
Employment	Working condition	Prevent pollution	Changes tracking	Business integrity
Wages & benefits	Living condition	Material content	Goals & measuring	Security & privacy
Humane treatment	Emergency preparedness	Resource conservation	Risk control	Social engagement

Figure 2.1 Major Areas of Green and Ethical Supplier Requirements

2.1.1 Labour

Employees are the most important resource of an enterprise. They therefore constitute a key stakeholder group that cannot only affect business decisions, but also carry out actions to implement those decisions. Owing to its importance in both economic and social perspectives, labour issues have long been viewed as a major part of corporate responsibility. Properly managed labour provides an enterprise with assurance of steady performance and reduced business risks. Based on the principles

established in the International Labour Organization Declaration on Fundamental Principles and Rights at Work (1998) and the United Nations Global Impact (2000), the requirements around the labour issue basically include the following:

Legal Compliance
- Observe and follow applicable regulations and laws with regard to labour age, working hours, minimum wages, human rights, etc.;
- Establish a process to monitor and record updates regarding the applicable laws and regulations; and
- Provide relevant regulatory information to employees.

REFERENCE

Guangdong Province Human Resources and Social Security (Government Website),
http://www.gd.lss.gov.cn/zcfg/

Hong Kong Labour Department (Government Website),
http://www.labour.gov.hk/front.htm

Employment
- No forced or involuntary labour used, and employment shall base on free choice;
- Not to use child labour; and
- Regulate maximum working hours and provide holidays per applicable laws and regulations, and/or industrial standards.

QUICK FACTS

• More than 70% of the companies adopting EICC have cited "working hours" as the top area for improvement in the supply chain.

TIPS

Problem: Employees tend to work long hours.

Solution:
1) Strengthen communication with employees and provide them information on maximum working hours, drawback of excessive overtime, other applicable rights and benefits through employee handbook or training programme, etc.
2) Apply a control mechanism to monitor and manage working hours of employees. After experiencing temporary situations such as surge of ordering or labour market shortage, management should take initiatives in planning and implementing measures to reduce overtime to a normal range gradually within a reasonable period of time.
3) Considering that the company may benefit from cutting down operating expenses through reducing overtime, and that overtime pay constitutes a significant part of staff income, management could evaluate possibility of using other appropriate tangible methods (e.g. bonus) or intangible methods (e.g. vacation) as supplement to employees while limiting total working hours.

Wages and Benefits
- Comply with regulatory mandates for minimum wages, overtime pay, etc;
- Offer clear information to employees regarding compensation and other benefits; and
- Provide employees compensation and benefits timely and accurately.

Humane Treatment
- Prevent harassment and unlawful discrimination (e.g. age, gender, race, etc.);
- Clarify disciplinary procedures to employees and avoid harsh/inhumane treatment;
- Encourage open communication between management and employees; and
- Respect employees' legal right to association and collective bargaining.

2.1.2 Health and Safety

In order to control work-related injury and illness, and establish a healthy and safe work environment for employees and business operation, companies should evaluate business related health and safety issues, establish protective mechanism, educate the workforce and perform reviews on a regular basis to identify potential risks. The major requirements on health and safety consist of the following:

Legal Compliance
- Observe and follow local regulations and laws with regards to occupational safety, industrial hygiene, emergency preparedness, etc.;
- Establish a process to monitor and record updates regarding the applicable laws and regulations; and
- Provide safeguarding fixtures, relevant information of health and safety to employees.

Working Condition
- Establish safety procedures and equip personal protection for workers;
- Analyze track records or reports of occupational injury and illness cases; and
- Evaluate production machinery to eliminate safety hazards and control physically demanding work for workers.

TIPS

Problem: Some SMEs have no designated staff to follow up occupational safety, accident/incident investigation and record keeping.

Solution:
1) Establish proper procedures to handle issues related to occupational safety, case investigation and records.
2) Appoint a management representative to be in charge of occupational safety matters following the established procedures.
3) Review safety data on a regular basis to apply proper protection for employees and reduce risk related to occupational injury.

TIPS

Problem: Some SMEs appear to be lack of sufficient warning or protection apparatus for production machines.

Solution:
1) Set up maintenance plans for production machines to ensure their functionality.
2) Perform risk assessment on operation associated with machines.
3) Provide appropriate protection and training to ensure that machine operation is compliant with legal requirements and pose no hazard to employees.

Emergency Preparedness
- Establish emergency response team, set up action plans and response procedures;
- Install and maintain fire fighting facilities and fire alarm system; and
- Perform and record the fire evacuation drills, chemical spill in factory plant and dormitory.

Living Condition
- Obtain food operation licence for applicable facilities (e.g. canteen), and keep health check records of the staff working there;
- Provide clean and sanitary food or housing facilities as well as to maintain general well-being of workers; and
- Identify, evaluate and control exposure of workers to chemical, biological and physical agents.

2.1.3 Environmental

Generally speaking, energy and resources are consumed and transferred to products/services and wastes are generated during business operation. It is therefore important for a company to be aware of its responsibilities to the environment, the local community and natural resources, and to take an active approach to control its negative impacts to the surroundings. Additionally, with a growing interest in sustainability of people and the environment in recent years, there have been a number of important international legislations established to restrict hazardous substances in product content, such as EU RoHS and REACH. In this regard, the main environmental considerations can be outlined as follows:

Legal Compliance
- Observe and follow applicable environmental laws and regulations with regard to airborne emissions, wastewater discharge, solid waste disposal and hazardous substances restriction, etc.;
- Obtain environmental permits, licences or registration for relevant activities concerned; and
- Prepare relevant compliance information to customers and government authorities when necessary.

Prevent Pollution

- Install equipment to treat the emission and discharge from manufacturing activities;
- Implement environmental objectives, targets and programmes with operational procedures for material recycling, reuse and energy conservation; and
- Monitor results or reports for waste recycling and energy consumption.

TIPS

Problem: Without monitoring wastewater and solid waste, airborne emissions, and other types of pollution regularly, it can be difficult for a company to evaluate associated environmental performance and demonstrate compliance to regulatory and buyer requirements.

Solution:
1) Take initiative to learn about relevant requirements from local government and obtain applicable discharge permits.
2) Establish a plan to perform periodic assessment.
3) Measure actual data by internal staff or external organizations to confirm that they are within the acceptable range required by the laws and regulations.
4) By creating corresponding improvement programme, the company may enhance its performance in the relevant environmental aspects, and prepare itself for meeting international buyer requirements.

Material Content

- Source hazardous-substance-free materials for relevant manufacturing activities;
- Arrange test or inspection of substance content for raw materials; and
- Monitor production process to eliminate hazardous substances in products.

Resource Saving

- Upgrade existing equipment or facilities to save energy; and
- Separate used papers, metals, plastics and other waste materials for reuse or recycle to maximize utilization of resources.

2.1.4 Management

Good management is the key to achieve compliance to applicable laws, regulations, and customer requirements. A well-established management system can also provide necessary support and mechanism to ensure timely correction on non-compliance or allow continual improvement as compliance requirements evolve. The following description provides an outline on major components of management.

Commitment
- Affirm commitment to compliance and continual improvement on social and environmental responsibility;
- Identify company representative(s) responsible for implementing the associated management systems and programme; and
- Provide clear information on policies, practices, expectations and performance standards to workers, suppliers, customers, and other stakeholders.

EXPERIENCE TALKS

A dedicated department is established at LTK International Limited to implement various environmental, health and safety initiatives, which aim at not only achieving buyers' requirements but also uphold the company's commitment to the employees, the environment, and the society. (Please refer to Section 4.3 for more details).

TIPS

Problem: Local companies rarely communicate their green and ethical performance to interested parties, including customers, suppliers, investors, local communities, etc.

Solution:
1) Record and compile major accomplishment of the company in the related aspects.
2) Promote green and ethical achievement of the company, together with brand image and products, through various channels such as websites, annual reports, meeting room display, etc.

EXPERIENCE TALKS

SUGA Electronics Limited communicates its commitment to green and ethical business practices to the general public through a wide range of charity and donation activities, which help to increase its staff morale and serve as strong proof of its social responsibility to local and global buyers. (Please refer to Section 4.4 for more details).

Changes Tracking
- Observe and follow laws and regulations with regard to environment, health, safety, labour practice and ethics;
- Create, maintain documents and records to ensure required compliance and conformity; and
- Maintain records of internal and external audits, including verification of compliance with applicable laws and regulations.

TIPS

Problem: SMEs may not keep systematic records on occupational health, safety, environmental training conducted to employees. As a result, their corresponding cognitive level cannot be quantified.

Solution:
1) Establish internal or external training objectives for different positions.
2) Maintain a training record system to track training subjects, attendance, number of training hours, etc.

Goals and Measuring
- Define and review objectives to improve social and environmental performance;
- Organize training for managers and workers to explain objectives and requirements; and
- Set up measures to ensure prompt correction to deficiencies.

TIPS

Problem: Some SMEs do not have specific targets established annually on environmental, safety and health, labour and ethics aspects.

Solution:
1) Consider setting some targets that are closely related to business operation, which may be divided into different stages (e.g. short or long term).
2) Establish specific policy and action plans, track the implementing status, and keep supporting records.
3) Review issues timely when implementing the plans and apply necessary correction or adjustment to achieve targets.

Risk Control
- Identify and control risks related to environment, health, safety, labour practice and ethics;
- Assess frequently on employees' understanding and obtain their feedback; and
- Perform self-evaluation periodically to ensure conformity to the requirements related to corporate social and environmental responsibilities.

TIPS

Problem: Due to interconnection of supply chain, many buyers require their upstream (including multi-tiers) suppliers to set up controls on potential risks related to labour, ethics, occupational health, safety and environmental aspects. However, SMEs often do not have these aspects covered in their own vendor assessment. As a result, it becomes difficult for SMEs to estimate the related performance and business risks.

Solution:
1) Add the elements of labour, ethics, occupational health, safety and environment to vendor assessment.
2) Identify gap for these aspects and communicate findings to suppliers. Meanwhile, guidance or training may be provided to suppliers to assist their improvement.
3) Include applicable requirements in contract provisions when necessary.

EXPERIENCE TALKS

Every quarter a number of employees are randomly selected and invited to provide their feedback on corporate issues to the management. Through these sessions, Full Gain Logistics Limited management can learn about employees' concerns and address them promptly, thus ensure a favourable working environment for the staff while reducing operational risk. (Please refer to Section 4.2 for more details)

2.1.5 Ethics

In order to compete and survive in the global market over time, a business must be able to observe a high level of business ethics and conduct business fairly. The typical requirements related to ethics may include the following:

Legal Compliance
- Observe and follow applicable laws and regulations with regard to business integrity, prevention of improper advantages, disclosure of information, intellectual property, fair business and competition, and protection of identity;
- Establish a process to monitor and record updates regarding the applicable laws and regulations; and
- Provide relevant regulatory information and training to employees.

Business Integrity
- Implement monitoring and enforcement procedures to prevent corruption, extortion and embezzlement;
- Avoid offering / accepting bribes or other undue advantages; and
- Keep the identity of supplier and employee whistleblower confidential.

