



IBM Supplier Conduct Principles: Guidelines



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Introduction

This document was created to assist our suppliers in understanding IBM's Supplier Conduct Principles – and what it will take – to comply with IBM's high standards for supplier conduct across multiple dimensions. It offers an in-depth discussion of IBM's Supplier Conduct Principles and provides specific guidelines, which we will use to evaluate and assess compliance.

These guidelines are not an exhaustive list, by any means. Our suppliers are responsible for complying with IBM's Supplier Conduct Principles, period. But we do think that by publishing this document, we will help our suppliers benchmark their existing performance and establish internal improvement plans.

Furthermore, we expect our first-tier suppliers to use this document as a guide to implement their own principles – either the same or ones comparable to IBM's – with their appropriate subcontractors and suppliers, including providers of contracted employees.

I invite your comments and recommendations as we work to make meaningful improvements in IBM's supply chain.

John M. Gabriel
Manager, Supply Chain Social Responsibility

Forced Labor

IBM Suppliers will not use forced or involuntary labor of any type (e.g. forced, bonded, indentured or involuntary prison labor); employment is voluntary.

Critical Benchmarks

IBM Supplier Conduct Principles ban forced labor in any form by suppliers; employment is voluntary.

Forced or prison labor

Forced or prison laborers are prohibited from employment if they are constrained to work as a requirement of the sentence and without compensation. Forced or prison labor occurs most often where the supplier is using a government or military-controlled agency to provide or arrange for the hiring of workers.

Indentured and bonded labor

Indentured labor refers to situations where an employer forbids workers from leaving at the worker's discretion. Bonded labor refers to situations where employees work to pay a debt, which is often incurred by another person, offering the worker's labor in exchange.

Other forms of forced labor

Includes situations in which labor contracts create unreasonable legal or practical limitations on a worker's ability to leave his/her employment. Such instances include: employers keeping worker identification documents; payment of excessive fees upon entering employment; or the requirement that workers pay a penalty upon termination of the contract.

Assessment Recommendations

- Review hiring practices to determine the source of labor and terms of hiring, including labor contracts.
- Inquire into the existence of labor contracts that a hiring agent may use to limit the workers' ability to voluntarily terminate their employment.
- Determine if workers are free to leave the supplier location in off-hours.
- Verify that identification papers are not withheld from employees.

Examples of Actual or Potential Noncompliance

- Any type of forced, prison, indentured, or bonded labor
- Employees are prohibited from leaving the supplier location or dormitory during certain times
- Unreasonable restrictions placed on basic liberties – (bathroom, drinking water, use of medical facilities, etc.)
- Withholding government issued identification, passports or work permits without employee consent
- Refusal to permit use of external medical facilities when on-site infirmaries exist

Examples of Good Management Practices

- Supplier's hiring practices, and those of any labor recruiters, prohibit forced or bonded labor; supplier actively verifies compliance.
- Supplier establishes a written set of instructions for all subcontractors and labor recruiters that prohibit forced labor and supplier actively verifies compliance.
- Management eliminates unreasonable restrictions placed on the movement of employees.
- Government issued identification, passports or work permits are not withheld from the employee.

Provision 2 Child Labor

IBM Suppliers will not use child labor. The term “child” refers to any person employed 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. We support the use of legitimate workplace apprenticeship programs which comply with all laws and regulations applicable to such apprenticeship programs.

Critical Benchmarks

IBM Supplier Conduct Principles require suppliers to comply with all applicable child labor laws, including those relating to minimum age limits, limitations of hours worked, and prohibitions against certain types of work.

For example:

- Many countries restrict the number of hours those between ages 14 and 18 can work. Young workers may also be barred from performing certain types of work, such as hazardous work, night work, and overtime work.
- Apprentice programs are regulated by law in most countries, with specific limits on number of hours worked, duration of training period, and number of times the same worker can be classified as a trainee.
- In some cases, for the period of training, apprentice programs payment may legally be below minimum wage. For regular workers, suppliers must comply with limits on the duration of the training period which must be strictly followed and wages must be raised to normal pay rates.

