

KnowTheChain Apparel & Footwear Benchmark – Additional Disclosure

Company Name: adidas

THEME 1: COMMITMENT AND GOVERNANCE

1.1 Supplier Code of Conduct

The company's supplier code of conduct:	
(1) requires suppliers to respect the ILO core labor standards, which include the elimination of forced labor;	20
(2) is easily accessible from the company's website;	20
(3) is updated regularly, following internal review and input from external stakeholders;	20
(4) is communicated to the company's suppliers; and	20
(5) requires its first-tier suppliers to take steps to ensure that their own suppliers implement standards that are in-line with the company's supply chain policies addressing forced labor and human trafficking.	10

Comment Text

ADDITIONAL DISCLOSURE, FEBRUARY 2021

(5) Requires its first-tier suppliers to take steps to ensure that their own suppliers implement standards that are in-line with the company's supply chain policies addressing forced labor and human trafficking:

- See response to Q4 in our Human Rights FAQs (updated in 2020): https://www.adidas-group.com/media/filer_public/76/df/76dfb7a9-a406-4678-a78f-02d8f154441c/2020_adidas_human_rights_faq.pdf which states: *“Our general approach to human rights is a due diligence one. We target those high-risk locations, processes or activities that require the closest attention and where we are able to apply influence to mitigate or remediate issues, where they occur. We also seek to extend our reach by **cascading responsibilities to our partners, to capture and address potential and actual human rights issues upstream and downstream of our product creation**”*
- See P 3 of our Modern Slavery Policy https://www.adidas-group.com/media/filer_public/79/90/799019aa-47a5-4808-a319-edc42811f1a0/adidas_policy_on_modern_slavery_2017.pdf which states: *“For our direct supply chain, where our monitoring staff identify specific noncompliance issues, including forced labor, suppliers develop corrective action plans to address them in a sustainable manner within a set period which are closely monitored by our team through follow up audits and progress is recorded in the Fair Factories Clearinghouse database. We recognize **that risks associated with modern slavery are potentially prominent in the upstream supply chain and we are therefore focused on targeted modern slavery trainings and capacity building programs for our Tier 2 suppliers** thereby influencing ethical employment practices and providing them with the guidance to identify and remedy unscrupulous employment practices. Where we have found non-compliance issues such as the retention of identity documents of foreign migrant workers, clear and actionable plans to address these issues are developed with the suppliers. We have also conducted more **comprehensive assessments of our Tier 3 raw materials suppliers**, to identify and address risks of modern slavery”*
- We are one of the few companies that have visibility and engagement beyond our T1 suppliers, that manufacture 90% of our product in less than 110 factories. We work closely with our upstream

suppliers through capacity building and targeted interventions at the commodities level to address potential risks of forced labour practices. One such example is our work with upstream suppliers in Vietnam. See:

https://www.fairlabor.org/sites/default/files/rubber_mapping_project_information_sheet_0.pdf

- For our licensee partners and agents that manage our indirect supply chain, we use a score card approach that evaluates and scores a business entities performance in applying our Workplace Standards and associated guidelines. adidas licensees are obliged to adopt our 'in-house' monitoring approach to ensure compliance in the indirect supply chains as well as commission audits by adidas approved external monitors who verify the outcomes of the compliance plans and activities. A licensee's annual compliance performance is then measured by using a comprehensive Report Card. Our target for 2020 is to have at least 80% of strategic licensees in a mode that allows them to monitor their own supply chain aligned with SEA standards and support their suppliers to continuously improve workplace condition ("self-governance"). See: <https://www.adidas-group.com/en/sustainability/managing-sustainability/human-rights/supply-chain-approach/#/monitoring-supplier-performance-audits/>
- See response to Section 3.3 below.

1.2 Management and Accountability

The company:	
(1) has a committee, team, program, or officer responsible for the implementation of its supply chain policies that address forced labor and human trafficking; and	50
(2) has tasked a board member or board committee with oversight of its supply chain policies that address forced labor and human trafficking.	25
Comment Text	
<p><u>ADDITIONAL DISCLOSURE, FEBRUARY 2021</u></p> <p>(2) Has tasked a board member or board committee with oversight of its supply chain policies that address forced labor and human trafficking:</p> <ul style="list-style-type: none"> • See P 14 and 79 of our 2019 Annual Report which states Martin Shankland, our COO and Board Member is responsible for all sustainability related initiatives. This includes Human and Labour Rights subjects. See: https://www.adidas-group.com/en/investors/financial-reports/ • adidas' highest level of policy commitments on human rights are contained in a document called the Labour Rights Charta. The Charta is owned and approved by the Chief Executive Officer of adidas. Resulting mandates and tasks are clearly delegated to the responsible Board members, the Chief Human Resource Officer and the Global Legal & Compliance Officer. This is outlined in our Charta. See: https://www.adidas-group.com/media/filer_public/2013/07/31/adidas_group_labour_rights_charta_may_2011_en.pdf • There are regular updates to the Supervisory Board on all sustainability-related subjects including Human & Labor Rights subjects. Updates are provided by the COO and Board Member responsible for sustainability subjects. Through the Rules of procedures of the Audit Committee the Supervisory Board regularly asks for updates on the status of the program as publicly communicated in the annual report. See: https://www.adidas-group.com/media/filer_public/30/e1/30e1b4fd-42da-426a-b3c4-3b86a867ffa8/rop_ac_e_2020.pdf • Ultimate accountability for human rights for the company and its operations rests with the CEO (to whom the Chief Legal Counsel reports) and for employee matters with the Chief HR Officer, who is 	

also an Executive Board member. As noted above, the CEO and Chief HR Officer are the policy holders and joint signatories to the Labour Rights Charta. Day to day operational accountability for human rights, ethics and corporate compliance rests with Chief Legal Counsel, who reports directly to the CEO. Source: adidas Corporate Human Rights Benchmark Submission, July 2018.

