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IR/PS CSR CASE STUDY REPORT



Electronic Industry Citizenship Coalition (EICC)

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Abstract:

This paper investigates the Electronic Industry Citizenship Coalition (EICC), a nonprofit membership driven organization aimed at forming a single code of conduct responsible for the insurance of a corporately social and responsible supply chain within the information and communications technology sector. This case will outline the intricacies of the organization itself with a particular examination of its: corporate governance structure, finances, membership composition and Code of Conduct itself. Although the EICC is the industry emblem in terms of CSR practices, it still has a long way to go before truly establishing itself as both valid, fair and credible.

Table of Contents

I. Introduction	3
II. History of Social Responsibility in the ICT Industry	4
III. Electronic Industry Citizenship Coalition (EICC) Organizational Structure	5
<i>A. Objectives</i>	5
<i>B. EICC Corporate Structure</i>	5
<i>C. Membership</i>	7
IV. EICC Code of Conduct	12
V. EICC Supply Chain Assessment and Monitoring Process	15
<i>A. Electronics Tools for Accountable Supply Chains (E-TASC)</i>	15
<i>B. Shared Audits (2008)</i>	15
<i>C. Validated Audit Process (2009)</i>	17
VI. EICC Supplier Capability Building	19
VII. EICC Financials	20
VIII. EICC and Cisco Systems	21
IX. Conclusion	22
X. Class Discussion Questions	23
Appendix A – List of EICC Member Firms	24
Appendix B – List of EICC Board of Directors	25
Appendix C – Breakdown of Member Firms	26
Appendix D – Membership Application	27
Appendix E – EICC Code of Conduct	32
Appendix F – References	45

I. Introduction

As we move towards a world that is becoming increasingly globalized and interconnected, there has been a strong focus on the development and investment in information and communications technology (ICT). (The term ICT is an industry term that encompasses many different types of companies including: consumer electronics firms, electronics manufacturers, software companies, retailers and assemblers). With this development and investment, many multi-national ICT firms have sprung up including: Cisco, LG, Acer, Sony and many more that are catered to bringing our world closer through the use of modern technology. Indeed, these firms have fared very well and are currently amongst the top profit generating firms in the world, with the top 250 firms generating approximately \$3.8 trillion dollars a year as of 2008.

However, the intricacies of operating an ICT firm are fairly complex as a result of the number of components that go into making a finished product. This would include the sourcing of materials, manufacturing of goods, design and concept generation and more. Not surprisingly, the process from start to finish of producing one product involves using parts and labor from several different companies, often times spanning several different countries and continents. With the complexities of the ICT supply chain and usage of multiple firms to produce finished products (recent estimates showed that the industry employed about 15 million workers worldwide), there has been a growing focus on the need to accurately monitor the corporate responsibilities of these firms and their entire supply chains. Furthermore, the negative press that surrounded the electronics industry, particularly concerning workers rights and labor laws, also exacerbated this demand.

II. History of Social Responsibility in the ICT Industry

In 2000, approximately 189 countries signed on to the Millennium Development Goals, dedicated to focusing on issues related to poverty alleviation and climate change. As part of the Millennium Development Goals, the ICT companies felt as though they should do their part in promoting change within their own industry. Therefore, in 2001 the Global e-Sustainability Initiative (GeSI) was born. This organization focuses on addressing the issues related to sustainable development within the ICT Sector. Additionally, it also focuses on prompting all ICT firms to enact voluntary actions to improve their sustainability performance.

In 2004, the Catholic Agency of Overseas Development (CAFOD) released a film detailing the labor rights issues in the electronics industry. There was a particular focus on the workers in: China, Thailand and Mexico. The film entitled “Clean up your Computer” featured interviews with many of these factory workers and dealt with issues concerning: unsafe factory conditions, compulsory overtime, and wages below the minimum level. This led to an outcry for initiatives focused on workers rights and monitoring of the total ICT supply chain, in addition to serving as a wakeup call for several U.S computer manufacturing firms. Several computer companies responded to this outcry, including Dell and Hewlett Packard, who each developed their own codes of conduct for labor rights issues.

Hewlett Packard then reached out to many companies within the ICT industry to develop an industry wide Code of Conduct for the management and enforcement of supply

chain regulations. The Electronic Industry Code of Conduct was finally launched in 2004 with collaboration from HP, Dell, and IBM in addition to manufacturers such as Flextronics, Jabil Circuit, Sanmina and Solectron. Many other companies later signed on as well including Microsoft, Intel and Cisco.

III. Electronic Industry Citizenship Coalition (EICC) Organizational Structure

A. Objectives

To enforce the Code of Conduct set out by Hewlett Packard and the other electronics firms, the Electronic Industry Citizenship Coalition (EICC) was established in 2004. The EICC is a not for profit dedicated to promoting social and environmental responsibility as well as shared efficiencies in the electronics global supply chain. Its main aim is to formulate a single socially responsible Code of Conduct in the electronics sector supply chain. Currently the organization has a set of four main CSR objectives in order to more readily implement this code, as outlined in the 2008 EICC Annual Report:

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

B. EICC Corporate Structure

In order to better carry out the four objectives defined above, a Board of Directors governs the EICC. The Board of Directors helps to oversee issues related to the budget, governance, strategy and administrative functions of the organization. It also helps to set the current objectives for the organization itself. The Board of Directors are composed of members from the nearly 42 companies (see Appendix A) that make up the EICC. Each of these 7 directors is elected by EICC member companies and can serve for three-year terms for up to two terms (see Appendix B). To ensure that the board has a certain degree of diversity, EICC selects its board members from a variety of different geographical locations and types.

Quite noticeably missing from the make up of the Board of Directors are the actual employees working in the factories. All of the EICC Board of Directors members are current executives who work at the various electronic firms; there are no outside or independent board members. The executives who currently sit on the board are often times very far removed from what is going on at the factories and would not necessarily have a representative knowledge of its inner workings. This is a major issue, as the Code of Conduct concerns the treatment and regulation of many factory employees, in addition to other outside stakeholders that are currently not being properly represented by the board.