Security and Privacy

- Disclose information regarding business activities and performance according to applicable regulations and prevailing industry practices;
- Protect and respect intellectual property rights; and
- Follow applicable standards and establish measures to protect customer information.

Problem: Employees of some SMEs have not yet developed a clear understanding of the significance of certain business ethics requirements, such as fair business or intellectual property protection.

Solution:
1) Introduce the relevance and requirements related to business ethics through company policy or handbook to employees.
2) Provide corresponding staff training programme.
3) Companies are suggested to develop specific procedures to protect intellectual property of their customers and business partners.

Social Engagement

- Define and implement a policy for social accountability;
- Ensure company requirements on ethics (e.g. fair competition) are communicated to interested parties and are properly followed in business activities; and
- Handle sensitive information with necessary protection to safeguard them from internal/external threats to confidentiality and integrity.
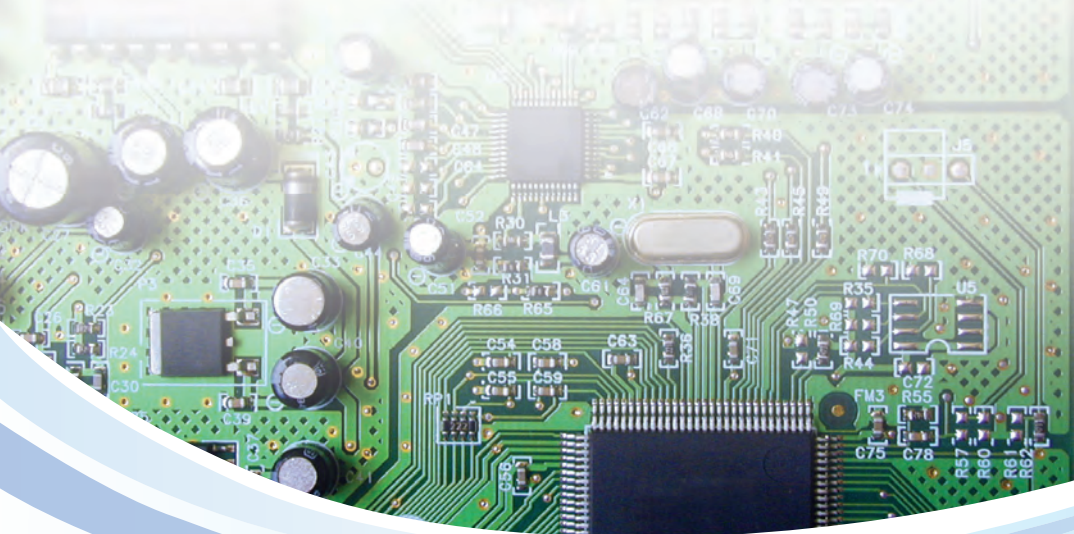
Electronic Industry Code of Conduct

In order to provide guidelines on social, environmental, and ethical aspects to the global electronics supply chain, the Electronic Industry Code of Conduct (EICC) was released by the Electronic Industry Citizenship Coalition in 2004.

The purposes of EICC include:
- enhancing efficiency and productivity of the procurement process;
- acknowledging the necessity of ensuring basic working condition for individuals;
- encouraging greater economic development and a healthier environment for local communities; and
- developing better communication and business continuity throughout the electronics industry.

The EICC aims to illustrate these general missions via a series of standardized criteria, which can be applied in a more practical and effective way to the unique industry of electronics.

REFERENCE

Electronic Industry Code of Conduct,
http://www.eicc.info/EICC%20CODE.htm

Electronic Industry Citizenship Coalition,
Official Website: http://www.eicc.info
Email: info@eicc.info

2.2.1 Implication to Suppliers

The EICC may be adopted and integrated into business operation of a company on a voluntary basis, and is not equipped with a certification programme at the moment. All companies that have endorsed the EICC are also encouraged to apply the associated requirements to their procurement process.

Up to now, more than 40 large world-leading corporations across Asia, America and Europe have formally declared their support to the EICC. Through their extensive business network and with significant buying power, these corporations are applying the principles of the EICC to their direct, indirect, and potential suppliers worldwide.
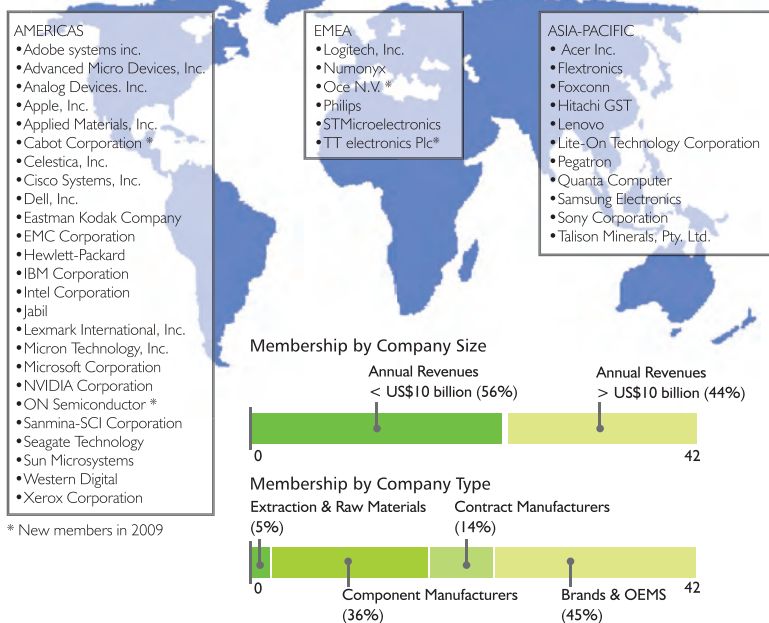
AMERICAS
- Adobe systems inc.
- Advanced Micro Devices, Inc.
- Analog Devices. Inc.
- Apple, Inc.
- Applied Materials, Inc.
- Cabot Corporation *
- Celestica, Inc.
- Cisco Systems, Inc.
- Dell, Inc.
- Eastman Kodak Company
- EMC Corporation
- Hewlett-Packard
- IBM Corporation
- Intel Corporation
- Jabil
- Lexmark International, Inc.
- Micron Technology, Inc.
- Microsoft Corporation
- NVIDIA Corporation
- ON Semiconductor *
- Sanmina-SCI Corporation
- Seagate Technology
- Sun Microsystems
- Western Digital
- Xerox Corporation

* New members in 2009

EMEA
- Logitech, Inc.
- Numonyx
- Oce N.V. *
- Philips
- STMicroelectronics
- TT electronics Plc*

ASIA-PACIFIC
- Acer Inc.
- Flextronics
- Foxconn
- Hitachi GST
- Lenovo
- Lite-On Technology Corporation
- Pegatron
- Quanta Computer
- Samsung Electronics
- Sony Corporation
- Talison Minerals, Pty. Ltd.

Membership by Company Size

Annual Revenues < US$10 billion (56%)   Annual Revenues > US$10 billion (44%)

0   42

Membership by Company Type

Extraction & Raw Materials (5%)   Contract Manufacturers (14%)

0   Component Manufacturers (36%)   Brands & OEMS (45%)   42

Figure 2.2 Companies Having Adopted EICC

(Source: Electronic Industry Citizenship Coalition 2009 Annual Report)

QUICK FACTS

According to its 2009 annual report (http://eicc.info/documents/AnnualReport.pdf), 74 % of the Electronic Industry Citizenship Coalition members had adopted the EICC as their supplier code of conduct. More than half of the members used the EICC tools to audit their own facilities or supplier facilities in 2009.

Additionally, to ensure a wide applicability, the EICC has been developed to align with many leading international standards, such as ISO 14001.

After adopting EICC, suppliers may potentially enjoy the convenience of reducing individual supplier audit work through a shared audit process initiated by the Electronic Industry Citizenship Coalition. As a set of uniform guidelines are followed, one EICC audit report can be shared and accepted by multiple down-stream customers.

Apart from the efficient audit process, companies may also benefit from a central database system. It enables data management and information sharing among those companies with commercial relationships, and provides tools to support assessment and validation phases for supplier engagement.

QUICK FACTS

Among about 1,300 supplier audits conducted in 2009 against EICC requirements, the Electronic Industry Citizenship Coalition members have reported on average 6 major and 12 minor non-conformances per site. Almost all the members would request suppliers for a corrective plan for non-conformances.

2.2.2 EICC Requirements
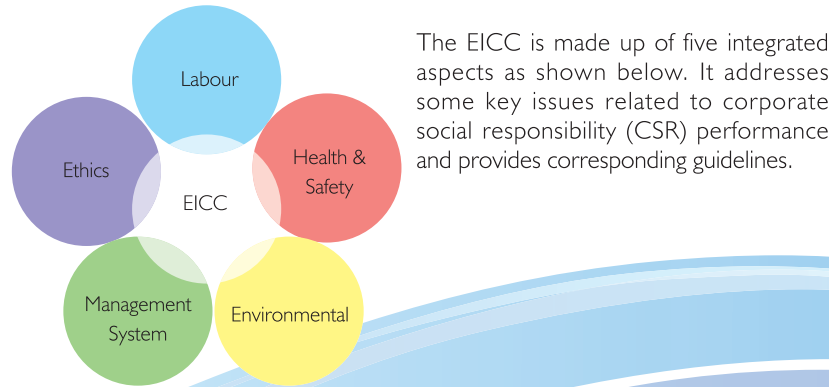
The EICC is made up of five integrated aspects as shown below. It addresses some key issues related to corporate social responsibility (CSR) performance and provides corresponding guidelines.

Figure 2.3 Composition of EICC

The following table provides a quick review on the major components of EICC.

