



Modern Slavery: A Policy Framework & Implementation Strategy

Introduction

In the absence of a universal legal definition for modern slavery, adidas defines it as the risks posed by forced labor, prison labor, indentured labor, bonded labor, debt servitude, state-imposed forced labor, and human trafficking, where coercion, threats or deception are used to intimidate, penalize or deceive workers, thereby creating situations of involuntary work and exploitation. Modern slavery may also be associated with the worst forms of child labor.

Forced labor, child labor, risks associated with migrant labor and trafficking in persons are issues which we have addressed in the past and continue to assess and address through our human rights due diligence efforts and our commitment to hold ourselves, and our business partners, to the highest standards of compliance with the International Labour Organization (ILO) fundamental principles and rights at work.

In this regard, we **strictly prohibit forced labor and human trafficking**, both in our own operations and that of our business partners and we **treat the employment of child labor as a zero-tolerance issue**. Business relationships can be impacted if such issues are found and can lead to enforcement action, warning letters and, if timely remedies are not implemented, to termination.

Our Policy Framework

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 also draw on guidance from the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises. Our Human Rights Policy clearly establishes our stance on forced labor and human trafficking:

“There is no place for forced labor or human trafficking in our business and we strictly prohibit this in our own operations, and in those of our business partners.”

Both our trade and non-trade related business partners are contractually bound by our **Workplace Standards**, which draw from international law and the ILO core conventions and cover health and safety, labor rights and environmental protection. In accordance with our Workplace Standards:

“Business partners must not use forced labor, whether in the form of prison labor, indentured labor, bonded labor or otherwise. No employee may be compelled to work through force or intimidation of any form, or as a means of political coercion or as punishment for holding or expressing political views.”

As a founding and accredited member of the Fair Labor Association (FLA) these standards also comply with the FLA’s Principles of Fair Labor and Responsible Sourcing. Our **Responsible Sourcing & Purchasing Policy** ensures that sourcing and purchasing decisions, and other supporting processes, do not impede or conflict with the fulfillment of the adidas Workplace Standards. The policy includes key Buyer Commitments which, when taken together, promote ethical and responsible sourcing and the prevention of exploitative labor conditions.

We have also taken measures to prevent the exploitation of foreign migrant workers employed in our supply chain. Since 2017, we have focused our efforts on implementing a recruitment approach that ensures migrant workers retain control of their travel documents, have freedom of movement and are free from debt-bondage and other unacceptable financial costs.



We are committed to eliminating the practice of migrant workers paying recruitment costs and fees to secure their employment, and have articulated this commitment in our **Responsible Recruitment Policy**. We support the Dhaka Principles for Migration with Dignity to enhance respect for the rights of migrant workers from the moment of recruitment, during employment and through to further employment or safe return.

Our Implementation Strategy

Responsibility for implementing adidas' policy commitments, as outlined above, is applied at both a strategic and an operational level and is led by the Social and Environmental Affairs (SEA) team.

Our approach to managing and eradicating forced labor from our operations and supply chain includes a tailored, risk based due diligence process of regular and ongoing risk assessment, monitoring activities and reporting mechanisms, as well as designing and delivering targeted training and capacity building, promoting effective grievance channels and, where needed, forming or supporting multi-stakeholder partnerships.

- **Due Diligence:** In accordance with the UN Guiding Principles on Business and Human Rights (UNGPs) and applicable legal frameworks, we conduct due diligence to seek to prevent and mitigate potential severe human rights risks, including forced labor. 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 the worst forms of child 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 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.
- **Monitoring and Performance Measurement:** We diligently track our work 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. We also use external benchmarks, managed by KnowTheChain and the Corporate Human Rights Benchmark (CHRB) to track our performance in relation to our industry sector with regards to effective mitigation of modern slavery risks.
- **Training and Capacity Building:** We continue to raise awareness of the risks of modern slavery, both within our own operations and our supply chain. All new employees must familiarize themselves with adidas' global policies and procedures, including our Human Rights Policy and, where applicable to their role, the Workplace Standards. We also provide training on forced labor for employees involved directly in the sourcing of products. We will continue to embed modern slavery awareness within our business and among our suppliers to ensure effective remediation and sustainable capacity building.
- **Partnerships:** As a business we recognize that there may be certain areas of risk related to modern slavery which we cannot effectively address alone. In areas where we have less leverage or direct ability to take leading action, we will support industry-wide and multi-stakeholder collaboration and, where possible, government engagement to address the risks and complexity of a changing risk landscape more effectively and in response to evolving regulatory demands.