These stakeholders, in addition to factory employees could also include the individuals who live around the electronics factory, who could be harmed through the improper disposal of harmful electronics product and waste. Therefore, if there are any bad

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CSR practices, this would directly effect these employees as well as many of these outside stakeholders' livelihood and well-being. Therefore bad CSR practices would have a greater "cost" to the stakeholders than to the executives. The result of bad CSR practices for the executives would be lost sales, but to the stakeholders this could potentially be lost lives (as seen in the bad labor practices causing many Foxconn employees to commit suicide). Therefore, it is imperative that adequate representation be given to these stakeholders in order to ensure that their voice is adequately represented and heard.

As for the overall structure of the EICC, it is broken down into work groups, for ease of coordination and implementation of policy initiatives. There are a total of eight work groups consisting of: Asia, Audit, Code Revisions, Communications, Environmental Sustainability, Extractives, Learning and Capacity Building and Stakeholders. Each of these eight work groups is led by a member voted on by other work group members. Together, these eight work report to the Board of Directors and helps to guide the group's agenda and organizational strategy of the EICC.

The newest work group is the Asia Group, which was founded in 2009 to focus on issues related to the Asia-Pacific region. This work group, in particular, is meant to give a regional perspective on issues concerning the EICC's Asian policies and initiatives. It was also founded to help raise awareness for the work that the EICC does, in addition to attracting new members in the Asia-Pacific to join the EICC. Finally, the Asia Group works closely together with the Audit and Monitoring work groups to ensure that members in the Asia Pacific region are complying with the Code of Conduct as laid out by the EICC.

C. Membership

EICC members are prompted to join the organization for a variety of different reasons. First is the public relations aspect of joining a large multi-national nonprofit organization committed to issues related to CSR. This shows the company's focus on these issues in the wake of such tragedies as the Foxconn employee suicides (which was related to poor labor practices) and toxic chemicals being emitted by many of the Apple assembly factories. By joining the EICC, the company hopes to show the public and most importantly its customers, its commitment to promoting CSR. This commitment to CSR in the face of these tragedies is imperative to maintaining the sales levels of the company, as well as promoting a positive public image. Second, the company joins the EICC for reasons related to the implementation of the Code of Conduct. As the Code of Conduct is somewhat fuzzy in interpretation (see Section IV for more details), the company is then able to better manipulate and tweak the Code in an advantageous manner. This treatment of the Code of Conduct does not sacrifice the positive image of the company as being a member of the EICC, but still offers a certain degree of autonomy in the running of its CSR practices.

The EICC is an entirely membership driven organization that is funded through the collection of membership fees from each respective company. Membership is open to electronic retailers, manufacturers, software firms and many other ICT functional areas. Currently, the EICC has approximately 42 member companies that span a variety of these different functional types, in addition to being based out of a variety of different countries. Most of these EICC members are Brands & OEMs (45%) headquartered out of the U.S (25

out of the 42 firms). Additionally, many of these companies have revenues upwards of \$10 billion per year (see Appendix C).

There are currently two types of membership levels that exist for member companies.

These two memberships are the: Full Member and the Applicant Member.

- Full Member: Full Members are conferred voting rights on any issue that is put up to a vote for membership companies. Full Members are also eligible to run for Board positions and Work Group leadership positions. Finally, Full Members can use all EICC tools (detailed in subsequent sections), and participate in any EICC events and workshops.
- Applicant Member: Applicant members have the right to also use EICC tools and participate in meetings and work groups. Yet they are not given the right to vote on any issues that are brought to a vote. All new member companies join as Applicant members, since many of the Full Member requirements are tied to a company's involvement in the EICC. It is intended that all Applicant members eventually become Full Members after a two-year "probationary" period, and meeting all the Full Applicant requirements. Applicant members are also given the option of requesting that the board review them for full membership prior to the end of the two-year period.

The process for becoming an EICC member has been strengthened between 2008 and 2009 in order to ensure that member companies are in compliance with the EICC Code of Conduct. To become a member, companies are expected to go through a lengthy screening process that consists of many steps detailed below.

Applicant Members:

- Complete membership application (see Appendix D), submit to Administrator.
- Provide a commitment letter signed by a senior executive of the company agreeing to support the EICC's vision, mission, and bylaws/operating principles; membership requirements. Letter must be included in membership application.
- Publicly acknowledge the company's inclusion in the EICC, within 30 days of membership acceptance. This can be via the company website, company report, and/or a press release.
- Pay dues within 60 days of membership acceptance and initial formal invoicing.
- Submit a completed and scored corporate-level SAQ (see below for further details) within 90 days of membership acceptance.

Full Members:

- Meet all Applicant member requirements.
- Adopt the Code of Conduct.
- Demonstrate progress toward conformance to the Code for member facilities as defined in Membership Compliance Program.
- Ensure adoption of the Code by major suppliers.

The process of becoming an applicant member, as previously mentioned, includes the submission of a SAQ. The SAQ is a Self Assessment Questionnaire that each company fills out on the basis of several key areas including: working hours, wages and benefits, non discrimination, freedom of association and many other issues related to the corporate and

social responsibilities of each firm. The SAQ can be filled out both in paper version and online as part of the E-TASC centralized database described in Section V. After the results are submitted, a scoring process takes place and identification of key areas for improvements are given to the company for review.

But having the firm assess its own performance would lead to an inaccurate portrayal of the key factors mentioned above. In order to gain entry into the EICC, companies would have the incentive to misrepresent information, in order to make themselves look more socially responsible. This would therefore lead to an inaccurate benchmark for use in measuring improvement later on. Furthermore, it is not readily apparent the mechanisms in which the EICC uses in assessing the SAQ. For example, would the revelation of certain information on the SAQ bar the company from joining the EICC? If so, which ones? This entire process was not very transparent and seemed to be up to the subjective opinions of the EICC Board, since they are the ones that have final approval on whether or not an applicant firm can join the EICC.

In addition to the potential problems caused by self-assessment in the SAQ, the entire membership structure of the EICC also contains several potential areas of bias. First and foremost is the funding structure of the EICC. Since membership fees paid by each member company fund the EICC, there is potential for a conflict of interest to develop as a result. The conflict of interest arises from accepting a member company that does not adhere to the standards of the EICC, in the attempts to collect the \$45,000 annual membership fee. Obviously, the membership fee would go into funding projects for the

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EICC, in addition to paying for the administrative costs of hiring on staff to run the organization. It is not imminently clear whether or not this would affect Board Member bonuses, although it is highly likely that it would. If so, this would further motivate granting memberships to companies who are not completely qualified. Second, are the biases in having the Board of Directors be the sole deciders in determining which companies can become members. Perhaps some of the members of the Board would be biased in not wanting its competitor firms to be seen as socially responsible, thereby barring them from membership to the EICC. A much fairer way of deciding the membership status of applicant firms would be by having all members companies vote. This would lead to less potential for bias and would lead to member companies feeling much more included in the EICC decision-making process.

