



MODERN SLAVERY PROGRESS REPORT

LOOKING BACK AT 2018

2018 marks the third year of the modern slavery outreach program at adidas. To complement our 20-year-old labor and human rights monitoring program, in 2016 we [launched the modern slavery outreach program](#) 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.

The primary goal of the five-year program is to demonstrate progressive improvement in identifying, preventing and mitigating the potential risks of modern slavery in our extended supply chain and to provide training to Tier 2 suppliers as well as to adidas decision makers on modern slavery risks and remedies. This report outlines the actions we have taken in 2018 and the progress made against our 2018-2020 strategy which we [publicly reported](#) on earlier this year.

I. POLICIES

In 2017 we updated our [Policy on Modern Slavery](#) (comprising Forced Labor and Human Trafficking) to bring it into alignment with the UK Modern Slavery Act 2015 reporting criteria. This year we published our [Responsible Recruitment Policy](#) which outlines our commitment to eliminating the practice of workers paying recruitment fees to secure their employment. The Responsible Recruitment policy draws on the guidance we previously published in our Employment Standards Guidelines in 2010. This year also saw us publishing our [Responsible Sourcing and Purchasing Policy](#) with the aim of ensuring that sourcing and purchasing decisions do not impede or conflict with the fulfillment of the adidas Workplace Standards, a set of stringent rules that we apply at our own sites and suppliers' factories to cover health and safety, labor rights and environmental protection.

II. DUE-DILIGENCE PROCESSES

Over the past two years we have directed our efforts to assess and/or address risks at the Tier 3 agricultural level for cotton and leather; raw materials that are commonly used in our products. Our focus over the course of 2018 has been on identifying partnership opportunities in Vietnam, which is the single source of all our natural rubber. In partnership with the Fair Labor Association (FLA) and a small group of leading apparel and footwear brands we have commenced a mapping of labor and human rights risks in the rubber supply chain in Vietnam. This multi-stakeholder partnership is expected to run through 2019, culminating in a public report, which will provide an overview of the rubber supply chain, stakeholder map and risk mapping in the various tiers of the supply chain, including small holder farmers and plantations.

We are now in the second year of our partnership with the FLA, the Better Cotton Initiative (BCI), the Turkish Ministry of Agriculture and leading brands with similar agricultural supply chains aimed at identifying risks in cotton farms in Turkey and collaborating to create remedial action plans focusing on managing the risks around modern slavery-like practices.

adidas has entered into a partnership with Parley for the Oceans to prevent plastic from entering the ocean and transform it into high-performance sportswear. With the support of Verite, we are developing a framework to assess labor rights and safety conditions along the entire Parley supply chain from fabric mills and yarn suppliers to the recycling and bailing facilities, with a focus on the plastic bottle collection centers.

III. RISK ASSESSMENT

Tier 2 Supplier Engagement: A key program objective is to influence our Tier 2 materials suppliers to implement ethical business practices and ensure that slavery-like practices, should they occur, are immediately identified and remediated. Because we don't hold direct manufacturing relationships with these suppliers, our leverage to effect change is limited. Our engagement is focused on imparting targeted modern slavery trainings and post-training workshops to gauge training uptake and remedial effort.

- The modern slavery training modules that we developed in partnership with the International Organization for Migration (IOM) were rolled out to our Tier 2 suppliers in South Korea this year.
- We also conducted peer-to-peer learning workshops for about 100 Tier 2 suppliers across China, Taiwan, Vietnam and Indonesia. These suppliers had received the modern slavery training in 2017 and had inputted to an action plan on the steps they would take to mitigate the risks of modern slavery.
- The focus of the 2018 workshops was to refresh their knowledge of the issue and discuss process and program improvements against their action plans as well as challenges experienced toward successful remediation.
- As part of our wider modern slavery risk assessment and monitoring efforts, Tier 2 suppliers in the UK have been brought under our audit coverage model ensuring compliance with the UK Modern Slavery Act 2015.
- On August 2, 2017 the US government adopted the Countering America's Adversaries Through Sanctions Act (CAATSA), which restricts entry into the United States of goods made with North Korean labor, wherever located, and imposes sanctions on foreign persons that employ North Korean labor. We duly updated our policies and in 2018 communicated our expectations to all suppliers, agents and licensees. We have also reviewed and confirmed that our practices are in alignment with the U.S. Department of Homeland Security requirements under CAATSA.

