



MODERN SLAVERY PROGRESS REPORT

LOOKING BACK AT 2017

adidas has a robust social compliance and labour rights programme which was founded at the end of 1990s and we have been systematically addressing the risks associated with forced labour, child labour and migrant labour since then. In 2016, we launched the [modern slavery outreach programme](#) to cover those tiers that fall outside the existing mainstream social compliance and labour rights programme.

This report outlines the actions we have taken in 2017 and the progress made against our goal to prevent and eliminate the risks of modern slavery in our direct supply, which accounts for 85% of our global production of finished goods, and our extended supply chain, which includes our raw materials and materials processing suppliers.

I. POLICIES

We first published our Human Trafficking and Forced Labour policy in 2010 in fulfilment of the requirements of the California Transparency in Supply Chains Act. The policy has been updated since with the most recent revision in 2017 to bring it into alignment with the UK Modern Slavery Act 2015 reporting criteria.

II. DUE-DILLIGENCE PROCESSES

We have developed a due diligence approach that targets those high-risk locations, processes or activities that require the closest attention and where we can apply influence to mitigate or remediate issues, where they occur.

In our extended supply chain risk assessment completed in 2016, we identified the raw materials commonly used in our products such as cotton, natural rubber and leather at the Tier 3 agricultural level that may involve exploitative employment practices.

Our 2017 due-diligence processes have included extensive stakeholder engagements to develop collaborative models to address risks.

COTTON¹ (FOCUS COUNTRY: TURKEY)

- Collaborated with other sports and fashion brands in a Fair Labor Association (FLA) and IPUD (the local NGO partner of the Better Cotton Initiative) led multiyear project on decent working conditions in cotton farms.
- Consolidated our Turkish supply chain such that we are partnering with 5 Tier 1 suppliers and less than 20 Tier 2 material suppliers all of which are covered under our risk management and audit approach for modern slavery and human trafficking.
- Following on from 2016, extended our partnership with an external service provider for an Interactive Voice Response (IVR) based hotline system allowing both Turkish and Arabic workers at our Tier 2 factories to anonymously raise concerns including any issues of forced labour and child labour.
- In partnership with the Turkish Ministry of Youth and Sports we financed a summer school project, enabling thousands of children to focus on sports, thereby reducing the risk of them being employed in cotton fields or in other forms of illegal employment.
- We continued to lobby the Turkish Government calling for easier access for work permits for Syrian refugees and pledged our support in an FLA letter to the Prime Minister.

¹ By 2018 all cotton entering our supply chain will be sustainably sourced, with a majority being Better Cotton Initiative certified, which implements an assurance model for child labour and forced labour.

- We developed and funded communication material to highlight the child labour hotline established by the Turkish Ministry of Labour. The material was posted at recruitment centers across Turkey, at suppliers of the FLA member companies, as well as non-FLA suppliers through collaboration with the Ethical Trading Initiative (ETI) brands.

LEATHER (FOCUS COUNTRY: BRAZIL & PARAGUAY)

- 90% of our leather consumption is from bovine hides sourced from South America. Using the US Department of Labor; Goods Produced by Child Labour and Forced Labor report as a source, we identified Brazil and Paraguay as potential hot spots for forced labour and child labour risks in 2016.
- In 2017 our efforts to further understand labour conditions in these high-risk countries resulted in an engagement exercise with: **a) NGOs:** Solidaridad, BHRRC; **b) Industry Coalitions:** InPACTO, GTPS – Brazilian roundtable on sustainable livestock and Textile Exchange; **c) Individual leather supply chain experts:** Federico Roth from the Leather Working Group and **d) Companies:** JBS S.A., Cargill and C&A.
- The stakeholders were surveyed against a specific set of questions to understand prevailing social and labour conditions in the hot spot countries. The overwhelming feedback from the ground pointed towards strong legislation and enforcement in place by the national government², with social audits/assessments at large slaughterhouses and tanneries, as well as inspections by the bigger companies such as global retail chains and brands.
- In the past 2 years, for example, adidas has conducted in-depth assessments of all Tier 2 supplier relationships in Brazil and found no evidence of forced labour practices.
- Based on our investigations and stakeholder outreach we have revisited and lowered our risk rating for Brazil.
- Whilst we will continue to seek partnership opportunities in South America, we will shift our focus in 2018 to the natural rubber industry in Vietnam, which is the source of all our natural rubber.