IV. EICC Code of Conduct

The core mission of the EICC is outlined in the Code of Conduct (see Appendix E). All full members are required to adopt the Code of Conduct as part of membership to the EICC. As previously mentioned, the Code of Conduct was initially developed in 2004 and was the collaborative effort of several firms including: HP, Dell, and IBM in addition to manufacturers such as Flextronics, Jabil Circuit, Sanmina and Solectron. The Code focuses on several key areas including: Labor, Health and Safety, Environmental, Management Systems and Ethics.

After careful review and analysis of the Code of Conduct, we can see that the Code itself is inherently vague and up to the interpretation of the company itself. This would lead

to a lot of potential problems as each company could interpret the code in a slightly different way. Additionally, there are no quantifiable measures within the Code to assess whether the company is indeed making any necessary improvements. The Audit portion of the Code of Conduct also states that periodic self-evaluations would be enough to ensure conformity to legal and regulatory conflicts. However, this would obviously lead to a conflict of interest concerning the validity of the evaluation itself. Obviously, the company would be somewhat more lenient in its assessment of its own activity than a third party source. The third party source would have more incentive to want to generate a valid and unbiased assessment than the company itself, because the company would have more at stake by getting a bad review. The third party source would not let the sales of the evaluated company affect its evaluation of the firm. But the firm would have an interest in ensuring that it receives a positive rating due to its focus on protecting its own stock value.

Furthermore, in the opening sections of the EICC Code of Conduct, there is some leeway given in the enforcement of the code itself amongst suppliers of the EICC member companies. The Code says that “at minimum, participants shall also require its next tier suppliers to acknowledge and implement the code.” However, as the result of adding this clause in the Code of Conduct, EICC member companies could argue as to whether or not supplier companies are indeed a part of the next tier of suppliers or not. This would in essence create a loophole for EICC member companies to deny any association with companies further down the supply chain. It would also defeat the whole purpose of the establishment of the Code of Conduct itself, which is to have a credible system on which to evaluate the electronic firms. Additionally, if each company were to interpret this part of

the Code in a different way, then it would not be particularly fair to evaluate them on the same basis of criteria. For example, if one company were to only apply its Code of Conduct standards to the next tier of suppliers, while another company was to apply its Code of Conduct standards to all of its suppliers, then they would obviously attain much different assessments of their relative social responsibility.

To ensure a more transparent process in the development and maintenance of their Code of Conduct, the EICC has invited all internal and external stakeholders to review their current Code. In 2009, approximately 100 proposed changes were received, of which 30 were implemented by vote of the EICC membership. Each company is allowed one vote in this process, to ensure the fairness and validity of the vote. Of the 30 changes that were adopted, the most common type of change involved adding in enforcement language and clarifying terms to strengthen the Code. Furthermore, several additions were added to the Health and Safety provisions, including adding in factors related to industrial hygiene, sanitation and food.

As part of the review of the Code of Conduct, members also voted to change the current yearly review to a three-year review cycle. This was enacted because members felt as though a yearly review was not effective in the use of EICC resources. Members believed as a result of shifting to a three-year cycle, this would provide an increase in efficiency to the EICC as a whole. However, upon reflection of this new regulation, I believe that this shift to a three-year cycle is not advantageous to the liability of the organization. After all, the EICC should hold the values of its stakeholders as the core of its mission statement.

Therefore, by increasing the review of the Code to once every three years, instead of yearly, these stakeholders have less of a chance of getting their voices heard and for potential changes to be enacted. Perhaps this change was implemented in order to increase the power of its members, at the expense of other stakeholders. After all, this change would allow the membership body and particularly the Board to govern with freer reign. The most recent statistics show that about 74% of the membership body had adopted the EICC Code of Conduct for use with their suppliers in 2009, increasing from 68% in 2008.

V. EICC Supply Chain Assessment and Monitoring Process

As part of the adherence to the EICC Code of Conduct, there needs to be a system in which the social responsibility of member companies can be assessed and evaluated. As discussed in the previous section, in the initial stages of applying for membership to the EICC, a Self Assessment Questionnaire is used as a benchmark for future improvement of the companies. The EICC has also developed several other tools for member companies to use in evaluating the social responsibility of their supply chains.

A. Electronics Tools for Accountable Supply Chains (E-TASC)

In order to ensure that information can be readily available to all sources and across different suppliers, the EICC has developed an E-TASC tool for member companies to use. The core of E-TASC is that it is an online database containing information about: Self Assessment Questionnaires and audit reports from the Shared Audit Program (described below). This gives both companies and suppliers a way to manage the information flow between them and for member companies to track the compliance of supplier companies. Currently members are given the right to join as either full members or as per-facility

members. Full members would have the right to give E-TASC access to any part of its supply chain. This would be useful in helping larger companies manage a global chain of suppliers. On the other hand, per facility partial subscribers, would only allow one of their supplier facilities to have access to E-TASC. Currently, 64% of EICC members were subscribed to E-TASC as of 2009.

B. Shared Audits (2008)

In 2008, the EICC moved to establish a system of Shared Audits through the launch of its Pilot Program. The Shared Auditing Process consists of having a single audit of a supplier or facility being shared across multiple member companies. This was feasible as a result of many of the member companies sharing the same network of suppliers and facilities. The EICC believed that this would help to reduce the amount of redundancy in the auditing process. They further believed that this would cut down on the use of resources, thereby creating money for use in the monitoring and evaluation of the various facilities.

There are many goals that the EICC seeks to accomplish through the establishment of this Shared Audit Program. Besides cutting down on company costs and redundant audits, the Shared Audit Program also seeks to reinforce the expectations of EICC with suppliers. The EICC also stresses that while the audits should identify key problem areas, it is more important to identify the root causes of these various problems. Finally, the audit should adhere to and reinforce the expectations of the Codes of Conduct, while at the same time improving auditor consistency and the quality of the audit reports.