Subject	Issues	Descriptions
A. Labour	1. Freely Chosen Employment	Forbid using forced, bonded, indentured or involuntary prison labour
	2. Child Labour Avoidance	Prohibit child labour to work in any stage of manufacturing
	3. Working Hours	Observe regulatory requirements. Allow at least 1 day off per 7-day week and not more than 60 hours per week under normal conditions.
	4. Wages and Benefits	Comply with all applicable wage laws
	5. Humane Treatment	Communicate disciplinary policies/procedures clearly to workers and avoid harsh or inhumane treatment
	6. Non-Discrimination	Prevent harassment and unlawful discrimination
	7. Freedom of Association	Introduce open communication and engagement between workers and management
B. Health and Safety	1. Occupational Safety	Establish safety hazards control and worker protection procedures
	2. Emergency Preparedness	Set up emergency action plans and response procedures
	3. Occupational Injury and Illness	Prevent, manage, track and report occupational injury and illness cases
	4. Industrial Hygiene	Identify, evaluate, and control exposure of workers to chemical, biological and physical agents
	5. Physically Demanding Work	Control and protect workers from hazards due to physically demanding work
	6. Machine Safeguarding	Evaluate production and other machinery to eliminate safety hazards and provide protection methods to workers
	7. Sanitation, Food and Housing	Provide clean and safe supplies as well as facilities to maintain general well-being of workers

Subject	Issues	Descriptions
C. Environmental	1. Environmental Permits and Reporting	Obtain required environmental permits, approvals and registrations
	2. Pollution Prevention and Resource Reduction	Reduce waste from sources and apply sustainable processes to reuse or recycle waste
	3. Hazardous Substances	Manage the chemical/materials to ensure safe handling, use and disposal
	4. Wastewater and Solid Waste	Monitor, control and treat wastewater and solid waste before release to the environment
	5. Airborne Emissions	Monitor, control and treat airborne emissions from operations prior to discharge
	6. Product Content Restrictions	Adhere to all applicable laws, regulations and customer requirements regarding hazardous substances restriction
	7. Freedom of Association	Introduce open communication and engagement between workers and management
D. Management System	1. Company Commitment	Affirm commitment to compliance and continual improvement on social and environmental responsibilities
	2. Management Accountability and Responsibility	Identify company representative(s) responsible for implementing the associated management systems and programmes
	3. Legal and Customer Requirements	Understand and monitor the applicable laws, regulations and customer requirements
	4. Risk Assessment and Risk Management	Identify and control risks related to environment, health, safety, labour practice, and ethics
	5. Improvement Objectives	Create objectives to improve social and environmental performance, and review periodically

Subject	Issues	Descriptions
	6. Training	Organize training for managers and workers to explain objectives and requirements
	7. Communication	Provide clear information on policies, practices, expectations and performance targets to workers, suppliers and customers
	8. Worker Feedback and Participation	Assess frequently on employees' understanding and obtain their feedback
	9. Audits and Assessments	Perform self-evaluation periodically to ensure conformity to the requirements related to corporate social and environmental responsibilities
	10. Corrective Measures	Set up measures to ensure prompt correction to deficiencies
	11. Documentation and Records	Create, maintain documents and records to ensure compliance with applicable legistation
E. Ethics	1. Business Integrity	Implement monitoring and enforcement procedures to prevent corruption, extortion and embezzlement
	2. No Improper Advantage	Avoid offering/accepting bribes or other undue advantages
	3. Disclosure of Information	Disclose information regarding business activities and performance according to applicable regulations and prevailing industry practices
	4. Intellectual Property	Protect and respect intellectual property rights
	5. Fair Business, Advertising and Competition	Follow applicable standards and establish measures to protect customer information
	6. Protection of Identity	Keep the identity of supplier and employee whistleblower confidential

How to Achieve EICC Compliance

After understanding the basic requirements of EICC, suppliers are suggested to go through some self-assessment and improvement exercises to ensure that the current practice is compliant with the EICC requirements before proceeding to self-declaration, customer audits or the Validated Audit Process (without certifying company/facility) administrated by the Electronic Industry Citizenship Coalition.

There are some useful reference resources and implementation tools provided on the EICC website to facilitate companies to introduce the EICC to their operation and supply chain.
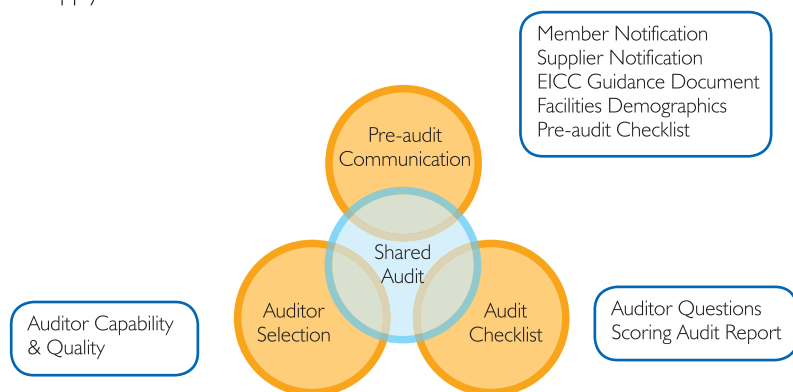

Figure 2.4 Tools to Support EICC Implementation (Source: Electronic Industry Citizenship Coalition Website)

In order to assist small and medium enterprises (SMEs) to start their initial assessment, and analyze current gap against major EICC requirements in a practical context, a quick self-evaluation tool will also be introduced in the latter part of this book.

QUICK FACTS

According to the Electronic Industry Citizenship Coalition members, the top issues of non-conformances during EICC audits are associated with working hours, wage payments and benefits, emergency preparedness, and occupational health.

Reference Requirements of International Buyers

In order to make products acceptable to different markets, national/regional/international regulatory compliance acts as a key factor to drive suppliers to implement hazardous substances restriction, product energy saving and waste recycling, etc.

However, a more direct driving force for green and ethical requirements is from buyers' specific purchasing policies or requirements. Sometimes these requirements refer to industrial standards and certifications, such as EICC and ISO 14001. These standards are not necessarily legally binding and therefore not mandatory for suppliers to follow. Instead, the standards would serve as useful guidance for additional corporate responsibility beyond legal compliance.

EXPERIENCE TALKS

In accordance with international procurement requirements and aiming at creating a sustainable business relationship with large buyers, Edwin McAuley Electronics Ltd. has established its comprehensive compliance management mechanism with the support of ISO 9001, ISO 13485 and ISO 14001 certifications in order to follow industrial best practices and achieve global recognition. (Please refer to Section 4.1 for more details.)

The following sections provide examples of procurement policies established by some organizations (in alphabetic order), which aim to promote and facilitate supply chain compliance and sustainable operations.

2.3.1 Hewlett-Packard Company

With more than 700 production suppliers working in more than 1,200 locations worldwide, Hewlett-Packard Company (HP) is one of the largest information technology companies in the world. Over the years, it endeavored to raise their social and environmental standards in supply chain and helped suppliers to enhance their capability. In particular, HP was the first electronics company to publish its own Social and Environmental Responsibility Supplier Code of Conduct in 2003. In 2004, HP co-led the development of the EICC. In addition, HP has supplemented the EICC with extra requirements specific to freedom of association which HP refers to as "HP's EICC".
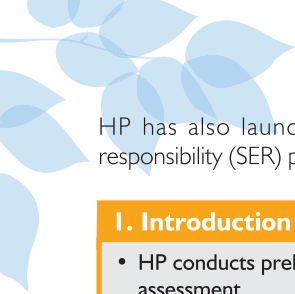
REFERENCE

Hewlett-Packard Specific Requirement on Freedom of Association,
http://www.hp.com/hpinfo/globalcitizenship/environment/pdf/
supcode.pdf#page=3

HP expects its suppliers to:
- comply with all applicable laws and regulations and require their suppliers (including labour agencies) to do the same;
- understand HP's Supply Chain Social and Environmental Responsibility Policy;
- conform to the expectations and standards stated in HP's Electronic Industry Code of Conduct; and
- comply with applicable environmental specifications and requirements set forth in HP's General Specification for Environment.

HP has developed the General Specification for Environment (GSE) to restrict the use of certain hazardous substances. This GSE applies to all parts, components, and materials incorporated into HP brand products, and manufacturing process. In its latest list of hazardous substances, HP listed out the concentration limits, exemptions and other information on more than 40 different substances. At the same time, environmental requirements of product packaging are also included in the GSE.

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HP has also launched a four-phase supply chain social and environmental responsibility (SER) programme to build up its suppliers' capabilities:

1. Introduction
- HP conducts preliminary risk assessment
- SER requirements confirmed in contract

3. Validation and Improvement
- On-site audit
- Corrective actions, if required

2. Assessment
- Suppliers complete self-assessment
- HP carries out audit and brings up suggestions

4. Capability Building
- Follow-up audit
- Identify key education areas
- Build suppliers' capability in key areas by building up their skills and toolset

In order to run the SER programme smoothly and minimize the chance of violation, HP has organized some training and development programmes, for the suppliers to infuse best practices. Through the audit programmes, HP discloses compliance information to the suppliers and suggests corrective actions if required.

2.3.2 Royal Philips Electronics

Royal Philips Electronics (Philips), a globally renowned company, has shared its commitment with its supply chain to achieve a high level of environmental and social sustainability, and to promote ethical working and business conditions. Besides adopting the EICC, Philips has established the General Business Principles (GBP) which included its commitment to suppliers as follows:

"Philips pursues mutually beneficial relationships with its suppliers and business partners. It seeks to award business to suppliers and business partners who are committed to act fairly and with integrity towards their stakeholders and who observe the applicable laws of the countries in which they operate."

In order to obtain sustainability through suppliers, Philips has developed a Supplier Sustainability Involvement Programme which consists of 5 major components.
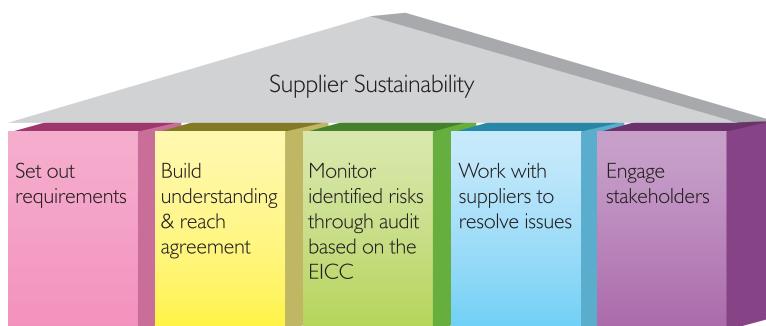
Supplier Sustainability

| Set out requirements | Build understanding & reach agreement | Monitor identified risks through audit based on the EICC | Work with suppliers to resolve issues | Engage stakeholders |

Figure 2.5 Philips Supplier Sustainability Involvement Programme

Philip's suppliers have to show its conformity with the Philips Sustainability Code for Suppliers which include:
• The Royal Philips Electronics Supplier Sustainability Declaration, which is basically in line with the EICC; and
• The Philips Regulated Substances List, which is mainly based on international substance restriction regulations (e.g. EU REACH)

Generally, Philips encourages and assists suppliers to meet sustainability targets by adopting the following approaches:
• Suppliers are recommended to check its current status by performing a supplier self-assessment;
• Philips helps identify potential issues or risks for suppliers through an on-site audit conducted either by Philips' in-house auditor or an EICC-certified auditing body; and
• Suppliers may be requested to define a Corrective Action Plan if applicable.

Philips has published the Philips Regulated Substances List to show the restricted substances applicable to materials used in its electronic products, packaging and transportation, which are mandatory for suppliers to comply. Suppliers are required to submit their compliance information to Philips through a web-based electronic system. A Full Material Declaration is encouraged to clearly show all chemical substances and other content present in the supplied materials. In theory, the Full Material Declaration may avoid frequent updating by suppliers whenever a new regulation is released, and also enables Philips to select lower impact components for its eco-design products.