- Additionally, our Sourcing teams have clear targets in the performance appraisal system linked to the performance and the execution of our human rights policy commitments, through the delivery of social compliance key performance indicators. See response to Q7 in our Human Rights FAQs See: https://www.adidas-group.com/media/filer_public/76/df/76dfb7a9-a406-4678-a78f-02d8f154441c/2020_adidas_human_rights_faq.pdf

1.3 Training

The company:	
(1) trains all relevant decision-makers within the company on risks and policies that address forced labor and human trafficking;	30
(2) trains its first-tier suppliers on risks and policies that address forced labor and human trafficking and discloses the percentage of first-tier suppliers trained; and	15
(3) engages in capacity building to enable its suppliers to cascade its supply chain policies that address forced labor and human trafficking to their own supply chains and/or trains suppliers below the first tier on such policies.	30

Comment Text

ADDITIONAL DISCLOSURE, FEBRUARY 2021

(2) Trains its first-tier suppliers on risks and policies that address forced labor and human trafficking and discloses the percentage of first-tier suppliers trained:

- 100% of our Tier 1 manufacturing partners are bound, contractually, by the adidas Workplace Standards which states: *Business partners must not use forced labour, whether in the form of prison labour, indentured labour, bonded labour or otherwise, or permit the trafficking in persons for the purposes of forced labour. 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.*
- The general principles in our Workplace Standards are explained through our supporting Employment, Health & Safety and Environmental Guidelines, (supplier code of conduct) which also reference international law and industry best practice. These guidelines offer advice to business partners on ways to prevent and mitigate adverse impacts, including impacts on what may be considered breaches of human rights and forced labour. See chapter on Forced Labour in our Employment Guidelines (updated 2020) https://www.adidas-group.com/media/filer_public/eb/a2/eba27acf-3ef2-4e22-b677-ac3e3d988692/adidas_employment_guidelines_november_2020.pdf
- While carrying out supply chain due diligence and monitoring work, when we uncover breaches to our Workplace Standards, we work closely with our T1 suppliers through **training, one-on-one coaching, and consultation, to remedy labour rights issues and improve working conditions.** Supplier and worker compliance training including labour rights topics is a fundamental element of our KPI assessment for factories. See P 5 of our Audit Manual https://www.adidas-group.com/media/filer_public/64/5f/645f81a2-961c-459c-addb-0c7c1bf5a226/adidas_audit_manual_en.pdf

- See response to Q11 in our Human Rights FAQs (updated 2020) https://www.adidas-group.com/media/filer_public/76/df/76dfb7a9-a406-4678-a78f-02d8f154441c/2020_adidas_human_rights_faq.pdf where we state: “adidas has since also contributed to broader preventative measures in the supply chain by **providing capacity building and training workshops on Industrial Relations and Freedom of Association**. Delivered by an internal labor rights expert from the Social & Environmental Affairs team, **the workshops have been attended by our Tier 1 suppliers and their sub-contractors in Myanmar and have facilitated direct sharing between suppliers on their approach to working alongside unions and sharing information on maintaining good worker-management communication channels.**”

1.4 Stakeholder Engagement

To fully understand and address working conditions in sourcing countries, companies need to engage with potentially affected groups and local stakeholders such as trade unions, worker organizations, or local NGOs—in addition to suppliers. Furthermore, as forced labor risks tend to be systemic in nature, collaboration with other companies, for example, to engage policy makers to strengthen labor legislation, is needed to address forced labor in supply chains.

In the last three years, the company has engaged relevant stakeholders by:	
(1) providing at least two examples of engagements on forced labor and human trafficking with stakeholders such as policy makers, worker rights organizations, or local NGOs in countries in which its first-tier suppliers and suppliers below the first tier operate: and	25
(2) actively participating in one or more multi-stakeholder or industry initiatives focused on eradicating forced labor and human trafficking across the industry.	50
Comment Text	
ADDITIONAL DISCLOSURE, FEBRUARY 2021	
<p>(1) Providing at least two examples of engagements on forced labor and human trafficking with stakeholders such as policy makers, worker rights organizations, or local NGOs in countries in which its first-tier suppliers and suppliers below the first tier operate:</p> <ul style="list-style-type: none"> • Example 1: A major cause of forced labour in global supply chains is the charging of recruitment fees to migrant workers. Such payments can create situations of debt burden and leave workers vulnerable to human trafficking and further exploitation. In 2019, we launched a multi-year partnership with the International Organisation for Migration (IOM) to eliminate unethical and exploitative labour practices faced by foreign migrant workers. Jointly we have created specialized trainings and due diligence measures to support suppliers in identifying recruitment practices, especially at the sending country level. See: https://www.iom.int/news/adidas-iom-partner-promote-responsible-recruitment-fair-treatment-migrant-workers-garment-and Our stakeholder engagement has extended to membership in a brand collaboration forum partnering with 8 international footwear and apparel companies where we jointly work on remediation efforts and best practice sharing at shared supplier sites in Taiwan, a Tier 2 material sourcing country for adidas, employing foreign migrant labour. See attached responsible sourcing collaboration agreement. https://knowthechain.org/wp-content/uploads/Responsible-Sourcing-Collaboration-Agreement.pdf • When the C-19 pandemic broke, we acted early and in engagement with the IOM utilized their tools and guidance to survey our supplier base that employ foreign migrant workers to assess the impacts of potential forced labour and C-19 risks on this vulnerable category of workers. See supplier self-assessment survey. This has been shared as part of our public disclosure efforts for the CHRB 2020 COVID-19 Study. https://knowthechain.org/wp-content/uploads/IOM-adidas--Thai-Eastern-Covid-19-impacts_Employer-Survey.pdf 	

