



Apple

2017 Statement on Efforts to Combat Human Trafficking
and Slavery in Our Business and Supply Chains

Background

Apple¹ is committed to treating everyone in our business and supply chain with dignity and respect. We work hard to safeguard the well-being of the people who help make our products and to protect the environments where the materials we source are found. We raise the bar every year to improve conditions and protect human rights. Our work goes far beyond the reporting requirements of the law and is also focused on changing conditions on the ground. Our Supplier Code of Conduct (“Code”) is one of the strongest in the industry and impacts more than a million people across the globe who are employed by our manufacturing partners and suppliers. The Code is supported by a robust audit process that has expanded deep into the supply chain over the past 11 years. We provide detailed annual Progress Reports to better inform stakeholders about the risks associated with complex supply chains, and to assist suppliers with finding solutions to the most difficult challenges arising from those risks.

The California Transparency in Supply Chains Act of 2010 requires certain companies to disclose their efforts to eradicate slavery and human trafficking from their direct supply chains for tangible goods offered for sale. The U.K. Modern Slavery Act 2015 requires certain commercial organizations to prepare and publish a slavery and human trafficking statement for the financial year describing the steps, if any, the organization has taken during the financial year to ensure that slavery and human trafficking is not taking place in any of its supply chains and in any part of its own business.

This 2017 Statement on Efforts to Combat Human Trafficking and Slavery in Our Business and Supply Chains reflects Apple’s progress during 2017 (including the financial years ended in 2017), and ongoing efforts, working collectively, to combat and prevent human trafficking, slavery, servitude, and forced, compulsory, or involuntary labor in our supply chain and own operations. It follows our prior Statement on Efforts to Combat Human Trafficking and Slavery in Our Business and Supply Chains published in March 2017, covering efforts through the end of the 2016 calendar year.

I. Our Code of Conduct and Anti-Human Trafficking Policy

Apple strictly prohibits human trafficking and the use of involuntary labor in its supply chain and “own” business. This prohibition is explicitly stipulated in our Code and enforced through audits, and in contracts with direct suppliers. To maintain and continually raise our high standards, we regularly adapt how we audit against our Code and reevaluate our Code to ensure that it upholds human rights and reflects the values expected by Apple, our stakeholders, and the industry. Our Code is also revised regularly to reflect new and updated standards. All of our suppliers are obligated to adhere to these progressively higher standards.

¹ The term “Apple” as used in this Statement refers collectively to Apple Inc. and its subsidiaries, including Apple Europe Limited, Apple (UK) Limited and Apple Retail UK Limited.

Our Code references industry and internationally accepted principles such as the Responsible Business Alliance (“RBA”) (formerly known as the Electronic Industry Citizenship Coalition) Code of Conduct, the Ethical Trading Initiative Base Code, the International Labor Organization’s (“ILO”) International Labor Standards, the United Nations Guiding Principles on Business and Human Rights, Social Accountability International’s SA8000 Standard, the ILO’s Code of Practice in Safety and Health, the National Fire Protection Association’s code and standards, the Organisation for Economic Co-operation and Development (“OECD”) Guidelines for Multinational Enterprises, the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, and Occupational Health and Safety Assessment Series 18001.

One of the most frequent causes of involuntary labor is unethical hiring practices that often begin well before workers enter our supply chain. When labor supply is limited in one country but plentiful in another, some suppliers rely on third-party recruiters to secure contract workers from countries such as the Philippines, Nepal, Thailand, Indonesia, and Vietnam. These recruiters may work through multiple recruiting agencies, including in the hiring country and the workers’ home country, with each agency charging a fee to the workers in exchange for employment. By the time the workers have paid fees to all these agencies, the total cost can exceed many months’ wages, forcing workers into debt. We view this as debt-bonded labor, and it is strictly prohibited by our Code.

Suppliers are required to provide written employment contracts in a language understood by the workers and are prohibited from confiscating or withholding workers’ government-issued identity documents and travel documents. Suppliers are held responsible for ensuring that their third-party recruitment agencies are compliant with the provisions of our Code and the law.

To eradicate bonded labor, in October 2014, we informed our suppliers that, starting in 2015, they could no longer charge any recruitment fees to foreign contract workers employed within Apple’s supply chain. Prior to 2015, Apple required suppliers to reimburse foreign contract workers for any recruitment fees exceeding one month of the worker’s anticipated net wage, irrespective of the length of the foreign worker’s contract. We check that these requirements are met by using a robust auditing process that includes interviews with foreign contract workers conducted in their native languages; interviews with labor agents; and a complete check of corresponding documents. Since our program began in 2008, reimbursements to more than 35,000 foreign contract workers totaled US\$30 million. In 2017, reimbursements of more than US\$1.9 million were provided to more than 1,500 foreign contract workers.

