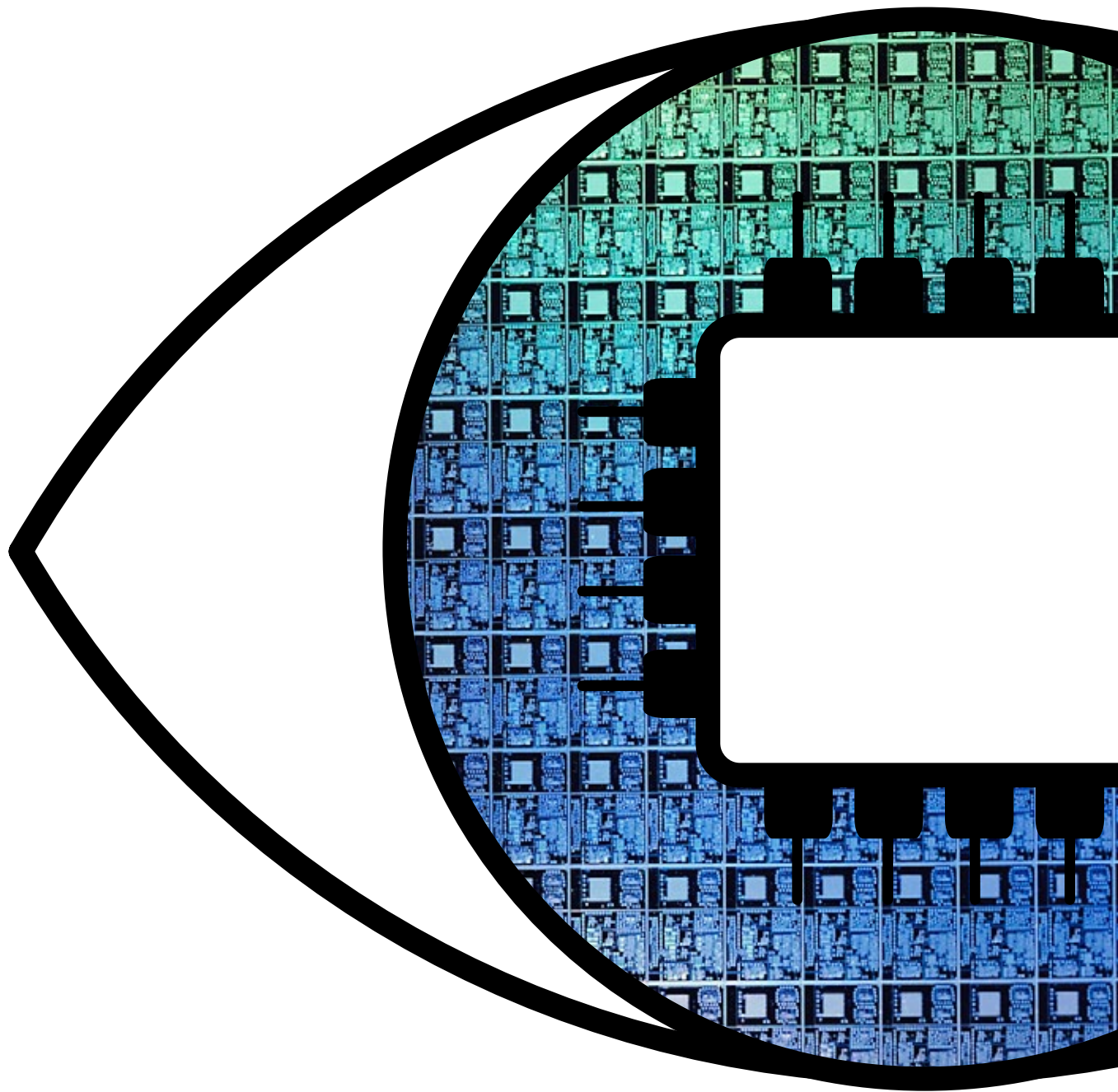




1. Why Be Concerned About Electronics Procurement and Human Rights?

Risk to Workers

Forced overtime

Toxic chemicals

Fired for joining a union

Abuse of student interns and migrant workers

Excessive recruitment fees and debt bondage



These are risks that electronics workers face in many regions worldwide.

Since the 1980's, brands have transferred labour intensive activities to low cost locations across the globe, including Southeast Asia, China, India, Eastern Europe, and Mexico.