Assessment Recommendations

- Know all local child labor laws and regulations.
- Inquire into hiring practices to see how age is verified before a worker is hired.
- Check for reliable proof of age and retain a copy of the relevant document proofing age on file.
- If applicable, verify that workers under age 18 are not performing work that is hazardous in nature.
- Determine if workers under age 18 are working only the legally specified number of hours.
- Know all local laws on trainees and apprentices.
- Determine if workers are kept on trainee wages beyond legally specified durations.

Examples of Actual or Potential Noncompliance

- Use of workers below the legal age of employment.
- Children present in the workplace except in approved separate child care facilities.
- Young workers not working within the appropriate conditions of employment: working hours, overtime hours, working within school hours, working under hazardous conditions.
- Incomplete or missing age documentation records verifying the age of all employees when workers appear to be of lawful age within the facility, particularly with regard to young looking workers.

Examples of Good Management Practices

- Supplier verifies the age of each worker prior to employment.
- Supplier ensures that young workers are not performing hazardous work.
- Supplier ensures that young workers are only employed within the legally specified number of hours.
- Supplier has a clear program for hiring, training, and promoting apprentices.

Wages and Benefits

IBM Suppliers will, at a minimum, comply with all applicable wage and hour laws and regulations, including those relating to minimum wages, overtime hours, piece rates and other elements of compensation, and provide legally mandated benefits.

Critical Benchmarks

IBM Supplier Conduct Principles governing wages and benefits stipulate that:

- All employees are paid the legal minimum wage applicable in the country of operation.
- Workers must be compensated for overtime hours at the legally mandated premium rates, or where such rates do not exist, payment for overtime hours must be at least equal to the regular hourly wage.
- Employees should receive all statutory benefits mandated by law, including but not limited to pension benefits, annual leave, and holidays.

Note:

Unless specified otherwise by local legal requirements, this provision may not apply to exempt employees, including those in executive, managerial, or professional positions.

Assessment Recommendations

- Determine how workers' time on the job is recorded, and that it is recorded accurately (i.e. working time clocks, valid log-in sheets, production records).
- Review timesheets or other records to determine if workers' wages are being calculated accurately.
- Assess the impact of the production system on pay – verify that production targets don't drag workers below the legal minimum.
- Review payroll records and look for the lowest compensation totals to determine all mandated pay and benefits are provided.
- Ask workers if they know how their pay is calculated and review evidence that workers are given information relating to wages in an understandable form.
- Determine if workers are provided with required insurance(s).
- Determine if social security and other contributions have been made.

Examples of Actual or Potential Noncompliance

- Lack of compliance with minimum wage and overtime guidelines
- Incorrect pay records
- Miscalculation of wages
- Miscalculation of benefits
- Improper or unauthorized wage deductions
- Compensation not paid directly to workers, except as required by law or by voluntary employee authorization
- Nonpayment or late payment of wages
- Failure to provide employer/employee mandated benefits
- Failure to pay employee mandated withholdings to the appropriate government agency
- No payroll receipts provided to workers

Examples of Good Management Practices

- Employees are provided payroll receipts that clearly indicate compensation, including overtime hours and overtime compensation levels.
- Workers are educated on wage/pay practices.
- Workers are encouraged through surveys to suggest changes/improvements in benefits.

Working Hours

IBM Suppliers will not exceed prevailing local work hours and will appropriately compensate overtime. Workers shall not be required to work more than 60 hours per week, including overtime, except in extraordinary business circumstances with their consent. In countries where the maximum work week is less, that standard shall apply. Employees should be allowed at least one day off per seven-day week.

Critical Benchmarks

IBM Supplier Conduct Principles require that suppliers:

- Establish a weekly work schedule compliant with local legal limits on regular working hours.
- Provide workers with advance notice that overtime hours may be necessary.