Apple's internal Anti-Human Trafficking Policy outlines our firm stance against any form of human trafficking and requires that any employee who becomes aware of human trafficking or behaviors supporting human trafficking report this condition to Apple's Business Conduct team. Our Anti-Human Trafficking Policy, which is a part of our 2017 Global Business Conduct Policy document, is provided to all new employees. Moreover, Apple employees who interact with the U.S. Government are required to abide by additional requirements by virtue of Apple's status as a government contractor. Employees supporting Apple's government contracting efforts also receive additional training from the Business Conduct team to ensure their knowledge and awareness of legal requirements.

The Anti-Human Trafficking Policy is also addressed as part of an annual, mandatory Business Conduct training program for employees. Any violation of the Anti-Human Trafficking Policy or the applicable U.S. Federal Acquisition Regulation² may result in disciplinary action, including, but not limited to, employee termination. The Anti-Human Trafficking Policy describes the escalation process by which employees and other third parties may report concerns or violations related to the policy to Apple's Business Conduct team. Anonymous reports may be made via a third-party hotline. Apple verifies that its employees are legally authorized to work in the jurisdiction for which they are hired. Apple is also an equal opportunity employer and does not discriminate on the basis of race, color, creed, religion, sex, national origin, marital status, age, sexual orientation, gender identity characteristics or expression, genetic information, physical or mental disability, pregnancy, medical condition, or U.S. military or protected veteran status in all aspects of employment.

II. Audits and Internal Accountability

All suppliers must agree to act in accordance with the principles and requirements of our Code, which includes audits. In addition to regular, prescheduled audits, we randomly select facilities for unannounced audits by Apple or by independent third-party auditors. These surprise audits help encourage our suppliers to continue to meet our standards at all times — not just during scheduled visits.

Every year, we audit all final assembly manufacturers. In addition, we inspect a number of facilities deeper in our supply chain to make sure they are complying with our standards. We select these suppliers based on geographic risk, previous audit performance, manufacturing process risks, and planned spending. Moreover, we take into account concerns brought to us by internal teams, external stakeholders, NGOs, and others.

In 2017, we conducted more than 750 supplier audits in 30 countries. Every audit is managed by an Apple auditor and supported by local third-party auditors who are trained to use our detailed auditing protocols.

² Providers of goods and services to the U.S. Government are required to comply with the applicable Federal Acquisition Regulation and its requirements, which include a policy prohibiting activities that contribute to or support human trafficking and forced labor.

Together with local third-party auditors, Apple conducts physical inspections, reviews documents, and interviews workers in their native languages, without their managers present. Our auditors are trained to identify circumstances where a supplier may be providing false information or preventing access to critical documents — both of which are core violations of our Code. Coaching workers on what to say during an interview and retaliation against workers for participating in an audit interview are also core violations and are never tolerated.

After interviews, workers are given a phone number, so they have the opportunity to securely and confidentially provide additional feedback to our team, including anything they consider to be unethical behavior. We encourage workers to report any retaliation to us, and we, along with our third-party audit partners, follow up with all suppliers to address any reported issue. In 2017, nearly 35,600 phone calls were made to workers to ensure that they were not retaliated against for sharing a concern. We also have an internal system that enables our employees to alert Apple if they perceive an issue within their office, or if they visit a facility and see or hear something of concern. Following each submission, Apple investigates the reported issue to determine whether the report identifies a violation of our Code and standards. In 2017, 35 incidents were reported and investigated, with the Supplier Responsibility team following up on each within 24 hours.

In 2012, we began extending our Code further into the service domain to help our third-party Apple Services and logistics suppliers meet our Code. In 2017, we visited 30 third-party AppleCare Centers and 10 logistic centers in 16 countries to conduct Code compliance assessments, which include labor and human rights. In 2016, our assessment program was extended to include employees working for our retail store suppliers. In 2017, we expanded the assessment program to include retail store suppliers to 100 of our stores. Through such assessments, management systems were strengthened, including working hours compliance, employment contracts, and grievance channels for employees of these suppliers.

In addition, as part of our responsible sourcing of minerals program, Apple requires smelters and refiners of tin, tantalum, tungsten, gold, and cobalt (“minerals processors”) identified in Apple’s supply chain to participate in independent third-party audit programs. In conformity in all material respects with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, programs must include protocols on management systems for forced labor risks.

In 2016, Apple first began to request identified minerals processors in Apple’s supply chain to complete Apple’s Risk Readiness Assessment (“RRA”) survey. The RRA helps assess risk readiness beyond just those associated with conflict and incorporates additional human rights categories such as labor rights, working conditions, and child labor. In 2017, Apple made the tool available more broadly to stakeholders by providing the RRA to the RBA so that other supply chain actors can collectively benefit from its use. As of December 31, 2017, 60 downstream companies and 151 upstream smelters and refiners have utilized the RRA.

