

MODERN SLAVERY PROGRESS REPORT LOOKING BACK AT 2019

2019 marks the fourth year of the modern slavery outreach program at adidas. To complement our 20-year-old labor and human rights monitoring program, we launched the modern slavery outreach program in 2016 to intensify our efforts on potential risks in the upstream supply chain, looking beyond our Tier 1 suppliers, to drive greater transparency in the extended supply chain.

This report outlines the actions we have taken in 2019 to assess and address potential risks associated with modern slavery and forced labour in our supply chain.

I. POLICIES

We have in place a set of policies that drive our practices in this area, comprising:

- **Policy on Modern Slavery** (comprising Forced Labor and Human Trafficking) to address forced labor and concerns over human trafficking in the supply chain.
- **Responsible Recruitment Policy** outlines our requirements from manufacturing partners on the responsible recruitment and fair treatment of migrant workers and our commitment to eliminating the practice of migrant workers paying recruitment fees to secure their employment.
- **Responsible Sourcing and Purchasing Policy** demonstrates our commitment to working with manufacturing partners, across our global supply chain to ensure sourcing and purchasing decisions do not impede or conflict with the fulfillment of the adidas Workplace Standards.

All policies mentioned can be found at adidas-group.com/s/policies.

II. DUE-DILIGENCE PROCESSES

Upstream Supply Chain, Cotton

In partnership with the Fair Labor Association (FLA) and Iyi Pamuk Uygulamalari Dernegi (Good Cotton Practices Association), a strategic partner of the Better Cotton Initiative (BCI) in Turkey, we collaborated with leading companies sourcing cotton from Turkey. The project that ran from 2017 to 2019 aimed at unpacking employment practices and working conditions at Turkish cotton farms and designing interventions to address labor gaps. A full project report can be found [here](#).

In March 2019 media allegations of ethnic minorities being subject to forced labor in the textile industry in Xinjiang, China triggered an investigation into the Huafu spinning plant in Aksu. adidas has never manufactured goods in Xinjiang and has no contractual relationship with any Xinjiang supplier. Moreover, in spring 2019, we explicitly required our fabric suppliers not to source any yarn from the Xinjiang region

Xinjiang is China's single largest cotton-growing area, accounting for over 80% of all cotton grown in the country. To address potential forced labor risks in this region, adidas engaged with the Better Cotton Initiative (BCI), calling for them to conduct a review of their local implementation partners and to strengthen their assurance systems for cotton farms in Xinjiang. BCI have reported on their efforts [here](#).

Upstream Supply Chain, Natural Rubber

Led by the Fair Labor Association (FLA) and in collaboration with other brands and the International Organization for Migration (IOM) in 2018 we commenced a mapping of labor and human rights risks in the rubber supply chain in Vietnam, adidas' single source country for natural rubber. Through this year our engagements have focused on assessing risks at over 40 supplier sites ranging from Tier 1 (footwear manufacturers) to Tier 4 (rubber plantations) to collect labour data, share knowledge and learn from the suppliers their labor rights policies and practices. A public report will be made available in 2020.

Upstream Supply Chain, Plastic

In partnership with Verité, an independent labor rights non-profit, we have developed a framework to assess the labor rights and safety conditions along the entire Parley supply chain from fabric mills and yarn suppliers to the recycling and baling facilities, with a focus on the plastic bottle collection centers and individual collectors. The partnership focus is on bringing sustainable solutions to address informal sector related issues by engaging in a community-based approach with local stakeholder support.

Indirect Supply Chain

This year our due-diligence efforts have expanded to include our licensees. These are independent companies which manage the design, production and distribution of specific products under license to adidas.

- All licensees were assessed on their policies and practices to combat modern slavery risks, globally. The assessments provided us with an indication of their awareness levels on this important topic. A key outcome of the assessments was the design and roll out of a training program for the first-tier suppliers of our licensee partners.
- 25 first-tier suppliers (including licensee representatives) from Vietnam participated in a targeted in-person training delivered by The International Organization for Migration - Corporate Responsibility to Eliminate Slavery and Trafficking (CREST) program.
- In the coming year we will continue to expand this training to licensee suppliers in additional Asian high-risk locations.