Apart from the Regulated Substances List, Philips strives to further reduce environmental impact by setting out a list of relevant phase-out substances on a voluntary basis. Even where there are no current regulations imposed on those substances, suppliers are encouraged to reduce and even eliminate such substances from their products, or report to Philips in advance. Here are some examples of the voluntary phase-out substances:

• Polyvinyl Chloride (PVC)
• Brominated Flame Retardants (BFRs)
• Arsenic

• Phthalates and Antimony
• Beryllium

2.3.3 Seiko Epson Corporation

Seiko Epson Corporation (Epson) has now grown into a global company, with manufacturing and development facilities set up in 31 locations around the world. The company is committed to conducting its business activities transparently and in a responsible manner.

Management Philosophy

"Epson is a progressive company, trusted throughout the world because of our commitment to customer satisfaction, environmental conservation, individuality and teamwork. We are confident of our collective skills and meet challenges with innovative and creative solutions."

Epson integrates environmental considerations into its corporate activities, and actively strives to meet high conservation standards in fulfilling its responsibilities as a good corporate citizen. It has set up the procurement policies for suppliers to abide by:

1. Build good partnership with suppliers based on mutual trust and the principles of fairness, coexistence and co-prosperity.

2. Exercise high ethical standards and a social conscience, and conduct procurement activities in strict compliance with applicable laws and regulations, both national and international, in every region where we operate.

3. Strive to reduce environmental impacts of procurement activities, while seeking stable and reasonable quality, cost, and delivery from suppliers.

To become Epson's qualitied suppliers, companies should:

- have a stable management foundation;
- conduct its business activities in compliance with laws, regulations and social norms, additionally with an emphasis on CSR;
- have strong technical competence that enables it contribute to Epson products;
- be able to continuously supply materials that meet expected quality requirements;
- can provide cost-competitive materials; and
- supply goods at the right time and in the right quantity.
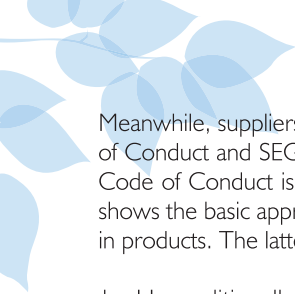
Meanwhile, suppliers are required to comply with two Epson standards: Epson Code of Conduct and SEG Green Purchasing Standard for Production Materials. While the Code of Conduct is basically in line with the EICC. The Green Purchasing Standard shows the basic approach relating to assurance against hazardous substances inclusion in products. The latter includes two categories which:

1. Unconditionally banned substances that are prohibited from Epson products regardless the intended use and the inclusion condition or location (such as white phosphorus, aldrin, etc.); and
2. Conditionally banned substances that are prohibited from Epson products depending on the intended use, the inclusion condition, or location (such as nickel, formaldehyde, etc.) Suppliers are required to submit the following relevant documents:

Submitted by/for	Documents
Each supplier	Vendor Agreement "Pledge to engage in actions against chemical substances included in products"
Each production material	Contained information[1] / Elimination information[2] on controlled chemical substances in products
	Compliance documents for California Formaldehyde Regulation for Composite Wood Products (limited to the delivery of applicable production materials)

CREATIVE
SOLUTION
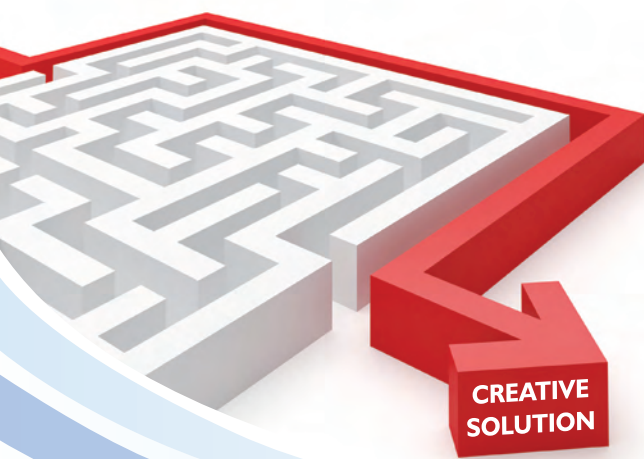
Note:
1. "Contained information" generally refers to information regarding basic parts and chemical substances contained.
2. "Elimination information" generally refers to basic parts information, chemical substances that are subject to survey requests, and information concerning conditions subject to elimination.

Additionally, periodic and detailed evaluation will be performed regularly to verify if suppliers are compliant with the applicable requirements.

Figure 2.6 Epson Evaluation Process (Source: Epson Group Procurement Guidelines V2.2)

2.3.4   Sony Corporation

Sony Corporation (Sony), one of the most significant buying powers in the world, endeavours to conduct Corporate Social Responsibility (CSR) activities with a focus on sustainability by:

• ensuring the sustainability of its business operations; and
• contributing to the realization of a sustainable society.

Sony works with its suppliers to strengthen the global supply chain management, and to promote "Corporate Social Responsibility Procurement" and "Green Procurement" concept to uphold social responsibility, and to reduce environmental impact from its products and manufacturing process.

To cope with Corporate Social Responsibility Procurement requirements, Sony has developed a "Sony Supplier Code of Conduct" policy which is based on the EICC and requires suppliers to be honest and conduct business in an ethical manner.

REFERENCE

Sony Supplier Code of Conduct,
http://www.sony.net/SonyInfo/csr/quality/code/
qfhh7c00000i5kbl-att/supplier_code.pdf

On the other hand, the focus on green procurement is stated in Sony's latest environmental management targets, known as the "Green Management 2015".

"To reduce environmental impact throughout the product life cycle, it is necessary to adopt a broad perspective that also takes into account the procurement of materials and parts. We have always worked with suppliers to ensure the proper management of chemical substances. Moving forward, we will also actively seek the cooperation of suppliers on other fronts, including the reduction of energy and resource use."

The following objectives are established for the procurement process:

Climate Change	1. Establish a mechanism to determine suppliers' greenhouse gas emissions 2. Encourage and establish a common industry wide reporting format
Resources	3. Employ procurement practices that facilitate the achievement of targets at the "Product Planning and Design" and "Logistics" stages
Chemical Substances	4. Employ procurement practices that facilitate the achievement of targets at the "Product Planning and Design" stage
Biodiversity	5. Conduct biodiversity assessments at resource extraction and harvesting sites

Regardless where Sony purchases parts and materials from, suppliers are expected to:

- work as an equal partner;
- comply with laws, regulations and social standards;
- maintain sound financial and operating bases;
- conduct environmental programme;
- develop new technology;
- utilize e-commerce;
- maintain required quality standards;
- offer reasonable prices;
- cooperate with supply chain management and maintain a reliable supply;
- retain an on-going competitive edge;
- uphold fair business practices, transparency and equal opportunity; and
- prohibit personal relationship between suppliers and procurement agents.

To assist in implementing Green Procurement of materials used for its products, Sony employs a standard for management of environment-related substances to be controlled in parts and materials which aims to:

- ban the presence of certain hazardous substances in products;
- identify some target substances to be phased out; and
- clarify exempted substances and their uses.

"Committed to People, Committed to the Future" is the promise that Toshiba Corporation (Toshiba) gives to the society and the environment. While promoting Corporate Social Responsibility (CSR) as one of the pillars in its business policies, Toshiba aims to develop a sustainable society by emphasizing on "creation of new value" and "symbiosis with the earth". The company has compiled a set of "Toshiba Green Procurement Guidelines" to govern its procurement activities. Moreover, with participation in the United Nations Global Compact, Toshiba has released a "Toshiba Group Supply-Chain CSR Deployment Guidebook" which is in line with the JEITA Supply-Chain Deployment Guidebook.

REFERENCE

TOSHIBA Group Supply-Chain CSR Deployment Guidebook,
http://www.toshiba.co.jp/csr/jp/procure/pdf/
Toshiba_sc_csr_guidebook_en0806.pdf

Toshiba strives to build partnerships with suppliers. To succeed globally, Toshiba expects its suppliers to:

1. Comply with laws, regulations and social customs; respect human rights, labour, health and safety. These include:

   (i)   ensuring compliance with the prevailing laws and regulations in the countries and/or regions in which they operate, including anti-trust laws, commercial codes, subcontractor regulations, foreign exchange laws, personal privacy laws and copyright laws, etc.

   (ii) prohibiting forced labour, inhumane treatment and infringement of human rights, child labour, and discrimination.

   (iii) considering payment of appropriate wages, abide by regulations of working hours, freedom of association and safe and clean working environment.

   (iv) adopting ISO 14001-based environmental management systems and to promote third-party certification; apply Green Procurement to reduce or eliminate use of potentially hazardous substances; promote environmental protection activities.

2. Maintain sound business operations:

   (i)   Maintaining sound business operations will strengthen business relationships in the long term.
   (ii) Suppliers are requested to disclose their management policies and the status of business operations (including financial statements).

3. Offer goods and/or services with excellent quality and appropriate prices. These include:

   (i)   compliance with the safety standards of the countries and regions in which suppliers operate.
   (ii) furnishing goods and services on a continuous basis which satisfies the specifications and quality standard required by Toshiba.
   (iii) providing goods and/or services at competitive prices and striving to reduce prices on a continuous basis.

4. Confirm delivery commitment and ensure the stable and flexible supply of goods and/or services so that they can successfully respond to rapid supply-demand changes.

5. Enhance technological capabilities and enable the Toshiba to provide excellent and safe products to its customers.

In accordance with the Green Procurement Policy, the suppliers are required to promote environmental protection vigorously and control the chemical substances used in products in line with the Guidelines for the Management of Chemical Substances in Products issued by JGPSSI. Toshiba manages chemical substances by classifying them into two main categories:

Category	Definition
Rank A – Prohibited Substances	Material/Substances whose presence is prohibited in items procured by the Toshiba Group
Rank B – Managed Materials/Substances	Substances for which efforts should be made to reduce their environmental impacts by means of reduction of use and substitution or recovery and detoxification by a closed system

In addition, suppliers are required to establish agreements and submit surveys reports related to chemical management system, chemical substances in the purchased products and environmental activities in order to share their environmental goals with Toshiba:

- **Conclusion of agreements for assuring environmental quality of procurement items**
  In order to assure environmental quality of the procurement items, suppliers are requested to complete a Quality Assurance Agreement prior to transactions. In addition, they may also be required to submit an agreement concerning restriction of the use of specified hazardous substances.

- **Surveys on suppliers' chemical substance management systems**
  Surveys on suppliers' chemical substance management systems will be conducted with the objective to ensure hazardous substances control through a systematic approach.

- **Surveys on chemical materials/substances in procurement items**
  Prior to approval of new procurement items and judgment on whether existing procurement items require substitution, surveys on the presence of the listed chemical materials/substances will be conducted.

- **Survey on suppliers' environmental protection activities**
  In order to strengthen partnerships with suppliers who are vigorously engaged in environmental protection activities, surveys on suppliers' environmental protection activities are conducted from time to time.

The status of CSR management of ongoing suppliers is monitored through quality audits, during which Toshiba may request improvements and provide guidance when necessary. As for new suppliers, they have to demonstrate their conformity with Toshiba's procurement and selection policies not only through the goods and services provided, but also by showcasing their manufacturing sites, management systems and the status of their operations.