As part of the Pilot Program, each facility was evaluated based on an EICC created Audit Questionnaire. The auditors themselves were third party auditors chosen by the EICC membership body. For the first round of these pilot programs, the EICC chose auditors based on an open call of all interested auditing firms. From there, they narrowed down their selection to 11 auditing firms. Nevertheless, the EICC still felt as though these auditors were not qualified to identify the root causes of the problems faced by the member companies. Therefore, the EICC sought to develop its own system of training auditors, focused primarily on root cause analysis and employee interview skills.

As of the date of this report, the EICC is still in the process of refining this training program. They are currently partnered with the International Register of Certified Auditors to help define certification criteria and requirements for certification training courses. The launch date of this certification program is expected to be in the first half of 2010, although there has been no word of any progress made.

The concept of having shared audits makes logical sense in that it would reduce the costs to members, as well as decrease audit redundancy. Nonetheless, the idea of training its own group of auditors might lead to a certain conflict of interest. After all, membership fees fund the EICC. Therefore, what incentives do the auditors have in being truthful? They in essence wouldn't have a lot of incentive to be truthful. So to move from having a third-party auditor to an internal EICC auditor would decrease the amount of validity that the audit has. Furthermore, since the EICC are the ones that are establishing the rules of the audit, this would add an additional bias to the auditing process.

C. Validated Audit Process (2009)

As part of improving the Shared Audit process, the EICC has sought to refine and build upon the model by launching the Validated Audit Process in 2009. The Validated Audit Process (VAP) is a standard model used for auditing labor, ethics, health, safety and environmental practices based on the Code, laws and regulations. The auditors themselves are chosen by the EICC using a set of standardized templates and audit methodology. Currently, the EICC has made commitments to providing a comprehensive set of auditing tools that incorporate a clear auditing protocol, references and guidance. In addition, the auditing tools allow companies to be given real time scores on their levels of social responsibility. For those companies that choose to audit themselves, the EICC utilizes the services of the Phylmar Group to act as a third party that manages the process between the auditee and the auditing firm.

EICC members are then given a chance to nominate various facilities that they use to be a part of the auditing process. Upon selection, contracts are selected with third party auditors to conduct the auditing. The third party auditors then conduct a thorough investigation of the facility at hand and report on any potential issues areas that exist. In 2009, there were approximately 70 validated audits conducted. However, since the EICC members are allowed to choose the facilities in which the audits are taking place, what incentives do they have in choosing a bad CSR facility? The company in essence would choose the facility that would make themselves look the best, thereby decreasing the credibility of the audit altogether. Therefore, there needs to be a redesign of the entire

auditing process to ensure that these audits are taking place unannounced, at random facilities, thereby making the audit itself more credible and valid.

Furthermore, upon review of the standards for the Validated Audit Process it seems unclear the different stipulations between the company conducting its own audit and having a third party conduct the audit. There seems to be a slight discrepancy between the two. On the one hand there are the audits that the EICC is doing for the company, of which the EICC can choose the appropriate auditing firm. On the other, are the firms conducting the audit themselves, of which the EICC serves as a facilitator between the company and the auditing firms. However, this raises the question of whether there are slightly different standards for the two auditing processes. If the company is conducting its own audit, then does it have its own set of Codes of Conduct or does it use the one that it specified by the EICC? Furthermore, how are the third party auditors trained to provide a consistent auditing framework that is in line with that of the EICC? These questions remain unanswered after careful review of the EICC's annual report and website.

VI. EICC Supplier Capability Building

Besides the monitoring and evaluation aspects of the EICC, it also emphasizes training and development in its member supplier networks. The EICC recognizes that often times these suppliers are unaware of the proper socially responsible actions to undertake. Therefore the EICC has launched a series of initiatives to help to raise awareness in these key areas. These initiatives include: large-scale supplier forums and ongoing web based training sessions.

In 2009, the EICC hosted two large-scale supplier forums targeted at Chinese supplier firms that focused on the specifications in the Codes of Conduct, supplier tools assessment and the Validated Audit Process. Additionally, as a part of ongoing training for their suppliers, the EICC has also launched several eLearning web-based training platforms for use in outlining the key expectations outlined in the Code. This eLearning platform is targeted at commodity managers and has an interactive element that then tests these managers knowledge. So far, approximately 9 member companies have adapted the eLearning system.

While the idea of implementing an ongoing training system is a good idea, the process in which EICC has gone about implementing this system raises some key issues. First is the issue of which individuals within the facility are being trained with this eLearning platform. From the outline in the Annual Report it seems that only the managers or those higher up officials are being trained. However, I believe that this training should encompass a larger audience of people, perhaps including all management personnel. After all, it should be the collective responsibility of the facility to become more socially responsible. Therefore by involving more second tier management, who more closely monitor and evaluate employees activities, there will be much greater efficiency in ensuring socially responsible actions are actually carried out.

VII. EICC Financials

Most conspicuously missing from the EICC's Annual Report was a section about the financial structure of the organization. Additional internet research also turned up no information about the EICC's finances. The membership fees collected from its members fund EICC, but there remains a question as to whether or not there are any other outside funding sources. Indeed if there were other outside funding sources, the EICC would be slightly more credible given that they are not the sole funders for the EICC, and therefore would not have an absolute say in how the EICC is run. Additionally, how much of the EICC's budget is going towards implementation of programs and how much of it is going towards administrative costs? The higher the administrative costs the more suspicious one would be as to the validity of the organization as a whole. It is very unusual that the EICC does not publically reveal its finances and causes one to question the credibility of the organization as a whole.

VIII. EICC and Cisco Systems

One of the current members in the EICC is Cisco Systems, one of the largest network hardware providers in the world. Cisco Systems joined the EICC in 2005 and was represented on the Board of Directors in 2009, while also being actively involved in many of the EICC work groups. The Cisco Systems CSR Annual Report demonstrates its compliance with the EICC Codes of Conduct in a number of different ways. First, the Cisco Code of Conduct for its suppliers was modeled after the EICC Codes of Conduct. Cisco specifically concentrates on four areas: labor, ethics and intellectual property protection, human health and safety and the environment.

Cisco Systems also uses the auditing tools provided by the EICC in conducting Validated Audits. In 2009, Cisco used these tools to conduct an analysis on many of their first tier facilities. After conducting the audits, Cisco found that there were approximately 30 major and minor instances of noncompliance. Most of the issues had to do with worker related issues surrounding: hours, labor and ethics management systems and emergency preparedness. Additionally, Cisco also has taken the eLearning platform developed by the EICC and revamped it for launch in late 2010.