Note:

Unless specified otherwise by local legal requirements, this provision may not apply to exempt employees, including those in executive, managerial, or professional positions.

Assessment Recommendations

- Review system for recording time worked to determine that time is recorded accurately and completely.
- Interview workers to determine if they are knowledgeable about the supplier's overtime policies.
- Review production records and capabilities to assess the supplier's ability to avoid unnecessary or excessive overtime.

Examples of Actual or Potential Noncompliance

- Missing, incorrect, or no time records
- Non-payment for actual time worked (work done off the clock)
- Overtime in excess of Principles
- Not providing mandated rest day(s), holiday(s), and vacation day(s)
- Denial of mandated meal and rest breaks
- Broken time recording device

Examples of Good Management Practices

- Supplier maintains and applies systems to pay workers for overtime in accordance with applicable law.
- Supplier has a process for identifying capacity restraints, to minimize overtime hours.
- Employees are provided payroll receipts that clearly indicate compensation, including overtime hours and overtime compensation levels.

Nondiscrimination

IBM Suppliers will not discriminate in hiring and employment practices on grounds of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, gender identity or expression, marital status, pregnancy, political affiliation, or disability.

Critical Benchmarks

IBM Supplier Conduct Principles stipulate that job candidates and/or employees be judged solely based on their ability to perform the job they are applying for or currently engaged in. This provision applies to all employment decisions, including recruitment, hiring, training, promotion, and termination.

Assessment Recommendations

- Review hiring practices to determine whether classes of people are barred from employment.
- Determine whether people with certain characteristics are either channeled into certain jobs or barred from certain jobs.
- Be aware of and have processes for complying with local laws regarding pregnancy and pregnancy testing.
- Review procedures for employees to bring concerns of discrimination to the attention of management for resolution. This applies as well to situations where employees are working off-location, within IBM locations, or within a client of IBM.

Examples of Actual or Potential Noncompliance

- Discrimination in hiring, employing, or terminating workers
- Substantial differences in the demographics of supplier's workforce to other similar facilities close by may indicate discriminatory practices.
- Variations in pay, benefits or promotion based on grounds of race, religion, age, nationality, social or ethnic origin, sexual orientation, gender, gender identity or expression, political affiliation, or disability
- Health tests, pregnancy testing, or contraception used as a condition of employment
- Pregnant workers performing dangerous tasks
- Withholding mandated benefits such as maternity leave
- Lack of written hiring and employment policies.
- Lack of feedback system between employees and management.

Examples of Good Management Practices

- Periodically reviewing hiring practices to determine that there is no prohibited discrimination
- Hiring agents and supplier management who are trained in nondiscrimination and applicable nondiscrimination laws
- Periodically training managers on nondiscrimination
- Conducting interviews to determine that employees are being fairly compensated, including whether women workers are allowed to take maternity leave
- Creating written job descriptions that focus solely on "occupational qualifications," not personal characteristics
- Taking affirmative action to hire and promote a diverse workforce
- Management communicates its written policies on nondiscrimination to its employees.

Respect and Dignity

IBM Suppliers will treat all their employees with respect and will not use corporal punishment, threats of violence or other forms of physical coercion or harassment.

Critical Benchmarks

IBM Supplier Conduct Principles prohibit suppliers from:

- Engaging in harassing or physically abusive discipline
- Acting in a threatening way towards employees
- Submitting employees to demeaning conditions

Examples of prohibited abuse

- Threats to harm an employee's physical well-being
- Physical contact intended to harass, hurt, or harm
- Comments which are understood by the employee to be harassing or demeaning
- Harassment based on race, religion, age, nationality, social or ethnic origin, sexual orientation, gender identity or expression, political affiliation, or disability
- Sexual harassment of any kind
- Discipline resulting in the withdrawal of basic physical comforts provided other workers

Assessment Recommendations

- Review personnel files for any records of disciplinary actions. Determine if discipline has been appropriate, based on the infraction.
- Determine that no cases of monetary fines are present.
- Ask whether managers and supervisors receive any training or education on appropriate discipline.
- Speak with management and assess their attitude with respect to discipline, harassment, and abuse.
- Speak with workers to learn of instances when discipline was used by management.
- Consult with local organizations, including women's groups, to inquire into inappropriate treatment of workers.
- Review procedures for employees to bring concerns of abuse to the attention of management for resolution. This applies as well to situations where employees are working off-location, within IBM locations, or within a client of IBM.