Frequent new product developments, short product life cycles, market uncertainty, lack of production forecasting, and minimal brand inventory result in production peaks and troughs, late orders, and changes to orders in midstream. Factories must produce increasingly complex products "just-in-time", with expectations of ever shorter time-to-market (the length of time it takes from conceiving a product to making it available for sale). Delays anywhere in the supply chain are costly and downward price pressure further reduces margins for error.

» None of us wants to be here. We are all depressed, but we have no choice. The school told us that if we refused, we would not get our diploma.

Student electronics worker, China

» The planning of shifts changes every day. It may change even twice a day. Sometimes I go to sleep during the day as I'm supposed to have a night shift and it's cancelled. You have to watch every hour. It was crazy in July.

Migrant agency electronics worker, Eastern Europe

» Our overtime is forced work. When you refuse, there is a penalty, a suspension. You have to meet the target output they gave you.... Many workers are threatened with termination if they refuse overtime.

Regular electronics worker, Philippines

» Last year we worked five weeks in a row, weekends included, nonstop, so we could then exchange these days and get our December holidays. We were also working overtime. People got so burnt out they did not want to stay, simply because they could not stand it anymore. It was physically impossible to continue to work.

Regular electronics worker, Mexico



Workers often have to absorb these production stresses. Factories demand excessive overtime hours to complete orders on time, and increasingly use temporary workers—often migrant, agency, or student workers—who may be paid less, have fewer benefits, and are more vulnerable to abuse than regular workers. Lawmakers have relaxed labour laws in a number of countries to make it easier for companies to hire temporary workers.

Factories demand excessive overtime hours to complete orders on time, and increasingly use temporary workers who may be paid less, have fewer benefits, and are more vulnerable to abuse than regular workers

Fast and low cost production often causes friction with workers' fundamental labour rights, the freedoms from forced labour and child labour, non-discrimination, the freedom of association, and the right to collective bargaining. Democratic and independent unions struggle to organize the rapidly increasing numbers of temporary workers, and most workers have little chance to bargain collectively on their conditions of employment and no access to effective grievance mechanisms. As a result, workers are increasingly vulnerable to other abuses, including serious health and safety hazards, such as prolonged exposure to cancer-causing chemicals.

Risk to Public Sector Buyers

A public sector organization buying electronics made in illegal conditions, puts the following principles and interests in jeopardy:

Ethics and standards of probity. Public organisations spending public money must observe high standards of probity. Using public money to purchase illegally produced goods does not sit well with this responsibility. The public sector must also consider the effect of its purchasing on the market: purchasing illegally produced electronics may well undercut manufacturers producing goods under legal conditions, distorting the market and squeezing out legal producers.

The public interest. The public sector has a responsibility to act in the public interest at all

times. Even when making commercial purchasing decisions, the public sector must act in the public interest, and must not contribute to breaches of the law through its purchasing.

Quality of products. Low cost purchasing without social criteria can be associated with increased risk of latent production defects. Hidden defects that emerge after a warranty period can drastically reduce the value of a product.

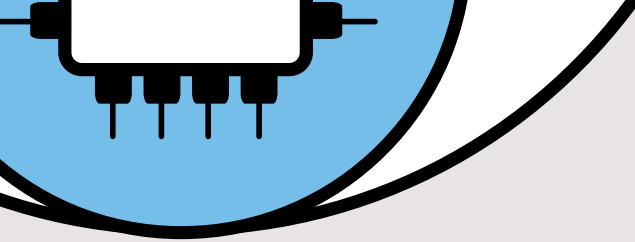
Hardware failures can cause severe problems and productivity loss.

» *"I guess the question I'm asked most often is: 'When you were sitting in that capsule listening to the count-down, how did you feel?' Well, the answer to that is easy. I felt exactly how you would feel if you were getting ready to launch and knew you were sitting on top of two million parts – all built by the lowest bidder on a government contract."*

John Glenn, the first American to orbit the earth and third American in space.

Reputation. The public is increasingly aware of labour rights and global issues, and the new reports on human rights violations in ICT hardware supply chains often become widely reported news. As electronics brands are exposed in the media for human rights violations, public institutions run the risk of endangering their own reputations by association, weakening public confidence in public institutions.

Legal compliance. International guidance, such as the United Nations Guiding Principles on Business and Human Rights, and national legislation, such as the UK Modern Slavery Act, have defined a responsibility for public sector buyers to investigate and address human rights violations in their global supply chains. Failing to take action to address human rights risks in supply chains could amount to a failure to exercise legal responsibilities.