Currently, Cisco plans on continual participation in the EICC and has committed itself to expanding sustainable value chain assessments. The question that still remains to be asked is what incentive does Cisco have in being a member of the EICC? I argue that this is largely a publicity stunt that demonstrates to the public Cisco's commitment to socially responsible actions. The EICC is recognized by many in the industry as being a validation of a company's commitment to CSR practices. But Cisco does gain from the EICC a set of tools that can be useful in refining its own CSR practices, such as the eLearning module and the Codes of Conduct.

IX. Conclusion

The CSR aims of the EICC are very relevant to the issues that many high tech companies are facing currently. Furthermore, the EICC has been growing its membership base quite regularly over the last few years. But there are still several issues that may impede the development of the EICC as a legitimate body. First is their somewhat suspicious membership composition that could lead to an obvious conflict of interest

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between internal EICC staff and member companies. Second is the EICC's nascent assessment and monitoring procedures that still require much refining and build up. Third, is the unknown financial structure of the EICC and how the funds are distributed throughout the organization. Lastly is the EICC's eLearning curriculum that still needs some refining as well in terms of who should be the targets of the training process. However, if these areas were to be improved, the EICC can better position itself as a credible and independent socially responsible monitoring agency.

As of the date of this report, Wendy Dittmer (Media Relations Representative from EICC) could not be reached for comment after several attempts.

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X. Class Discussion Questions

1. What incentives does the firm have in being honest on its Self Assessment Questionnaire?
2. With the composition of the board being dominated by firm executives, what other mechanisms do stakeholders have in letting their voices be heard?
3. Why isn't the EICC's financials public knowledge? Are they looking to hide something from the public? If so, what?
4. How does the EICC reconcile the differences in auditing techniques between performing an EICC administered audit and an audit done by the company itself?
5. How are the Codes of Conduct between the firm and the EICC different or the same? How are they reconciled if there is a conflict between the two?
6. If the EICC does implement its auditor training program, what incentives would these auditors have in being honest on the audits?
7. How does the EICC insure that a valid and just audit is being conducted when the firms can choose which facilities are being audited?
8. What changes would the EICC have to undergo to establish itself as being more credible?

Appendix A – List of EICC Member Firms

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

EMEA

- Logitech, Inc.
- Numonyx
- Océ 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.

Appendix B – List of EICC Board of Directors

John Gabriel (IBM), Chair

Deborah Albers (Dell), Special Projects

Eric Austermann (Jabil), Code Management

Kate Cacciatore (STMicroelectronics), External Relations

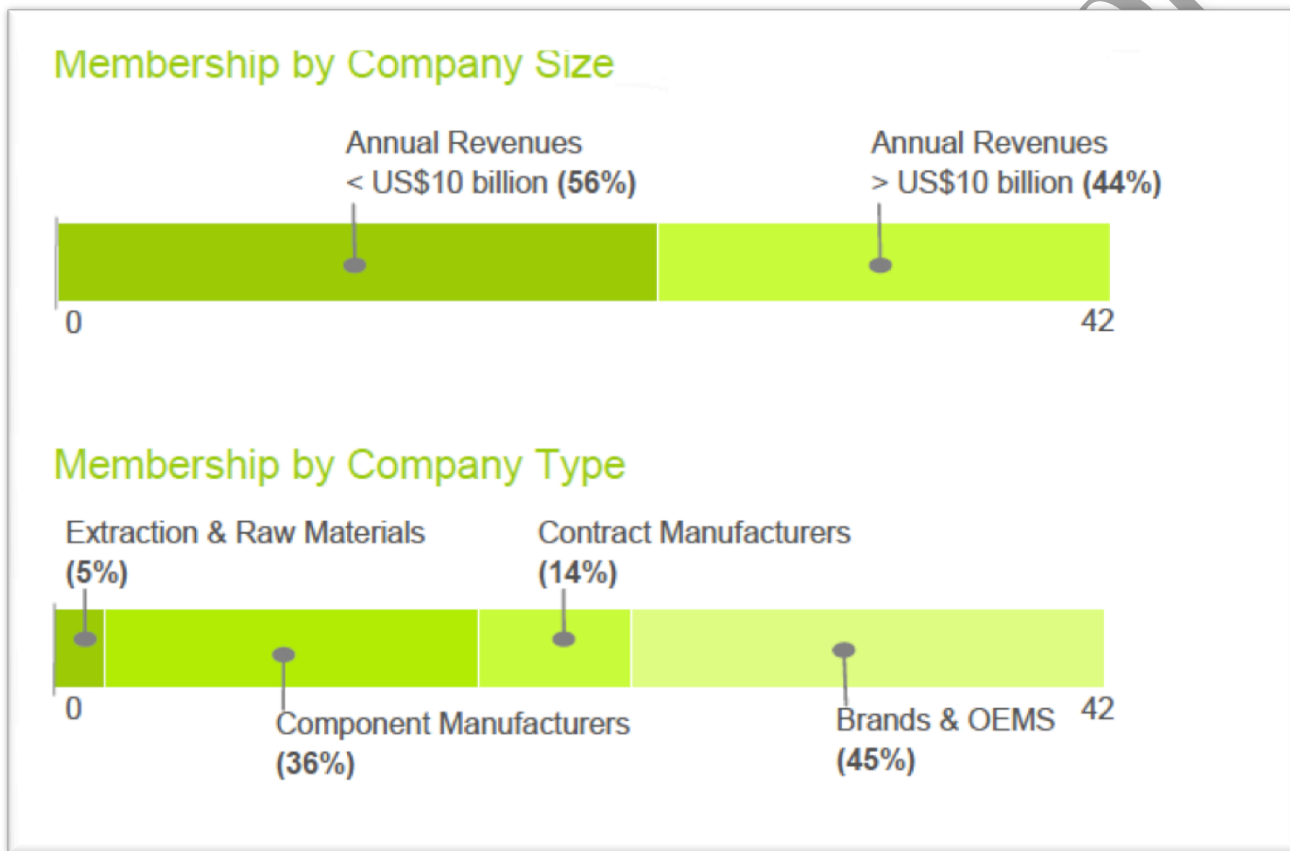
Bruce Klafter (Applied Materials), Outreach

Steve Viera (Intel), Measurement

Zoe McMahon (HP) Capability Building

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Appendix C - Breakdown of Member Firms



Appendix D – Membership Application

APPLICATION FOR MEMBERSHIP – FY 2009

By executing and submitting the Membership Application together with payment for membership dues, the Applicant confirms that it understands both the requirements and benefits of Membership in the Electronic Industry Citizenship Coalition, Incorporated (EICC) as set forth by its Board of Directors. This Application for Membership is subject to acceptance by the EICC Board of Directors.

