

## Responsible Sourcing

Every year, Jabil spends approximately US\$13 billion with more than 22,000 direct suppliers to secure the inputs and materials that go into the products we manufacture. Our comprehensive approach to responsible sourcing is resulting in a more efficient use of Jabil resources and driving a stronger culture of accountability among our suppliers.

### Highlights from Fiscal 2017:

**2,437**

SER risk assessments completed.

**105**

SER audits.

**7,688**

conflict minerals declarations completed by in-scope suppliers, representing 98% of our total spend of applicable in-scope materials subject to conflict minerals legislation.

### In this section:



CONFLICT MINERALS



LABOR AGENCY MANAGEMENT



SINGLE VIEW OF RISK



## Responsible Sourcing

### Conflict Minerals

Every year, Jabil spends approximately US\$13 billion with more than 22,000 direct suppliers to secure the inputs and materials that go into the products we manufacture. Our comprehensive approach to responsible sourcing is resulting in a more efficient use of Jabil resources and driving a stronger culture of accountability among our suppliers.

Jabil continues to expand its visibility into conflict minerals to increase transparency.

In most cases, Jabil is several or more levels removed from directly purchasing tin, tantalum, tungsten and gold (3TG) from mines, smelters or refiners. However, we continue to report the origins of 3TG in our supply chain by requiring conflict minerals declarations from our in-scope suppliers. In Fiscal 2017, we received declarations from 7,688 in-scope suppliers, representing 98 percent of our total spend of applicable in-scope materials subject to conflict minerals legislation.

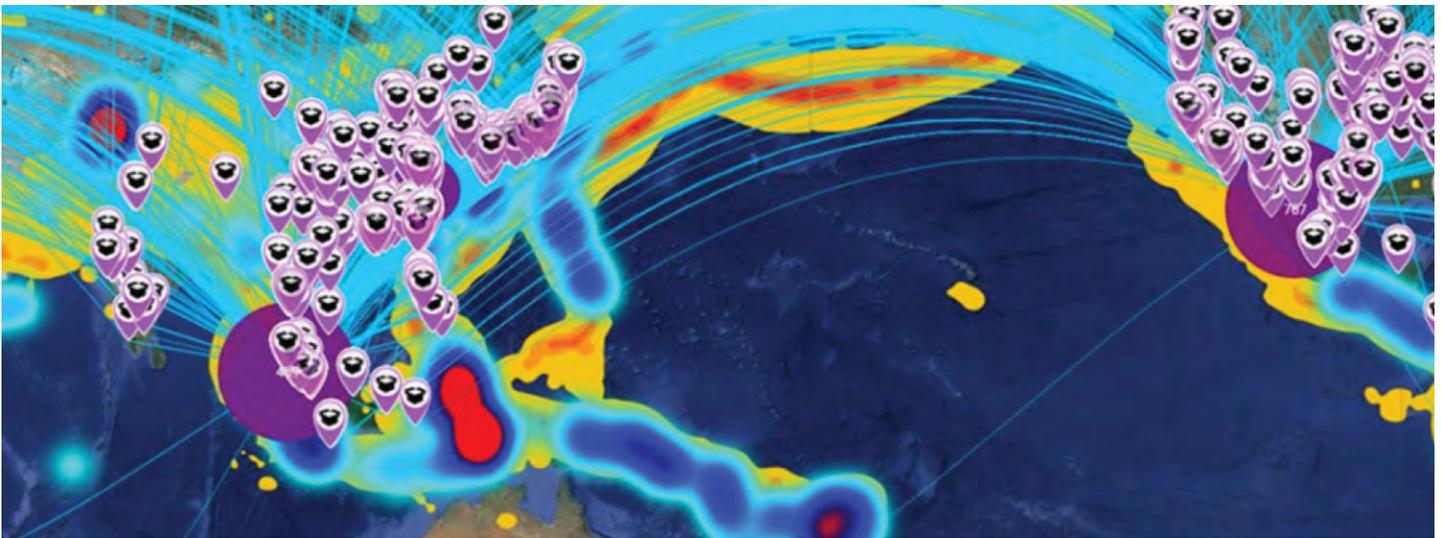
In addition to our industry's long-time focus on 3TG, human rights abuses have also been increasingly documented for cobalt mining in the Congo, prompting Jabil to consider expanding our due diligence and reporting on mineral supply chains to include cobalt. As a first step, in Fiscal 2017, we launched a responsible minerals sourcing survey to a limited number of suppliers in our supply chain to increase the visibility of cobalt management.