Responsible Recruitment: Modern slavery permeates all economic sectors, especially if the product or service provided involves the employment of migrant workers. The most common entry point for migrant worker exploitation occurs at the hands of unscrupulous recruitment agencies or labor brokers who charge workers excessive recruitment fees in exchange for securing a job.

- This year we focused our efforts on investigating our labor supply chain. A self-assessment tool was created with the intent of garnering migrant labor related data from our suppliers across tiers and regions, globally. The information provided by the suppliers on their hiring practices for foreign migrant workers ranged from information related to the labor brokers in the sending countries to the type of expenses incurred by the workers for their jobs and so on. An outcome of this risk assessment exercise is a clearly defined program plan toward supplier compliance in implementing responsible and transparent recruitment practices. Our strategy until 2020 will be to focus on specific high-risk migrant corridors viz. Vietnam>Taiwan, Philippines>Taiwan and Myanmar>Thailand, aimed at ensuring that no worker pays for their job.
- In February 2018 we participated in a multi-stakeholder event hosted by ASOS and the British High Commission to Mauritius to discuss the challenges in managing labour migration and agree a common framework for improving worker protection in Mauritius and beyond.
- In October 2018 we pledged our support to the joint American Apparel & Footwear Association (AAFA) and FLA industry pledge, committing to working with our suppliers to ensure:
 - No worker pays for their job;
 - Workers retain control of their travel documents and have full freedom of movement; and
 - All workers are informed of the basic terms of their employment before leaving home.



Grievance Platforms: In addition to local-language worker hotlines, we run an app-based platform managed by an external service provider that allows us and the suppliers to track grievances from workers real-time. By the end of 2018, approximately 95% of our Tier 1 strategic partners were operating these digital whistleblowing mechanisms that enable 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 Fair Labor Association.

IV. MEASUREMENT & PERFORMANCE STANDARDS

Establishing ways to increase transparency and disclosure has long been central to our approach. We believe transparent communication with our stakeholders is critical. For this reason, we diligently track our work and provide frequent updates to the stakeholder community. A key element of this are our comprehensive submissions to a range of external benchmarks that evaluate our performance.

- **Ranked #1 of the top global 100 companies** in the [2018 Corporate Human Rights Benchmark](#), which provides a comparative analysis of the largest companies' human rights policies, processes and practices, in alignment with the UN Guiding Principles for Business and Human Rights.
- **Ranked #1 of 43** leading apparel and footwear companies assessed on their efforts to eradicate forced labor in the [2018 KnowTheChain forced labor benchmark](#).
- For the second year in a row, we received the **highest score of 100 brands** that were benchmarked in [The Fashion Transparency Index 2018](#) annual supply chain transparency benchmarking exercise.

VI. TRAINING & CAPACITY BUILDING FOR STAFF

For the past two years, we have been conducting targeted briefings on modern slavery at our key office locations and at all corporate induction days for new joiners at our sourcing headquarters.

In 2018, we launched an online training course on '*preventing modern slavery in our supply chain*' targeted at 1800 staff. The purpose of this mandatory e-learning course comprising case studies, quizzes and a range of real world examples is to help frontline staff in Sourcing and Procurement globally to understand the issue, be able to spot any warning signs of human rights violations and report it within the company so that appropriate steps can be taken to address the issues.

We believe staff awareness and training is critical to improve understanding, identification, prevention and remediation of modern slavery risks in our supply chain.

GLOBAL ENGAGEMENT AND OUTREACH

We are an active participant in the Bali Process Government and Business Forum (GABF) and have formally endorsed our commitment to the Acknowledge, Act, Advance (AAA) Recommendations, that outline actions to strengthen and implement policy and legal frameworks and advance long-term efforts to improve supply chain transparency, the treatment of workers, ethical recruitment and victim support. This is the first major [policy document](#) agreed between businesses and governments to tackle issues of modern slavery in the Indo-Pacific region.