We also benchmarked dozens of third-party sustainability standards and analyzed which frameworks met our responsible sourcing requirements, including for forced labor, to send a clear signal to our supply chain on which standard-setting and certifying bodies meet our expectations with respect to human rights and other risk categories.

Apple has robust internal management systems overseeing Apple's human rights, supplier development, and responsible sourcing programs. Related policies and procedures are coordinated by the Supplier Responsibility ("SR") team within Apple's World Wide Operations group. The SR team works across a number of Apple business teams and functions, including, but not limited to, Apple's legal, finance, and procurement groups. The SR team also regularly consults with Apple's senior management to review progress and set ongoing strategy.

III. Addressing Code Violations

We consider violations of core elements of the Code to be the most serious breaches. These include, for example, cases of underage and involuntary labor, human trafficking, document falsification, and intimidation of or retaliation against workers for participating in audits. When a core violation is identified, in order to ensure that the supplier understands the severity of addressing these violations, Apple issues a Notice of Probation directly to the president or CEO of the supplier, and we work to reduce production volumes at the offending supplier. Core violations are required to be addressed immediately. When appropriate, we also report these violations to local authorities.

Any supplier with a documented core violation is placed on probation until successful completion of their next audit. During probation, the issue is monitored closely by Apple auditors, and if we believe the supplier is not truly committed to corrective action, we consider terminating our relationship. Since our program began, we have terminated business with 20 suppliers that had serious violations. The names of these suppliers are included on a "Do Not Source List" that is published on an internal website available to Apple employees.

In 2017, we also directed our suppliers to remove 10 minerals processors not willing to participate in, or complete, an independent third-party minerals-related audit within a given timeline.

IV. Partnering with Suppliers

We provide supplier partners with the tools to correct issues and learn how to proactively prevent them from reoccurring. We are proud of the progress our suppliers are making and we remain firm in our commitment to continuously drive improvement.

Unique to Apple's auditing process is what happens after the audit. After each audit, we work with suppliers to analyze the root cause of every finding. We then develop customized corrective action plans with supplier management and work directly with key personnel from the facility to correct violations within 90 days. Once a supplier closes all findings from our audit, we arrange to return for a "Corrective Action Verification" to ensure that all findings are truly remediated consistent with our standards. We also conduct unscheduled spot checks based on audit findings and grievances received from workers.

We help suppliers learn better practices, and ultimately make lasting changes. Higher-risk suppliers requiring extra support are enrolled into our Partnership Program and receive dedicated assistance from Apple auditors to address Code performance gaps. We take a holistic approach to technical assistance and management training. We help suppliers establish responsibility teams, train leaders, and enhance internal monitoring and remediation. In 2017, 3 supplier facilities were enrolled in our Partnership Program and 114 supplier facilities were enrolled in our Subject Matter Expert Capability Building Program, to help suppliers analyze the root cause of Code violations, and to help suppliers improve their systems to detect and address issues. In 2017, Apple's Subject Matter Expert team developed 39 tools to provide mechanisms for suppliers to better understand Apple's Code, and to ensure that suppliers are in compliance with it and legal requirements. This was part of the development of more than 100 tools by the subject matter expert team since 2016.

According to year-over-year data, our minerals-related audits have also contributed to improvements in supplier due diligence practices. Each year, we review and increase our already stringent requirements and require suppliers to continue to meet those tougher standards.

V. Training

Apple employees learn about the risk of trafficking in Apple's supply chain during Apple's annually required Business Conduct training. As part of Apple's philosophy that open communication fosters a productive work environment where everyone has an opportunity to develop, participate, and succeed, Apple employees are encouraged to use mechanisms such as our Business Conduct Helpline to report and discuss any potential issues, including forced labor. All Apple corporate employees are provided annually with information on the Code and our Supplier Responsibility issue reporting process, and they are instructed to report anything that might be considered a violation, including forced labor, trafficking, or ethical violations. In 2017, more than 100,000 employees were trained on Apple's Anti-Human Trafficking Policy as part of the annually required mandatory Business Conduct training program.

Apple identifies suppliers we believe may be at high risk for involuntary labor and human trafficking and we take additional measures to mitigate those risks. For example, Apple provides online trainings for suppliers that hire foreign contract workers, who are most susceptible to involuntary labor and human trafficking. It is also crucial that workers understand their rights as employees and have avenues to speak up if they believe these rights are being violated. We require our suppliers to provide training for new and existing employees on our Code, local laws, and occupational health and safety. Since 2007, 14.7 million supplier employees were trained on their rights, including local labor laws, and on Apple's Code. More than 3 million people were trained in 2017 alone.