## Conflict Minerals Management

(fiscal years)	2015	2016*	2017
Suppliers providing completed conflict minerals declaration	3,815	3,121	7,688**
Percent of total spend of applicable in-scope materials subject to conflict minerals legislation	89%	93%	98%

\* In Fiscal 2016, we evaluated our suppliers to determine if they qualify as in-scope, narrowing the number of requests for conflict mineral declarations.

\*\* The significant increase from 2016 to 2017 is due to the inclusion of three acquisitions (including Nypro) into in-scope purchasing materials for conflict minerals compliance.



With powerful interactive Intelligent Digital Supply Chain capabilities, Jabil has unparalleled real-time reach into supplier information.

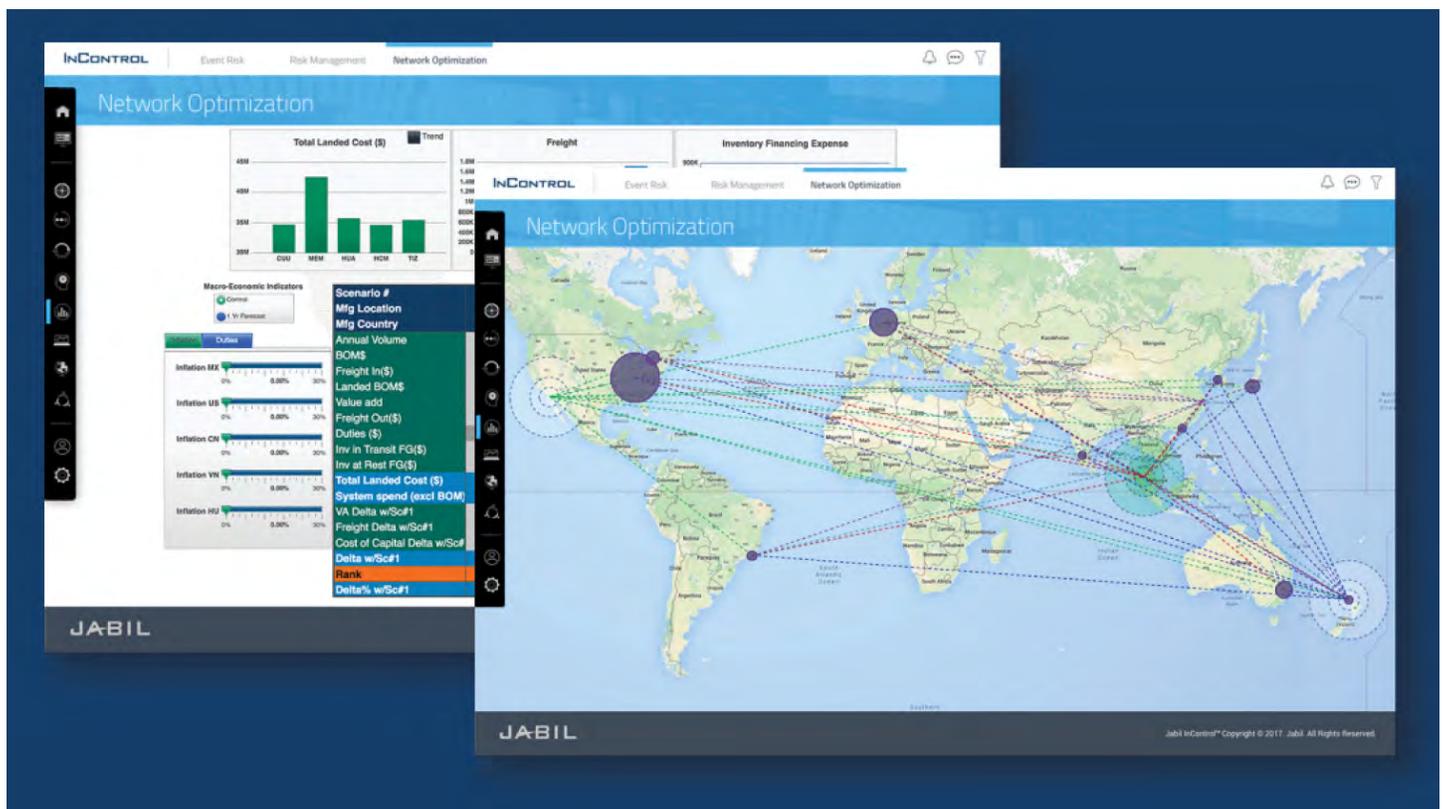
# Reducing Risks through the Jabil Intelligent Digital Supply Chain