Examples of Actual or Potential Noncompliance

- Evidence of physical or sexual abuse or harassment
- Evidence of wage deductions or monetary fines used as discipline
- Lack of written policies prohibiting physical or sexual abuse or harassment.
- Lack of feedback system between employees and management.

Examples of Good Management Practices

- Written policies and practices are in place prohibiting harassment and abuse.
- Supplier has established a training program for management and supervisors delineating policies and disciplinary action regarding abuse and harassment.
- All disciplinary actions are clearly documented.
- The supplier has established a communication system or suggestion box where workers can raise issues of concern including treatment by their supervisors or coworkers.
- Management communicates its written policies on respect and dignity to its employees.

Suppliers shall respect the legal rights of employees to join or to refrain from joining worker organizations, including trade unions. Suppliers have the right to establish favorable employment conditions and to maintain effective employee communication programs as a means of promoting positive employee relations that make employees view third-party representation as unnecessary.

Critical Benchmarks

IBM Supplier Conduct Principles require that suppliers:

- Create employment conditions which foster mutual trust between management and employees.
- Not unlawfully discriminate in employment decisions against workers because of their affiliation with worker groups.
- Not unlawfully engage in threatening or harassing behavior towards workers because of their affiliation with worker groups.

Assessment Recommendations

- Determine if open feedback channels exist for employees to bring issues to the attention of management for resolution.
- Determine whether workers affiliated with organizations are subjected to discriminatory treatment.

Examples of Actual or Potential Noncompliance

- Lack of effective management/employee lines of communication
- Evidence of unlawful interference with employees attempting to organize or establish membership in worker organizations
- Threatening to shift production or close a facility as a consequence of employees forming or attempting to form a union.
- Dismissal, discipline, coercion or threatening of workers because of their exercise of the right to freedom of association.
- Refusing to hire job applicants because of their exercise of the right to freedom of association, and participating in the blacklisting of any such individuals.

Examples of Good Management Practices

- Open communication channels exist and are encouraged by management
- Supplier actively works to improve its employment practices and conditions
- Supplier benchmarks its practices against industry leaders to measure its progress in employment practices and conditions
- Appeals channels exist and are used by employees
- Training for managers on effective management practices

IBM suppliers will provide their employees with a safe and healthy workplace in compliance with all applicable laws and regulations. Consistent with these obligations, IBM suppliers must have and implement effective programs that encompass life safety, incident investigation, chemical safety, ergonomics, etc. and provide the same standard of health and safety in any housing that is provided for employees. Suppliers should strive to implement management systems to meet these requirements.

Critical Benchmarks

IBM Supplier Conduct Principles require that all suppliers:

- Comply with all local laws regarding health and safety in the workplace.
- Comply with all legal regulations regarding health and safety in residential facilities, where provided.
- Provide employees with a safe and healthy work environment; health and safety training to be provided during employee orientation.
- Effectively implement any program necessary to mitigate workplace hazards.

Assessment Recommendations

- Perform a “walk-through” of the facility looking for potential health and safety hazards and controls including clear emergency egress (aisles, exit doors, exit signage, etc.); use of protective equipment; machine guarding; isolation of energized electrical wiring and equipment; chemical labeling and storage; sanitation; lifting devices and use of proper lifting techniques; lighting; proper use of powered vehicles, etc.
- Verify that employees are not only provided training and education on potential health and safety hazards and controls but demonstrate knowledge of safe practices for assigned work tasks (i.e. handling hazardous chemicals or substances, operating machinery).
- Visit the living areas (example: dormitories) looking for potential health and safety hazards and controls such as adequate space per person, emergency egress (aisles, exit doors, exit signage, etc.), ventilation, lighting, sanitary toilet facilities segregated by gender, drinking water, emergency medical care, proper electrical enclosure, control of open flames, proper maintenance of cooking and other equipment, lack of portable space heaters, and clean food preparation.