III. RISK ASSESSMENT

Tier 2 Supplier Engagement

Working with our Tier 2 materials suppliers and helping them identify potential slavery risks in their supply chain is a key objective of our program. We achieve this by conducting targeted modern slavery trainings for suppliers' compliance and human resource staff. Over the past two years close to 100 Tier 2 suppliers from China, Indonesia, South Korea, Taiwan and Vietnam have been trained by a United Nations agency. In 2019, 23% of the trained suppliers were brought under our mainstream monitoring and auditing program.

Responsible Recruitment

We are signatories to the American Apparel Footwear Association – Fair Labor Association [AAFA-FLA] [pledge on responsible recruitment](#). Early in the year we communicated our zero recruitment fee directive to all business partners globally.

We signed a two-year partnership with the UN's International Organization for Migration. This partnership will 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 labor risk mapping efforts.

We joined a member-only brand collaboration coalition comprising seven leading apparel and footwear brands focusing efforts in Taiwan, a high-risk country for foreign migrant labour. With the shared goal of ensuring no worker pays for a job and has full freedom of movement, the brands have set individual and joint targets working together with shared suppliers in developing responsible recruitment systems.

We conducted a high-level risk assessment of our Tier 1 suppliers in Jordan that employ foreign labor from Bangladesh, India and Nepal. The factories are enrolled in and supported by the ILO Better Work program. We are currently reviewing their responsible recruitment program to provide guidance and support in complying with our zero-recruitment fee policy.

Grievance Platforms

This year our app-based digital grievance platform was rolled out to almost all of our strategic suppliers, enabling workers to anonymously report on a range of issues including on forced labor. This complements adidas-managed hotlines and complaint mechanisms and an independent third-party complaint mechanism managed by the FLA.

IV. MEASUREMENT & PERFORMANCE STANDARDS

We diligently track our work in this area and provide frequent updates to the stakeholder community to increase transparency and disclosure. A key element of this are our comprehensive submissions to industry benchmarks that evaluate our performance on our modern slavery and human rights work.

- For the second year in a row, The Corporate Human Rights Benchmark (CHRB) **ranked adidas 1st among 200 of the 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 Fashion Transparency Index, for the third year in a row, **ranked adidas 1st among 200 global retailers and brands** that were assessed for its transparent disclosure of social and environmental policies and practices in 2019.
- In the first ever Corporate Sector and Children's Rights Benchmark conducted by the Global Child Forum in collaboration with the Boston Consulting Group, adidas was **placed in the Leader category with a score of 9.4 out of 10**. 700 companies were assessed globally on how they report on children's rights issues.

We benchmarked our policies and practices on human rights against publicly disclosed information and have made the annual CHRB disclosure platform as our primary vehicle for tracking and reporting on human rights risks.

Engaging openly with stakeholders and collaborating to increase transparency and disclosure has long been central to our approach. In this spirit of collaboration, we also established a Hackathon series together with online retailer and partner Zalando in 2018. Motivated by the ambition to better understand stakeholders' expectations about supply chain transparency and find solutions using digital technologies, we support start-ups with our expertise so they can develop ideas and test their potential for scalability. Since the kick-off of the series, we have held six events supporting more than 30 ventures.

VI. TRAINING & CAPACITY BUILDING FOR STAFF

At adidas staff awareness and training are critical to improve the understanding, identification, prevention and remediation of modern slavery and human rights risks in our supply chain. Since we launched the modern slavery outreach program in 2016, we continue to conduct briefings at our key office locations and at corporate induction days for new joiners at our sourcing headquarters.

- In late 2018, 1800 Sourcing and Procurement staff undertook a targeted online training on '*preventing modern slavery in our supply chain*'.
- In 2020 we will design and roll out a companywide training module on human rights to raise awareness and build staff capacity among all employees, worldwide.