

# Modern Slavery Risk Assessment

## Summary

We have summarised below the process used by the adidas Group to assess the potential risks of modern slavery in our extended supply chain and to set priorities for our further engagement, to help drive awareness and address potential exploitative employment practices.

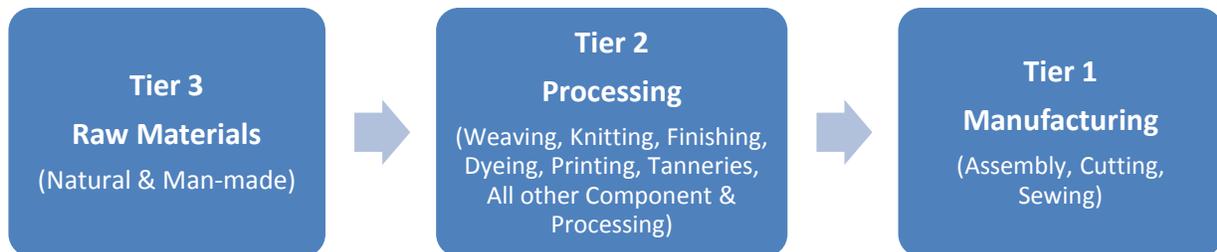
We have used available internal resources, external published sources and feedback from organisations, such as the International Labour Organisation and The Mekong Club, a non-profit that fights slavery using a business to business approach, to inform our assessment approach.

## Definitions

**Modern Slavery** is an umbrella term. For adidas Group it encompasses the risks posed by forced labour, prison labour, indentured labour, bonded labour, debt servitude, state imposed forced labour and human trafficking, where coercion, threats or deception are used to intimidate, penalise or deceive workers, thereby creating situations of involuntary work and exploitation. Modern Slavery may also be associated with the worst forms of child labour.

