

## MODERN SLAVERY PROGRESS REPORT LOOKING BACK AT 2020

### I. Navigating through the coronavirus pandemic

2020 was an extraordinary year, marked by the worldwide Covid-19 pandemic. adidas acted early to protect workers lives, through the roll-out of guidance on safety and infection control, and cooperating with suppliers to form Emergency Response Teams, working together to share best practices and formulate approaches to safeguard against the spread of Covid-19 within the workplace and ensure compliance with the directives of the local health authorities.

Our work included benchmarking our guidance against International Labor Organization (ILO) and World Health Organization guidelines, as well as advisory information developed by the NGO community. See our public statement [here](#).

In order to support our supplier partners, we continued to honor and uphold our standard manufacturing terms, including worker rights protection, and assisted key strategic suppliers secure bank finance to help them weather the Covid-19 crisis. We continued to be committed to ensure legal compliance in terms of pay and benefits for all workers and tracked the working conditions in each, and every factory.

Our bespoke Covid-19 tracking system was updated on a daily and weekly basis and included an ongoing review of local legal requirements and guidance from government. The information was used to focus efforts and target interventions to high-risk countries, locations, or specific suppliers.

adidas' Covid-19 response has been assessed by the labor rights advocacy community such as the Worker Rights Consortium and duly recognized in Baptist World Aid Australia's 2020 COVID-19 Fashion Report which surveyed close to 100 brands on their commitment to address the Covid crisis in their supply chain.

### Addressing foreign migrant worker risks

Special attention was given to Foreign Migrant Workers in our supply chain. We engaged and aligned with guidance developed by the United Nations' International Organization for Migration (IOM) to ensure the necessary protections were in place and monitoring was undertaken for these workers, who are often housed in large dormitories. To better map the concerns of this vulnerable group and support remedial efforts for any human rights breaches, in early 2020 we extended our outreach to governments, unions and UN agencies in specific countries. For example, in Jordan we utilized the results of worker surveys conducted by the ILO Better Work program to pinpoint specific issues over safety, pay, and security of contract, and supported industry-wide collaboration to ensure that the potential risks were understood, and rights were protected.

### Effective grievance mechanisms

Covid-19 has strengthened the value and importance the suppliers place on the operational grievance mechanism that we deploy at all our strategic supplier sites reaching more than half a million workers. It has provided a readily available tool for them to broadcast and secure feedback from workers on their plans and response to the health emergency unfolding in each country. There was substantial improvement on how our supplier partners and workers utilized the grievance digital platform during the pandemic (Jan-May 2020) in comparison to the same period in 2019:

- Total number of cases reported by workers increased by nearly 400% i.e., from less than 4000 to more than 17000 cases
- Total Timely Resolved Cases rate increased from 80% to 98%
- Total number of broadcasting messages sent by factory's management increased exponentially by nearly 1500%, from less than 200 to more than 3000 broadcasts.
- 85% of workers confirmed that they are satisfied with the managements' response to their messages, compared to 81% from last year.

We recognized that these actions alone would not be enough, and we endorsed the [International Labor Organization's \(ILO\) Call to Action](#) to address the impact of the Covid-19 pandemic on the garment industry. The ILO convened a global working group, charged with securing funding to ensure business continuity, payment of wages, income-support, and job retention initiatives sufficient to protect garment workers' income, health, and employment. The effort includes a commitment to support the development and expansion of social protection systems for workers and employers in the garment industry, consistent with ILO Recommendation 202.

## II. Policies

We have clear and well-defined policies on human trafficking and slavery which include our **Policy on Modern Slavery; Responsible Recruitment Policy** and **Responsible Sourcing and Purchasing Policy**.

In 2020, we added a set of **10 Buyer Commitments** to guide our responsible purchasing and ensure that our sourcing and purchasing decisions do not impede or conflict with the fulfilment of the adidas [Workplace Standards](#), including wage payment to workers.

To explain how we expect our suppliers to live up to our Workplace Standards, we have produced a number of supporting guidelines that detail our expectations for fair, healthy, safe workplace conditions and environmentally sound factory operations. In 2020 we updated our Guidelines on Employment Standards. The revised guidelines contain a chapter on Human Rights Due Diligence (HRDD), including a seven-step guide for our supplier partners to fulfill their responsibility to respect human rights. We have also taken steps to simplify the current guidelines and ensure they continue to offer a valuable resource for our supplier partners. Furthermore, we have added additional language pertaining to the important topics of Responsible Recruitment, Migrant Workers, and Forced Labour in those guidelines.

