



# Apple

**2016 Statement on Efforts to Combat Human Trafficking  
and Slavery in Our Business and Supply Chains**

## Background

Apple<sup>1</sup> is committed to treating everyone in our business and supply chain with the dignity and respect they deserve. 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. We do this because it's the right thing to do, not because it's required by law. Our work goes far beyond the reporting requirements of the law and is 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 which has expanded deep into the supply chain over the past ten 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 Statement on Efforts to Combat Human Trafficking and Slavery in Our Business and Supply Chains reflects Apple's progress during the financial year ended September 2016, 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.

## 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 of our suppliers. 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 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 from time to time to reflect new and updated standards. All of our suppliers are obligated to adhere to these progressively higher standards.

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<sup>1</sup> 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.

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.

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 on an Apple production line. 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. Since our program began in 2008, reimbursements to over 34,000 foreign contract workers totaled US\$28 million. From October 2015 through December 2016, reimbursements of more than US\$2,600,000 were provided to over 1,000 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 that 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 also referenced as 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.

In addition, the Anti-Human Trafficking Policy is 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 Regulation<sup>2</sup> 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. Employees supporting Apple's government contracting efforts receive additional training from the Business Conduct team to ensure their knowledge and awareness of legal requirements. From October 2015 through December 2016, over 100,000 employees were trained on Apple's Anti-Human Trafficking Policy.

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.

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<sup>2</sup> 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.

## 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.

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. From October 2015 through December 2016, nearly 36,000 phone calls were made to workers to ensure 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 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. From October 2015 through December 2016, approximately 170 tickets were opened, with the Supplier Responsibility team following up to address each one within 24 hours.

From October 2015 through December 2016, we conducted over 850 supplier audits in 30 countries. Every audit is led by an Apple auditor and supported by local third-party auditors who are trained to use our detailed auditing protocols.

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.

Separately, as part of our conflict minerals program, Apple requires all smelters and refiners of tin, tantalum, tungsten and gold identified in Apple's supply chain to participate in independent third-party conflict minerals audit programs. By 2017, these programs must include forced labor. And, in connection with cobalt sourcing, Apple also supports the efforts of the China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters to undertake collective action in addressing the social and environmental risks of cobalt, which include issues related to forced labor.

According to year over year data, audits have contributed to increased supplier compliance. Moreover, each year we review and increase our already stringent requirements and require suppliers to continue to meet those tougher standards.

### 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. All supplier core violations are escalated directly to senior management at Apple and the supplier, and 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 18 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. 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.

### IV. Partnering with Suppliers

We provide supplier partners 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 all findings are truly remediated consistent with our standards.

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. From October 2015 through December 2016, we enrolled 17 suppliers in our Partnership Program. We also launched a Subject Matter Expert Consultation Program to help suppliers analyze the root cause of Code violations, and to help suppliers improve their systems to detect and address issues as quickly as possible.

## V. Training

Apple identifies suppliers we believe may be at high risk for involuntary labor and human trafficking and 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.

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. As of 2016, we trained over 300 migrant workers pursuant to this pilot program in Nepal, Indonesia and Vietnam, and we are evaluating the program for potential expansion in 2017.

Apple employees learn about the risk of trafficking in Apple's supply chain in 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 information annually 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.

## VI. Evaluating Risk in Our Supply Chain (Verification)

We also look for issues outside of audits and other key verification activities. For example, we are currently working to identify social and environmental risks such as 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 and to engage them to investigate risks.

Apple is committed to ensuring issues are proactively identified and reported. Apple engages third parties and many stakeholders to improve risk analysis, research, and follow-up. For example, Apple's responsible sourcing program includes detailed reviews of credible reports of incidents or allegations which may potentially connect to Apple's supply chain. In addition, 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 these incidents, including those pertaining to forced labor, are transparently reported and addressed. Resolutions to such incidents have included corruption investigations, arrests and personnel changes, and overhauls in supply chain due diligence processes.

To support risk reporting at a local level, Apple has funded an extension of an in-region whistleblowing program to new provinces in the Democratic Republic of the Congo. Apple also supports on-the-ground programs aimed at reducing human rights risks through miner formalization and market access. This has included Apple's support to the Public Private Alliance for Responsible Minerals Trade, Partnership Africa Canada, the Responsible Artisanal Gold Solutions Forum, and the recently-launched European Partnership for Responsible Minerals.

## VII. Certification

To do business with Apple, not only must suppliers agree contractually to operate in full compliance with all applicable laws and regulations, suppliers must also affirmatively agree to adhere to the standards we have included in our Code. Our Code goes beyond mere compliance with existing law, but instead also draws upon 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.

We are committed to the highest standards of social responsibility and continue working 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 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.



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Gene Levoff  
**Director**

Dated: 22 February 2017