2. The Electronics Watch Model: Combining the Strength of Public Sector Organisations

Brief history

Electronics Watch is the result of a €1 million European Commission funded project from 2013-2015, implemented by a consortium of European NGOs. This consortium conducted research on the electronics industry; developed model contract clauses, a code of labour standards, and other procurement tools consistent with the EU procurement directive; fostered dialogue and educational forums with public sector buyers in many regions across Europe; recruited advisors and the first affiliates to Electronics Watch; and incorporated the organisation under Dutch law.

Purpose and vision

Electronics Watch is an independent monitoring organisation that assists public sector buyers to meet their responsibility to protect the labour rights of electronics workers in their global supply chains more effectively and less expensively than any single public sector buyer could accomplish on its own. The EU Public Procurement Directive of 2014 requires member nations to take steps to ensure that procurement contractors comply with applicable labour standards, including the core ILO standards. Electronics Watch helps member nations ensure compliance with this directive.

Electronics Watch seeks to achieve its vision by developing and managing:

- A network of affiliated public sector buyers across Europe, sharing cost and information and coordinating engagement with the industry.
- A network of civil society monitors in every major electronics producing country, supplying information and analysis to affiliates to help

improve compliance with labour rights and safety standards.

Operating structure

Electronics Watch is a non-profit organisation under Dutch law with an international Board of Trustees that represents the three blocks of the organisation:

Electronics Watch is an independent monitoring organisation that assists public sector buyers to meet their responsibility to protect the labour rights of electronics workers in their global supply chains more effectively and less expensively than any single public sector buyer could accomplish on its own.

civil society organisations from electronics production regions; public sector buyers; and experts in human rights and global supply chains. An "Informal Advisory Group" with more than 70 member-organisations, representing these three constituency blocks, elects the Board of Trustees. Public sector affiliates are automatically part of the Informal Advisory Group

and can elect public sector representatives to the Board of Trustees or themselves be elected to the Board of Trustees by their constituency group.

The programmatic and administrative work of Electronics Watch is led by its staff, including the director who is accountable to the Board of Trustees. Staff work closely with the affiliates and Electronics Watch monitoring organisations located in electronics producing regions worldwide.

Board of trustees

- So Sheung, Senior Trainer and Programme Coordinator, Labour Education and Service Network, China (Hong Kong), President
- Michael Gibson Kilner, Senior Contracts Manager, London Universities Purchasing Consortium, UK, Treasurer
- Pauline Overeem, Senior Researcher at the Centre for Research on Multinational Corporations (SOMO), Netherlands, Secretary

- Jim Cranshaw, Senior Strategic and Fundraising Consultant for various civil society and public sector organisations, UK
- Dr. Mingwei Liu, Assistant Professor of Labour Studies and Employment Relations, Rutgers University, USA
- Dr. Olga Martin-Ortega, Reader in Public International Law, University of Greenwich, UK
- Emma Nicholson, Head of Development and Sustainability, Advanced Procurement for Universities and Colleges, Scotland
- Gopinathan Kunhithayil Parakuni, General Secretary, Cividep, India

Electronics Watch operates on the basis of affiliation, rather than a fee for service.

