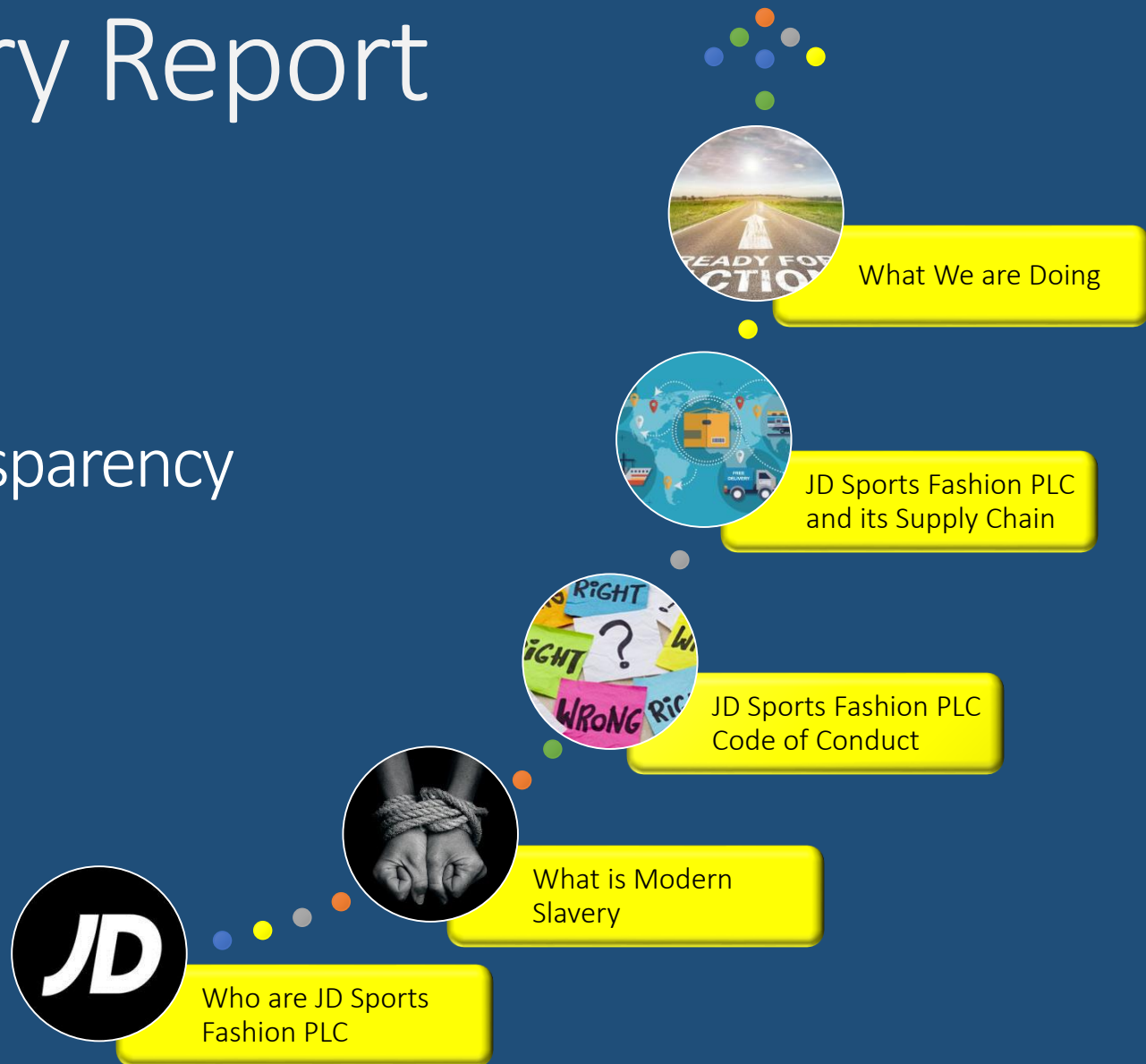


# Modern Slavery Report

2016/17

JD Sports Fashion PLC

Modern Slavery Act Transparency Statement



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Global Retailer

C. 1300 Stores

13 Territories

25,830 Direct Employees

30+ Group Entities

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## Introduction to our structure, business and supply chains

The JD Sports Fashion Group (“JD”) is a global retailer and wholesaler of apparel, footwear, equipment and accessories for casual fashion, sports and outdoor activities offering a range of globally and nationally recognised third party branded merchandise and JD sourced private and licensed labels.

