



Modern Slavery Act Transparency Statement

The following statement has been prepared under the UK Modern Slavery Act 2015.

The reporting entity covered by this Modern Slavery Act Transparency Statement is **adidas (UK) Limited** and constitutes our slavery and human trafficking statement for the financial year ending **31 December 2021**.

Background

adidas has been supportive of the enactment of the UK Modern Slavery Act 2015, specifically its provisions for driving greater transparency and disclosure of the actions taken by companies to identify and address forced labour and human trafficking in global supply chains.

adidas is proud of the steps we have taken to combat modern slavery and human trafficking described in this statement and supporting documents. We are committed to improving our practices to ensure that our preventative and remedial efforts continue to be relevant, timely and effective.

Supply Chain Structure

adidas (UK) Limited is a wholly owned subsidiary of adidas AG ("adidas"), which is a publicly listed company on the German stock exchange. adidas' products, which are distributed and sold to consumers in the United Kingdom, are manufactured in a variety of countries from around the world.

The company's global supply chain extends through various tiers from strategic manufacturing partners, to componentry and materials suppliers, to raw material sources, such as cotton, leather and natural rubber.

adidas has outsourced most of its production. Overall, we work with more than 500 independent factories from around the world that manufacture our products in more than 46 countries (Status: 2021). Working closely with key strategic partners, the vast majority of our products are produced by 132 manufacturing partners worldwide. We value long-term relationships. As of the end of 2021, 65% of our strategic suppliers have worked with adidas for more than ten years and 35% have a tenure of more than 20 years. The length of our supplier relationship is determined by specific performance criteria which is regularly measured and reviewed.

For more information on our supply chain structure and to view our global supplier lists, see:

<https://www.adidas-group.com/en/sustainability/transparency/supplier-lists/>

Policies

Our approach to managing and eradicating forced or compulsory labour from our operations include the implementation of our [Policy on Modern Slavery](#) (first published in 2010), which ensures a tailored, risk based due-diligence process, risk assessment, regular monitoring activities and performance measurements as well as designing and delivering targeted training and capacity building.

We have also included clear and well-defined policies on human trafficking and slavery in our [Policy on Responsible Recruitment](#) and [Responsible Sourcing and Purchasing Policy](#).



Our commitment to ensuring fair labour practices and safe working conditions in our manufacturing facilities throughout our global supply chain is fundamental to our human rights approach. Our active efforts are guided by the adidas [Workplace Standards](#), which is our supply chain code of conduct. To explain how we expect our suppliers to live up to our Workplace Standards – including our expectations on forced labour and child labour – we have produced a number of [supporting guidelines](#) that detail our expectations for fair, healthy, safe workplace conditions and environmentally sound factory operations.

All policies mentioned are available on our corporate website [here](#).

Due-Diligence, Risk Assessment and Training

Risk Assessment

Since the inception of our social compliance and labour rights programme at the end of the 1990s, we have been systematically addressing the risks associated with forced labour, child labour and migrant labour.

In 2016, we launched our *modern slavery outreach programme* to increase the depth and breadth of our work on potential modern slavery risks in our upstream supply chain, focusing on those tiers that fall outside the existing mainstream social compliance and labour rights programme, including our Tier 2 processing facilities and Tier 3 raw material sources.

In launching the programme in 2016, we conducted an initial risk assessment, following the methodology as outlined in the United Nations Guiding Principles on Business and Human Rights (UNGPs) to identify salient risks and priorities. A summary of the risk assessment process is available here:

https://media.business-humanrights.org/media/documents/files/documents/adidasGroup_Summary_Modern_Slavery_Risk_Assessment_Aug2016rev_002.pdf

The 2016 risk assessment identified three priority areas that required tailored initiatives and strategies to prevent and mitigate potential Modern Slavery practices:

1. **Modern Slavery Training:** Development of a targeted training module for Tier 2 suppliers located in high-risk countries such as Taiwan, China, Vietnam and Indonesia to increase awareness and provide practical guidance on responsible and ethical recruitment and employment practices.
2. **Raw Material Sourcing:** Identifying and mitigating risks associated with raw material sourcing for leather and natural rubber from high-risk countries to inform our approach at the Tier 3 level.
3. **Cotton Sourcing:** Prioritizing Turkey as our primary focus for engagement given its high-risk profile due to the Syrian refugee crisis.