In addition to the standards we uphold for Jabil's own supply chain, our customers rely on us to help them meet their own responsible sourcing goals. Our Intelligent Digital Supply Chain (IDSC) capabilities allow Jabil to be a trusted and ethical source for unparalleled reach to suppliers and supply chain information in real-time. We are helping ensure better management of social and environmental risks while supporting sustainable business growth. We currently manage supply chain risk for a diverse set of industries that represents over US\$13B of spend globally.

Our IDSC solutions include comprehensive supply chain services that ensure full compliance with regulations that relate to chemicals, hazardous substances and conflict minerals. For example, we provide clear and actionable performance reports that show our customers' supplier conflict-free status and supplier risk assessments. Our scalable service packages also provide training and outreach to suppliers to continually improve performance. This program is a win-win shared service that is succeeding in tackling human rights issues and sourcing risks across the manufacturing supply chain—lowering risk not only for Jabil but also for our customers.

## InControl™

Jabil is leading the industry in driving new supply chain thinking for the digital economy. Our Intelligent Digital Supply Chain solutions include Jabil InControl™, a cloud-based risk platform and decision-support tool that provides Jabil with increased supply chain visibility through actionable analytics and alerts. Through Jabil InControl™, we are not only supporting improved risk management decisions for our own supply chain, but we're also exploring ways to improve the sustainability of our customers' supply chains.





## Responsible Sourcing

### Labor Agency Management

Protecting the rights of employees and ensuring fair pay and benefits is a top priority for Jabil, particularly in Asia where sites must rely on labor agencies to provide a flexible workforce for fast-changing needs. Through Jabil's labor agency management program, we are aggressively working to change labor agency practices in our industry and protect workers from illegal treatment.

Jabil's dynamic manufacturing production demands can sometimes mean Jabil sites may need up to an additional 30,000 or more workers in as little as 30 days. To meet this need, Jabil must rely on Tier 1 labor agencies that employ workers who are contracted to work within Jabil facilities. However, Jabil faces significant challenges with the existing labor agency model. The challenge begins when the Tier 1 agencies with which Jabil contracts sub-contract several tiers into the supply chain. This creates a lack of transparency and has, in the past, led to inaccurate payments to workers by their employing agencies and a myriad of other rights issues.

Awareness of labor agency issues is extremely high across Jabil, and our actions are making a positive difference for agency employees working in our factories. In Fiscal 2017, we implemented tighter controls in our supplier screening process to block or eliminate vendors that do not show continuous improvement to meet our rigorous standards for compliance or that do not demonstrate the ability to meet our recruitment needs. Our labor agency audit program also monitors a vendor list to track, audit and narrow the agencies that we work with.