We operate from around 1300 stores in most of Western Europe as well as Malaysia and Australia.

The biggest part of the JD business comprises the retail of product supplied by globally recognised third party brands .

The brands are aware of their obligations to source ethically and in accordance with the principles at the heart of the Modern Slavery Act and we monitor the modern slavery statements of our key brands.

The JD sourced private label business accounts for around 12% of our sales, but we have over the last ten years increased our commitment to ensuring that all our suppliers operate in line with our ethical standards. JD recognise that it is important to continually strive to improve our relationships and how we work with our global partners and suppliers. These relationships and core values are vital in tackling modern slavery.

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22% of the Victims are in forced sexual exploitation\*

20.9 Million + People are Victims of Modern Slavery World Wide\*

\$150 Billion is generated from forced labour each year\*

### Child Labour

Children forced to work under harsh conditions. They are often told they are paying off parents' debt and are common targets for trafficking

### Forced Labour

Being forced to work under threat of violence or in alleged exchange for wages, food and accommodations or repayment of accumulated debt

### Domestic Servitude

Being forced to do housework in private homes with little or no compensation and relatively no time off, privacy or freedom to leave the premises

### Debt Bondage

Being held in locked surroundings, traded between gangs and cities and forced to provide sex for payment

### Human Trafficking

Being recruited and transferred under the threat or use of force for the purpose of prostitution and forced labour. Identity papers are often withheld

\* <http://www.ilo.org>

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## Modern slavery all around us

“It is walking our streets, supplying shops and supermarkets, working in fields, factories or nail bars, trapped in brothels or cowering behind the curtains in an ordinary street : slavery.

Something most of us thought consigned to history books, belonging to a different century, is a shameful and shocking presence in modern Britain.”

*The Right Honourable Theresa May, Home Secretary, November 2013*

## Our policies in relation to modern slavery and human trafficking

We believe it is important to understand what modern slaves are in the world today. JD has a policy of trading ethically wherever possible.

Modern slavery takes many forms:

Human trafficking, forced labour, debt bondage, child labour and prostitution.

Modern slavery involves criminal activity and the signs are often subtle and difficult to identify.

Our overall ethical policy begins with our Board and our sourcing, quality and ethics team has operational responsibility for implementing it.

Over the past months we have been working with our staff and suppliers to create awareness.

May 2017 saw the development of a bespoke modern slavery training programme focusing on recognising potential risks within our supply chain and actions to take to avoid and eradicate modern slavery.

During May and June 120 key staff will have attended an off site conference which we believe will create the awareness and skills to embed these policies into their everyday lives and job roles.

The modern slavery training programme has been adapted to sit on our E-learning platform and will form a mandatory part of the induction of all employees.

In addition, our current in-house whistle blowing facility has been updated to allow confidential reporting on modern slavery by our employees, including store and agency staff.

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## Our due diligence processes

Within our business we contract fully factored garments and footwear to first tier suppliers and it is therefore an important factor for us as we strive to better understand and manage our complex supply chain.

JD is working towards identifying its second tier suppliers and will work to instil our values and commitment throughout the supply chain. It is important for us to admit that modern slavery is a hidden issue, accept that it is difficult to find with today's complex supply chains but recognise the importance of creating a sense of awareness and responsibility in our own employees and those of our direct suppliers. We will collaborate together to help eradicate the very real risks in the modern world.