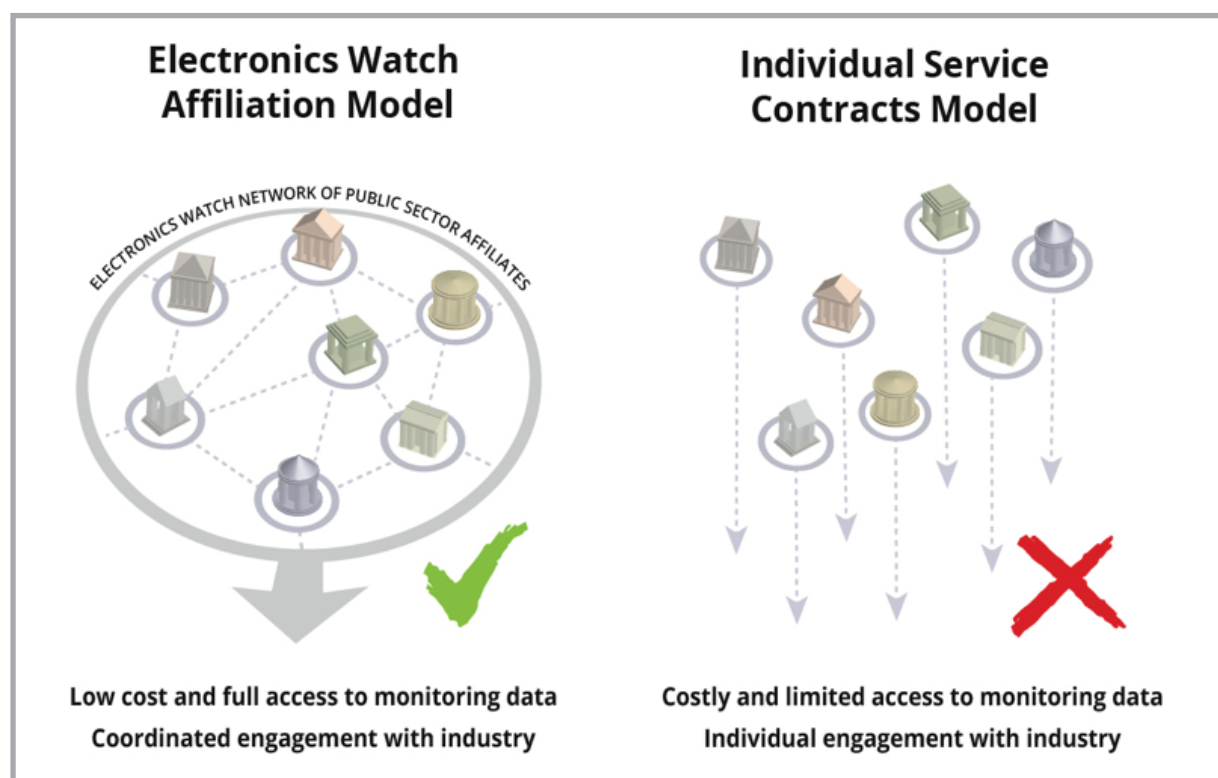
Affiliates commit to:

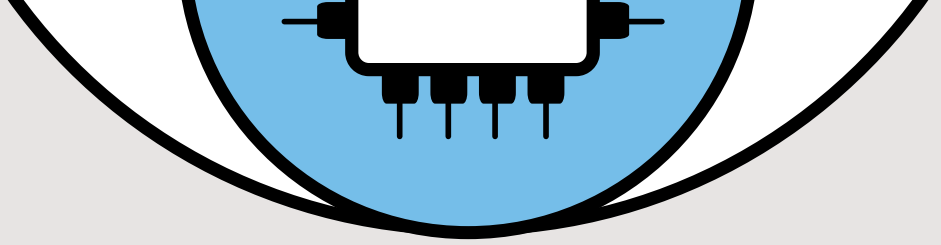
- Incorporate the Electronics Watch Contract Conditions or equivalent clauses into electronics contracts with new suppliers or when contracts are renegotiated, to enable Electronics Watch to monitor on their behalf.
- Pay annual affiliations dues to Electronics Watch based on their annual purchasing volume of electronics products.

Electronics Watch encourages affiliates to work with their contractors on a voluntary basis to address labour and safety issues in supply chains, even before they can do so through binding contract clauses. A good first step is to request contractors to voluntarily disclose the names and locations of factories in the supply chain of the products they supply to affiliates. Factory disclosure allows Electronics Watch to provide affiliates with targeted supply chain intelligence for use in contractor engagement.

Affiliations model

Electronics Watch operates on the basis of affiliation, rather than a fee for service. An affiliation relationship is more sustainable and economically efficient. It allows Electronics Watch to provide monitoring services at a significantly reduced rate.





The Electronics Watch Code of Labour Standards

The Electronics Watch Code of Labour Standards includes domestic standards defined in applicable domestic labour law. Those laws are often comprehensive and tailored to local conditions. Yet, they do not always provide the level of worker protection that international standards do. Because most countries have committed to implement international standards in their own laws, the Code includes international labour standards as defined in the fundamental conventions of the International Labour Organisation, and additional international standards relevant to electronics manufacturing. Because the international labour conventions lack the specificity to make them easily enforceable, the Electronics Watch Code also contains a set of sub-standards for each main standard that describes specific practices that are not allowed. Thus, the standards in this Code are general enough that they capture the widest possible range of violations, but also specific enough to be easily interpreted and enforced.

Contract Performance Conditions

Social criteria in the procurement process can be incorporated as selection or award criteria, prior to awarding a contract, or as contract clauses, which apply after the contract has been awarded. Electronics Watch has chosen to incorporate the Code into contract clauses for two key reasons:

- First, because they only apply after the contract has been awarded, the contract clauses do not impact assessment of tenders or the timeline of product acquisition. No monitoring is required prior to contract award, so the procurement can take place without delay.