- **Example 2:** We have partnered with key stakeholders to drive improvement in social assurance models, mapping the risk of forced labour and child labour at an agricultural level, notably for natural rubber and cotton farming. In a multi-stakeholder initiative that ran for 2 years in 2019 and 2020 we supported the FLA, IOM and three international brands in undertaking a supply chain mapping and labor rights & risk assessment of the natural rubber sector in Vietnam, our single source country for natural rubber.
See: https://www.fairlabor.org/sites/default/files/rubber_mapping_project_information_sheet_0.pdf
- **Example 3:** Convened by the Better Cotton Initiative (BCI) we joined an international 12-member expert Task Force on Forced Labour and Decent Work. At the end of 7 months of joint effort, the task force provided recommendations to improve BCI's effectiveness in identifying, preventing, mitigating, and remediating forced labour risks at the cotton farm level. See final report here: <https://bettercotton.org/task-force-on-forced-labour-and-decent-work-finalises-key-findings-and-recommendations/>

THEME 2: TRACEABILITY AND RISK ASSESSMENT

2.1 Traceability and Supply Chain Transparency

The company discloses:	
(1) the names and addresses of its first-tier suppliers;	25
(2) the countries of its below-first-tier suppliers (this does not include raw material suppliers);	25
(3) the sourcing countries of at least three raw materials at high risk of forced labor and human trafficking; and	12.5
(4) at least two types of data points on its suppliers' workforce (e.g., the number of workers, gender or migrant worker ratio, or level of unionization per supplier).	25

Comment Text

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(3) The sourcing countries of at least three raw materials at high risk of forced labor and human trafficking:

- By the end of 2018, adidas managed to source 100% sustainable cotton from the Better Cotton Initiative. See P 83 of the 2019 Annual Report.
- adidas was ranked first in the Sustainable Cotton Ranking 2020, see: <https://sustainablecottonranking.org/check-the-scores>
- The key raw materials that continue to be used in our products are cotton, natural rubber and leather. These were disclosed as early as 2016 when we published our Modern Slavery Outreach program priorities on the Business and Human Rights Resource Centre website.
- At the end of 2019, we published a review of our Modern Slavery Risk Assessment and reiterated our approach to assessing and addressing identified risks in Raw Material Sourcing; **See DIAGRAM on p 4 which outlines the sourcing countries of the 3 key raw materials in our supply chain, at high risk for forced labour.** See: https://media.business-humanrights.org/media/documents/files/documents/Modern_Slavery_Outreach_Program_Risk_Assessment_Review_Dec2019.pdf
- adidas continues to ban sourcing operation in countries such North Korea (due to US forced labour sanctions) and bans the sourcing of cotton from Uzbekistan and Turkmenistan, again to well published forced labor risk. See <http://www.cottoncampaign.org/over-100-apparel-brands-and-companies-have-signed-the-cotton-pledge.html> and <https://www.sourcingnetwork.org/turkmenpr> and FAQ Q.14 see https://www.adidas-group.com/media/filer_public/76/df/76dfb7a9-a406-4678-a78f-02d8f154441c/2020_adidas_human_rights_faq.pdf

THEME 3: PURCHASING PRACTICES

3.1 Purchasing Practices

Purchasing practices and pricing may both positively impact labor standards in the company's supply chains and increase risks of forced labor and human trafficking.

The company:	
(1) is taking steps toward responsible raw materials sourcing;	25
(2) is adopting responsible purchasing practices in the first tier of its supply chains, which include planning and forecasting;	12.5
(3) provides procurement incentives to first-tier suppliers to encourage or reward good labor practices (such as price premiums, increased orders, and longer-term contracts); and	12.5
(4) discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labor and human trafficking.	12.5

Comment Text

ADDITIONAL DISCLOSURE, FEBRUARY 2021

(2) Is adopting responsible purchasing practices in the first tier of its supply chains, which include planning and forecasting:

- In addition to our responsible sourcing policy which has been referenced above, we have developed a set of **'10 buyer commitments on responsible purchasing practices'** that outlines the steps taken by adidas to ensure responsible sourcing practices in the supply chain. This will be made available on our corporate website in 2021-Q2. **These include among others, commitments on order placement, production lead times and unauthorized subcontracting. A set of Key Performance Indicators (KPIs) are used to measure success.**
- It is very important for us to get feedback from our suppliers on our Purchasing Practices. While we are already doing this through close engagements and direct dialogue with our suppliers, we have also **signed on to the Better Buying platform**, an independent third-party organisation
- In the wake of the pandemic, we made a public commitment on paying for all orders on time and in full, with no retroactive cancellations or discounts or delays in payment, thus helping workers to maintain their jobs and get their wages. See: <https://www.workersrights.org/issues/covid-19/tracker/>
- adidas' COVID-19 response was assessed by the labor rights advocacy community such as the Worker Rights Consortium and **duly recognized in Baptist World Aid Australia's 2020 COVID-19 Fashion Report** which surveyed close to 100 brands on their commitment to address the COVID-19 crisis in their supply chain.

(3) Provides procurement incentives to first-tier suppliers to encourage or reward good labor practices (such as price premiums, increased orders, and longer-term contracts):

- Our responsible sourcing & purchasing policy states that purchasing policies and procedures should align with a commitment to long-term partnerships with suppliers.
- At the end of 2020, we worked with 520 independent factories (2019: 631) that manufacture products for our company in 49 countries (2018: 52). The decrease is due to our overall ambition to further consolidate our supply chain, mostly in South Korea in 2020.
- Our intention is to work with fewer factories, forming long-term partnerships and provide them with more orders. Year on year, high compliance performance is mirrored in the tenure of our

supplier relations. For example, **in 2019, over 90% of our total sourcing volume was produced by our long-term suppliers. We see this trend continuing in 2020 and the positive impact this has on securing social and labour compliance scores in our supply chain.**

(4) Discloses two quantitative data points demonstrating that it has responsible purchasing practices in place that address the risk of forced labor and human trafficking:

Due to concerns over systemic risks of forced labor or other forms of labor exploitation, we are consistently applying our policies to eliminate such risks. **We have restricted or prohibited purchasing and sourcing from the following areas:**

- Prohibited the purchasing of cotton from Uzbekistan aligned with our commitment to the Cotton Pledge, from 2011.
- Prohibited the purchasing of cotton from Turkmenistan aligned with our commitment to the Cotton Pledge and US Custom and Border Protection orders, from 2016.
- Prohibited the sourcing of finished goods or other products from PRC Special Economic Zones located along the Chinese-North Korean Border, from 2017.
- Prohibited the sourcing of products and materials from North Korea in accordance with US and international trade sanctions, from 2018.
- Prohibited the employment of North Korean workers globally, in accordance with US sanctions, from 2018.
- Prohibited any supply chain partner from entering into commercial agreements with military backed enterprises in Myanmar in alignment with the recommendations of the UN Fact Finding Mission, from 2018.
- Prohibited our Tier 2 material suppliers from sourcing cotton yarn from the Xinjiang region of China, from 2019.
- See: https://www.adidas-group.com/media/filer_public/07/85/07852297-dc8b-4471-ae7-4e5547559d38/adidas_policy_on_modern_slavery_2020.pdf
- Our supply chain is operating in full compliance with sanctions and trade restrictions. No breaches have been reported for the past 20 years.