2.3.6 Wal-Mart Stores, Inc.

Wal-Mart Stores, Inc. (Walmart), the globally known retail giant, serves more than 200 million customers per week in 15 countries. The company has thousands of suppliers in every merchandise category ranging from one-person shops, to multi-national corporations. The company's mission is "Saving people money so they can live better". Accordingly, Walmart strives to work with their suppliers and partners to achieve three goals:

- To produce Zero Waste;
- To be supplied with 100% Renewable Energy;
- To sell Sustainable Products.

REFERENCE

Wal-Mart New Supplier Submission Process,
http://walmartstores.com/Suppliers/258.aspx

To become a Walmart's supplier, a company must fulfill the following requirements:

Compliance with Laws
Suppliers must fully conform to all relevant national and local laws/regulations, related to labour, immigration, health, safety, and environment, etc.

Voluntary Labour
All labour must be voluntary. No child, forced, bonded, prison, or indentured labours are allowed. Suppliers must provide workers with sufficient rest days and ensure the working hours are in compliance with local regulations.

Hiring and Employment Practices
Suppliers must carry out hiring practices which can verify workers' legal right to work in the country and their age prior to employment. All terms and conditions of employment including hiring, pay, promotion, termination and retirement must be based on an individual's ability and willingness to do the job.

Compensation
Suppliers must provide compensation to workers with wages, overtime premiums, and benefits that meet or exceed local standards or collective agreements, whichever are higher. Suppliers are also encouraged to provide wages and benefits to the workers in order to meet their basic needs and provide some discretionary income for workers and their families.

Freedom of Association and Collective Bargaining
Suppliers must respect the right of workers if they form or join trade unions lawfully.

Health and Safety
Suppliers must provide workers with a safe and healthy work environment such as safe and healthy residential facilities. Suppliers must make every endeavour to prevent workplace hazards by taking appropriate measures.

Environment
Suppliers must ensure all manufacturing facility comply with national and local environmental laws, including those related to air emissions, water discharges, toxic substances and hazardous waste disposal. Suppliers must ensure that all input materials and components are obtained from permissible harvests consistent with international treaties and protocols in addition to local laws and regulations.

Gifts and Entertainment
Suppliers must not accept/provide gifts or entertainment to Walmart associates.

Conflicts of Interest
Suppliers must not make a deal with Walmart associates that create a conflict of interest.

Anti-Corruption
Suppliers must not tolerate, permit, or involve in bribery, corruption, or unethical practices when dealing with public officials or individuals in the private sector.

Financial Integrity
Suppliers must keep accurate records relating to their business with Walmart which are in line with the standard accounting practices such as Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS).

In addition, Walmart has introduced a concept of selling "Environmentally Friendly Electronics" to address the unique features of consumer electronic products. These features include energy efficiency, durability, feasibility for easy upgrading, conformity to EU RoHS, waste recycling and packaging size, etc.

Furthermore, in order to limit packaging waste, Walmart also requests its suppliers to follow a "7R principle". (i.e. Remove, Reduce, Reuse, Renew(able), Recycle(able), Revenue, and Read).

Importance of Self-Evaluation

More buyers today are realizing the importance of developing and implementing a comprehensive supply chain management strategy. To address their concerns, SMEs in the supply chain are necessary to make themselves familiar with customers' requirements in order to maintain a sustainable customer-supplier engagement.

It is not uncommon to notice that a lot of global buyers now are inviting their suppliers to self-assess their sustainability performance, which includes green and ethical aspects, as an initial screen in the suppliers' selection process or as part of a risk assessment exercise for identifying suppliers that may require closer monitoring. In fact, self-evaluation can often provide business with useful information and also enhance suppliers' understanding of their status of reaching customers' expectations.

QUICK FACTS

Members of the Electronic Industry Citizenship Coalition report that approximately 4,000 major suppliers, representing over 30% of their supply base, have completed self assessment in order to evaluate their compliance to EICC in 2009.

In order to meet customers' green and ethical requirements, assessing a company's existing capabilities and identifying room for improvement is often the first step towards achieving desired compliance. A self-evaluation tool, therefore, is outlined in Chapter 3 to assist SMEs to get started on this critical activity.

3

Closing the Gap in Green and Ethical Supply

Competing in the global market is not as simple as obtaining a customer order and getting products to fill the order. As a supplier for business, commercial clients or consumers, a company would have to consider multiple aspects along its extended value chain. Despite a vast diversity of green and ethical requests raised by global buyers that affect materials supply, production and other operation, some small and medium enterprises (SMEs) may tend to take a reactive position instead of a proactive systematic approach due to budget and manpower constraint. Even being aware of customers' growing demand on green and ethical products/services, it would still be difficult for SMEs to invest resource to transfer a large amount of associated information to specific knowledge and create an action plan applicable to their unique businesses.

In order to assist local SMEs to better comply with the global buyers' requirements, upgrade their business competitiveness, and achieve their own green and ethical targets, some guidance as well as a quick self-evaluation tool will be introduced in this chapter.

Roadmap for Achieving Green and Ethical Compliance

On the way to achieve desired green and ethical compliance, it is important for a company to first set up its own compliance strategy (or company policy) which are based on both external factors (e.g. regulatory mandates, market and customers' requirements, certification and industry code of conduct, etc.) and internal factors (e.g. business operation and management requirements, etc.).

Figure 3.1 Create Green and Ethical Compliance Strategy

Afterwards, the company may apply an iterative improvement method which includes assessing business operations to identify gap (or areas for enhancement), creating plans for enhancement, and implementing associated actions. Through this continuous development process (as illustrated at left), compliance to green and ethical requirements would not only be achieved, but also be properly maintained.

Figure 3.2 Roadmap for Green and Ethical Compliance

Quick Self-Evaluation Tool

In order to provide a convenient method for companies to benchmark their current operation against requirements of the prevailing voluntary industry standard Electronic Industry Code of Conduct (EICC), and help them identify gap for improvement, a self-evaluation tool is presented as follows. It consists of the following components:
- Quick Self-Evaluation Questionnaires (Section 3.2.1); and
- Result Analysis and Recommendations (Section 3.2.2).

3.2.1 | Quick Self-Evaluation Questionnaires

By filling in the following questionnaires, a company may have a quick comparison of its operation against some best practices categorized according to major aspects of EICC, and then use the results to assist creating its own action plan towards meeting global buyers' green and ethical requirements.

To complete the questionnaires, please note that:

(a) The tool is divided into five self-evaluation questionnaires, which correspond to different aspects including:
- Questionnaire I   Management System
- Questionnaire II   Labour
- Questionnaire III   Ethics
- Questionnaire IV   Health and Safety
- Questionnaire V   Environmental
(b) For certain items shown in the questionnaires, you are given an option of selecting "N", if the item is not applicable to your business.
(c) At the end of each questionnaire, total values will need to be calculated as reference for matching recommendations.

Please always begin with Questionnaire I - Management System, and then based on its results to proceed with the other questionnaires.

Questionnaire I Management System

The Questionnaire I is divided into Four Aspects: Labour, Ethics, Health and Safety, and Environmental.

For each row of the listed criteria, please <u>circle</u> one number for every aspect (separated by different colours) which best describes the status of your company:

2 - Already implemented the stated practice with relevant documents ready;

1 - Completed some actions for the stated practice with certain documents ready; or

0 - Have done little or no action for the stated practice.

I. Management System Criteria (1~14)	Labour			Ethics			Health & Safety			Environ-mental		
1.1) Executive management is committed through written policies regarding corporate social and environmental responsibilities.	2	1	0	2	1	0	2	1	0	2	1	0
1.2) There are designated personnel responsible for overseeing the implementation of management system on a regular basis.	2	1	0	2	1	0	2	1	0	2	1	0
1.3) There are on-going processes to track and understand applicable regulatory and customer requirements and their implications to business.	2	1	0	2	1	0	2	1	0	2	1	0
1.4) There are processes to identify, evaluate and prioritize potential risks related to business practices.	2	1	0	2	1	0	2	1	0	2	1	0
1.5) There are controls implemented to mitigate identified risks.	2	1	0	2	1	0	2	1	0	2	1	0

I. Management System Criteria (1~14)	Labour			Ethics			Health & Safety			Environ-mental		
I.6) Objectives and implementation plans are created to guide improvement of management system.	2	I	0	2	I	0	2	I	0	2	I	0
I.7) Actual performance is assessed and analyzed periodically against set objectives and plans.	2	I	0	2	I	0	2	I	0	2	I	0
I.8) Training programmes on policies, procedures, objectives, etc. are developed and conducted to support implementation of management system and meeting regulatory requirements.	2	I	0	2	I	0	2	I	0	2	I	0
I.9) There are processes to ensure effective communication regarding practices (including policies, objectives, performance, etc.) to workers, suppliers and customers.	2	I	0	2	I	0	2	I	0	2	I	0
I.10) There are channels for workers to provide feedback and suggestions on business practice to encourage on-going improvement.	2	I	0	2	I	0	2	I	0	2	I	0
I.11) Self-evaluation is conducted periodically to monitor performance and ensure conformance to applicable regulatory, customer and other requirements.	2	I	0	2	I	0	2	I	0	2	I	0

I. Management System Criteria (1~14)	Labour			Ethics			Health & Safety			Environ-mental		
I.12) Regarding findings from internal and external assessments, there are processes to plan corrective actions and monitor status.	2	1	0	2	1	0	2	1	0	2	1	0
I.13) Proper documentation and records related to management system are created and updated timely.	2	1	0	2	1	0	2	1	0	2	1	0
I.14) There is a process to keep appropriate confidentiality of documentation.	2	1	0	2	1	0	2	1	0	2	1	0
Questionnaire I Score *(please calculate the total value of each aspect)*	**Labour (LB)**			**Ethics (ET)**			**Health & Safety (HS)**			**Environ-mental (EN)**		

Table 3.1 Questionnaire I - Management System

Calculation and Explanation:

1. If one or more aspects in Questionnaire I have a score that is **equal to or above 14**, please proceed to complete the other questionnaire(s) for the same aspect(s):
   Questionnaire II – Labour Aspect;
   Questionnaire III – Ethics Aspect;
   Questionnaire IV – Health and Safety Aspect; and
   Questionnaire V – Environmental Aspect.

2. If the scores of all four aspects in Questionnaire I are **below 14**, you may skip the rest questionnaires. Please copy the results of Questionnaire I to the Score Card in Section 3.2.2 and follow the corresponding suggestions for starters.

Questionnaire II Labour

For each row of the listed criteria, please <u>select</u> one among the following options which best describes the status of your company:

A - Already implemented the stated practice with relevant documents ready;
B - Completed some actions for the stated practice with certain documents ready;
C - Have done little or no action for the stated practice;
N - Not applicable.