- Second, because contract clauses apply during the course of a contract, the affiliate and the contractor can address non-compliances over time and jointly improve conditions in the supply chain.

However, contract clauses can work well in combination with selection and award criteria relating to the ability of the supplier to perform the contract clauses.

The Contractor's Responsibility: Due Diligence

The Electronics Watch Contract Conditions require the contractor to perform due diligence to identify, mitigate, and prevent risk of breach of labour rights and safety standards, consistent with the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines

on Multinational Enterprises. This is a flexible approach that recognizes that a contractor may be a brand, with relatively more control over the supply chain, or a reseller with less leverage. Both types of companies are capable of complying with the Electronics Watch Contract Conditions.

Verification and Enforcement

The Contract Conditions contain verification and enforcement provisions, meaning that affiliates can hold contractors accountable for failure to perform due diligence. These provisions include the requirement to disclose their main factories and report on compliance, and to collaborate with Electronics Watch independent monitoring of factories. Where Electronics Watch identifies unsatisfactory performance of the terms, Electronics Watch can engage with contractors or brands to achieve compliance. As a last resort, the affiliate can use contractual sanctions to obtain remedy.

This is a flexible approach that recognizes that a contractor may be a brand, with relatively more control over the supply chain, or a reseller with less leverage

3. Smart Monitoring: Worker-Driven

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Worker-driven monitoring

Public sector organisations across Europe and elsewhere increasingly use procurement to advance a range of policy objectives relating to sustainability and social goals, including labour and safety concerns in global supply chains. Many public sector buyers have introduced contract performance clauses and award or selection criteria that require contractor compliance with international labour and human rights standards, labour law in the country of production and relevant occupational health and safety standards. However, capacity to follow up these requirements to monitor and verify compliance and to address non-compliances varies greatly.

Affiliates to Electronics Watch have access to an extensive international network of local civil society organisations that conduct worker-driven monitoring, with the goal of strengthening workers' own voices to report on and address safety and labour issues in their own factories. **The premise is that workers are the best monitors because they are on site all day, every day.** They know the process and problems of normal operations; they have ideas for resolving safety and labour rights problems; and they can verify whether corrections are implemented and actually work. In this monitoring model, workers are active; they bring attention to issues and can set in motion investigations and remedial activities.

Electronics Watch monitors

Electronics Watch works with qualified local civil society organisations who undertake continuous intelligence gathering through trusted relationships with workers. This extensive international network of approved Electronics Watch monitors meets the

following criteria:

Experience and expertise. Monitors have expertise in several of the following areas: international, regional and national labour law; labour issues in the electronics industry; occupational health and safety; audits of financial and personnel records; worker interviewing; gender sensitivity; operating independent hotlines or complaint mechanisms; and following up on worker complaints.

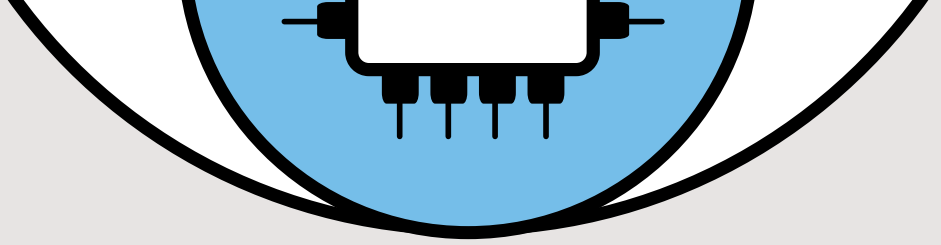
Ongoing relationship of trust with workers in electronics factories. Monitors meet with electronics workers in safe settings where workers can share information about workplace hazards and rights violations without fearing employer retaliation.

Independence from the industry. Monitors have no direct financial support from any company that will be monitored by Electronics Watch, and there can be no industry representatives involved in decision-making or in any other capacity that could create a conflict of interest.

Electronics Watch monitors' close relationships with workers enable these organisations to detect and understand hard-to-measure violations, such as freedom of association violations and discrimination. They are also able to react quickly to issues that must be addressed promptly and to stay engaged over a long period of time, when needed, to oversee the process of remedying long-term violations and achieving sustainable compliance.