The fiscal year for the EICC extends from January 1 through December 31. Applications accepted during the mid-year application cycle are for the six month period from July 1 to December 31, to be renewed during the following full fiscal year cycle.

THE GOAL OF THE EICC

The EICC is a group of companies working together to create a comprehensive set of tools and methods that support credible implementation of the EICC Code of Conduct throughout the Electronics and Information and Communications Technology (ICT) supply chain.

Vision: Through the application of high standards we can create better social, economic and environmental outcomes for all those involved in the Electronics and ICT supply chains. This includes increased efficiency and productivity for customers and suppliers, improved conditions for workers, economic development and a cleaner environment for local communities.

Mission: To deliver these benefits through a shared approach to implementing the EICC Code of Conduct. This approach will reduce duplication, focus efforts on positive social and environmental change, build supply chain capabilities in social responsibility and employ a process that solicits feedback from stakeholders.

EICC MEMBERSHIP LEVELS

Membership in the EICC is open to all to electronic manufacturers, software firms, ICT firms, and manufacturing service providers, including contracted labor, that design, market, manufacture and/or provide electronic goods. There are two defined membership levels – Applicant Member and Full Member. It is intended that all Applicant Members work towards Full Member status by meeting the requirements for Full membership within a period of 2 years from their acceptance as an Applicant Member. If a company does not satisfactorily meet the requirements for Full Membership within a 2 year period it shall be given User status, which allows access to available EICC tools, but provides no membership benefits. The requirements of membership will be made public as will the list of companies who have achieved Applicant or Full Member status.

The requirements associated with Applicant and Full membership are listed below.

APPLICANT MEMBER REQUIREMENTS

- Complete the membership application.

- Provide a commitment letter signed by a senior executive of the company agreeing to support the EICC’s vision, mission, and bylaws/operating principles.
- Upon acceptance into the EICC, pay dues within 30 days of invoicing.
- Upon acceptance into the EICC, publicly acknowledge (within 30 days) the company’s inclusion in the EICC. This can be via the company website, company report, and/or a press release.
- Upon acceptance into the EICC, complete and submit (within 90 days) the corporate-level section of the Self Assessment Questionnaire (SAQ)

FULL MEMBER REQUIREMENTS

- Complete the membership application.
- Meet all Applicant Member requirements.
- Use the EICC Code of Conduct, versus a company-specific code of conduct, for external suppliers. Company specific additions addressing issues beyond the scope of the EICC Code are permissible as described in the EICC operating principles.
- Commit to applying the EICC Code of Conduct to the member’s operations and at a minimum extend to their 1st tier suppliers.
- Use of EICC developed tools and applications (based on availability.) This includes EICC/Code training materials, the SAQ, audit checklist, joint audits (when applicable), and E-TASC. For a complete list of current or planned tools, please see www.eicc.info
- Actively participate in the EICC: attend membership meetings, participate in work groups/regional network, and/or seek available Board of Director positions.
- Share company-specific data on progress towards Full Member status and be willing to share additional data relevant to the EICC’s activities for use in EICC progress reports.

EICC MEMBERSHIP BENEFITS

Benefits of membership accrue to the degree the company has attained Full membership status.

Benefit	Applicant Member	Full Member
Name Listed on the EICC website (identify Applicant and Full members)	●	●
Use of EICC name and logo (specific to Applicant or Full Member)	●	●
Participation in EICC meetings and work groups/task forces	●	●
Stakeholder engagement (recognition for Applicants; participation for Full members)	●	●

Best practice sharing	Some	●
Events and Training	Some	
Research (e.g. benchmarking for Applicants vs. White papers and detailed studies for Full Members)	Benchmarking	●
Voting rights – Code of Conduct and elections		●
Work group lead and/or Board member		●
EICC negotiated discounts on services		●

EICC MEMBERSHIP DUES

Annual dues are based on the company’s current annual revenue and projected membership level for the current year. Dues are payable within 30 days from the date of invoicing (following acceptance into the EICC); if dues are not received in this timeframe official membership will be deferred until the next open membership period.

Any company new to the EICC is required to join as an Applicant Member, since many of the Full Member requirements are tied to a company’s involvement in the EICC. However, if the company meets the Full Member requirements within six (6) months of joining the organization, the additional \$5,000 paid as part of the Applicant Member fee will be credited to the company’s membership fees for the following fiscal year.

Membership	Revenue < \$10 B (USD)	Revenue ≥ \$10 B (USD)
Applicant	\$20,000/year	\$30,000/year
Full	\$15,000/year	\$25,000/year

SUBSIDIARIES AND AFFILIATES

A member and its affiliates/subsidiaries shall be deemed one member. An affiliate is defined as any legal entity that directly or indirectly controls, is controlled by, or is under common control with another entity via beneficial ownership of more than 50% of voting power or equity in another entity.

APPLICANT COMPANY PROFILE

Company Name:		Headquarters Address:	
Primary EICC Contact:		Address:	
Email:		Phone:	
Fax:		Title:	
Additional Contact:		Email:	
Phone:		Role:	

Additional Contact:		Email:	
Phone:		Role:	
Additional Contact:		Email:	
Phone:		Role:	

WHICH BEST DESCRIBES YOUR COMPANY'S PRIMARY ACTIVITY?

- Original Equipment Manufacturer (OEM)
- Electronic Manufacturing Services (EMS)
- Component Manufacturer
- Transportation/Logistics Provider
- Technology Reseller
- Commodity Manufacturer
- Other _____

WHAT IS THE NAME OF THE DEPARTMENT FOR THE PRIMARY CONTACT?

- Supply Chain Management/Procurement
- Human Resources
- EHS
- Corporate/Government Affairs
- Public Relations
- Engineering/R&D
- Manufacturing/Production
- Marketing
- Sales
- Other _____

WHAT IS THE ROLE OF THE PRIMARY EICC CONTACT IN THE COMPANY?

- CEO/President/Owner
- CFO/COO
- Project Manager
- Supplier Management
- Compliance
- Engineer
- Human Resources
- Finance/Accounting
- Customer Service
- Administration
- Other _____

WHAT IS THE SIZE OF YOUR COMPANY (ALL LOCATIONS)?

