



Modern Slavery Act Transparency Statement

The following statement has been prepared in accordance with Australia's *Modern Slavery Act 2018*.

1. Reporting entity

The reporting entity covered by this Modern Slavery Act Transparency Statement is adidas Australia Pty. Limited (ABN 80 058 390 659), having its registered office at Level 1, 37 Dunlop Road, Mulgrave VIC 3170 Australia ("**adidas Australia**") and this statement constitutes our slavery and human trafficking statement for the financial year ending 31 December 2020.

adidas has been supportive of the enactment of the UK and Australia modern slavery legislations, specifically its provisions for driving greater transparency and disclosure of the actions taken by companies to identify and address forced labour and human trafficking in global supply chains.

adidas is proud of the steps we have taken to combat modern slavery and human trafficking described in this statement and supporting documents. We are committed to improving our practices to ensure that our preventative and remedial efforts continue to be relevant, timely and effective.

2. Structure, Operations and Supply Chain

adidas Australia is an Australian proprietary company which is a wholly owned subsidiary of adidas International BV, a Dutch company, and its ultimate holding company is adidas AG ("**adidas**"), which is a publicly listed company on the German stock exchange. adidas Australia employs ca. 480 employees and does not control or own any other entities. adidas Australia has an exclusive licence to promote, distribute, market and sell products bearing the Reebok brand in Australia from Reebok International Limited, which is also part of adidas.

adidas Australia is engaged in the retail and wholesale of sporting, fitness, clothing and lifestyle products under the brands of adidas and Reebok within Australia, either directly through our own 27 retail stores and ecommerce channels or through third party distributors and retailers and/or third party ecommerce platforms, and all activities related thereto.

adidas' products, which are distributed and sold to consumers in Australia, are manufactured in a variety of countries around the world but not in Australia.

The company's global supply chain extends through various tiers from strategic manufacturing partners, to componentry and materials suppliers, to raw material sources, such as cotton, leather and natural rubber. Working closely with key strategic partners, the vast majority of our products are produced in 132 manufacturing partners worldwide. We value long-term relationships. By the end of 2020, 61% of our strategic suppliers have worked with adidas for more than ten years and 30% have a tenure of more than 20 years. The length of our supplier relationship is determined by specific performance criteria which is regularly measured and reviewed. adidas has outsourced most of its production. Overall, we work with around 500 independent factories from around the world that manufacture our products in more than 49 countries (Status: 2020). Our supply chain is global and multi-layered, with many different types of business partners, some of whom are directly contracted factories, while others are not. In 2020, the top four countries by sourcing volumes were: Vietnam, Indonesia, China and Cambodia.



For more information on our supply chain structure and to view our global supplier lists, see: <https://www.adidas-group.com/en/sustainability/managing-sustainability/human-rights/supply-chain-approach/>

3. Risks of Modern Slavery Practices

Since the founding of our social compliance and labour rights program at the end of 1990s, we have been systematically addressing the risks associated with forced labour, child labour and migrant labour.

In 2016, we launched a *modern slavery outreach program* to increase the depth and breadth of our work on potential modern slavery risks in our upstream supply chain, i.e., those tiers that fall outside the existing mainstream social compliance and labour rights program, including our Tier 2 processing facilities and Tier 3 raw material sources

In conducting our risk assessment, we followed the methodology as outlined in the United Nations Guiding Principles on Business and Human Rights (UNGPs) to identify salient risks and priorities and identified three priority areas that required tailored initiatives and strategies to prevent and mitigate potential Modern Slavery practices. These complement our ongoing social compliance and labour monitoring programme.

1. Development of a Modern Slavery Training Module for Tier 2 supply chain from high-risk countries such as Taiwan, China, Vietnam and Indonesia to drive awareness and provide practical guidance on good work practices.
2. Gaining insight into raw material sourcing for leather and natural rubber from high-risk countries to inform our approach at the Tier 3 level.
3. For cotton sourcing, making Turkey our primary focus for engagement given its high-risk profile due to the Syrian refugee crisis.