Examples of Actual or Potential Noncompliance

- Blocked, locked, or no emergency exits, including those exits not capable of being opened
- Immediate fire hazards – (e.g. frayed electrical wiring, open flames, flammable vapors, etc.)
- Inadequate fire extinguishers or fire fighting equipment
- Blocked aisles and passageways
- Emergency exit doors that open inward
- Insufficient width of fire exits and evacuation routes
- No evacuation plan or signage
- No emergency evacuation drills
- Missing exit signs
- Insufficient or no emergency lighting
- No fire alarm system or public address system
- Structurally unsafe building
- Inadequate or missing machine guards
- Lack of personal protective equipment or improper use
- Unsafe worker exposure to hazardous chemicals or substances
- Hazardous chemicals or substances that are without proper labels and datasheets
- Missing handrails in stairwells
- Missing guardrails on elevated walkways or platforms
- Poor or inadequate ventilation, lighting, and temperature controls
- Missing or inadequate first aid supplies or other provisions for emergency care
- Unsanitary or insufficient toilets, handwashing or canteen areas
- Insufficient living and working quarters
- Routine building and machine maintenance not performed
- No drinkable water
- Workers without hearing protection in exceptionally high noise areas
- Repetitive lifting of unusually heavy objects or work requiring extremely awkward postures
- Unstable or makeshift scaffolding

Examples of Actual or Potential Noncompliance (continued)

- Trash and rubbish accumulation or other signs of grossly inadequate housekeeping
- Unrestrained or unsecured compressed gas cylinders
- Electrical hazards (e.g., bare wires, exposed electrical panels, ungrounded equipment, overloaded circuits)
- Uncontrolled confined spaces (e.g., tanks, pits, vaults, manholes) where there could be potentially hazardous atmospheres, insufficient oxygen levels, etc.
- Inadequate safety in construction areas (exposure to moving vehicles and equipment, falling objects, falls from heights, electrical hazards, etc.)

Examples of Good Management Practices

- A management system has been implemented to identify and control potential hazards and to strive for continuous improvement.
- A health and safety manager has been appointed to oversee compliance.
- Employees are involved in safety programs and management leadership is evident.
- Health and safety education is provided during initial orientation and on an ongoing basis.
- Workplace incidents are reported and investigated and action taken to minimize the potential for future occurrence.
- Formal and informal management self-assessments are completed on a routine basis.
- Health and safety trends (example: incidents, employee perceptions, regulatory deficiencies, etc.) are monitored and properly addressed.
- New equipment, processes and facilities are reviewed for potential health and safety risks prior to initiation.
- Contractor firm selection and safety performance are monitored.
- Emergency evacuation drills are conducted regularly.
- Emergency response capabilities are appropriate to the risk.
- Health and safety professionals are consulted for guidance and evaluation.

Protection of the Environment

IBM suppliers will operate in a manner that is protective of the environment. At a minimum, suppliers must comply with all applicable environmental laws, regulations and standards such as requirements regarding chemical and waste management and disposal, recycling, industrial wastewater treatment and discharge, air emissions controls, environmental permits and environmental reporting. Suppliers must also comply with any additional environmental requirements specific to the products or services being provided to IBM as called for in design and product specifications, and contract documents. Suppliers should strive to implement management systems to meet these requirements.

Critical Benchmarks

- IBM Supplier Conduct Principles call for suppliers to conduct their operations in ways that are environmentally responsible and in compliance with all applicable environmental laws, regulations, and standards. Suppliers are also required to meet any additional requirements specific to their work with IBM. The applicability of compliance will vary depending on the product or service being provided to IBM and the associated operations.