3.2 Supplier Selection

The company:	
(1) assesses risks of forced labor at potential suppliers before entering into any contracts with them and discloses details on the outcomes of this process.	50
(2) addresses risks of forced labor related to sub-contracting and discloses details on the outcomes of this process.	25
Comment Text	
<p>ADDITIONAL DISCLOSURE, FEBRUARY 2021</p> <p>(2) Addresses risks of forced labor related to sub-contracting and discloses details on the outcomes of this process:</p> <ul style="list-style-type: none"> • We are closely monitoring and verifying the use of subcontractors in our supply chain, which are in scope for our auditing. As stated in our responsible sourcing and purchasing policy, using unauthorised subcontracting can trigger enforcement action and might even lead to terminations. • These clauses are embedded into the Manufacturing agreements that we sign with all our T1 suppliers and into the Licensing agreements for our indirect supply. • Prior to authorizing a supplier for production, as part of our process to manage excessive working hours, we conduct an analysis to understand available capacity for orders placed. • See response to (3) in indicator 3.3 below 	

3.3 Integration into Supplier Contracts

The company:	
(1) integrates the ILO core labor standards, which include the elimination of forced labor, into supplier contracts;	15
(2) discloses the percentage of suppliers whose contracts include such standards; and	0
(3) requires its suppliers to integrate such standards into contracts with their own suppliers.	0
Comment Text	
<p><u>ADDITIONAL DISCLOSURE FEBRUARY 2021</u></p> <p>(1) Integrates the ILO core labor standards, which include the elimination of forced labor, into supplier contracts:</p> <ul style="list-style-type: none"> adidas' Workplace Standards are derived from ILO conventions and UN human rights norms. Our suppliers are contractually bound to uphold our Workplace Standards and associated guidelines and policies, including those related to forced labor, child labor, discrimination, freedom of association and collective bargaining. The Workplace Standards include a specific clause which reads: "adidas is committed to respecting human rights and will refrain from any activity, or entering into relations with any entity, which supports, solicits or encourages others to abuse human rights. We expect our business partners to do the same, and where there is any perceived risk of a violation of human rights to duly notify us of this and of the steps being taken to avoid or mitigate such a breach and, where this is not possible, for the business partner to provide for the remediation of the adverse human rights impact where they have caused or contributed to this." For the purposes of these Workplace Standards, human rights are a set of rights which recognize the inherent dignity, freedom and equality of all human beings, as expressed in the United Nation's International Bill of Human Rights and in the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. Relevant clauses from our Manufacturing Agreements include: <p><i>"10.1 The Manufacturer represents and warrants that all adidas Group Products supplied pursuant to this Agreement shall be produced in accordance with the Workplace Standards annexed hereto as EXHIBIT D. aTAG shall have the right to investigate any matters relating to the Workplace Standards, the requirements under this Clause 10 and Clause 10A as well as the respective policies and guidelines in the following manner:</i></p> <p><i>10.1.1 aTAG shall have full and unrestricted access (whether within normal working hours or not) to the facilities, records, workers and management engaged in the production of adidas Group Products for the purpose of assessing compliance with the matters set out in the Workplace Standards, the requirements under this Clause 10 and Clause 10A and the related policies and guidelines.</i></p> <p><i>10.1.3 For the purpose of ensuring compliance, aTAG shall have the right to investigate any matters set out in the Workplace Standards, the requirements under this Clause 10 and Clause 10A and the related policies and guidelines, including holding confidential interviews with workers. The Manufacturer undertakes to aTAG that workers interviewed by aTAG or providing information to aTAG shall not be discriminated against by the Manufacturer. Such discriminatory measures may include, but are not limited to, job reassignments, loss of job, reduced working hours, reduced pay or opportunity for voluntary overtime.</i></p> <p><i>10.1.5 To ensure compliance with the Workplace Standards and the related policies and guidelines, the Manufacturer undertakes to implement a plan of action to be agreed with aTAG for the continuous improvement of factory working conditions.</i></p>	

The Manufacturer acknowledges that for the purpose of ensuring compliance with the Workplace Standards, the requirements under this Clause 10 and Clause 10A and the related policies and guideline by the Manufacturer and the Subcontractor, aITAG may disclose certain information of the Manufacturer and the Subcontractor ("Compliance Related Information") to the auditors as mentioned in Clause 10.1.2 and or other third parties (including but not limited to aITAG's competitors, non-governmental organizations), may share the Compliance Related Information with the said parties for common evaluation, and/or use the Compliance Related Information in other ways provided that such use is for ensuring the Manufacturer's compliance with the Workplace Standards, the requirements under this Clause 10 and Clause 10A as well as the related policies and guidelines. The Manufacturer hereby expressly confirms its consent to the disclosure of such Compliance Related Information by aITAG."

(2) Discloses the percentage of suppliers whose contracts include such standards:

- All our primary (T1) suppliers are required to sign manufacturing agreements (MA) with adidas, which means that 100% of our T1 suppliers comply with the ILO Forced Labor standards through our Workplace Standards that are embedded in the manufacturing agreements.