Beyond working at the supplier level, we have taken steps to educate migrant workers about their rights before they leave their country of origin. Specifically, we partnered with the International Organization for Migration to create a pilot program that educates workers about topics such as workers' rights and responsibilities, contract terms, the culture of their new country of employment, and how to report illegal practices and abuse. Sessions were organized in five different locations, benefiting migrant workers from Indonesia, Nepal, and Vietnam.

VI. Evaluating Risk in Our Supply Chain (Verification)

We also look for issues outside of audits and other key verification activities. For example, we work to identify social and environmental risks, including human trafficking and slavery associated with materials sourcing, including tin, tantalum, tungsten, gold, and cobalt, in order to ultimately reduce these risks and bring about effective, scalable, and sustainable positive change. As we do so, we also have engaged suppliers at every level to educate them on our responsible sourcing standards, including with respect to risks of human trafficking and slavery, and to engage them to investigate risks.

In 2017, Apple extensively reviewed mine-level incidents and public allegations potentially linked to minerals processors in Apple's supply chain. By reviewing this information and acting transparently, Apple aims to bridge the reported findings from civil society and other independent voices with industry due diligence mechanisms so that verified abuses on the ground can be addressed and remedied. If a high-risk issue is identified in Apple's supply chain, we have a process in place to follow up with independent third-party audit programs and relevant stakeholders to ensure that these incidents and allegations, including those pertaining to forced labor, are reported and addressed. Resolutions to such incidents have included corruption investigations, arrests, and personnel changes, as well as overhauls in supply chain due diligence processes.

We believe that addressing incidents and allegations potentially affecting only Apple's supply chain will not lead to sufficient human rights progress on the ground. Accordingly, Apple has taken steps to mobilize a broader group of stakeholders to be informed of and take action on other public allegations. Apple worked with key stakeholders to develop a multi-stakeholder grievance platform to foster greater transparency and consistency in how public allegations, including those potentially involving forced labor or human trafficking, are identified, reported, and addressed and to drive toward addressing potential abuses on the ground.

In 2017, we also worked with the United Nations International Organization for Migration to develop a set of public guidelines for industry actors on how to address confirmed allegations of forced labor, trafficking, and child labor in the upstream supply chain. Apple engaged in this work because we wanted to ensure that incidents of forced labor, trafficking, and child labor are addressed, regardless of where in the supply chain they occur, and that risks throughout the supply chain are mitigated.

To make a lasting impact on the ground and empower independent voices in our supply chain, in 2017, Apple supported the Fund for Global Human Rights, a human rights organization that supports local activists in the Democratic Republic of the Congo ("DRC") working on a range of issues, including those relevant to combating modern slavery and child labor. We continued our work with Pact in the DRC, a nonprofit organization working with neighborhood committees and local leaders to empower mining communities, protect children living in those communities, and provide vocational training for at-risk youth to learn skills other than mining. We also funded the development of an in-region whistleblowing mechanism in the DRC to report on alleged violations at mining sites.

We believe that collective action on human rights and modern slavery is paramount. In 2017, we sat on the Governance Committee of the Public-Private Alliance for Responsible Minerals Trade and continued our membership in the European Partnership for Responsible Minerals. We also helped lead the Responsible Business Alliance's Responsible Labor Initiative ("RLI") as founding members of the RLI Steering Committee. Our work is ongoing, but by strengthening due diligence at every level of our supply chain, and partnering with others, we will continue to pursue the protection of human rights and combat human slavery.

VII. Certification

To do business with Apple, suppliers must not only operate in full compliance with all applicable laws and regulations, but they must also agree to the standards we have included in our Code. Our Code goes beyond mere compliance with existing law; instead, it also draws on existing, new, and updated internationally recognized standards to advance social and environmental responsibility. Accordingly, by agreeing to comply with our Code, all suppliers are obligated to adhere to these ongoing changes toward higher standards. The Code is supported by a robust audit process that has expanded deep into the supply chain over the past 11 years.

We are committed to the highest standards of social responsibility and continue to work with industries toward combating human trafficking and slavery in supply chains and our own operations.

VIII. Signature

In accordance with the U.K. Modern Slavery Act 2015 and guidance thereunder, this 2017 Statement on Efforts to Combat Human Trafficking and Slavery in Our Business and Supply Chains has been signed by the undersigned director for and on behalf of each of Apple Europe Limited, Apple (UK) Limited, and Apple Retail UK Limited to the extent that this Statement relates to the activities of those respective entities.



Peter R. Denwood
Director

Dated: 28 February 2018