- 1 - 49 employees
- 50 - 99 employees
- 100 - 499 employees
- 500 - 999 employees
- 1,000 - 4,999 employees
- 5,000 - 9,999 employees
- 10,000 - 49,999 employees
- 50,000+ employees

WHAT IS YOUR COMPANY'S REVENUE?

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< \$10 Billion

≥ \$10 Billion

MEMBERSHIP APPLICATION SUBMISSION

Company Name:	
Level Requested:	Applicant Member or Full Member (Choose one)
Date:	
Submitted by:	
Title:	
Signature:	
Comments:	

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Appendix E – EICC Code of Conduct

Version 3.0 (2009)

ELECTRONIC INDUSTRY CODE OF CONDUCT

The Electronic Industry Code of Conduct establishes standards to ensure that working conditions

in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible.

Considered as part of the electronics industry for purposes of this Code are Original Equipment Manufacturers (OEMs), Electronic Manufacturing Services (EMS) firms and Original Design Manufacturers (ODMs) including contracted labor that may design, market, manufacture and/or provide goods and services that are used to produce electronic goods. The Code may be voluntarily adopted by any business in the electronics sector and subsequently applied by that business to its supply chain and subcontractors.

To adopt the Code and become a participant (“Participant”), a business shall declare its support for the Code and actively pursue conformance to the Code and its standards in accordance with a management system as set forth in the Code.

For the Code to be successful, Participants must regard the code as a total supply chain initiative. At a minimum, participants shall also require its next tier suppliers to acknowledge and implement the Code.

Fundamental to adopting the Code is the understanding that a business, in all of its activities, must operate in full compliance with the laws, rules and regulations of the countries in which it operates.¹ The Code encourages Participants to go beyond legal compliance, drawing upon internationally recognized standards, in order to advance social and environmental responsibility.

¹ The Code is not intended to create new and additional third party rights, including for workers.

The Electronic Industry Citizenship Coalition is committed to obtaining regular input from stakeholders in the continued development and implementation of the Electronic Industry Code of Conduct (EICC).

The Code is made up of five sections. Sections A, B, and C outline standards for Labor, Health and Safety, and the Environment, respectively. Section D outlines the elements of an acceptable system to manage conformity to this Code. Section E adds standards relating to business ethics.

A. LABOR

Participants are committed to uphold the human rights of workers, and to treat them with dignity and respect as understood by the international community.

The recognized standards, as set out in the annex, were used as references in preparing the Code and may be a useful source of additional information.

The labor standards are:

1) Freely Chosen Employment

Forced, bonded or indentured labor or involuntary prison labor shall not to be used. All work will be voluntary, and workers shall be free to leave upon reasonable notice. Workers shall not be required to hand over government-issued identification, passports or work permits to the Participant or Labor Agent as a condition of employment.

2) Child Labor Avoidance

Child labor is not to be used in any stage of manufacturing. The term “child” refers to any person under the age of 15 (or 14 where the law of the country permits), or under the age for completing compulsory education, or under the minimum age for employment in the country, whichever is greatest. The use of legitimate workplace apprenticeship programs, which comply with all laws and regulations, is supported. Workers under the age of 18 shall not perform work that is likely to jeopardize the health or safety of young workers.

3) Working Hours

Studies of business practices clearly link worker strain to reduced productivity, increased turnover and increased injury and illness. Workweeks are not to exceed the maximum set by local law. Further, a workweek should not be more than 60 hours per week, including

overtime, except in emergency or unusual situations. Workers shall be allowed at least one day off per seven-day week.

4) Wages and Benefits

Compensation paid to workers shall comply with all applicable wage laws, including those relating to minimum wages, overtime hours and legally mandated benefits. In compliance with local laws, workers shall be compensated for overtime at pay rates greater than regular hourly rates. Deductions from wages as a disciplinary measure shall not be permitted. The basis on which workers are being paid is to be provided in a timely manner via pay stub or similar documentation.

5) Humane Treatment

The Participant's disciplinary policies and procedures shall be clearly defined and communicated to workers. There is to be no harsh and inhumane treatment, including any sexual harassment, sexual abuse, corporal punishment, mental or physical coercion or verbal abuse of workers: nor is there to be the threat of any such treatment.

6) Non-Discrimination

Participants should be committed to a workforce free of harassment and unlawful discrimination. Companies shall not engage in discrimination based on race, color, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring and employment practices such as

promotions, rewards, and access to training. In addition, workers or potential workers should not be subjected to medical tests that could be used in a discriminatory way.

7) Freedom of Association

Open communication and direct engagement between workers and management are the most effective ways to resolve workplace and compensation issues. Participants are to respect the rights of workers to associate freely, join or not join labor unions, seek representation, join workers' councils in accordance with local laws. Workers shall be able to communicate openly with management regarding working conditions without fear of reprisal, intimidation or harassment.

B. HEALTH and SAFETY

Participants recognize that in addition to minimizing the incidence of work-related injury and illness, a safe and healthy work environment enhances the quality of products and services, consistency of production and worker retention and morale. Participants also recognize that ongoing worker input and education is essential to identifying and solving health and safety issues in the workplace.

Recognized management systems such as OHSAS 18001 and ILO Guidelines on Occupational

Safety and Health were used as references in preparing the Code and may be a useful source of additional information.

The health and safety standards are:

1) Occupational Safety

Worker exposure to potential safety hazards (e.g., electrical and other energy sources, fire, vehicles, and fall hazards) are to be controlled through proper design, engineering and administrative controls, preventative maintenance and safe work procedures (including lockout/tagout), and ongoing safety training. Where hazards cannot be adequately controlled by these means, workers are to be provided with appropriate, well-maintained, personal protective equipment. Workers shall not be disciplined for raising safety concerns.

2) Emergency Preparedness

Emergency situations and events are to be identified and assessed, and their impact minimized by implementing emergency plans and response procedures, including: emergency reporting, employee notification and evacuation procedures, worker training and drills, appropriate fire detection and suppression equipment, adequate exit facilities and recovery plans.

3) Occupational Injury and Illness

Procedures and systems are to be in place to prevent, manage, track and report occupational injury and illness, including provisions to: a) encourage worker reporting; b) classify and record injury and illness cases; c) provide necessary medical treatment; d) investigate cases and implement corrective actions to eliminate their causes; and e) facilitate return of workers to work.