**Moving forward, we are working to:**

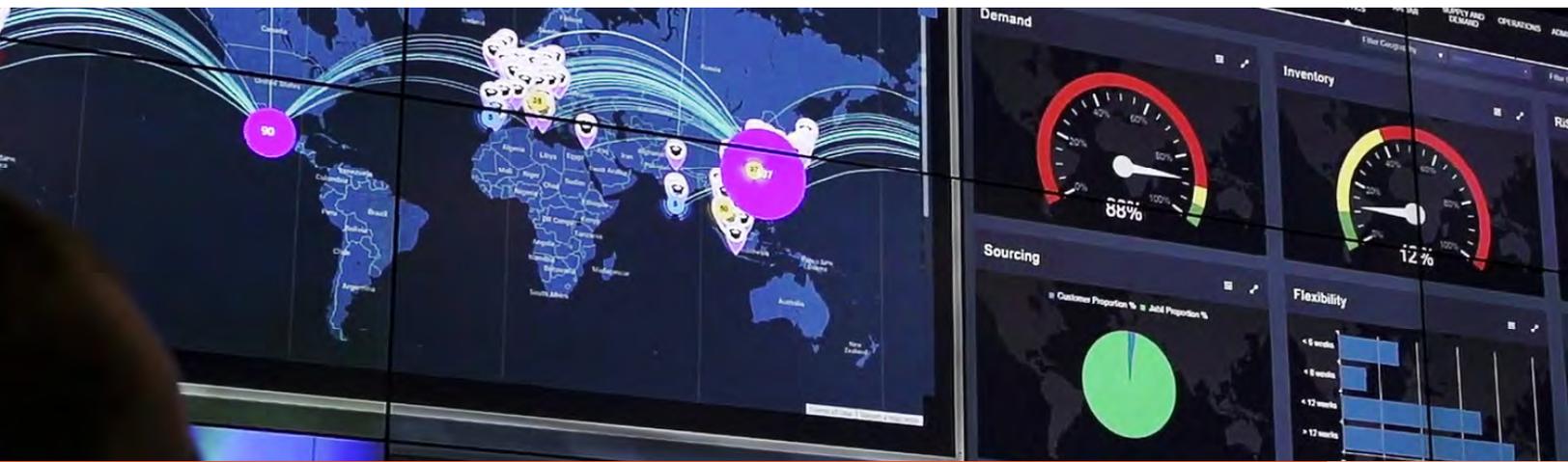
- Reduce the number of labor agencies we work with,
- Limit recruitment fees,
- Expand the geographic coverage of labor agencies to more distant provinces and
- Improve predictive forecasting to better meet production demands.

In Fiscal 2017, we audited 83 labor agencies and identified at least one area for improvement at each one, resulting in 83 corrective action plans (which encompass multiple issues or areas of improvement). We also disqualified 48 labor agencies from our partnership process for reasons identified during the risk assessment phase or audits, such as improper licensing. As we make our position and expectations increasingly clear by terminating agency relationships when necessary—even when we are facing labor shortages in countries like China—we raise the bar for the remaining labor agency partners that we do continue to work with.

Our supplier partnership decisions reflect our firm support for human and labor rights as governed through the **Jabil Code**, the **RBA Code of Conduct** and the **United Nations Guiding Principles on Business and Human Rights**.

## In Fiscal 2017, Jabil:

- audited 83 labor agencies,
- implemented 83 labor agency corrective action plans (which encompass multiple areas of improvement) and
- disqualified 48 labor agencies during a risk assessment phase or audit.



## Responsible Sourcing

### Single View of Risk

The establishment of Jabil’s Risk Governance Office in 2016 kicked off an organizational initiative to further expand the way we assess our supply chain, with the goal of achieving a “single view of risk.” By developing new data request, capture and analytics capabilities, we are continually expanding our scope of coverage in assessing supply chain risks. This will play a key role in increasing our levels of visibility, knowledge and breadth of screening. In the future, this level of detail will encompass our entire supply chain, and Jabil will be positioned even more strongly to identify and manage related risks, and to improve our responsible sourcing decisions.

In Fiscal 2017, Jabil built the first phase of a Vendor Risk Management Index that is providing initial inputs to our broader Enterprise Risk Management framework. This centralized platform (that was initiated with direct material suppliers first) is now providing a single view of risk for first-phase criteria across a much greater portion of our direct supplier total spend. The system incorporates captured and analyzed risk data and assigns each supplier a “risk score” based on the results of this analysis. Examples of the social and environmental risks that we monitor through this system include bribery and anti-corruption systems, social and environmental systems, conflict minerals disclosures, and health and safety systems. Additional steps we took toward creating a single view of risk in Fiscal 2017 include strengthening purchasing controls, streamlining auditing processes, launching a survey recollection process and further automating supplier self-assessments. These have enabled monitoring to begin as well as serve as an input to our procurement processes. We also added new training and development resources to the Jabil Supplier Portal—an online platform that provides suppliers with information regarding our company requirements and expectations.

