

MODERN SLAVERY PROGRESS REPORT LOOKING BACK AT 2022

This report outlines the actions we have taken in 2022 to assess and address potential risks associated with modern slavery and forced labor in our supply chain.

I. Policies

Our approach to managing and eradicating forced labor from our business and business partners' activities is outlined in our [Modern Slavery Policy Framework and Strategy Implementation](#), first published in 2010, and updated in 2022. This document outlines our commitment to preventing forced labor in our business operations and supply chain, and our approach for a tailored, risk based due-diligence process, regular monitoring activities and performance measurements as well as designing and delivering targeted training and capacity building.

Our highest level of policy commitment to preventing forced labor and human trafficking is expressed in our [Human Rights Policy](#), which demonstrates our commitment to respecting human rights in accordance with the United Nations Guiding Principles on Business and Human Rights (UNGPs). We have also included clear and well-defined policies on the prohibition of human trafficking and modern slavery in our [Policy on Responsible Recruitment](#) and [Responsible Sourcing and Purchasing Policy](#).

Our commitment to ensuring fair labor 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. Irrespective of country, or location, we expect our supplier partners to uphold our Workplace Standards, which explicitly prohibit all forms of forced labor, including prison labor. To explain how we expect our suppliers to live up to our Workplace Standards – including our expectations on forced labor and child labor – 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](#).

II. Due Diligence Processes

In accordance with the UNGPs, we conduct due diligence to prevent and mitigate 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 – such as forced labor – and that our manufactured goods are compliant with all applicable government sanctions and trade restrictions.

Risk Assessment

Our modern slavery risk assessment cuts across all tiers of our supply chain and is carried out on a regular basis – on a rolling, three-year cycle – to effectively identify the evolving risks of modern slavery and prioritize areas of action where we as a business would have the most leverage to effect positive and meaningful change. The risk assessment reflects several key inputs, including: (1) internal and external stakeholder engagement, including tailored engagements with specific stakeholder groups, with the investor community, through worker interviews, engagement with government agencies on human rights

topics; (2) our direct experience of having worked on these topics within our supply chain; and (3) emerging legislative and regulatory requirements.

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. Based on this risk assessment, 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.

Since the start of our Modern Slavery Program, we have conducted this risk assessment on a rolling, three-year basis. Going forward, we will seek to 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.

Grievance Mechanisms and Access to Remedy

We deploy an operational grievance mechanism at all our strategic supplier sites. In 2022, more than 440,000 workers employed in 134 manufacturing facilities across 17 countries had access, reflecting 100% coverage of our strategic manufacturing partners.

There continued to be a positive trend in improvement with regard to how our supplier partners and workers utilized the operational grievance mechanism in 2022 as compared to the same period in 2021:

- In 2022, close to 48,000 human and labor rights complaints (2021: around 52,000) were filed through the platform, with 99% of these complaints being closed by the end of 2022. Of the complaints received, none were identified to have been linked to forced labor or child labor. The top complaints received in 2022 were related to concerns over general facilities (more than 16,000), internal communication (more than 11,000), and benefits (more than 6,000).
- The case satisfaction rate, which allows workers to input their level of satisfaction with the resolution of complaints, has almost doubled from 39% in 2019 to 77% in 2022. The increase in satisfaction is partly related to a significant improvement in the response time that it took the factory management to address workers' grievances.

In addition to our digital grievance system, we also run worker hotlines and an overarching [human rights third party complaint mechanism](#), which is accessible to anyone, anywhere. Further, as part of adidas' membership in the Fair Labor Association (FLA), any third-party – including individuals, groups or organizations – can report on violations of workers' rights in facilities used by adidas.

III. Addressing Identified Risks

Mitigating Forced Labor Risks in High Risk Areas

The assessment of forced labor is an integral part of our social compliance auditing program. We seek to capture labor compliance data from a range of sources, including our own audits, Tier 1 suppliers' and Tier 2 materials suppliers' audits conducted by the International Labour Organization (ILO) as well as shared audit data available through the U.S.-based Social & Labor Convergence Program (SLCP).

To complement our standard auditing approach, we developed and piloted a new reporting tool focused on the ILO forced labor indicators. The new tool, which was piloted in June 2021 and launched in January 2022, was developed specifically to meet the requirements of U.S. Custom and Border Protection's Withhold Release Order (WRO) on cotton products and related human rights and trade legislation. The tool enables findings from our standard social compliance assessment to be reviewed and evaluated in accordance with the ILO indicators. Any "yes" answer will prompt an assessment of the degree of impact and, if strong indicators are present, this would be raised by the auditor with adidas to vet the findings and agree on next steps. Since we launched the tool in January 2022, all of our Tier 1 manufacturing partners, our nominated Tier 2 materials suppliers and targeted Tier 3 spinners in China have been mapped against these ILO indicators. Based on our monitoring findings from 2022, we did not identify any indications of forced labor that would have triggered enforcement action or business terminations.

