



Modern Slavery Risk Assessment Review 2022

BACKGROUND

Since the initiation of our robust social compliance and labor rights program founded at the end of the 1990s, we have been systematically addressing the risks associated with forced labor, child labor and migrant labor. In 2016, we launched the modern slavery outreach program to cover those tiers that fall outside the existing mainstream social compliance and labor rights program, including our Tier 2 processing facilities and Tier 3+ raw material sources.

As part of this program, adidas is committed to conducting a regular¹ risk-based assessment of the extended supply chain in order to identify focus areas for tailored initiatives and strategies to prevent and mitigate modern slavery. In [2016](#), these focus areas included:

- **Modern Slavery Supplier Training:** Development of a Modern Slavery Training Module for Tier 2 supply chain to drive awareness and provide practical guidance on good work practices
- **Addressing Raw Materials Risks:** Gaining insight into raw material sourcing for leather and natural rubber from high risk countries to inform our approach at the Tier 3 level by engaging in multi-stakeholder partnerships and collaborations
- **Cotton:** For cotton sourcing, making Turkey our primary focus for engagement given its high-risk profile due to the Syrian refugee crisis

Between 2016 and 2019 we focused our efforts on the priority areas as outlined above. From providing specialized modern slavery trainings to 100+ Tier 2 suppliers across Asia to investigating employment practices in Turkish cotton farms, we drove collaborative engagements to help assess and address risks in our upstream supply chain.

In [2019](#), we refreshed the risk assessment process and identified out the priority topics and focus countries salient to our company for the 2020 to 2022 period:






- **Responsible Recruitment:** Promoting responsible recruitment and employment practices in sourcing countries that employ foreign migrant workers
- **Addressing Forced Labor and Child Labor 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 labor and child labor
- **Regulatory Needs and Issues-Driven Risks:** Fulfilling external stakeholder demands regarding all new regulations and laws, more impactful human rights due diligence, and emerging issues and situational risks

PROGRAM ACHIEVEMENTS AND PROGRESS

In both phases of our modern slavery outreach program - between 2016-2019 and 2020-2022 - we have focused our efforts on the priority areas identified above. In 2018 we published a [progress report](#) on our actions and refined priorities based on lessons learned.

In each of the identified priority areas, we have achieved key outcomes, many of which were possible due to the strategic multi-stakeholder and collaborative partnerships adidas has established with organizations including the Fair Labor Association (FLA) and the International Organization for Migration (IOM).

¹ At minimum, on a three-year cycle based on program timelines and activities to date.

Priority Area	Outcome	Status
Phase 1 (2016-2019)		
Modern Slavery Training: Development of a Modern Slavery Training Module for Tier 2 supply chain to drive awareness and provide practical guidance on good work practices	<ul style="list-style-type: none"> Refresher trainings and expansion of the training coverage to other high-risk countries in Tier 2 supply chain network completed, including trainings for over 100 T2 suppliers in South Korea, China, Taiwan, Indonesia, and Vietnam 	
Raw Material Sourcing: Gaining insight into raw material sourcing for leather and natural rubber from high-risk countries to inform our approach at the Tier 3 level	<ul style="list-style-type: none"> Led by the Fair Labor Association (FLA) and in collaboration with other brands and the International Organization for Migration (IOM), in 2018 we conducted a mapping of labor and human rights risks in Vietnam, adidas' single source country for natural rubber. 	
Cotton Sourcing: For cotton sourcing, making Turkey our primary focus for engagement given its high-risk profile due to the Syrian refugee crisis	<ul style="list-style-type: none"> 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 ran from 2017 to 2019 and was aimed at unpacking employment practices and working conditions at Turkish cotton farms and designing interventions to address labor gaps. A project summary report is available here. Engagement with Better Cotton Task Force on Forced Labor and Decent Work to improve the Better Cotton standards' effectiveness in identifying, preventing, mitigating, and remediating forced labor risks in the cotton sector. The Task Force report and recommendations, published in October 2020 are available here. 	 
Phase 2 (2020-2022)		
Responsible Recruitment: Promoting responsible recruitment and employment practices in sourcing countries that employ foreign migrant workers	<ul style="list-style-type: none"> Completion of multi-year partnership with IOM CREST on promoting responsible recruitment practices completed with several key outcomes, including 40 labor recruiters trained on responsible recruitment principles. Together, adidas and IOM CREST conducted a foreign migrant worker risk 	