We completed the activities in the first phase of our workplan at the end of 2017 and refined our priorities for the next phase of our work (2018-2020) based on lessons learnt. See: https://media.business-humanrights.org/media/documents/files/documents/2018-02_Adidas_modern_slavery_outreach_program_2018-2020.pdf

In December 2019, we conducted a review of our Modern Slavery Risk Assessment and updated the findings from 2016, which identified risks across three priority topics:

1. **Responsible Recruitment:** Promoting responsible recruitment and employment practices in sourcing countries that employ foreign migrant workers



2. **Forced and Child Labour Risks in Raw Material Sourcing:** Applying due diligence efforts through collaborative change models for this tier of the supply chain, with a focus on the efficacy of existing assurance models for forced labour and child labour.
3. **Regulatory Needs and Issues-Driven Risks:** Fulfilling stakeholder expectations with regard to new regulations and laws, more impactful human rights due diligence and disclosure practices, and emerging issues and situational risks.

For more information see: https://media.business-humanrights.org/media/documents/files/documents/Modern_Slavery_Outreach_Program_Risk_Assessment_Review_Dec2019.pdf

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 and materials or goods, such as cotton from Uzbekistan, Turkmenistan and China. adidas sources cotton only from other countries like Brazil, Pakistan and the United States. adidas has upheld a pledge to not source cotton from Uzbekistan or Turkmenistan. We continue to monitor developments in high-risk locations and adjust our due diligence approach accordingly to manage and mitigate evolving risks.

We continue to review and update the risk assessment process and findings on a regular basis, based on findings from third-party assessments, regular engagement with suppliers, internal and external stakeholders. We will review and update our Modern Slavery Risk Assessment in 2022 to ensure we accurately assess the potential risks of modern slavery in our operations and extended supply chain to set priorities for further action and engagement.

Due Diligence

Our approach to manage and eradicate forced labour from our operations include: the implementation of our Modern Slavery Policy (first published in 2010), a tailored risk-based due diligence process for our own business and our supply chain, regular risk assessment, regular monitoring activities and performance measurements by a dedicated monitoring team within the company's Global Legal Division as well as designing and delivering targeted training and capacity building.

For more information on our forced labour and human trafficking policy and approach, see: <https://www.adidas-group.com/en/sustainability/social-impacts/human-rights/#/modern-slavery/>

Our commitment to ensuring fair labour practices and safe working conditions in our manufacturing facilities throughout our global supply chain is fundamental to our human rights approach. We regularly assess our manufacturing partners on their ability to provide fair, healthy, and environmentally sound workplace conditions by conducting announced and unannounced audits through our own team and accredited external auditors. Such audits evaluate a supplier's compliance with our Workplace Standards, which include a prohibition against the use of any form of forced labour, child labour or human trafficking.

Information on the social compliance performance rating of our key strategic suppliers in 2021 can be found in our annual report here: <https://report.adidas-group.com/2021/en/>. Suppliers are also expected to apply appropriate due diligence measures to their subordinate subcontracting relationships to prevent and mitigate human and labour rights issues, including forced labour.



In alignment with the UN Guiding Principles on Business and Human Rights, we continue to ensure access to effective grievance mechanisms within our business and supply chain. We have implemented dedicated third-party grievance channels to address complaints. adidas' Human Rights Complaint Process is accessible to all external stakeholders who have a grievance to share. See here: https://www.adidas-group.com/media/filer_public/dd/67/dd6737b9-cbfd-4859-9735-74500d3a24d9/third_party_complaint_process_adidas_august_2021.pdf

Supply chain workers also have access to an operational grievance channel at a factory level, a mobile application-based 'Workers Voice' platform. We have progressively improved and expanded the use of this grievance platform and in 2021 more than 600,000 workers employed in 123 manufacturing facilities across 18 countries had access to this system, reflecting a 99% coverage of strategic manufacturing partners.

