

JAC
Joint Audit Cooperation

What is JAC?

JAC is an association of telecom operators aiming to verify, assess and develop the CSR (Corporate Social Responsibility) implementation across the manufacturing centres of the most important ICT multinational suppliers.

JAC members share resources and best practices to develop long term CSR implementation in the different layers of the ICT Supply Chain at international level.

Who are the members of JAC and how to join?

JAC has been set up by DT, Orange and TI on January 2010 with the signature of a Memorandum of Understanding. By this agreement the first members have defined the audit process and tools that have started to implement in June 2010 during the first JAC campaign.

On 21st October 2011, 4 additional members have joined, on 31st May and October 2012 another two and on December 2013 another one enlarging the association to a total of 10 Telecom Operators (in alphabetical order): Belgacom, Deutsche Telekom, KPN, Orange, Swisscom, Telecom Italia, Telenor, TeliaSonera, Verizon and Vodafone.

JAC strongly invites all telecom operators worldwide to join.

Telecom operators that wish to be part of JAC, should respond to the following prerequisites. A JAC member

1. Has a structured CSR sourcing department with experienced resources.
2. Has signed or will sign a contract with a third party certified audit company specialized in on-site CSR audits at international level.
3. Has a contract with supplier which is common at least with 2 JAC members.
4. Accepts all terms of the JAC 2010 Memorandum of Understanding and related supplements.

5. Accepts all Non Disclosure Agreement terms already signed between the JAC and the suppliers audited
6. Will support at its own cost the on-site audits that it carries out on behalf of JAC.

No subscription costs are required.

How does JAC work?

The JAC process is basically a coordinated on-site audit program in the area of Corporate Social Responsibility (CSR) based on a common verification, assessment and development methodology, including follow up of corrective action plans. Each member has the responsibility, on behalf of the others, to lead a complete audit process at its costs to suppliers pre-identified in equal parts among the JAC members.

The on-site audit operations follow these guidelines :

- **Preparation** : knowledge of the audited plant..
- **Skilled auditors** : the audits are conducted by international audit companies, specialized in social and environmental issues in the plant country
- **Confidentiality:** Non-Disclosure Agreements are signed with suppliers in order to restrict audit results to JAC members only
- **Methodology** : check list defined by the JAC members based on the SA 8000 and ISO 14001 standards, and on-site audit with interviews
- **Report** : describing the audit findings based on objective evidence
- **Cooperation with the suppliers:** based on the reciprocal awareness of the CSR risk management as key factor for a responsible and sustainable development.
- **Collaboration and development with the suppliers:** based on the audit results, corrective action plans are defined with the suppliers to resolve any gap highlighted in the audit report, which is followed up by each JAC members up to the full resolution.

The JAC members meet weekly to set the JAC audit agenda, validate audit reports and follow up on corrective action plans. These regular meetings reinforce the

optimization of CSR assessments through the exchange on best practices to make the JAC initiative more effective.

Twice a year, the Leadership Assembly, consisting of senior management representatives of the respective CSR and Sourcing departments, meet to verify the results of the audit campaign and take decisions on next steps.

What are the JAC benefits?

JAC activities lead to cost and process optimization for both suppliers as telecom operators:

1. Suppliers will only receive one CSR audit request on behalf of all telecom operators.
2. Suppliers benefit from the adoption of one standard methodology during the overall audit process.
3. Telecom operators optimize CSR assessments and follow up process due to the exchange of best practices.

What are the JAC results?

The first JAC audit campaign was carried out by Deutsche Telekom, Orange and Telecom Italia in July 2010. Up to December 2013, more than 112 audits have been carried out on ICT suppliers in China, Taiwan, India, Japan, South Korea, Eastern Europe, Europe and South America covering 400.000 workers in total.

16 000 questions have been checked in these trials. A limited number of non-conformities were found and various types of non-compliances. The most common ones relate to working hours, health and safety and wages. A few cases of discrimination and juvenile work were discovered.

The resolution time for the incidents of non-compliance varies for each type. In particular, working hours issues (the limits relate both to regular time and overtime), need several months to be resolved due to the impact on Human Resources management.

The enlargement to 10 telecom operators (Belgacom, Deutsche Telekom, KPN, Orange, Swisscom, Telecom Italia, Telenor, TeliaSonera, Verizon and Vodafone) has allowed JAC to increase the scope of suppliers covering more than 83 manufacturing plants, , and will pave the way to cooperate further with the suppliers to ensure long term solutions of CSR Issues and the development of the CSR standards to other layers of the supply chains.

Other European telecom operators are kindly invited to join this Joint Audit Cooperation.