In 2011, adidas, together with other international brands and retailers, signed a civil society and investor-led Cotton Campaign pledge, calling for the Uzbek government to end forced child labor in the cotton sector of Uzbekistan. In response, the government invited the ILO to develop a dedicated forced labor compliance program for cotton grown in the country. After many years of engagement and monitoring, in March 2022 the ILO and the Cotton Campaign's local NGO affiliate, Uzbek Forum for Human Rights, confirmed that there was no longer evidence of government-imposed forced labor in the Uzbekistan cotton sector. As a result, the Cotton Campaign announced an end to its global boycott of Uzbek cotton. However, at present, adidas does not source products, materials or cotton from Uzbekistan.

Supporting Responsible Recruitment among Tier 2 Suppliers

Modern slavery and forced labor risks are often highest in manufacturing settings where there are significant populations of foreign migrant workers. Since 2018, we have focused our efforts on addressing such modern slavery risks in our supply chain among Tier 2 suppliers through a partnership with the International Organization for Migration (IOM) and its Corporate Responsibility in Eliminating Slavery and Trafficking (CREST) initiative to promote fair recruitment practices. In 2022, we engaged Ulula, a digital worker voice technology company, to develop an anonymous real-time communications tool for Tier 2 suppliers in Taiwan to provide foreign migrant workers and local workers with a trusted, secure grievance channel to raise concerns, complaints or suggestions to factory management. The digital tool will be deployed as a pilot among supplier facilities in Taiwan in 2023.

IV. Measurement and Performance Standards

We track our efforts to address modern slavery risks and provide frequent updates to both internal and external stakeholders to increase transparency and disclosure. Through our annual UK and Australia Modern Slavery Statements, annual modern slavery progress reports, and other public disclosures, we

regularly share and communicate the actions we have taken to address forced labor and modern slavery in our supply chain.

Stakeholder Engagement

As a business we recognize that there may be certain areas of risk related to modern slavery which we cannot effectively address alone. A collaborative approach is consistent with our efforts to build leverage in advancing human rights due diligence in our supply chain, where alone as a brand we would not be able to effectively influence outcomes. As such, we actively seek partnerships and participate in industry initiatives in order to more effectively identify and address risks of modern slavery in our supply chain.

Throughout 2022, we continued to engage with external stakeholders from investors, international organizations and civil society. Examples of stakeholder engagement include:

- Providing regular briefings for the ESG and investor community who have shown a strong interest in due diligence processes and transparency efforts, to satisfy forced labor provisions within current and emerging regulations in North America and Europe.
- Supporting the launch of the International Organization for Migration (IOM) [Migrant Worker Guidelines for Employers](#) in May 2022 by speaking at the virtual launch event to over 140 participants from private sector, government and civil society and sharing our company's perspective and experience in best practices to prevent unethical recruitment and employment of migrant workers from occurring in supply chains.
- Participation at the United Nations Responsible Business and Human Rights Forum Asia-Pacific in September 2022 in Bangkok as a speaker in the panel discussion on *Business, Human Rights and Displaced Persons: Enhancing access to durable solutions* where we shared our experience in improving the protection of migrant workers across the supply chain during recruitment and employment.
- Continuing to support the Yarn Ethically and Sustainably Sourced (YESS) initiative, which aims to eliminate forced labor involved in cotton production by training and assessing fabric and yarn manufacturers to implement due diligence and address the risk of cotton produced with forced labor within their own supply chains.

VI. Training and Capacity Building

We strive to embed modern slavery awareness within our business and among our suppliers to ensure effective remediation and sustainable capacity building. We initially launched our modern slavery awareness training for Sourcing and Procurement employees in 2018. We recognize that there is a need to refresh this modern slavery online training to ensure internal knowledge and capacity remains updated and aligned with evolving risks and issues related to modern slavery. We intended to update this training in 2022, however, due to capacity limitations the online training was deferred to 2023.

VII. Looking Forward

As outlined in our modern slavery risk assessment, in 2023 and beyond we will focus our efforts on the following key priority areas:

- As part of broader human rights due diligence, we will work towards assessing additional segments of the value chain for modern slavery risks, starting with downstream supply chain. 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 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.
-