(3) Requires its suppliers to integrate such standards into contracts with their own suppliers

- Relevant language from our Manufacturing Agreements which all suppliers are contractually bound to uphold include: *"The Manufacturer undertakes to ensure that its Subcontractor shall also strictly adhere to the provisions of this Agreement (including in particular but without limitation to this Clause 10 and Clause 10A), the Workplace Standards as well as any related policies and guidelines"*

THEME 4: RECRUITMENT

4.3 Monitoring and Responsible Recruitment

The company:	
(1) takes steps to ensure employment and/or recruitment agencies used by its suppliers are monitored to assess and address risks of forced labor and human trafficking; and	25
(2) provides details of how it supports responsible recruitment in its supply chains (e.g., by collaborating with stakeholders to engage policy makers to strengthen recruitment standards).	50

Comment Text

ADDITIONAL DISCLOSURE FEBRUARY 2021:

1) Takes steps to ensure employment and/or recruitment agencies used by its suppliers are monitored to assess and address risks of forced labor and human trafficking:

- Through 2020, we strengthened engagement with our Tier 2 suppliers, employing foreign migrant workers as part of our Responsible Recruitment partnership with the International Organization for Migration (IOM) and led joint remediation efforts at shared supplier sites with leading Apparel & Footwear brands.
- "As part of our forced labor risk assessment and trainings for Tier 2 material suppliers that employ foreign migrant labor, we engaged remotely with each supplier covered under the umbrella of our partnership on responsible recruitment with the IOM. These engagements and trainings ranged from desktop reviews to online supplier **trainings on labor recruiter due-diligence via the IOM's Migration e-campus foundation course on ethical recruitment.** ["Source: 2020 Annual Report, publication date March 10, 2021](#)
- Targeted engagements and trainings with the labour recruiters especially in Vietnam and Philippines (key sending countries) had to be put on hold due to travel restrictions owing to the pandemic and will be addressed in 2021 (subject to pandemic improvements)

4.4 Rights of Workers in Vulnerable Conditions

Migrant workers and other workers in vulnerable conditions are at a higher risk of being in forced labor, and additional steps are needed to ensure their rights are respected. Conditions which render workers vulnerable may include characteristics such as gender or age and external factors, including workers' legal status, employment status, economic conditions, and work environment (such as isolation, dependency on the employer, or language barriers).

The company:	
(1) takes steps to ensure migrant workers in its supply chains understand the terms and conditions of their recruitment and employment and also understand their rights;	30
(2) takes steps to ensure its suppliers refrain from restricting workers' movement, including through the retention of passports or other personal documents against workers' will; and	30
(3) discloses at least two outcomes of steps it has taken to ensure respect of the fundamental rights and freedoms of supply chain workers in vulnerable conditions (those articulated in the ILO core labor standards, which include the elimination of forced labor).	0
Comment Text	
<p>ADDITIONAL DISCLOSURE, FEBRUARY 2021:</p> <p>3) Discloses at least two outcomes of steps it has taken to ensure respect of the fundamental rights and freedoms of supply chain workers in vulnerable conditions (those articulated in the ILO core labor standards, which include the elimination of forced labor).</p> <p>“Some companies such as Adidas stood out from the rest and reported good practices. For example, Adidas reported that it has been working closely with factories to identify workers at greatest risk, including vulnerable categories such as migrants and women” See P 11 of the Covid-19 and Human Rights Study conducted by the World Benchmarking Alliance. https://assets.worldbenchmarkingalliance.org/app/uploads/2021/02/CHBR-Covid-Study_110221_FINAL.pdf</p> <p>Example 1:</p> <ul style="list-style-type: none"> “MYANMAR: In 2019, adidas assisted the securing of remedy for 4 worker representatives who were found to have been unlawfully dismissed by a sub-contractor of an adidas T1 footwear supplier. As the sub-contractor facility subsequently closed due to ongoing financial difficulties, making reinstatement of the dismissed workers not possible, adidas engaged directly with the subcontractor to encourage them to provide monetary compensation to the dismissed workers, including back-wages from the date of dismissal, annual leave and other allowances. After several rounds of negotiation, this settlement was secured to the satisfaction of each of the affected workers. adidas has since also contributed to broader preventative measures in the supply chain by providing capacity building and training workshops on Industrial Relations and Freedom of Association. Delivered by an internal labor rights expert from the Social & Environmental Affairs team, the workshops have been attended by our Tier 1 suppliers and their sub-contractors in Myanmar and have facilitated direct sharing between suppliers on their approach to working alongside unions and sharing information on maintaining good worker-management communication channels.” <p>Example 2:</p> <ul style="list-style-type: none"> “INDIA: In 2018 adidas acted on a worker complaint regarding harassment and abuse at a footwear supplier, by commissioning an independent third party to conduct off-site investigative interviews 	

that confirmed a range of harassment related issues primarily targeted at female workers. adidas promptly worked with the supplier through a series of advisory sessions focusing on policy review, training and awareness raising for all workers, regular monitoring with senior management, enhancing worker-management communication channels including the development of a gender responsive non-judicial grievance channel. Additionally, a review of the factory’s management systems was recommended. A series of workshops were conducted by the expert third party involving workers and management enabling them to raise concerns without fear of retribution, including enhancing effective functioning of an existing internal committee for harassment and abuse. Worker interviews have since confirmed no new cases. Workers have an increased awareness of their rights and knowledge of mechanisms available to them to report violations if any. The management also put programs in place to increase the percentage of women in supervisory/leadership positions.”