Assessment Recommendations

- Check the process or procedure by which the facility identifies applicable environmental laws, regulations, and standards.
- With knowledge of applicable international, country and local environmental laws, regulations, and standards, review records for required permits, certifications, compliance to law, required environmental reporting, and compliance with IBM design and product specifications, and contract documents.
- Look for signs or evidence of current activities or processes that would be in violation of the applicable environmental laws, regulations, and standards, or IBM requirements.

Examples of Actual or Potential Noncompliance

- Supplier does not have a process to identify applicable laws, regulations, and standards.
- Supplier does not have appropriate records documenting compliance to the law, such as required environmental monitoring and reporting, required and appropriate environmental permits, etc.
- Supplier has received environmental violations. (If the violations are minor and they are closed, they would not represent an issue. However if they are significant, not closed, and/or indicate a pattern of environmental mismanagement, this is an indicator of noncompliance.)
- Supplier cannot demonstrate that it is meeting IBM's environmental requirements per design and product specifications, and contract documents.
- Supplier's chemical and waste management/pollution control systems and processes are not in compliance with applicable environmental laws, regulations, and standards. Examples:
 - unlawful disposal of chemicals or waste
 - uncontrolled air emissions
 - discharging untreated wastewater
 - lack of adequate wastewater treatment
 - chemicals are not being properly used, managed, stored and disposed of
 - hazardous and combustible materials and waste are not clearly marked and/or properly stored in containers segregated from the work areas or are stored in areas that are incompatible with the materials and waste stored
 - improper offsite shipment of chemicals or waste
 - use of banned substances

Protection of the Environment

Continued

Examples of Actual or Potential Noncompliance (continued)

- employees who manage, use, or store hazardous materials and waste are not adequately trained on proper handling, use and storage and on emergency procedures
- complete, up to date information on the hazardous materials/chemicals/waste is not being maintained or made available

Examples of Good Management Practices

- Supplier has a complete and effective environmental management system (written policies, processes, and requirements for environmental protection and pollution prevention/source reduction) that is in accordance with laws, regulations, and standards.
- Supplier conducts periodic environmental audits to confirm that its operations are environmentally responsible and are conducted in accordance with laws, regulations, and standards.
- Supplier's staff and contractors have the necessary skills and training so they are familiar with the supplier's environmental management system and their role in meeting environmental requirements.
- Supplier is proactive with respect to environmental protection and employees are encouraged and comfortable with raising issues of environmental concern without fear of retaliation.
- Supplier has obtained certification to the ISO 14001 environmental management system standard.
- Supplier has programs for the efficient use and conservation of energy.
- Supplier has programs for the efficient use and conservation of water.
- Supplier has programs for the efficient use of materials, including waste reduction, material reuse, and recycling.

Laws, Including Regulations and Other Legal Requirements

IBM suppliers will comply with all applicable laws and regulations in all locations where they conduct business.

Critical Benchmarks

IBM Supplier Conduct Principles require that suppliers:

- Know all applicable legal requirements.
- Track all legal and regulatory changes applicable to the supplier's business operations.
- Review processes and procedures for compliance.

Assessment Recommendations

- Determine if supplier management has a good knowledge of all local laws including employment, health and safety, and environmental practices.
- Determine if supplier has committed sufficient company resources to compliance.
- Review processes and procedures for compliance.

Examples of Actual or Potential Noncompliance

- No postings of legally required wage, benefit, and health information
- Maintaining inadequate, out-of-date, or missing process and procedure documentation
- Ineffective monitoring of internal compliance performance
- Insufficient management support for compliance practices and objectives
- Failure to review complaints about noncompliance from employees or others

Examples of Good Management Practices

- Supplier senior management supports compliance objectives and practices and enforces them.
- Supplier has management representatives who are responsible for monitoring the suppliers compliance.
- Supplier cooperates with monitoring officials responsible for reviewing compliance practices.
- Supplier periodically monitors compliance.
- Encourage all employees to report suspected non-compliance to management.