Finally, working with local monitoring partners is also an economically efficient model. Electronics Watch reduces the need for expensive international travel and for the time-

The premise is that workers are the best monitors because they are on site all day, every day



4. What You Get and What You Gain

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Electronics Watch monitors conduct a range of monitoring activities, including off-site worker interviews, interviews with factory managers and supervisors, inspection of factory premises, and review of factory personnel records and other factory documents. Electronics Watch focuses on working conditions of both electronics assembly factories and their component suppliers and produce the following types of reports:

Regional Risk Assessment

Based on extensive literature review, consultations with experts, and worker testimonies, this report assesses risks of violations of the Electronics Watch Code of Labour Standards in regions where factories in affiliates' supply chains are located. Affiliates can use the report, and accompanying risk assessment tool, to alert contractors to issues they should investigate and address in order to mitigate and prevent violations in their supply chains.

Factory Risk Assessment

Based on literature review, where available, and expert consultations and worker testimonies, this report identifies potential or actual violations of the Electronics Watch Code of Labour Standards in disclosed factories, and recommends steps to mitigate and prevent risk. Affiliates can use the report in contractor engagement, to ensure contractors address the risks in the factories. Electronics Watch engages with brand companies and/or the factories as appropriate to address the risks.

Compliance Investigation

Based on extensive evidence gathering through off-site worker interviews, and interviews with factory management and supervisors, review of factory personnel records and other factory documents as possible, the report presents conclusive findings regarding the potential violations identified in the risk assessments or in related allegations or complaints. Pending findings of breaches of the Electronics Watch Code of Labour Standards, Electronics Watch works with the relevant parties to develop a corrective action plan and monitors implementation. Affiliates can use the report and updates on the corrective action plan to hold the contractor accountable for any failure to address contract breaches, and use escalation or enforcement actions as necessary.

Worker Rights Alert

Usually initiated by in-person worker complaints, hotline reports, and other forms of worker testimonies, worker rights alerts identify actual or potential breaches of the Electronics Watch Code of Labour Standards, and recommends steps that factories, contractors, or brand companies should take to mitigate and prevent risk of breach. Worker rights alerts include strong evidence of breaches of labour rights or safety standards provided by state labour inspectors or credible third party organisations, but not necessarily by Electronics Watch's own monitoring. Affiliates can use the reports in contractor engagement to ensure the contractors address the issues adequately in their compliance plans, or to support enforcement actions as necessary to ensure corrective action.

In addition to the monitoring reports, Electronic Watch provides a variety of analysis and tools to affiliates to strengthen social responsibility in supply chains.



What you gain

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- The knowledge and capacity to manage and reduce risks of labour, safety, and related human rights violations in ICT contractors' supply chains.
- Protection against reputation risks.
- Assurance of compliance with laws and guidance on social responsibility in global supply chains.
- Positive impact on working conditions in supplier factories.

You gain knowledge, protection, compliance, and impact at the lowest possible cost, through a unique cost and information-sharing network across several countries, in which each affiliate contributes a fair share, based on their procurement volume of ICT hardware products, to get supply chain intelligence at a significantly reduced cost and to coordinate engagement with the industry.

5. Results

What has Electronics Watch achieved?

By investigating specific factories and then engaging with brands and contractors, Electronics Watch and affiliates have helped **improve working conditions for migrant workers in one factory in Eastern Europe:**

- Guaranteed pay for temporary agency workers in periods of low production when they do not receive shifts.
- Brand commits to additional corrective actions to end disciplinary wage reductions, ensure workers are notified of shifts at least 48 hours in advance, reduce the overcrowding on buses transporting workers to and from the factory, and improve dormitory conditions and cleanliness.

By analysing external media and NGO reports and assessing specific evidence of labour rights breaches in the reports, and then engaging with the brands and contractors, Electronics Watch and affiliates have improved conditions for student workers in one large factory in China:

- Three brands commit to end alleged forced student labour on their production lines in one factory.
- The factory revises its policy on student interns, committing to only hiring students 18 years of age or more and ensuring students can choose whether or not they intern in the factory.

By engaging with specific contractors and brands on supply chain disclosure, Electronics Watch and affiliates have helped **improve supply chain transparency:**

- Two brands disclose the factories that assemble specific products that affiliates buy.
- One brand discloses summary findings on breaches in all its tier one assembly factories.