Source: See P 6 Human Rights and Responsible Business Practices https://www.adidas-group.com/media/filer_public/76/df/76dfb7a9-a406-4678-a78f-02d8f154441c/2020_adidas_human_rights_faq.pdf

Example 3:

- TAIWAN: 40% of the workforce in our Tier 2 material supply chain are from neighbouring Asian countries. Often, foreign migrant workers are not afforded the same benefits as local workers. A key concern surfacing from worker interviews and our internal investigations is centred around poor living conditions and lack of safety measures in the dormitories. In late 2020 the government announced its intent to adopt the ILO standard requiring at least 3.6 square meters of floor space per person. See: <https://focustaiwan.tw/society/202007030011> We are supportive of the labor unions’ call to action to adopt this standard and to ensure dormitories are not housed next to the factory production areas. See: <https://newbloommag.net/2020/04/04/migrant-worker-dormitory-fire/>
- Since 2019, we have been actively working with our suppliers in Taiwan to upgrade dormitory conditions for foreign migrant workers in accordance with our Health and Safety Guidelines. Suppliers are required to submit building plans, conduct evacuation drills, obtain dormitory license, provide fire-drill and fire safety assessments and in some instances constructing new dormitories separated from the factory’s production area. Additionally, hotlines and suggestion boxes have been provided to foreign migrant workers enabling them to report non-compliances.”

THEME 5: WORKER VOICE

5.1 Worker Engagement

The company:	
(1) takes steps to ensure its supply chain policies that address forced labor and human trafficking are communicated to workers in its supply chains;	25
(2) takes steps to ensure that relevant stakeholders engage with and educate workers in its supply chains on their labor rights and/or supports worker-led efforts on labor rights education;	25
(3) provides evidence of the positive impact of worker engagement in its supply chains; and	0
(4) provides at least two examples of worker engagement initiatives covering different supply chain contexts.	25
Comment Text	
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(3) Provides evidence of the positive impact of worker engagement in its supply chains.

- **“Worker Engagement & Empowerment:** Text below from the 2020 Annual Report, publication date March 10, 2021:
- “Complementing the various grievance channels, we rolled out the ‘Worker Pulse’ project in 2020, a digitalized short survey to capture workers’ perception and awareness of their labor rights on focused areas such as communication, harassment and abuse and grievance systems. We undertook these digital surveys in 63 factories across nine countries, with 21,000 workers voluntarily participating. The survey was conveyed to the workers through a mobile-phone-based application. **78.6% of the participating workers reported their willingness to recommend their workplaces to their friends and relatives as a favorable place to work. 77% believed that complaints raised through the grievance mechanisms are taken seriously by factory management.** Factories are required to develop and track workplace improvement plans, based on the feedback received from the ‘Worker Pulse’.
- The ‘Worker Pulse’ builds on our existing Worker Satisfaction Survey (WSS) process that was first launched in 2016. WSS is a comprehensive survey consisting of around 60 questions, which helps suppliers gain insights into the workplace environment, from both a worker’s and supervisor’s perspective, and target those areas requiring improvement. For example, workers are asked for their feedback on the effectiveness and performance of their factory grievance mechanisms, which in turn helps inform ways to improve and further refine those systems.
- Alongside factory-led training, we have also offered tailored training under our Women Leadership Program (WLP), first launched in 2016. Up until the end of 2019, more than 1,300 workers have participated in this program. **The WLP provides training and skill sharing sessions, managed through a Women Supervisor Forum (WSF): a platform for female supervisors to upgrade their knowledge, learn best practices, and gain support, information and guidance on a range of topics to improve their abilities as a supervisor.**
- 2020 also saw the successful launch of our mobile-phone-based ‘Digital Training’ project, which was successfully rolled out in 43 factories across Cambodia, China, Indonesia, and Vietnam. The digital tool assesses workers awareness of their labor rights and remedies, e.g., harassment and abuse, fire safety and use of grievance channels. **Of the 11,000 workers who took part in 2020, 83% secured a 75% pass rate in the post-test questions.”**
- Supported by an external partner, one of the surveys was conducted in 2017 and included female respondents, both workers and supervisors. Results show a clear trend toward a positive perception on the topic of fair wages and the absence of sexual harassment. **In detail, out of more than 7,500 female workers surveyed, 81,4% believe their wages to be “fair” or “very fair”, while only 1.3% stated it was “unfair”. A further 62,6% also stated they are rewarded for good performance. On the topic of sexual harassment three quarters of female survey respondents confirmed they have not experienced or witnessed any harassment or abuse in the factory.**
<https://www.adidas-group.com/en/sustainability/people/factory-workers/#/women-in-the-supply-chain/>

5.2 Freedom of Association

The company:	
(1) works with independent local or global trade unions to support freedom of association in its supply chains;	25
(2) discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labor rights agreement with trade unions or worker organizations;	12.5
(3) takes steps to ensure workplace environments in which its suppliers' workers are able to pursue	

alternative forms of organizing (e.g., worker councils or worker-management dialogues) where there are regulatory constraints on freedom of association; and	25
(4) provides at least two examples covering different supply chain contexts of how it improved freedom of association and/or collective bargaining for its suppliers' workers such as migrant workers (e.g., by taking action where suppliers impede workers' rights to freedom of association and/or collective bargaining or by engaging policy makers to improve respect for such rights).	25

Comment Text

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(2) Discloses that it is party to a global framework agreement that covers its supply chains and/or an enforceable supply chain labor rights agreement with trade unions or worker organizations:

- Our suppliers are contractually bound to uphold our Workplace Standards and associated guidelines and policies, including those related to Freedom of Association (FOA).
- adidas' Workplace Standards are derived from ILO conventions and UN human rights norms. As such, Freedom of Association and the right to form and join a trade union of a worker's own choosing is a right that we seek to respect and in accordance with the UN Guiding Principles we will take action if we see our suppliers breach their legal duty to uphold this right in practice.
- We encourage our suppliers to maintain a climate of non-interference with trade union activities and to implement effective systems of worker-management communication, including entering into good faith processes of collective bargaining where a union has been duly formed and can legally represent the views of the workforce as a bargaining unit.
- Please see our Employment Guidelines, which includes examples of non-conformance and best practice guidance https://www.adidas-group.com/media/filer_public/02/86/0286659a-40ea-427f-9f26-64eb3013b1ca/2016_employment_guidelines.pdf and our General Approach to Freedom of Association and Industrial Relations <https://www.adidas-group.com/en/sustainability/people/factory-workers/#/timeline-for-research-guidance-on-fair-compensation/our-approach-to-effective-workplace-communication-and-ensuring-freedom-of-association/>
- There are many barriers to the formation of trade unions, not least being that two of the largest sourcing countries globally, namely China and Vietnam, prohibit by law the creation of independent trade unions. In those settings, our effort and engagement with workers has been directed at **identifying parallel means for worker representation**, through direct worker-led elections, as well as tracking the emergence of more representative State unions and the role of sectoral level collective agreements.
- **Together with Oxfam, we have collaborated closely with local trade union federations in the development of a Freedom of Association Protocol for Indonesia. This is a non-binding agreement between adidas and the Indonesian unions specifically on FOA. See for example: <http://column.global-labour-university.org/2014/05/putting-workers-agency-at-centre-in.html> adidas played a pivotal role in this process. We acted as the lead party in a supplier-brand caucus that has been formed to engage with Indonesia's trade union movement, to develop a basic framework for the exercise of trade union rights in the workplace. After one year of negotiations, agreement was finally reached on a protocol that was shared with other brands and suppliers in the sporting goods industry in Indonesia. The provisions in the protocol aim to close the gap in expectations and reduce misunderstandings between factory managers and trade union officials with respect to trade union activities, rights of access and so on, thereby**