Ethical Dealings

IBM expects our suppliers to conduct their business in accordance with the highest ethical standards. Suppliers must strictly comply with all laws and regulations on bribery, corruption and prohibited business practices.

Critical Benchmarks

IBM requires that its suppliers maintain and observe the highest ethical standards:

- Not offering or providing cash or noncash gifts to any IBM employee to influence them to take or not take a course action or for any other improper purpose.
- Comply fully with all anti-bribery laws, including the U.S. Foreign Corrupt Practices Act.
- Only use subcontractors that do not violate ethical standards through bribes, kickbacks or other similar improper or unlawful payments.

Examples of Good Management Practices

- Supplier follows written policies and guidelines on conflicts of interest, giving and receiving of gifts, business trips, hospitality, entertainment, use of agents, and facilitation payments that are in accordance with law.
- Supplier has good accounting policies, procedures, and record keeping.
- Supplier conducts periodic financial audits to confirm that accounts are in order.
- Supplier staff and contractors are educated so they are aware of their ethical and legal requirements and supplier's standards.
- Create clear communications channels so that employees are comfortable with reporting violations or issues of concern and that encourage reporting. Have and follow policies that prohibit retaliation for employee reporting.

Provision 12 Communications

Suppliers must make the IBM Supplier Conduct Principles and other relevant information available to employees in the native language(s) of the employees and supervisors.

Critical Benchmarks

- IBM requires that its suppliers provide employees access to IBM Supplier Conduct Principles in the local languages. IBM will provide the translations.
- Suppliers to provide employees access to written hiring and employment policies as well as critical health and safety information.
- Suppliers to implement open channels of communication between employees and management to foster resolution of problems and improve overall working conditions and competitiveness.

Examples of Good Management Practices

- Supplier conducts training to educate workers and supervisors on the meaning of the code.
- Worker-management committees are formed to create policies and procedures for the implementation of the principles. Training seminars are periodically held.
- Employees have a confidential feedback mechanism and can make suggestions regarding compliance with the SCP without fear or reprisal.

Monitoring/Record Keeping

IBM intends to monitor Supplier compliance with the Supplier Conduct Principles. Such measures may include prescreening Suppliers, or announced and unannounced on-site inspections of Supplier locations by IBM representatives. Supplier must maintain documentation necessary to demonstrate compliance with IBM's Supplier Conduct Principles and must provide IBM with access to that documentation upon IBM's request. Suppliers must furnish IBM representatives reasonable access to production facilities, employment records and employees for confidential interviews in connection with monitoring visits. Suppliers must promptly respond to reasonable inquiries by IBM representatives concerning the operations of facilities with respect to IBM's Supplier Conduct Principles.

Critical Benchmarks

IBM requires its suppliers to:

- Develop and maintain all necessary documentation to support compliance, such documentation must be accurate and complete.
- Provide IBM representatives with access to relevant records, upon IBM's request.
- Allow IBM representatives to conduct confidential interviews with employees and with management separately.
- Respond promptly to reasonable inquiries from IBM representatives regarding implementation of the Supplier Conduct Principles.

Examples of Actual or Potential Noncompliance

- Denying access to facilities to avoid evaluation
- Denial of access to requested documentation and records
- Denial of access to employees or management for interview purposes
- Missing, incomplete, or no records or documentation maintained at the facility – (e.g. employment contracts, personal files, payroll records, time records, etc.)



Document History

Version 1.0 – Created June, 2004.

Version 1.2 – Released July, 2004. Minor updates to the Introduction, and Provisions 1, 2, 7, 8, and 9.

Version 2.0 – Released November, 2004. Added Provision for Freedom of Association. Updates to Provisions 5, 6, and 12.



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Route 100
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11-04
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