By affiliating to Electronics Watch, affiliates have helped to create demand for social responsibility in the electronics supply chain, **moving the industry to commit to improve its overall work on transparency and labour rights compliance.** An industry survey on Electronics Watch demands shows that by 2020 companies aspire to improve performance in these areas:

- 25% companies plan to publicly disclose products made in specific factories (up from 12% today)
- 45% of companies plan to disclose actual and potential non-compliances (up from 20% today)
- 90% of companies plan to ensure remedies in factories in their supply chain (up from 45% today)
- 65% of companies plan to compensate workers for harm caused by non-compliances (up from 30% today)



- 50% of companies plan to “provide a delivery schedule for (their) products which makes it possible to be in compliance with Public Procurement Authority requirements on working hours and overtime,” including avoiding last minute orders and “rush” production that requires excessive overtime (up from 25% today)
- 55% of companies plan to use their leverage to ensure a living wage for workers (up from 20% today)

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In other words, barely a year into its work, Electronics Watch is making a tangible impact on the industry to the benefit of workers, and that impact is only likely to grow.

Converting media reports into actionable intelligence

What do you do when a media report breaks, linking your ICT hardware to poor working conditions and human rights violations? How do you know whether or not the allegations are credible and what steps to take to address potential labour rights breaches?

In October 2015, Electronics Watch and its affiliates learned about an NGO report on a large server manufacturer in China, alleging serious labour rights violations including forced labour. Students were forced to perform an internship unrelated to their vocational aspirations as a requirement for graduation. In addition the student workers reported working hours as much as 10-12 hours a day, six days a week and 48 hours of overtime a month, all in excess of legal limits. In addition they reported working illegal nightshifts on a regular basis.

Soon the report found its way to media and to public procurement offices in Europe. If confirmed, these violations would cause great concern to any purchaser, but they would carry particular resonance for UK universities and public institutions as buyers of the servers from the factory. At the time of writing, some 89,000 Chinese students were pursuing courses of study or undertaking research at UK higher education institutions.

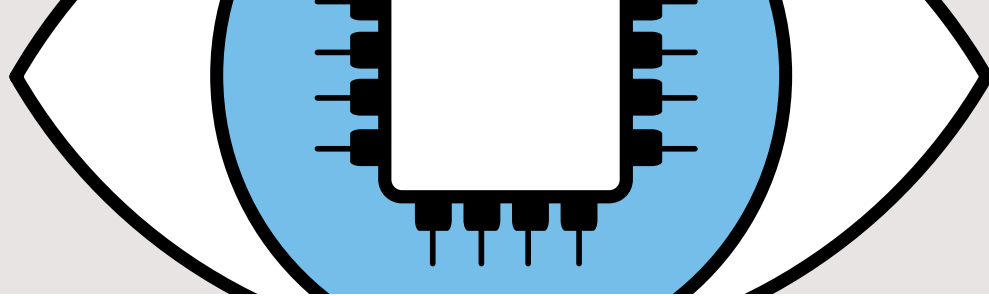
UK higher education purchasing consortia that purchase the servers in question put the Electronics Watch recommendations into effect by contacting their account management representatives at each supplier.

Electronics Watch responded by evaluating the evidence for the allegations and identifying, in very specific terms, the risk of violations of Chinese law, the International Labour Organisation conventions, and the Electronics Watch Code of Labour Standards. Electronics Watch also recommended specific action for affiliates to take with their suppliers.

UK higher education purchasing consortia that purchase the servers in question put the Electronics Watch recommendations into effect by contacting their account management representatives at each supplier. This action by affiliates helped spur action by

the major brands purchasing the servers from the factory. All brands committed to temporarily halting student labour at the factory and ensuring compliance with the legal limits on student labour. The factory itself revised its student labour policy, committing to only hiring students 18 years of age or more, thereby increasing the likelihood that students will be in their final year of study when they must, by law, be given a choice of placement.

The case demonstrates how effectively Electronics Watch can investigate and analyse NGO and media reports of labour rights violations to allow public sector affiliates to take action, and how affiliates, acting together, can effect real change in their supply chains to protect human rights. It also shows positive responses from brands that have taken steps to resolve one of the problems in their supply chain.



Compliance with the Modern Slavery Act with the support of Electronics Watch

According to the International Labour Organization about 21 million men, women and children around the world work in conditions of slavery and forced labour today, generating an estimated illegal profit of \$150 billion every year. Documented forced labour practices in the electronics industry include student “intern” workers in China who are forced to work as regular workers in order to obtain their educational diplomas, often in an unrelated field of work, and excessive recruitment fees and deceptive recruitment practices resulting in debt bondage among electronics workers in Malaysia.