Responses received through the 'Workers Voice' platform are carefully tracked by adidas, using KPIs and dashboard reviews, case satisfaction ratings and on-site worker interviews. This allows us to evaluate the efficacy of the grievance channels, see major cases in real time and undertake timely interventions, where necessary. It also helps us understand the main challenges and labour rights issues in a factory and track how the factory management and their HR teams resolve cases and communicate their findings.

Workers can also access an independent third-party complaint mechanism operated by the Fair Labor Association. See here: <https://www.fairlabor.org/transparency/safeguards>

Training

We continue to raise awareness of modern slavery, both within our own operations and our supply chain. Building on the 2018 targeted online training on preventing modern slavery in our supply chain for close to 2,000 Sourcing and Procurement staff in our own operations, in 2021 we focused our efforts on our supply chain.

2021 saw an expansion of our mobile-phone-based 'Digital Training' project, which was successfully rolled out in 43 manufacturing facilities across Cambodia, China, Indonesia, and Vietnam. The digital tool assesses workers' awareness of their labour rights and options for access to remedies, with training topics including harassment and abuse, fire safety and use of grievance channels. Of the more than 62,000 workers who took part in 2021, workers averaged a score of 92 out of 100 in the post-test questions, demonstrating robust understanding and awareness.

Partnerships and Stakeholder Engagement

Engaging openly with stakeholders and establishing leadership approaches for transparency and disclosure is a fundamental part of our approach to sustainability. Engaging openly with stakeholders and establishing leadership approaches for transparency and disclosure is a fundamental part of our approach to sustainability. Throughout 2021, we continued to engage with external stakeholders from the investor community, international organisations and civil society, including by:

- Providing regular briefings for the ESG and investor community given the high level of interest in due diligence efforts to satisfy forced labour provisions within current and emerging regulations in North America and Europe.
- Engaging with UNICEF and providing case study materials outlining how we have worked with upstream suppliers to combat modern slavery and the worst forms of child labour, which was included in [A Compendium of Company and Industry Examples](#) from the garment sector.



- Continuing our engagement with Anti-Slavery International, ASOS, IndustriALL, and the UK Home Office in relation to the development of an independent grievance mechanism and training centre for garment manufacturers in Mauritius. See <https://www.antislavery.org/migrant-worker-rights-providing-meaningful-access-to-remedy-is-paramount/>
- Renewing our sponsorship of the [Yarn Ethically and Sustainably Sourced](#) (YESS) initiative, a due diligence approach in the cotton textile industry to address forced labour

To learn more about our partnerships approach see: <https://www.adidas-group.com/en/sustainability/focus-sustainability/engagement-stakeholders/>

Over five years after the launch of our modern slavery outreach programme, we have reached an increased understanding of the potential risks associated with modern slavery in our upstream supply chain. In this time, we have engaged extensively on human rights and forced labour industry benchmarks and have identified and filled gaps in our policies and practices, which has led us to secure the highest ratings in those benchmarks.

We maintained our leadership position in the 2021 KnowTheChain forced labour benchmark as the highest-scoring European company in the benchmark and second highest-scoring company overall among 37 companies benchmarked in the apparel and footwear sector.

If any consumer, stakeholder or affected party has a concern or question related to adidas' approach to tackling human trafficking and slavery, please write to us at: modernslavery@adidas.com

This statement is made pursuant to s54(1) of the Modern Slavery Act 2015 and constitutes our slavery and human trafficking statement for the financial year ending 31 December 2021.

This statement was approved by the Board of **adidas (UK) Limited**.

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