4) Industrial Hygiene

Worker exposure to chemical, biological and physical agents is to be identified, evaluated, and controlled. Engineering or administrative controls must be used to control overexposures. When hazards cannot be adequately controlled by such means, worker health is to be protected by appropriate personal protective equipment programs.

5) Physically Demanding Work

Worker exposure to the hazards of physically demanding tasks, including manual material handling and heavy or repetitive lifting, prolonged standing and highly repetitive or forceful assembly tasks is to be identified, evaluated and controlled.

6) Machine Safeguarding

Production and other machinery is to be evaluated for safety hazards. Physical guards, interlocks and barriers are to be provided and properly maintained where machinery presents an injury hazard to workers.

7) Sanitation, Food, and Housing

Workers are to be provided with ready access to clean toilet facilities, potable water and sanitary food preparation, storage, and eating facilities. Worker dormitories provided by the Participant or a labor agent are to be maintained clean and safe, and provided with appropriate emergency egress, hot water for bathing and showering, and adequate heat and ventilation and reasonable personal space along with reasonable entry and exit privileges.

C. ENVIRONMENTAL

Participants recognize that environmental responsibility is integral to producing world class products. In manufacturing operations, adverse effects on the community, environment and natural resources are to be minimized while safeguarding the health and safety of the public. Recognized management systems such as ISO 14001, the Eco Management and Audit System (EMAS) were used as references in preparing the Code and may be a useful source of additional information.

The environmental standards are:

1) Environmental Permits and Reporting

All required environmental permits (e.g. discharge monitoring), approvals and registrations are to be obtained, maintained and kept current and their operational and reporting requirements are to be followed.

2) Pollution Prevention and Resource Reduction

Waste of all types, including water and energy, are to be reduced or eliminated at the source or by practices such as modifying production, maintenance and facility processes, materials substitution, conservation, recycling and re-using materials.

3) Hazardous Substances

Chemical and other materials posing a hazard if released to the environment are to be identified and managed to ensure their safe handling, movement, storage, use, recycling or reuse and disposal.

4) Wastewater and Solid Waste

Wastewater and solid waste generated from operations, industrial processes and sanitation facilities are to be characterized, monitored, controlled and treated as required prior to discharge or disposal.

5) Air Emissions

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterized, monitored, controlled and treated as required prior to discharge.

6) Product Content Restrictions

Participants are to adhere to all applicable laws, regulations and customer requirements regarding prohibition or restriction of specific substances, including labeling for recycling and disposal.

D. MANAGEMENT SYSTEM

Participants shall adopt or establish a management system whose scope is related to the content of this Code. The management system shall be designed to ensure (a) compliance with applicable laws, regulations and customer requirements related to the participant's operations and products; (b) conformance with this Code; and (c) identification and mitigation of operational risks related to this Code. It should also facilitate continual improvement.

The management system should contain the following elements:

1) Company Commitment

Corporate social and environmental responsibility policy statements affirming Participant's commitment to compliance and continual improvement, endorsed by executive management.

2) Management Accountability and Responsibility

The Participant clearly identifies company representative[s] responsible for ensuring implementation of the management systems and associated programs. Senior management reviews the status of the management system on a regular basis.

3) Legal and Customer Requirements

Identification, monitoring and understanding of applicable laws, regulations and customer requirements.

4) Risk Assessment and Risk Management

Process to identify the environmental, health and safety² and labor practice and ethics risks associated with Participant's operations. Determination of the relative significance for each risk and implementation of appropriate procedural and physical controls to control the identified risks and ensure regulatory compliance.

² Areas to be included in a risk assessment for environmental health and safety are production areas, warehouse and storage facilities, plant/facilities support equipment,

laboratories and test areas, sanitation facilities (bathrooms), kitchen/cafeteria and worker housing/dormitories.

5) Improvement Objectives

Written performance objectives, targets and implementation plans to improve the Participant's social and environmental performance, including a periodic assessment of Participant's performance in achieving those objectives.

6) Training

Programs for training managers and workers to implement Participant's policies, procedures and improvement objectives and to meet applicable legal and regulatory requirements.

7) Communication

Process for communicating clear and accurate information about Participant's policies, practices, expectations and performance to workers, suppliers and customers.

8) Worker Feedback and Participation

Ongoing processes to assess employees' understanding of and obtain feedback on practices and conditions covered by this Code and to foster continuous improvement.

9) Audits and Assessments

Periodic self-evaluations to ensure conformity to legal and regulatory requirements, the content of the Code and customer contractual requirements related to social and environmental responsibility.

10) Corrective Action Process

Process for timely correction of deficiencies identified by internal or external assessments, inspections, investigations and reviews.

11) Documentation and Records

Creation and maintenance of documents and records to ensure regulatory compliance and conformity to company requirements along with appropriate confidentiality to protect privacy.

E. ETHICS

To meet social responsibilities and to achieve success in the marketplace, Participants and their agents are to uphold the highest standards of ethics including:

1) Business Integrity

The highest standards of integrity are to be expected in all business interactions. Participants shall prohibit any and all forms of corruption, extortion and embezzlement. Monitoring and enforcement procedures shall be implemented to ensure conformance.

2) No Improper Advantage

Bribes or other means of obtaining undue or improper advantage are not to be offered or accepted.

3) Disclosure of Information

Information regarding business activities, structure, financial situation and performance is to be disclosed in accordance with applicable regulations and prevailing industry practices.

4) Intellectual Property

Intellectual property rights are to be respected; transfer of technology and know-how is to be done in a manner that protects intellectual property rights.

5) Fair Business, Advertising and Competition

Standards of fair business, advertising and competition are to be upheld. Appropriate means to safeguard customer information must be available.

6) Protection of Identity

Programs that ensure the confidentiality and protection of supplier and employee whistleblower are to be maintained.

Whistleblower definition: Any person who makes a disclosure about improper conduct by an employee or officer of a company, or by a public official or official body.

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The Electronic Industry Code of Conduct was initially developed by a number of companies engaged in the manufacture of electronics products between June and October 2004. Companies are invited and encouraged to adopt this code. You may obtain additional information from www.eicc.info.

APPENDIX F - References

EICC Annual Report 2008

http://www.eicc.info/PDF/EICC%202008%20Annual%20Report_FINAL.pdf

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