II. Labour Criteria (1~23)	Answer			
II.1) No forced, bonded, involuntary, or prison labour is used.	A	B	C	N
II.2) Written contracts are signed with workers.	A	B	C	N
II.3) Workers are able to quit their job upon giving reasonable notice.	A	B	C	N
II.4) Worker's government-issued identification is not withheld upon employment.	A	B	C	N
II.5) There is no use of child* labour. (*Per EICC, child is defined as a person who is under 15 years of age or the age completing legal compulsory education, or legal minimum age for employment, whichever is greatest.)	A	B	C	N
II.6) Legal proof of worker's age is checked upon employment.	A	B	C	N
II.7) Programme of training apprentices is in compliance with legal requirements.	A	B	C	N
II.8) Workers under 18 years of age are not requested to perform work under conditions that are likely to damage their health or safety.	A	B	C	N
II.9) Maximum working hours meet legal requirements. Under normal situations, working hours (including overtime) per week should not exceed 60 hours.	A	B	C	N
II.10) Workers are allowed to get at least one day off during a 7-day week.	A	B	C	N
II.11) Workers are provided with compensation that is compliant with legal requirements (including minimum wages and other mandatory benefits).	A	B	C	N
II.12) Workers get additional compensation for overtime comparable to regular hour rates as legally required.	A	B	C	N

II.13)	Wage reduction is not applied as a disciplinary method to workers.	A	B	C	N
II.14)	Payment calculation related to wages and benefits is issued to workers timely and in written form.	A	B	C	N
II.15)	Workers are provided with clear information related to disciplinary rules and procedures.	A	B	C	N
II.16)	There are policies against harassment, coercion, threatening behaviour, corporal punishment, verbal abuse, or other inhumane treatment.	A	B	C	N
II.17)	There are procedures to allow reporting, investigation, and disciplinary measures related to inhumane treatment, and to ensure required confidentiality.	A	B	C	N
II.18)	There are policies to prevent discrimination in labour practices (e.g. employment, promotion, rewards, etc.) based on grounds of race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status.	A	B	C	N
II.19)	Procedures are established to allow reporting, investigation, and disciplinary measures related to discrimination and with appropriate confidentiality.	A	B	C	N
II.20)	Workers or job applicants are not required to accept medical examination that may potentially be used in a discrimination manner.	A	B	C	N
II.21)	There are open channels for workers to communicate directly with management regarding working conditions.	A	B	C	N
II.22)	There are procedures to protect workers who communicate openly with management from suffering personal intimidation or harassment.	A	B	C	N
II.23)	Workers' legal rights of association and collective bargaining are respected by management and protected by relevant policies.	A	B	C	N
	Total of As / Bs / Cs:	Ta __	Tb __	Tc __	

Table 3.2 Questionnaire II - Labour

Calculation and Explanation:

1. Count the total occurrence of three options (A, B and C) in Questionnaire II and put into the following chart for calculating the Questionnaire II score (LB Score).

Total of A:	Ta =	x 2 =	Sa =
	+		+
Total of B:	Tb =	x 1 =	Sb =
	+		+
Total of C:	Tc =	x 0 =	Sc = 0

$\mathbf{T}$=Ta+Tb+Tc= _____ $\mathbf{S}$=Sa+Sb+Sc= _____

Questionnaire II (LB Score) = $\mathbf{S}$/($\mathbf{T}$x2) x 100%= _____

2. Complete all the other applicable questionnaires before checking the analysis results and suggestions in Section 3.2.2.

Questionnaire III Ethics

For each row of the listed criteria, please <u>select</u> one among the following options which best describes the status of your company:

A - Already implemented the stated practice with relevant documents ready;
B - Completed some actions for the stated practice with certain documents ready;
C - Have done little or no action for the stated practice;
N - Not applicable.

III. Ethics Criteria (1~10)		Answer			
III.1)	There are policies to uphold business integrity and prohibit any forms of corruption, extortion and embezzlement.	A	B	C	N
III.2)	Procedures and training programmes are provided to assist monitoring and implementation of business integrity.	A	B	C	N
III.3)	There are policies to prohibit offering or accepting bribery or other improper advantages.	A	B	C	N
III.4)	Procedures and training programmes are provided to assist monitoring and implementation in prevention of improper advantages.	A	B	C	N
III.5)	Disclosure of business related information is performed according to applicable regulatory and industry requirements.	A	B	C	N
III.6)	There are procedures to protect the company's own intellectual property rights, as well as those of business partners.	A	B	C	N
III.7)	There are policies to uphold standards of fair business conduct, advertising and competition.	A	B	C	N
III.8)	Procedures and training programmes are provided to assist monitoring and implementation of fair business conduct.	A	B	C	N
III.9)	There is a process to protect customer data.	A	B	C	N
III.10)	There is a mechanism to keep confidentiality for any person who reports improper conduct.	A	B	C	N
	Total of As / Bs / Cs:	Ta __	Tb __	Tc __	

Table 3.3 Questionnaire III - Ethics

Calculation and Explanation:

1. Count the total occurrence of three options (A, B and C) in Questionnaire III and put into the following chart for calculating the Questionnaire III score (ET Score).

Total of A:	Ta =		x 2 =	Sa =	
		+			+
Total of B:	Tb =		x 1 =	Sb =	
		+			+
Total of C:	Tc =		x 0 =	Sc =	0

$\mathbf{T}$=Ta+Tb+Tc= _____ $\mathbf{S}$=Sa+Sb+Sc= _____

Questionnaire III (ET Score) = $\mathbf{S}$/($\mathbf{T}$x2) x 100% = _____

2. Complete all other applicable questionnaires before checking the analysis results and suggestions in Section 3.2.2.

Questionnaire IV Health and Safety

For each row of the listed criteria, please <u>select</u> one among the following options, depending on whether your company is best described to have:

A - Already implemented the stated practice with relevant documents ready;
B - Completed some actions for the stated practice with certain documents ready;
C - Have done little or no action for the stated practice;
N - Not applicable.

IV. Health and Safety Criteria (1~22)		Answer			
IV.1)	There are procedures to identify and evaluate worker exposure to potential safety hazards (e.g. electricity, fire, etc.).	A	B	C	N
IV.2)	There are effective controls in place to reduce risk related to safety hazards, such as hazard preventative programme or safe work procedures.	A	B	C	N
IV.3)	Safety related training is provided to workers on a regular basis.	A	B	C	N
IV.4)	When personal protective equipment (e.g. safety shoes and glasses, etc.) is required, the equipment is appropriately maintained and correctly used by workers.	A	B	C	N
IV.5)	Workers are not disciplined for raising safety concerns.	A	B	C	N
IV.6)	Emergency situations are identified and evaluated based on the nature of operations.	A	B	C	N
IV.7)	Adequate response procedures (including reporting, evacuation, recovery, applying appropriate equipment, etc.) are established to handle potential emergency situations.	A	B	C	N
IV.8)	Training and drills are conducted for workers regularly regarding emergency response procedures.	A	B	C	N
IV.9)	There is a system to track and report work-related injury and illness cases.	A	B	C	N
IV.10)	The reported injury and illness data are analyzed and used to assist implementing corrective or preventative actions.	A	B	C	N
IV.11)	Processes are in place to provide necessary medical treatment for injured or ill workers and to help them return to work.	A	B	C	N

IV.12) There are procedures to identify and evaluate worker exposure to chemical, biological and physical agents.	A	B	C	N
IV.13) There are effective controls in place to reduce risk related to overexposure to chemical, biological and physical agents, such as hazard preventative programme or work procedures.	A	B	C	N
IV.14) Appropriate personal protective equipment (e.g. work gloves, hearing protection, etc.) and training is provided to protect workers' health.	A	B	C	N
IV.15) There are procedures to identify and evaluate worker exposure to physically demanding work (e.g. heavy lifting, prolonged standing, etc.).	A	B	C	N
IV.16) There are effective controls in place to reduce risk related to physically demanding work. (e.g. use of machine or tools, training, etc.)	A	B	C	N
IV.17) There are procedures to identify and evaluate safety hazards related to machinery.	A	B	C	N
IV.18) There are effective controls in place to prevent machine-related injury. (e.g. physical guards, preventative maintenance, training, etc.)	A	B	C	N
IV.19) Workers are provided with drinking water and have access to clean toilet facilities.	A	B	C	N
IV.20) Eating facilities are clean and properly managed to ensure sanitary food preparation and storage.	A	B	C	N
IV.21) Dormitories are maintained to be clean and safe for workers with heating, ventilation, hot water, and emergency exit facilities.	A	B	C	N
IV.22) Workers are given personal space in dormitories, where they can access without unreasonable restriction.	A	B	C	N
Total of As / Bs / Cs:	Ta __	Tb __	Tc __	

Table 3.4 Questionnaire IV – Health and Safety

Calculation and Explanation:

1. Count the total occurrence of three options (A, B and C) in Questionnaire IV and put into the following chart for calculating the Questionnaire IV score (HS Score).

Total of A:	**Ta =**	**x 2 =**	**Sa =**
	+		**+**
Total of B:	**Tb =**	**x 1 =**	**Sb =**
	+		**+**
Total of C:	**Tc =**	**x 0 =**	**Sc = 0**

T=Ta+Tb+Tc=   **S**=Sa+Sb+Sc=

Questionnaire IV (HS Score) = **S**/(**T**x2) x 100% =

2. Complete all other applicable questionnaires before checking the analysis results and suggestions in Section 3.2.2.

Questionnaire V Environmental

For each row of the listed criteria, please <u>select</u> one among the following options which best describes the status of your company:

A - Already implemented the stated practice with relevant documents ready;
B - Completed some actions for the stated practice with certain documents ready;
C - Have done little or no action for the stated practice;
N - Not applicable.

V. Environmental Criteria (1~10)		Answer		
V.1)	Applicable legal environmental permits and registrations related to business operations have been obtained and kept up to date.	A	B	C	N
V.2)	There are procedures to ensure environmental permits related operational and reporting requirements are followed in practice.	A	B	C	N
V.3)	There is a mechanism to monitor and reduce all kinds of wastes, including water, energy and materials.	A	B	C	N
V.4)	Hazardous chemicals and other materials are identified with proper labels and warning signs and accompanied by safety data sheets.	A	B	C	N
V.5)	There are controls on hazardous materials (e.g. transportation, storage, use, disposal, etc.) and associated training for workers.	A	B	C	N
V.6)	Wastewater from both operations and sanitation facilities is monitored, controlled and treated according to legal requirements.	A	B	C	N
V.7)	Solid wastes are separated into different categories for proper recycling and disposal.	A	B	C	N
V.8)	Airborne emissions (e.g. volatile organic chemicals, particulates, combustion by-products, etc.) are monitored, controlled and treated in accordance with legal requirements.	A	B	C	N

V.9)	Products are compliant with applicable regulatory requirements with regard to hazardous substance restriction and are properly labeled to assist disposal and recycling.	A	B	C	N
V.10)	There are processes in place to collect, verify and report data of hazardous substances.	A	B	C	N
Total of As / Bs / Cs:		Ta	Tb	Tc	

Table 3.5 Questionnaire V - Environmental

Calculation and Explanation:

1. Count the total occurrence of three options (A, B and C) in Questionnaire V and put into the following chart for calculating the Questionnaire V score (EN Score).