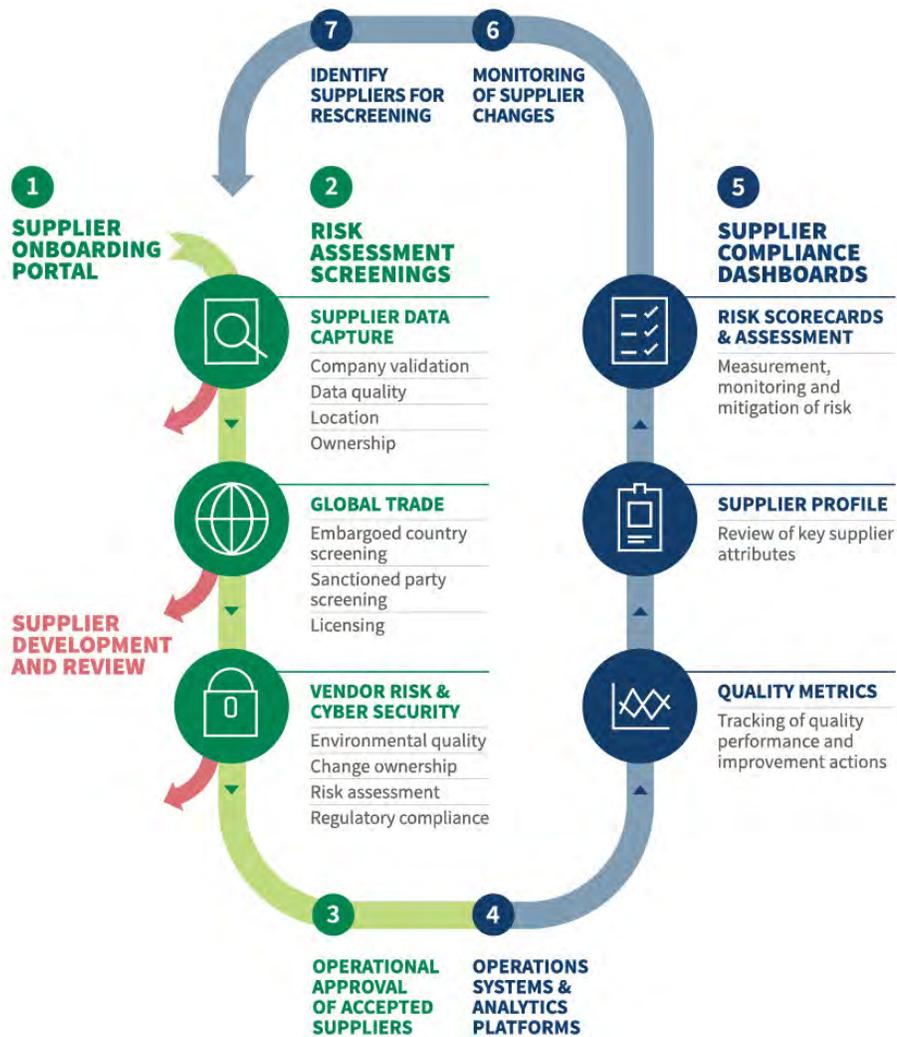
As a result of these risk management steps, we are securing a lower-risk supply chain that better adheres to social, environmental, ethical, regulatory and other requirements of Jabil, our customers and the industries that we serve.

## Vendor Risk Management Index

In Fiscal 2017, more than 17,000 Jabil suppliers across 100+ commodity categories were added to our Vendor Risk Management Index. Beginning in Fiscal 2017 and continuing into Fiscal 2018 and beyond, indirect suppliers (suppliers providing services or other materials that do not go into products) are now being brought into our Risk Governance processes to create a “single view of risk” for these supplier types. This group accounts for approximately US\$3 billion of supplier spend, with over 40,000 vendors supporting 165 service categories

## Supplier Lifecycle Risk Management

Jabil is continuing to develop a rigorous, multi-tiered process that is designed to ensure that every supplier we work with has been fully screened, vetted and risk-rated. Once we accept a supplier into our system, we will maintain a continual loop of ongoing monitoring for any changes in information, including performance metrics, company profile or operating status.



## Conflict Minerals Management

(fiscal years)	2015	2016	2017
Suppliers completing Quality and RBA self-assessments	4,384	9,450*	3,427**
SER risk assessments completed	966	1,234	2,437
SER audits	26	33	105***
Quality audits	207	305	225

\* Includes Quality Surveys (8,833), Quality Self-Assessment Questionnaire (SAQ) (408) and EICC SAQ (209). The large increase from Fiscal 2015 to Fiscal 2016 is a result of automating surveys and self-assessments, which increased our supplier reach and made it easier for suppliers to respond.

\*\*Includes Quality SAQ (2,613) and RBA SAQ (814).

\*\*\* Increase from the prior year is primarily due to a larger number of qualified auditors performing more labor agency audits in Fiscal 2017.