There are numerous obstacles to overcome, particularly in countries where local laws are insufficient to protect workers. Those countries with high proportions of migrant workers are especially at risk. Close to nineteen million of the world's forced labourers are exploited by private enterprise.

We believe it is important to recognise this as a business and welcome the introduction of the Modern Slavery Act 2015.

Supply chains are increasingly complex and responsibilities for company supply chains can be impossible to own. The JD Supply Chain is no different and we are committed to developing policies and strategies to combat the suffering of today's slaves.

Although it happens everywhere, some regions have a higher prevalence of slavery and forced labour but developing our understanding of our supply chain will enable us to work towards appropriate action. No sector can remain immune and no sector can be considered to be untainted.

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What We are Doing

Employment is freely chosen

Child labour not be used

No discrimination is practised

Freedom of association and the right to collective bargaining are respected

Living wage are paid

Regular employment is provided

Working conditions are safe and hygienic

Working hours are not excessive

No harsh or inhumane treatment is allowed

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## Our effectiveness in managing modern slavery risks

JD Sports Code of Conduct is embedded into its business practices. Over the past seven years, JD has ensured that all suppliers of its own brand apparel and footwear are aware of the JD Code of Conduct. This code of conduct is based on the ETI Base Code and the ILO Declaration on Fundamental Principles and Rights at Work in line with the ILO Convention 29. The adoption of this code, sets the standards we require from our manufacturers of own branded product. This Code of Conduct is explained and documented within our terms and conditions of supply which is at the core of all contracts with our overseas agents and suppliers.

JD takes its responsibilities towards the workers in our own operations as well as those within our supply chain very seriously. JD employs 25,830 people directly in the UK, Europe and Asia with the majority in retail.

The JD business is growing and is becoming increasingly diverse. Therefore a key focus for us is ensuring that our wider group is aware of our policies and processes and adopts them, as our core business does.

JD are currently working to ensure that our policies with our suppliers and service providers are reviewed to ensure compliance with our commitment to the Modern Slavery Act and its principles.

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162 Overseas Agents

275 Known Tier 2 Suppliers

8 Stock Holding Warehouses

247 Tier 1 Suppliers

17 Sourcing Countries

4 Trunk Hubs

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JD has mapped and monitored all of its first tier suppliers during 2015 and 2016 to ensure full visibility of its supply base.

Many of our smaller subsidiaries are already advanced in this process and we are constantly striving to bring new acquisitions up to our standards. We plan to encompass all our companies within the group during the next 12 months in the same programme.

Supply chain compliance is managed centrally and training of this team and those working in the procurement of orders are involved in an established sourcing strategy to maintain and manage our control of our diverse supply base. Understanding the “Red Flags” of modern slavery and the underlying causes forms part of their annual objectives . Over the coming months, awareness training to the wider personnel will build on the importance of understanding how businesses and individuals can work to eradicate modern slavery, not only in the work place but in every day life.

JD takes steps to ensure the due diligence of its suppliers and to avoid subcontracting to unauthorised units. Un-disclosed sub-contracting is expressly prohibited and would be considered a breach of our Code of Conduct and Terms and Conditions of Supply.

Containers are placed only at authorised factory sites and tracked by our freight partners from factory to port of export.

Security labels are an integral part of the manufacture of our products. These labels are only delivered to the contracted factory detailed on our Purchase order.

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Regular visits are undertaken by JD's head office to factories and we recognise that strong close relationships with our partners are essential to build mutual values and combined strategies to improve conditions for workers and to eliminate abuse of human rights.

90% of JD's second tier suppliers have been defined and mapped during the first part of 2017 . This has increased the scope of the visibility of our supply chain to the mills that produce our fabrics, the dye houses that process the fabric further and finally the print houses and embroidery houses that embellish our product.

Whilst we do not currently have direct relationships with these suppliers, traceability of these suppliers is an important first step.

We hope that building this relationship down the supply chain will embed our policies and standards further. Manufacturing supply chains are complex and difficult to control, involving many stages and components. It is important that our business is aware of the risks and that we take steps to manage these indirect suppliers.