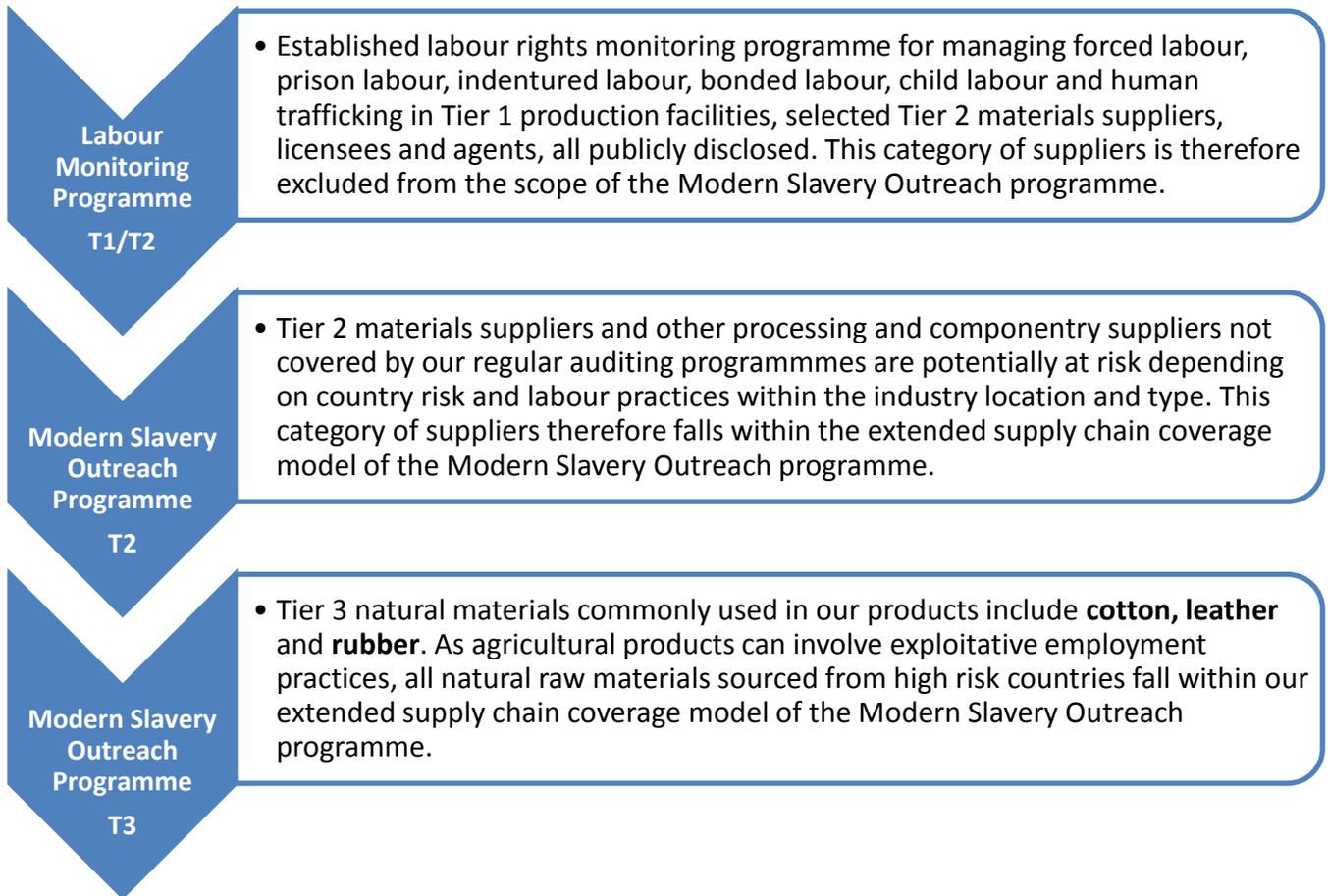
## Supply Chain

Through our many business relationships we transform natural and synthetic materials into end-user products. The diagram below depicts the three simplified tiers or stages of our supply chain. This is consistent with the *OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector*.



## Scope

For each stage of the supply chain we have attempted to identify the potential risks of modern slavery and categorized those areas that fall under the scope of our **Modern Slavery Outreach** programme, which complements and augments our existing Labour Monitoring programme. In particular, we have focused on Tier 2 Processing and Tier 3 Natural Materials.



## Context and Leverage

Given the extensive use of synthetic materials in our products, our sourcing footprint for natural raw materials which require an agricultural labour force is very small. In global terms our use of natural cotton in 2015 was only 0.16% of worldwide production volumes, the leather consumed was less than 0.6% of global production volumes and natural rubber sourced was a mere 0.016 % of global production volumes

## Other (Lower Priority) Materials

The manufacture of chemicals and other synthetic materials are highly capitalized industries employing qualified technicians where the likelihood of modern slavery practices is relatively low and is therefore not our first priority. A very small amount of rare metals are used in our products and we are investigating any potential links or use of conflict minerals. Aluminium, titanium and steel are also sourced for the production of our hard goods and accessories products. No child labour or forced labour concerns associated with the production of these materials have been identified by the US Department of Labor and thus are not an immediate priority as a risk area for our Modern Slavery Outreach.

## Priorities for Engagement until 2018

Based on our review of the extended supply chain, we have identified the following focus areas for tailored initiatives and strategies to prevent and mitigate Modern Slavery:



For each of the above categories, we have mapped our extended supply chain at a high level and arrived at the below mentioned high and medium risk countries as potential hot spots for Modern Slavery practices. The US Department of Labor's *List of Goods Produced by Child Labour or Forced Labour* and the international non-profit Walk Free's *2016 Global Slavery Index* are the primary sources of information for the country risk analyses, together with adidas Group's own extensive experience of working conditions in production locations around the world.

Our three pronged approach to preventing and mitigation modern slavery risks is summarised below.

## Hotspots in our extended supply chain:



## Approach to preventing and mitigating risks:



**STRATEGY 1.** Tailored training including the development of a **Modern Slavery Training & Awareness Module** for Tier 2 supply chain (especially in locations of migrant labour concern) to drive awareness and provide practical guidance on good work practices



**STRATEGY 2.** Forging **multi-stakeholder partnerships and collaborations** with Fair Labor Association, International Labour Organisation, civil society groups and other brands to jointly address risks associated with leather and rubber sourcing from hot spot countries



**STRATEGY 3.** By 2018 all cotton will be sourced through the **Better Cotton Initiative** which includes monitoring for child labour and forced labour. For conventional cotton sources until 2018, **Turkey has the highest risk profile** and will be our primary focus for engagement through the development of collaborative models