

## **SUPPLIER ADHERENCE TO JCB VALUES & ETHICS**

The appointment of JCB suppliers is undertaken either at JCB Group or local level as appropriate. Before any JCB supplier is appointed, a comprehensive review is undertaken of their commercial, financial and reputational standing.

## **SUPPLIER CODE OF CONDUCT**

JCB's Supplier Code of Conduct communicates our social standards and business ethics to our supply chain. This includes specific requirements which are directly relevant to ensuring Modern Slavery is not taking place within the supplier's business.

In 2016 we made formal acceptance of our Supplier Code of Conduct a mandatory requirement of doing business with JCB. All new and existing suppliers are required to sign this important document.

## **CONTRACTUAL CONTROLS**

In 2016 we updated JCB's standard Terms and Conditions of Purchase to include dedicated Modern Slavery & Labour Law compliance clauses, which contractually oblige our suppliers to ensure Modern Slavery is not occurring in their business. These clauses also oblige them to implement due diligence procedures for their own suppliers to ensure that no Modern Slavery is taking place further down the supply chain.

## **JCB'S DUE DILIGENCE PROCESSES FOR MODERN SLAVERY**

We evaluate our suppliers across quality, cost and risk metrics. This evaluation forms the basis of any future business award. Key metrics included in this evaluation that provide confirmation of our due diligence processes are:

a) **JCB Supplier Audit**

All production suppliers are subjected to a new supplier audit. This requires a visit to the supplier premises by a representative from JCB. In 2017 the new supplier audit questionnaire will be updated to provide specific guidance to detect the indications of Modern Slavery.

b) **Completion of an Independent Third Party Supply Chain Risk Management Assessment**

JCB uses a leading global supply chain risk management company who collects, validates and maintains essential supplier data on behalf of JCB through an online questionnaire. JCB joined this Automotive Community supply chain management platform and began requesting our production suppliers to complete the standardised self-assessment questionnaire which includes questions relevant to Modern Slavery.

c) **Time since last visit by a JCB employee**

Meeting face to face with our suppliers and establishing a clear communication channel is fundamental to successfully managing our relationship with that supplier. These meetings increase the likelihood of detection of unacceptable business practices in the supplier's operations. Therefore the time since the last "in person" meeting with the supplier is a key risk metric; the longer it has been since the last visit, the higher the risk becomes with that supplier.

## **JCB MODERN SLAVERY STATEMENT FOR 2016**

This statement is published in accordance with Section 54 of the Modern Slavery Act 2015. It sets out the steps taken by JCB Service and other relevant JCB group companies (JCB) during the year ended 31<sup>st</sup> December 2016.

### **INTRODUCTION**

Slavery, servitude, forced labour and human trafficking (Modern Slavery) is prevalent across the world today. It is important that businesses do not deny or try to ignore this problem. JCB has a zero tolerance approach to Modern Slavery within our operations and supply chain and we are committed to ensuring that this approach is effective.

### **JCB's BUSINESS**

JCB is a family-owned manufacturer of earthmoving, excavating and materials handling equipment and generators primarily for the construction and agricultural industries. JCB has a range of more than 300 products.

JCB headquarters and group management structure is operated out of the United Kingdom. JCB has subsidiary companies in Europe, India, China, Singapore, Brazil and the USA. We have eleven factories in the United Kingdom, five factories in India and one factory each in China, Brazil and the USA respectively.

### **JCB EMPLOYEE POLICIES**

JCB's Employee Handbook (of which there are local variants used across JCB's subsidiary businesses around the world) communicates JCB's values and expectations of our employees.

JCB undertakes "right to work" checks on all direct employees prior to them commencing their roles with us. This includes checking, where applicable, that the employee has a valid work visa and is of an appropriate age to work.

We also operate a Whistleblowing Policy aimed principally at our UK employees but also available to all our employees which encourages individuals to report wrong doing which extends to human rights violations like Modern Slavery.

### **JCB's SUPPLY CHAIN**

The supply chain involved in the manufacture of JCB's products is complex, involving multiple levels between JCB and the source of raw materials that enter the manufacturing process. While this makes it a challenge to effectively manage the risks of Modern Slavery throughout the entire supply chain, the approach we take is to actively manage and use our Tier I (direct) suppliers as the means by which JCB clearly communicates our expectations down through the supply chain.

JCB has a substantial number of suppliers (both production and non-production) supporting its worldwide business operations. JCB operates a global sourcing strategy for components and raw materials, however the majority of JCB's suppliers are based in the United Kingdom and Europe with a growing number based in India and China.

## **STAFF AWARENESS**

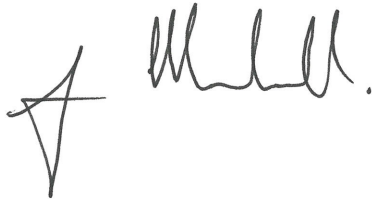
In 2016, a Modern Slavery briefing sheet was provided to all employees highlighting some common signs of Modern Slavery as well as how to report any concerns.

## **FURTHER STEPS**

JCB recognises that there is more work to do with its suppliers to increase supply chain transparency and more specifically in relation to ensuring Modern Slavery is not taking place within its supply chain.

In 2017 JCB plans to use its appointed third party supply chain risk management company to carry out dedicated Corporate Social Responsibility audits on JCB's behalf.

**Statement Signed by JCB Chief Executive Officer Graeme Macdonald**

A handwritten signature in black ink, appearing to read 'G Macdonald', with a stylized initial 'G' on the left and the name 'Macdonald' written in a cursive script to its right.