Finally, given that the majority of our supply chain's workers are women, it is important that our supplier partners are sensitive to, and consistently apply, a "gender lens" to their daily operations. Again this has been incorporated into our updated Guidelines on Employment Standards. See: [Women's Rights in the Workplace](#).

All policies mentioned can be found [here](#).

## III. Due Diligence Processes

### Forced Labour in High-Risk Locations

In recent years, there has been increased attention given to potential forced labour risks, linked to high-risk locations, such as Uzbekistan, Turkmenistan, and China's Xinjiang region. adidas has never manufactured goods in Xinjiang and does not source yarn from this region. For the past decade adidas has upheld a pledge to not source cotton from Uzbekistan and since 2016 we have also undertaken to not source cotton from Turkmenistan in Central Asia.

Irrespective of country, or location, we expect our supplier partners to uphold our Workplace Standards, with its strict prohibition on all forms of forced labour, including prison labour. In accordance with the UN Guiding Principles, we use due diligence to seek to prevent and mitigate against potential severe human rights risks. Our primary aim is to ensure that suppliers are not linked to entities suspected of involvement in serious human rights harms or forced labour and that our manufactured goods are compliant with all applicable government sanctions, regulations, and trade restrictions.

In March 2020 we publicly shared our response to research findings published by the Australian Strategic Policy Institution (ASPI), which alleged that Uyghur workers were being exploited by manufacturers in China. We investigated and confirmed that we had no active or ongoing relationship with any of the suppliers named in that report.

To support sustainable cotton sourcing activities, in 2020 adidas joined an [Expert Task Force on Forced Labour and Decent Work](#) to examine and improve assurance methods at a farm level. This engagement resulted in a [public report](#) with guidelines on how to tackle decent work and forced labour risks in the cotton supply chain, globally.

The above actions form part of our ongoing efforts to ensure that there are no linkages to forced labour anywhere in our supply chain.

## IV. Risk Assessment

### Responsible Recruitment for Tier 2 suppliers

We were early signatories to the American Apparel Footwear Association – Fair Labor Association (AAFA-FLA) [pledge on responsible recruitment](#) and are working closely with the IOM on a [partnership](#) that comprise specialized trainings and due diligence measures for our business partners in receiving countries and for recruitment agencies in sending countries, especially in high-risk migrant corridors previously identified as part of our foreign labour risk mapping efforts.

In 2020, we strengthened engagement with our Tier 2 suppliers employing foreign migrant workers. Due to travel restrictions owing to the Covid-19 pandemic, we engaged remotely with the suppliers covered under the umbrella of this partnership. These engagements and trainings ranged from desktop reviews to online supplier trainings on labor recruiter due-diligence via the IOM's e-campus foundation course on ethical recruitment.

## IV. Measurement and Performance Standards

We diligently track our work in this area and provide frequent updates to the stakeholder community to increase transparency and disclosure. We have benchmarked our policies and practices on human rights against publicly disclosed information and have made the annual Corporate Human Rights Benchmark (CHRB) disclosure platform as our primary vehicle for tracking and reporting on human rights risks.

In 2020's CHRB's assessment, **adidas ranked first in our sector** and in the top 5 companies globally of the 230 largest publicly traded companies that were assessed on their human rights performance. CHRB provides a comparative analysis of companies' human rights policies, processes and practices in alignment with the UN Guiding Principles for Business and Human Rights.

The 2020 CHRB assessment was also supplemented by a separate study that explored the response of the private sector to Covid-19. We provided a comprehensive response to the study highlighting how adidas has responded to the increased human rights risks and impacts associated with the Covid-19 crisis.

#### **VI. Training and Capacity Building**

Building on our previous internal online training on preventing modern slavery in our supply chain for close to 2,000 Sourcing and Procurement staff, we designed a company-wide training module on human rights to raise awareness and build staff capacity among all employees, worldwide. Due to the Covid-19 crisis, the training was temporarily put on hold and will be re-launched in the coming year.

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