Total of A:	Ta =	x 2 =	Sa =

$+$ $+$

Total of B:	Tb =	x 1 =	Sb =

$+$ $+$

Total of C:	Tc =	x 0 =	Sc = 0

T=Ta+Tb+Tc= _____   **S**=Sa+Sb+Sc= _____

Questionnaire V (EN Score) = **S**/(**T**x2) x 100% = _____

2. Complete all other applicable questionnaires before checking the analysis results and suggestions in Section 3.2.2.

Result Analysis and Recommendations

To identify the Level of Compliance of your current business practices and for corresponding recommendations, please follow the instructions below:

Transfer the scores obtained from the Questionnaires I to V to the following table of Score Card, and do not fill in the grey boxes.

Aspect	Score of Questionnaire I	Questionnaire II (LB Score)	Questionnaire III (ET Score)	Questionnaire IV (HS Score)	Questionnaire V (EN Score)	Level of Compliance*
LB			-	-	-	
ET		-		-	-	
HS		-	-		-	
EN		-	-	-		

(**LB** – Labour; **ET** – Ethics; **HS** – Health and Safety; **EN** - Environmental)

* Level of compliance can be Starter, Intermediate or Advanced, by checking the score against the chart below.

Table 3.6 Score Card

Note: For each aspect, compare the score to the following chart to get the Level of Compliance (Starter, Intermediate, or Advanced).
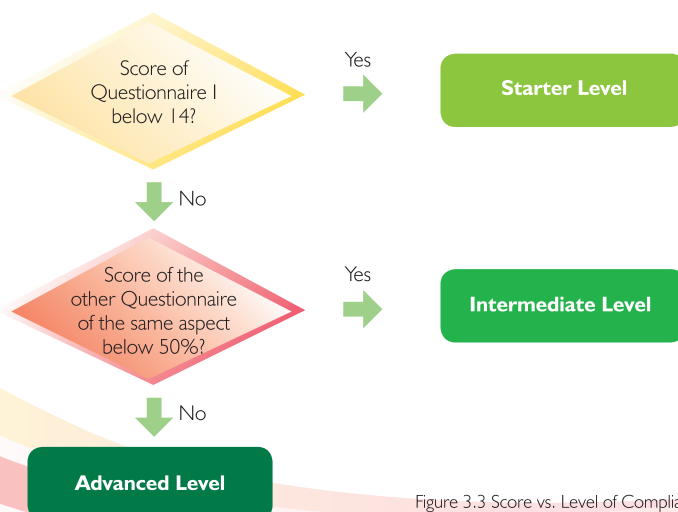
Figure 3.3 Score vs. Level of Compliance

Accordingly, the following recommendations are provided for different Levels of Compliance.
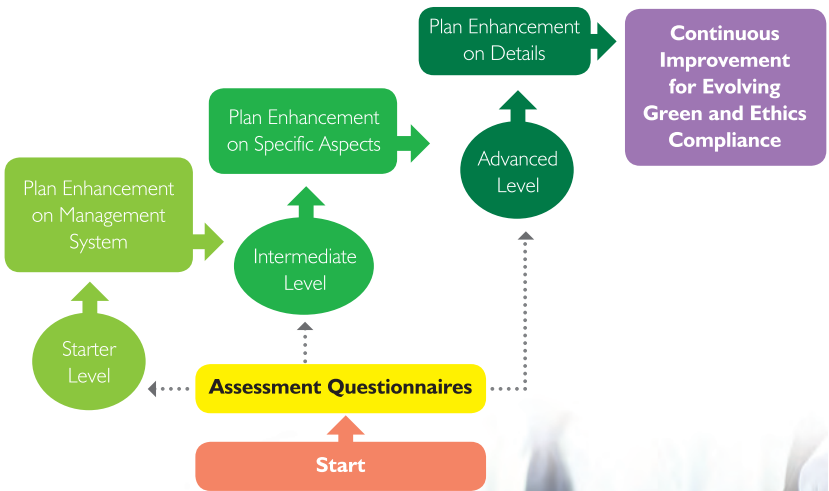
Figure 3.4 Level of Compliance vs. Plan for Enhancement
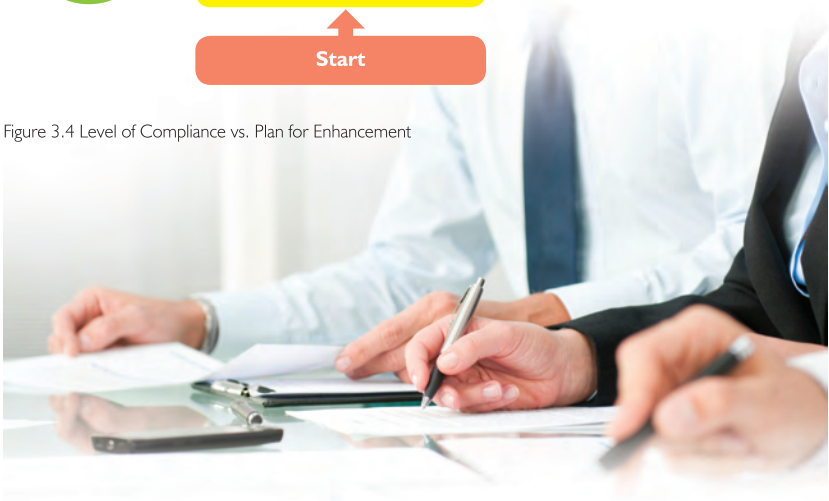
At this level, your business is about to develop the system towards certain aspect of green and ethical compliance. Therefore, the focus would be on "enhancement of management system".

The following diagram shows one example of a compliance system based on ISO 14001. It can serve as a starting point for developing your own system and achieve compliance to buyers' requirements.
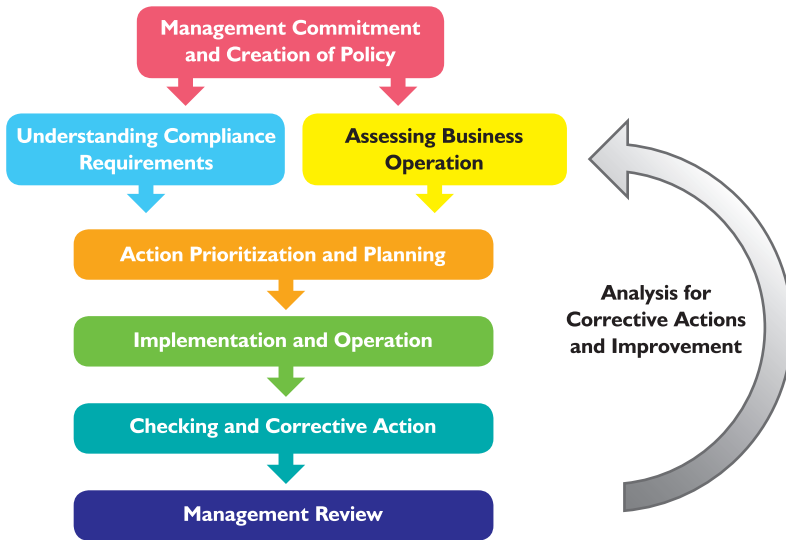
Figure 3.5 An Example of Management System for Meeting Buyers' Requirements

There are other recognized management system standards in the world, which can be used as additional reference and tools. These include:
• ISO 9001
• IECQ QC080000
• SA8000
• ILO Code of Practice in Safety and Health
• OHSAS 18001
• Eco Management & Audit System (EMAS), etc.

Intermediate Level

At this level, your business has a developing management system, but may not have adequately implemented procedures for certain aspect(s) of green and ethical compliance. Therefore, the focus would be on "enhancement of specific aspects".

Each aspect addresses a different set of unique issues that may require your actions to create proper procedures, organize training programme, conduct risk assessment, perform regular reviews, etc.

Besides reviewing the Questionnaire Criteria for particular items, you may also refer to existing international certification or industry standards for useful information and tools to improve certain aspects, such as:

- National Fire Protection Agency
- ILO International Labour Standards
- OECD Guidelines for Multinational Enterprises
- United Nations Convention Against Corruption
- United Nations Global Compact
- Universal Declaration of Human Rights
- Ethical Trading Initiative

At this level, your business has an established management system, and has implemented most procedures for many aspects of green and ethical compliance. Therefore, the focus would be on "enhancement of details".

Periodical internal reviews or audits are very effective to capture small defects. Analyzing findings from these reviews/audits and tracking related corrective actions can assist the company in maintaining compliance through continuous improvement.

For each listed criterion in the questionnaires, besides updating procedures and processes, other appropriate documentation and records are also required to be kept systematically and up to date to assist internal and external audits.

The Questionnaires include some best practices for each particular item and can be used to assist developing your plan of actions.

Please note that the self-evaluation tool aims at providing a quick method for a company to benchmark its business against a list of best practices and become confident in meeting typical green and ethical supplier criteria which are in line with the industry standard. However, the list of criteria is by no means exhaustive. For specific or latest requirements of EICC and those of particular buyers, you are advised to refer to the relevant information given in Chapter 2 and/or contact the pertinent parties directly.

4

Meeting Buyers' Green and Ethical Requirements

Edwin McAuley Electronics Ltd.

Most factories have to face regular internal/external audits. In order to better understand whether suppliers' manufacturing process is in compliance with regulatory requirements and have a better control over the harmful substances within the supply chain, clients will either appoint their own staff or commission a third-party organization to carry out regular factory audit. This action helps alert suppliers on issues of environment protection, safety, quality, regulations and social responsibility, thus improve their production process and competitiveness.

In recent years, with a view to selecting appropriate suppliers, major international buyers have established their own environmental and social responsibility requirements and audit mechanism. In this connection, Edwin McAuley Electronics Ltd. has formulated its quality and environmental manual which sets out standards for process control and management procedure. In addition, we have also arranged training for staff to communicate clients' requirements to every level of the company. Designated staff has also been appointed to keep track of the implementation of staff training and make suggestions to the management for continuous improvement.

Our company has been awarded ISO 9001, ISO 13485 and ISO 14001 certifications. With a view to establishing a comprehensive compliance management mechanism, we have also completed the OHSAS 18001 evaluation and made improvement in accordance with the SA8000 requirements in 2010. In the areas of environment,

health and safety, the company has appointed staff to set up emergency measures and install the necessary equipment for these purposes. The designated staff will also formulate annual objective and targets for internal evaluation/audit purposes and arrange training and drill exercises for staff. The company has also established standard practices for labour and ethical behaviour which will be continuously updated in accordance with government guidelines.

Recently, the company's factory at Dongguan's Wang Niu Dun Zhen participated in a programme organized by the Hong Kong Electronic Industries Association (HKEIA) and the Hong Kong Productivity Council (HKPC), which focused on gap analysis in five major areas in accordance with the Electronic Industry Code of Conduct (EICC), namely environment, health, safety, labour and ethics. Although we have already implemented comprehensive management systems in environment, health and safety, some minor rooms for improvement have been identified in process, implementation and review mechanism through the programme.