III. RISK ASSESSMENT

We recognize that risks associated with modern slavery are potentially prominent in the upstream supply chain. We are therefore focused on disseminating targeted modern slavery trainings and capacity building programs for our Tier 2 suppliers from those countries identified as high risk for forced labour, child labour and migrant labour as part of our risk assessment conducted in 2016.

In 2017 we delivered the following:

- Partnered with the International Organization for Migration (IOM)-Corporate Responsibility in Eliminating Slavery and Trafficking [CREST] program.
- Developed a comprehensive modern slavery training toolkit embedded in adidas Workplace Standards for our Tier 2 supply chain partners.
- Conducted a Training of Trainers for our social compliance staff to become modern slavery experts complementing their labour monitoring expertise and enabling them to provide targeted modern slavery trainings in the local language across our Tier 2 supplier network.
- Close to 100 Tier 2 suppliers including knitting, spinning, tanneries, dye-houses, fabric mills, packaging and others from Vietnam, Indonesia, China and Taiwan were given this training thereby influencing ethical employment practices and providing them with the guidance to identify and remedy unscrupulous employment practices.

² "The success of initiatives developed by Brazil in the fight against slave labour is evident from the fact that they have been both continued and expanded into new activities." ILO, Fighting Forced Labour: The Example of Brazil 2009



Additionally, we focused our efforts on the recruitment process involving foreign migrant workers by conducting on-site investigations including interviewing migrant workers and hiring agency officials in Vietnam to get first-hand information on the hiring process and the costs involved. In the coming year, we plan to roll out further targeted investigations in a lead up to achieving supplier compliance with our Zero Recruitment Fees policy. We continued to refine our digital grievance platform that is apps-based enabling workers to anonymously raise concerns and grievances including on forced labour risks. By the end of 2017, 60% of our Tier 1 strategic partners are operating digital grievance platforms. More broadly, workers in all of our suppliers manufacturing facilities have access to local language complaint hotlines, directly managed by adidas.

IV. MEASUREMENT & PERFORMANCE STANDARDS

Modern slavery fits into our broader efforts to systematically address the human rights impacts of our business operations, and to drive transparency in our supply chain.

- The seriousness with which we apply ourselves to those goals is reflected in our performance ranking in the [2017 Corporate Human Rights Benchmark](#) where we ranked 5th of 98 global brands and 2nd in the Apparel sector.
- We received the highest score of 100 brands that were benchmarked in [The Fashion Transparency Index 2017's](#) annual supply chain transparency benchmarking exercise.
- Our efforts have been recognized by civil society, through the [Stop Slavery Award 2017](#) where we were adjudged outstanding achievers and were recognized for the transparency of our audits, strong responsible sourcing guidelines and our approach to trace higher-risk supply chains.
- We formally adopted the [Know The Chain](#) benchmarking process as an internal tracking tool for our supply chain transparency and modern slavery efforts.

VI. TRAINING & CAPACITY BUILDING FOR STAFF

- Over 1000 staff members covering supply chain operations received a training video on the UK Modern Slavery Act 2015 and a review of our commitment and approach in this area from their divisional sourcing heads.
- In 2018, all supply chain interfacing employees will undergo a mandatory online training on forced labour and modern slavery.
- Targeted briefing sessions on modern slavery were held at our offices across Hong Kong, Japan, Istanbul, London and at our head office in Germany. These were open to all employees and delivered partly in partnership with the International Labour Organization (ILO) and an ex-United Nations human trafficking expert.
- Through the year, modern slavery updates were included in every sustainability session held monthly at our corporate induction days in our Sourcing headquarters.

GLOBAL ENGAGEMENT AND Outreach

Through the course of 2017 our efforts to address modern slavery have focused on making progress against our priority areas. Additionally, we have actively participated in best practice learning and sharing at international fora including:

- [2017 Anti-Slavery Summit](#)
- [Trust Conference](#)
- [Annual Leadership Forum for Responsible Recruitment](#)
- [CSR Asia Summit 2017](#)
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We were one of the first brands to provide input to the [Australian Parliamentary Inquiry into Modern Slavery](#) and are closely engaged with institutions seeking to end modern slavery, such as the Bali Process Government and Business Forum on Human Trafficking, The Mekong Club, International Organization for Migration and others.