The UK Modern Slavery Act (2015) seeks to address slavery, forced labour, and human trafficking taking place today. It is designed to improve accountability for companies that accept or turn a blind eye to these abuses, introduce transparency measures to mitigate risks, and provide justice and reparation for victims. On 29 October 2015, the Transparency in the Supply Chain provisions of the Act came into force and the British government published Guidance for compliance with these provisions. Commercial and public interest organisations with a turnover equal to or

greater than £36m per annum must publish a statement setting out the steps that the organisation has taken to ensure that slavery, forced labour, and human trafficking are not taking place in any of its supply chains or in any part of its own business. This statement is often referred to as an “anti-slavery statement”.

Electronics Watch helps affiliates produce strong anti-slavery statements, consistent with the British government’s Guidance.

Electronics Watch helps affiliates produce strong anti-slavery statements, consistent with the British

government’s Guidance. Electronics Watch provides risk assessments and due diligence guidelines in accordance with the UN Guiding Principles on Business and Human Rights, facilitates worker reporting of labour conditions and offers guidance when a supplier is found to have been involved in modern slavery, forced labour or human trafficking. Electronics Watch’s monitoring partnerships with local CSOs is an essential strategy for detecting and eliminating these abuses in supply chains as workers in vulnerable positions are more likely to report abuses to local organisations they trust than to social auditors.

Thus Electronics Watch contributes to a more transparent and responsible supply chain and can help affiliates achieve the ultimate goal of the Modern Slavery Act: to prevent modern slavery, forced labour and human trafficking in the supply chain.

6. How to Join

Electronics Watch operates on an affiliation basis, rather than a fee for service. An affiliation relationship is more sustainable and economically efficient, and implies an organisational commitment to socially responsible public procurement.

When organisations are ready to affiliate, they submit an affiliation form in which they commit to:

- Incorporate the Electronics Watch Contract Conditions or equivalent clauses into electronics contracts with new suppliers or when contracts are renegotiated to enable Electronics Watch to monitor on their behalf.
- Appoint a liaison to serve as the primary point of contact between Electronics Watch and their organisation.
- Pay annual affiliations dues to Electronics Watch based on their annual purchasing volume of electronics products.

The dues structure

The Electronics Watch affiliation pricing structure allows public sector buyers to combine small amounts of resources to create supply chain insight and leverage that would be impossible to achieve alone. The dues aim to be fair to all types of public sector purchasing organisations, big, small and collaborative, whilst also reflecting the differing capacity required for Electronics Watch to service their needs. All costings are based on the amount spent on electronics products. This is the most accurate measure for the amount of monitoring that will be required, and the level of support each organisation will need, to effectively use Electronics Watch to ensure socially responsible supply chains. There are some economies of scale for larger spenders, and exemptions for the smallest spenders.

Band A: €0-€4,999,999 average annual ICT hardware spending for a single institution

The annual affiliation fee is 1% of ICT hardware

spending, or €5,000, whichever is lower. For an organisation that spends an average of €300,000 affiliation is €3,000. The minimum affiliation fee is €3,000 for any organisation.

Band A is designed to provide reasonable pricing for organisations with relatively small ICT hardware spending, and to capture most individual organisations, even up to a fairly moderate level of annual spending. The maximum an organisation will pay to monitor their ICT supply chains is 1% of expenditure, but for most members of this category the expenditure dips quickly towards 0.1%.

Band B: Above €5 million average annual ICT hardware spending for a single institution

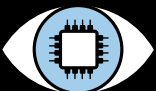
The annual affiliation fee is 0.1% of ICT hardware spending, up to a maximum of €60,000. For an organisation that spends an average of €6 million, affiliation is €6,000. For an organisation that spends an average of €100 million, affiliation is €60,000.

Band B is designed to provide reasonable pricing for organisations with somewhat larger ICT hardware spending, and to capture most individual organisations, even up to fairly large levels of annual spending. The maximum an organisation will pay to monitor their ICT hardware supply chains is 0.1% of expenditure, up to a maximum of €60,000.

Band C: Procurement consortia

The annual affiliation fee for groups such as procurement consortia is 0.1% of each member's annual average spending, up to a maximum of €60,000 for the consortium. These costs can be distributed in any way the consortium decides.

Band C is designed for groups of public organisations that wish to affiliate on behalf of all of their members. This includes, particularly, procurement consortia.

electronics  watch

Responsible public procurement.
Rights of electronics workers.