improving the overall industrial relations environment. Of all brands that have acted as co-signatures to this Protocol, adidas has the highest uptake by its suppliers.

- We have also **designed training modules to address FOA practices**. Examples range from worker representative training in China, in partnership with labour NGOs (these allow for the free election of worker representatives to welfare committees), to the running of briefing sessions in partnership with trade unions and labour officials in the Philippines, to the development and dissemination of materials on strike management in Vietnam with the ILO.
- As a remedial requirement we have required suppliers to issue “**Right to organize guarantees**” to workers, declaring their freedom to form and join unions of their own choosing. We have done so where we have found evidence of a direct infringement of rights or a potential interference with workers freedom to exercise this right. Such guarantees have been issued in the past by suppliers in Indonesia, Sri Lanka, and the Philippines.
- For all major sporting events we **detail the trade union status of each factory supplying those events**, including identifying those factories from China and Vietnam that have state-mandated unions, as well as parallel worker representative groups. See, for example, our disclosure of the UEFA 2016 European Championship suppliers list http://www.adidas-group.com/media/filer_public/3a/4c/3a4c36b4-ed54-42b2-8804-a864283afd95/2016_euro_supplier_list_.pdf

5.3 Grievance Mechanism

The company:	
(1) takes steps to ensure a formal mechanism to report a grievance to an impartial entity regarding labor conditions in the company's supply chains is available to its suppliers' workers and their legitimate representatives;	20
(2) takes steps to ensure that the existence of the mechanism is communicated to its suppliers' workers;	20
(3) takes steps to ensure that its suppliers' workers or their legitimate representatives are involved in the design and/or performance of the mechanism, to ensure that the workers trust the mechanism;	0
(4) discloses data about the practical operation of the mechanism, such as the number of grievances filed, addressed, and resolved, or an evaluation of the effectiveness of the mechanism; and	20
(5) provides evidence that the mechanism is available and used by workers below the first tier in its supply chains.	10
Comment Text	
ADDITIONAL DISCLOSURE FEBRUARY 2021	
3) Takes steps to ensure that its suppliers' workers or their legitimate representatives are involved in the design and/or performance of the mechanism, to ensure that the workers trust the mechanism:	

- We have invested in an application-based ‘Workers Voice’ platform; See: <https://www.osce.org/files/f/documents/6/7/419501.pdf>; a bespoke factory-based digital grievance channel for workers.
- See text from the 2020 Annual Report, publication date March 10, 2021: “Since 2017 we have reduced our reliance on local worker hotlines as complaint mechanism, by building an application-based ‘Workers Voice’ platform: a bespoke, factory-based digital grievance channel for workers. We have progressively improved and expanded the use of this operational grievance mechanism and in 2020 over 450,000 workers employed in 111 factories across twelve countries had access to this system. With this milestone, we achieved our 2020 target of having the ‘Workers Voice’ platform implemented at 100% of our strategic suppliers.
- A robust grievance mechanism is the fulcrum on which workers can raise their concerns and secure remedies. Access to a digital complaint mechanism proved invaluable during Covid-19, with a 400% increase in worker grievances being reported. Close to 46,000 human and labor rights complaints were filed in 2020. The top three types of complaints were related to concerns over benefits, general facilities and communication. 98% of these complaints were successfully resolved by the factory management.
- **Responses received through the ‘Workers Voice’ platform are carefully tracked by adidas, using KPIs and dashboard reviews, case satisfaction ratings and on-site worker interviews. This allows us to evaluate the efficacy of the grievance channels and see major cases in real time and undertake timely interventions, where necessary. It also helps us understand the main challenges and labor rights issues in a factory and track how the factory management and their HR teams resolve cases and communicate their findings. Our evaluation contributes to the factory's overall social compliance score. adidas provides ongoing capacity building to enhance the factory teams’ capability to improve the effectiveness of the grievance mechanism. It is notable that the case satisfaction rate, which allows workers to input their level of satisfaction with the resolution of complaints, has risen steadily from 35% in 2019 to 56% in 2020.”**

(5) Provides evidence that the mechanism is available and used by workers below the first tier in its supply chains.