In general, the EICC is a comprehensive evaluation system. We hope that it can be standardized with the other audit systems and become a universally acceptable standard some time in future, so that repeated audits by individual clients can be eliminated.

(Source: Edwin McAuley Electronics Ltd.)

Full Gain Logistics Limited

In Mainland China, export-oriented manufacturers are familiar with factory audit exercises. Each year, our factory receives about twenty inspections for factory audit. Our company set up a manufacturing base in Mainland China in 1987 and still has a fresh memory on the changes in factory audit over the years. In the mid-nineties, some US and European clients began to request for factory audit. At that time, factory audit basically focused on production and quality related issues such as production facilities and quality standards. In the late nineties, factory audit began to cover human rights issues. Today, more and more clients request for factory audit covering a much wider spectrum of areas such as health and safety, anti-terrorism and environmental protection. As manufacturers are required to comply with an increasing number of requirements and standards, factory audit has played an important role in promoting manufacturers' compliance with the local and international regulations.

It is undeniable that factory audit brings improvement to the manufacturers' business operation as our international clients request a number of factory audits each year. Here are some of our views of factory audit:

1. Every multi-national company has its own factory audit standards covering work hours, employee compensation, health and hygiene, fire prevention safety and recruitment standards, which sometimes vary greatly. In order to clearly identify improvement opportunities before external auditing, internal audit is conducted periodically at the company. For example, safety check of the manufacturing machines runs twice a month to ensure good operating conditions; environmental check runs twice a month to avoid hazardous pollution and fire drill runs half yearly to ensure a secure condition at the factory. In compliance with the Health, Safety and Environmental (HS&E) requirements, an Environmental and Safety Committee has been established to oversee health, safety and environmental issues and regular meetings are held to discuss related topics to ensure the achievement of health and safety targets. Other HS&E related initiatives, such as

the usages of water and electricity have been set to the decrement of 3% each year.

2. During the factory audit process, it has been found that overtime work hour compliance is another great challenge for us. According to China Labour Law, workers should normally work overtime no more than 1 hour per day (3 hours under special circumstances), and no more than 36 hours per month. However, meeting these requirements would appear to be quite challenging for two reasons. Firstly, the nature of export-oriented manufacturing, whose work pattern depends on the ups and downs of overseas orders, may cause difficulty in human resources planning. Secondly, workers may want to seek overtime work for more income. To address this issue, we communicate closely with employees to explain the potential consequence of excessive overtime work and provide workers with incentives other than working overtime. We reckon that a proactive approach is essential. Besides, our factory has conducted legal consultation to monitor applicable legal and regulatory requirements. Some designated internal staff are assigned to attend the activities organized by the relevant associations in order to keep us abreast of the latest industry regulations and standards. The company also treasures new ideas and suggestions from staff. For every quarter, 100 to 200 employees are randomly selected and invited to give their opinions on corporate improvement. It aims at showing respect to staff and increasing staff satisfaction.

3. New problems and issues of concern are often identified during each factory audit. Hence, it may be challenging for factories to pass the factory audit in one shot and repeated audit is not uncommon, thus causing increased pressure to the manufacturers. It is recommended that a proactive approach has to be taken by manufacturers. For example, factory should run internal audits regularly in order to find out problems before external auditing conducted by clients.

We are pleased to see that EICC has covered multiple aspects of the major buyers' requirements, and at the same time, potentially helped avoid duplicated buyers' audits. We hope that the SMEs in the electronic and electrical industry can benefit from the implementation of EICC and this guidebook so as to increase the competitiveness of their business.

(Source: Full Gain Logistics Limited)

LTK International Limited

LTK International Limited (LTK) believes that every enterprise has the responsibility to safeguard the environment. As a responsible corporate citizen, it remains our firm commitment to promote safety and health for the environment, our community, our consumers as well as our own workers. However, practicing business ethics requires engaging many companies – both domestically and internationally. On the one hand, there are those who believe that the sole responsibility of business is to generate profit. On the other hand, others believe that the role of business is much more than profit generation and that all those who are affected by the way a company operates – shareholders, employees, customers, suppliers, local community, future generations (especially in relation to environmental issues) – have a legitimate interest in the company's operations.

To achieve our goals and live up to our commitments to Environment, Health and Safety (EH&S), a centralized department was established within LTK to guide our development in this aspect and oversee the implementation of various green initiatives. In meeting the labour and ethics requirements of the EICC, we respect the local regulatory limits on working hours. Child labour is not permitted in any of our factories; workers must not be under 15 years old or below the compulsory school age. Corporal punishment or any other forms of physical or mental coercion is also prohibited. LTK respects cultural differences, and thrives to ensure that people are not unjustifiably discriminated due to differences in ability or job nature.

We are proud to be one of the leaders in the cable manufacturing. Our factories have been awarded the ISO 9001, ISO 14001 and OHSAS 18001 certifications. We were also the first manufacturing company awarded the environmental excellence-Gold Award by "2009 Hong Kong Awards for Environmental Excellence" (HKAEE).

Last but not least, international companies can conduct their business in an ethical way if they comply with local labour and environmental regulations and follow the industry's Code of Ethics. In the long run, corporate commitment to ethical principles and socially responsible behaviour is conductive to the healthy development of the business.

Mr Roel Vestjens
Managing Director
LTK International Limited

(Source: LTK International Limited)

SUGA Electronics Limited

SUGA Electronics Limited (SUGA) is an Asian-based electronic manufacturing services (EMS) provider. It is engaged mainly in the research and development (R&D), manufacturing and sale of electronic products such as pet training devices, digital A/V products, interactive educational products, Wi-Fi and RF products, etc. Its activities range from R&D to logistics arrangements. Currently, SUGA has many well-known customers spread across the mature markets such as US, Japan and Europe.

In today's highly competitive business environment, keeping up with the fast-changing EMS industry trend is a key to successfully increasing the competitiveness for our company. In order to ensure compliance with buyers' requirements and achieve continued improvement, we have endeavoured to establish managements systems based on internationally recognized standards and acquired third-party recognition and certification. Obtaining certifications such as ISO 14001, IECQ QC080000, Green Product Management System and green labels helps us not only to demonstrate our high standard of corporate and product environmental performance to our clients, but also gain competitiveness in the global market.

We also found it beneficial to participate in various award schemes, which allow us ample opportunities to benchmark our performance with other industry leaders. For instance, our subsidiary, Suga Electronics (Shenzhen) Co., Limited was awarded the Certificate of Merit in the Manufacturing Sector of the Sectoral Awards of "2009 Hong Kong Awards for Environmental Excellence". which helps us build up a strong local recognition on environmental protection and at the same time learn environmental practices of our counterparts.

We have proactively participated in various government programmes to strengthen our knowledge and capability. For instance, we have participated in the Global Sourcing Gap Analysis implemented by the Hong Kong Productivity Council (HKPC) to evaluate our compliance status in meeting green and ethical procurement

requirements stipulated in Electronic Industry Code of Conduct (EICC) and other international buyers' requirements, and identify areas for further improvement. We have also participated in the Cleaner Production Partnership Programme implemented by HKPC to acquire technical know-how to reduce pollution and conserve energy. In addition, we have joined the ISO 50001 Pilot Programmes implemented by HKPC in order to incorporate energy management system into our company operation.

We consider that contributing to the society is also part of our corporate responsibilities and thus have organized a range of charity and donation activities. We found that such activities are welcomed by our buyers and have enhanced staff morale.

We are glad to see that the EICC is established to be a universally applicable standard for the electronic industry. We would like to see more companies benefit from EICC practices through integrating the requirements into their operations. Through this guidebook, we would like to share our success stories with other SMEs and also hope that more and more green and ethical ingredients would be included in the supply chain in accordance with the EICC.

(Source: SUGA Electronics Limited)

2011年

最佳中小企業獎
中小企業最佳拍檔獎

支持機構

工業貿易署
Trade and Industry Department

國際專業管理學會
The International Institute of Management

METRO BROADCAST
新城廣播有限公司

SC
南華傳媒
south china media
A member of South China Group

CAPITAL 資本雜誌

主辦機構

香港中小型企業商會
The Hong Kong Chamber of Small and Medium Business Ltd.

截止報名日期：2011 年 3 月 25 日
詳情及下載申請表格可瀏覽 http://www.hkcsmb.org.hk
或致電秘書處 2325 9189 查詢

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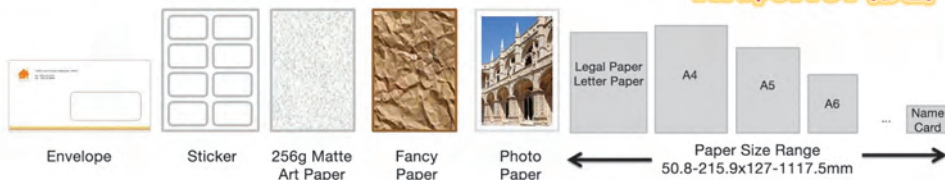
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- 四色防水高質素打印
- 超大容量墨盒設計，高至8000頁(黑白)/ 7000頁(彩色)
- **產品設計致力減少CO2排放及用電量**
- **自動雙面打印，減少紙張浪費**
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*依據A4文件5%覆蓋率計算，最終可因應覆蓋率及顏色密度而有所改變。

以上圖片及資料只供參考，一切以供應商為準。

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香港電器製造業協會簡介
Introduction of Hong Kong Electrical Appliances Manufacturers Association

本會成立於1998年7月，是一間獨立非牟利機構。目前共有200多名會員，是香港電器製造業一個甚有代表性的團體。

協會之宗旨在於

- 加強同業間之溝通、交流和合作
- 與政府機構、工業及貿易團體建立聯繫，協助反映同業的集體意見，為香港電器製造業謀求利益
- 協助提升香港電器製造商有關技術、管理及市場拓展方面之技能，以改善其生產力及提高其市場競爭力
- 組織及贊助有關促進香港電器製造業發展的活動
- 為同業建立聯繫及溝通平台，與海外買家及潛在合作伙伴發展業務關係
- 協助建立及提升香港電器製造業之良好聲譽及形象，以吸引更多人才加入，促進業界繁榮

Established in July 1998 as a non-profit-making organization, we have more than 200 members at present, and are a representative body of Hong Kong's electrical appliances manufacturers.

Our objectives are to improve the industry as a whole by

- Enhancing the communication, interaction and co-operation among members
- Establishing liaison with and conveying the collective opinions to government bodies, industrial or trade organizations so as to serve the interest of Hong Kong electrical appliances industry
- Helping to upgrade Hong Kong electrical appliances manufacturers' levels of engineering, technical, management and marketing skills in order to improve its performance and enhance its competitiveness in the international market
- Organizing and sponsoring related activities for the development of Hong Kong electrical appliances industry
- Establishing contacts and platforms for members to develop business relationships with overseas buyers and potential joint-venture partners
- Helping to build and enhance the reputation and image of Hong Kong electrical appliances industry so as to attract talent to join and grow with the industry

香港電器製造業協會 Hong Kong Electrical Appliances Manufacturers Association

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