	<p>assessment, which identified Indonesia, the Philippines, Thailand, and Vietnam as the key sending countries for foreign migrant workers employed among our Tier 2 suppliers in Taiwan. In 2021, IOM and adidas provided targeted trainings for private recruitment agencies from the four identified key sending countries to raise their awareness on international standards on responsible recruitment and available certifications.</p>	
<p>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 labor and child labor</p>	<ul style="list-style-type: none"> ▪ Culmination of the Fair Labor Association (FLA) and brand partnership on natural rubber supplier and risk mapping in Vietnam, with the final report delivered in 2021. ▪ We developed a standardized template aligned with the International Labour Organization (ILO) indicators of forced labor to map and track the risk of forced labor in our supplier facilities. This template has been integrated into the Fair Factories Clearinghouse (FFC), a shared industry audit data platform, to support ongoing monitoring of forced labor risks in our supply chain. ▪ In 2021, we renewed our support of the Yarn Ethically and Sustainably Sourced (YESS) standards initiative, which utilizes a risk-based due diligence approach to identify and eliminate modern slavery from cotton supply chains. We have continued to engage with RSN on the application of YESS in cotton supply countries, such as Pakistan and India ▪ In March 2022, in line with the Cotton Campaign ending its call for a global boycott of cotton from Uzbekistan and lifting of the Uzbek Cotton Pledge, we updated our stance accordingly. 	<p>●</p> <p>●</p> <p>●</p> <p>●</p>
<p>Regulatory Needs and Issue-Driven Risks: Increasing stakeholder expectations demands a constant due-diligence and risk assessment approach and an ability to “know and show” our responsibility towards upholding human rights in our supply chain</p>	<ul style="list-style-type: none"> ▪ Adopted external benchmarking results as an internal tracking tool for supply chain transparency and modern slavery effort effectiveness – ranked 2nd out of 37 Apparel & Footwear companies in KnowTheChain (2021) and the top Apparel company in the Corporate Human Rights Benchmark (2020) 	<p>●</p>

- Ongoing global engagement with relevant stakeholders, including regulatory agencies



*Completed ● / Ongoing ●

2022 RISK ASSESSMENT AND PRIORITY TOPICS

We refresh our risk assessment on a regular cycle, and our review process is in line with stakeholder demands for greater transparency and management of human and labor rights in the upstream tiers of our supply chain. Going forward, we will integrate the modern slavery risk assessment into our broader Human Rights and Environmental Due Diligence (HREDD) risk management efforts as part of our target to have a system in place to identify and manage high risk human rights issues across the entirety of our value chain by 2025.

Our 2022 risk assessment reflects several key inputs, including: (1) internal and external stakeholder engagement; (2) our direct experience of having worked on these topics within our supply chain; and (3) emerging legislative and regulatory requirements.

ENSURING DUE DILIGENCE IS CONDUCTED ACROSS THE ENTIRE VALUE CHAIN TO IDENTIFY, PREVENT AND MITIGATE FORCED LABOR + CHILD LABOR

CONTINUOUS MONITORING OF HIGH-RISK SEGMENTS OF THE SUPPLY CHAIN TO SUPPORT A ROBUST DUE DILIGENCE PROGRAM

PROGRAMMATIC EXCELLENCE IN MEETING EVOLVING EXTERNAL STAKEHOLDER DEMANDS AND COMPLIANCE WITH NEW AND EMERGING REGULATIONS

We have established several key goals and objectives for the modern slavery program for 2023 to 2025, including:

- **Value chain expansion:** Ensuring due diligence is conducted across the value chain to identify, prevent and mitigate forced labor and child labor, with a focus on transportation and logistics and packaging as these have been excluded from our previous risk assessments
- **Raw material risk monitoring:** Continuous monitoring of high-risk segments of the raw materials supply chain to support a robust due diligence program, and identifying any significant changes in inherent risk exposure for key raw materials including cotton and leather.
- **Compliance with evolving expectations:** Achieve programmatic excellence in meeting evolving external stakeholder demands and compliance with new and emerging regulatory requirements. Where needed, we will form collaborative partnerships across the industry to deliver systemic change.

APPROACH TO ASSESSING AND ADDRESSING RISKS

To achieve these goals and objectives, we will focus our efforts on several key priority action areas:

- To date, our modern slavery program has focused on the upstream raw materials supply chain, with a particular focus on Tier 2 and Tier 3 processing facilities and Tier 4 raw material sources, which are not covered by our mainstream social compliance and labour rights program. While we will continue our efforts to manage modern slavery risks in these areas of the supply chain, as part of broader human rights due diligence we will begin to analyze the downstream supply chain for modern slavery

risks. This includes evaluating the packaging, and transport and logistics segments of our value chain for potential modern slavery risks and adverse potential human rights impacts.

- We have developed or participated in a range of initiatives focusing on key raw materials, including cotton, leather and natural rubber. However, risks are dynamic and the inherent forced labor risk associated with a particular commodity may shift periodically. To ensure we are effectively monitoring high-risk segments of our raw materials supply chain, we will conduct a review of our risk exposure linked to leather and, in partnership with others in the industry, assess other raw materials such as natural rubber. A collaborative approach is consistent with our efforts to build leverage in advancing human rights due diligence in our raw materials supply chains, where alone as a brand we would not be able to effectively influence outcomes.
- Over the past several years there has been a marked shift from voluntary to mandatory measures with regard to supply chain transparency, human rights due diligence, and forced labor and modern slavery. This includes the German Supply Chain Due Diligence Act (Lieferkettengesetz – LkSG) which came into effect on January 1, 2023, as well as [proposals](#) at the European Union (EU) level banning goods made with forced labor and more expansive reporting requirements under current and future Modern Slavery legislation in Australia, Canada and United Kingdom. We will increase our participation in stakeholder collaborations to address the risks and complexity of a changing regulatory landscape, and approach which complements our efforts to drive joint leverage and build resilient partnerships with civil society organizations.

We continue to welcome feedback from the stakeholder community on our modern slavery approach, risk assessment review and forward-looking strategy. Comments can be submitted to modernslavery@adidas.com