- In partnership with the FLA, BCI and four international apparel and footwear brands, we assessed employment practices in Turkish cotton farms. See: <https://www.fairlabor.org/impact/case-studies/study/improving-employment-practices-turkish-cotton-sector#:~:text=The%20FLA%20DIPUD%20project%20ran,address%20the%20labor%20rights%20gaps>
- **As part of this program, we worked with the Turkish Ministry of Labour on their hotline called ALO 170 (available in Turkish, Arabic and Kurdish) which was made available to our Tier 2 suppliers and through collaborative efforts to cotton farm workers. Complaints regarding labour rights are monitored directly by officials of the Ministry that are present in all the local cities. In addition to developing and distributing promotional material, adidas provided classroom training to Tier 2 suppliers on the mechanics of how to use this hotline. See enclosed photos of the T-shirts designed by adidas detailing the grievance channel and distributed to cotton farm workers.**

THEME 7: REMEDY

7.2 Remedy Programs / Response to Allegations

B.1. If or more allegations regarding forced labor in the company's supply chain have been identified (in the last three years), the company discloses:

Number of forced labor allegations regarding the company's supply chain:	1
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Indicator score:	75
7.2 A (1) a process for responding to potential complaints and/or reported violations of policies that address forced labor and human trafficking; and	30
Allegation 1 - Summary	<p>Headline: Sourcing linked to Uyghur forced labor Summary: Sources such as the Australian Strategic Policy Institute, the BBC, and the Wall Street Journal link many apparel and footwear companies benchmarked to Uyghur forced labor. This includes companies headquartered in Asia, Europe, and North America. The documentation relates to companies across subsectors and the sourcing of cotton, yarn, textile, and apparel made with Uyghur forced labor.</p> <p>The End Uyghur Forced Labor Coalition notes that that “virtually the entire apparel industry is tainted by forced Uyghur and Turkic Muslim labour.” Anti-Slavery International additionally highlights the connection of luxury brands to forced Uyghur labor and the Center for Strategic & International Studies notes that China is the largest producer of cashmere, with a third of production coming from XUAR.</p> <p>Sources (Excerpt):</p> <ul style="list-style-type: none"> * Coalition to End Forced Labour in the Uyghur Region (23 July 2020), "Press Release: 180+ Orgs Demand Apparel Brands End Complicity in Uyghur Forced Labour," https://enduyghurforcedlabour.org/news/402-2/ * Center for Strategic & International Studies (July 2020), "Addressing Forced Labor in the Xinjiang Uyghur Autonomous Region," https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/200730_Lehr_XinjiangUyghurForcedLabor_brief_FINAL_v2.pdf. * BBC (13 November 2019), "Xinjiang cotton sparks concern over 'forced labour' claims", https://www.bbc.co.uk/news/business-50312010. Accessed 13 March 2020. * Australian Strategic Policy Institute (1 March 2020), "Uyghurs for sale: 'Re-education', forced labour and surveillance beyond Xinjiang", https://s3-ap-southeast-2.amazonaws.com/ad-aspi/2020-03/Uyghurs%20for%20sale_UPDATE-06MAR.pdf * Wall Street Journal (16 May 2019), "Western Companies Get Tangled in China's Muslim Clampdown," https://www.wsj.com/articles/western-companies-get-tangled-in-chinas-muslim-clampdown-11558017472.
7.2 A (2) at least two examples of outcomes of its remedy process in practice, covering different supply chain contexts, for its suppliers' workers; and	30
7.2 C(1) a description of what actions it is taking to prevent and remediate the use of forced Uyghur labor.	15
<p><u>ADDITIONAL DISCLOSURE FEBRUARY 2021</u></p> <ul style="list-style-type: none"> • With respect to Xinjiang, adidas has engaged with a wide range of stakeholders including member organization within the Coalition to End Uyghur Forced Labor (CEUFL), including the Workers' Rights Consortium, Responsible Sourcing Network (RSN), the Uyghur Human Rights Project and the Uyghur American Association. Organisations who represent the interests of affected communities in the XUAR. 	

- adidas has worked collaboratively with CEUFL members (Antislavery International and RSN) on an expert Task Force, formed by BCI to improve its forced labour assurance and decent work program – drawing specifically on lessons from the Xinjiang cotton supply chain challenges. See <https://bettercotton.org/bci-sets-up-expert-task-force-on-forced-labour-and-decent-work/> and <https://bettercotton.org/task-force-on-forced-labour-and-decent-work-finalises-key-findings-and-recommendations/>
- Moreover, adidas is an FLA Board member and has contributed insights and offered feedback to support FLA staff develop their Xinjiang advisories and briefings.
- Government advisories (from the US, UK and Canada) and civil society groups, including the FLA have advised that effective due diligence is not possible in the Xinjiang region and business should end any direct or indirect sourcing relations in that region. No active remediation is envisaged; only disassociation, so as to eliminate potential risks and complicity. See for example, the US State Department advisory on Xinjiang <https://www.state.gov/xinjiang-supply-chain-business-advisory/#:~:text=The%20U.S.%20Department%20of%20State%2C%20along%20with%20the%20U.S.%20Department,abuses%2C%20including%20forced%20labor%2C%20in>
- The FLA has informed its participating companies that “Based on increasing evidence of measures targeting Uyghurs we updated that guidance in January 2020 to advise that effective due diligence was no longer possible in the Region. We advised companies to map product supply chains to determine if the cotton/yarn/textiles used in their finished goods originated in Xinjiang, and to presume that raw materials, semi-finished, or finished goods from Xinjiang are likely to be produced with forced labor”. See <https://www.fairlabor.org/blog/entry/fla-statement-sourcing-china>. Given these limitations, adidas has taken proactive steps to reduce exposure to the region. In 2019 we banned the sourcing of yarn from Xinjiang and disqualified spinners located in that region. We also supported Better Cotton end its certification of Xinjiang originating cotton.
- adidas has also been fully compliant with all sanctions and trade restriction imposed on Xinjiang products, conducting due diligence to ensure all suppliers globally adhere to US sanctions (e.g., US Dept of Treasury ban on XGCC, US Customs and Border Protection restrictions on imports from XGCC and Xinjiang cotton).
- With respect to forced labour entering employment in factories, adidas continues its regular monitoring activities in China, which for the past 10 years have included a requirement that auditors check for government-managed labour transfer schemes. The hiring of workers, including Uyghur and other ethnic minorities, through such schemes is strictly prohibited.

NON-SCORED DISCLOSURE

Reporting Legislations

UK Modern Slavery Act: Where applicable, the company discloses at least one statement under the UK Modern Slavery Act.

ADDITIONAL DISCLOSURE FEBRUARY 2021

See 2019 Modern Slavery Statement

<https://www.adidas-group.com/en/sustainability/managing-sustainability/human-rights/#/2018/2019/>