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Risk Assessments

Factory Audits

Understanding our Risks

Mapping 2<sup>nd</sup> Tier  
Suppliers

Modern Slavery Training

Communicating our  
Standards

Developing Supplier  
Relationships

Taking Action

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JD's commitment to ethical trade and the eradication of modern slavery in our supply chain is led at Board level and this modern slavery report has been approved by the JD Board. The JD Board will review this modern slavery report at least once a year. JD will continually monitor its progress and will report on this annually. Below is a summary of the processes and actions currently undertaken.

## Risk assessments

All of our first tier suppliers must complete a comprehensive self assessment Risk Assessment prior to inclusion in the JD own label source base. This risk assessment is verified by the JD compliance team and may involve further investigation to ensure adherence to at least JD's minimum standards and compliance with local laws. Suppliers are then graded to allow focus on raising standards and improving practice. Purchase orders are contracted to the agent and the factory selected and policies are issued to both parties.

## Factory audits

A pre-determined level of spend after one season will then determine the requirement for a 3<sup>rd</sup> party ethical audit which includes a corrective action plan. (CAP). We carry out full analysis of the CAP and address the open issues stated in the plan in order to continue the relationship. We understand and appreciate the costs and work involved in preparing and maintaining standards to achieve a successful audit so JD joined the FFC (Fair Factories Clearing House) in 2016 which allows the sharing of audits and CAPs to minimise repeated costs and actions on factories. 77% of our first tier suppliers within the Group are coded Green which shows successful compliance with our principles and strategies.

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## Understanding risk & modern slavery training

We have developed a modern slavery training course and E Learning tool. The JD Board of Directors have attended the training course as we believe it is key that there is a “top down” directive in the business in order that personnel at all levels of our business have an understanding of the risks and develop critical awareness of the undisputed risk of Modern Slavery in our industry.

120 key members of the Group, involved in direct and indirect procurement, have received the same training and this will be extended to the wider workforce via our E-Learning module by the end of the year.

It is planned to include our key suppliers to the business by the end of 2018.

Awareness training is planned for our employees in our retail stores and warehouses.

## Developing supplier relationships

It is always our intention to identify and reward key suppliers that adopt and embed our practices into their own supply chain.

We aim to provide consolidation opportunities and a reduced supply base making monitoring of supplier standards easier and more efficient, thus increasing their business opportunities.

The mapping of our supply chain is important if we are to identify the risks to those indirectly involved in the manufacturing process and visibility of the 2<sup>nd</sup> Tier supply base will allow us to develop these relationships further.

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## Taking action

Our modern slavery training programme has provided vital knowledge to identify risk at an earlier stage in the procurement of our products and we will continue to update our sourcing strategy as we build on this knowledge and expertise.

Whilst we are aware of the challenges we face, we are equally committed to resolutions and education in our supply chain where breaches of our policies are found.

It is vital that we work with our suppliers to eradicate modern slavery and recognise that our industry can unknowingly exacerbate Modern Slavery, with the increasing need for speed to market and lower costs.

The JD sourcing team works with the buyers to find solutions to this with consolidation and planning.

The actions we take will focus on working with high and medium risk suppliers whilst continuing to engage low risk suppliers.

JD teams will continue to undertake regular visits to suppliers, undertaking ethical audits and gain a better understanding of their working practices enabling adoption of our values into their business.

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## Statement from Executive Directors

*“We continually strive to improve our relationships and the way we work with our global partners and suppliers, which is fundamental to the growth and development of JD as a business. A vital part of this is taking steps to instil ethical behaviour, including the eradication of modern slavery, within our own group and throughout our supply chain.”*

This modern slavery report has been approved by the JD Board and signed by Peter Cowgill and Brian Small, Executive Directors of JD.

The image shows two handwritten signatures in black ink. The signature on the left is 'P. A. Cowgill' and the signature on the right is 'Brian Small'. Both signatures are written in a cursive, flowing style.

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