A summary of the risk assessment process is available here: https://media.business-humanrights.org/media/documents/files/documents/adidasGroup_Summary_Modern_Slavery_Risk_Assessment_Aug2016rev_002.pdf

Having identified the issues most salient to us and setting clear priority areas for engagement as outlined above, we completed the first phase of our workplan by the end of 2017 and refined our priorities for the next phase of our work based on lessons learnt. See: https://media.business-humanrights.org/media/documents/files/documents/2018-02_Adidas_modern_slavery_outreach_program_2018-2020.pdf

In December 2019, we published a review of our Modern Slavery Risk Assessment and disclosed our approach to assessing and addressing identified risks across three priority topics:

1. Responsible Recruitment
2. Forced and Child Labour Risks in Raw Material Sourcing and
3. Regulatory Needs and Issues-Driven Risks.

For more information see: <https://www.business-humanrights.org/en/latest-news/adidas-modern-slavery-risk-assessment-review/>

4. Actions taken to assess and address the risks and to assess the effectiveness of our actions

Due-Diligence, Risk Assessment, Remediation and Training

Our approach to manage and eradicate forced labour from our operations include the implementation of our Modern Slavery policy (first published in 2010), a tailored risk based due-diligence process for our own business and our supply chain, risk assessment, regular monitoring activities and performance measurements by a dedicated monitoring team within the company's Global Legal Division as well as designing and delivering targeted training and capacity building.

For more information on our forced labour and human trafficking policy and approach, see: <http://www.adidas-group.com/s/factory-workers>

We measure our suppliers through an annual social compliance Key Performance Indicator. The indicator evaluates a supplier's compliance with our Workplace Standards, which include a prohibition against the use of any form of forced labour, child labour or human trafficking. Information on the social compliance performance rating of our key strategic suppliers in 2020 can be found in our [annual report \(https://report.adidas-group.com/2020/en/\)](https://report.adidas-group.com/2020/en/). Suppliers are also expected to apply appropriate due diligence measures to their subordinate subcontracting relationships to prevent and mitigate human and labour rights issues, including forced labour. Finally, to complement these processes, we have put in place dedicated third-party grievance channels to tackle complaints.

adidas' Human Rights Complaint Process is accessible to all external stakeholders who have a grievance to share. See here; https://www.adidas-group.com/media/filer_public/47/95/47956de4-7a3b-4559-a449-51ef963c7f9e/adidas_group_complaint_process_november_2016.pdf.

Supply chain workers also have access to dedicated operational grievance channel at a factory level: an application-based 'Workers Voice' platform. We have progressively improved and expanded the use of this operational grievance mechanism and in 2020 almost 450,000 workers employed in 111 factories across twelve countries had access to this system. 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, see major cases in real time and undertake timely interventions, where necessary. It also helps us understand the main challenges and labour rights issues in a factory and track how the factory management and their HR teams resolve cases and communicate their findings.

Workers can also access an independent third-party complaint mechanism operated by the Fair Labor Association. See here: <https://www.fairlabor.org/transparency/safeguards>

Forced Labour in High-Risk Locations

In recent years, increased attention has been given to potential forced labour risks in high-risk locations in Central Asia, including Uzbekistan, Turkmenistan, and China's Xinjiang region. With respect to Xinjiang, we have engaged extensively with our China suppliers and reiterated our strict prohibition on all forms of forced labour, including prison labour. We have issued advisories to those same suppliers, informing them of their obligations to meet relevant government sanctions and trade restrictions. And we have conducted



due diligence to ensure that supply chain partners are not linked to entities suspected of involvement in serious human rights harms or forced labour.

To view a summary of 2020 activities and the actions we have taken to assess and address modern slavery and human trafficking see our 2020 Modern Slavery Progress Report attached at **Appendix A** hereto.

Partnerships

Engaging openly with stakeholders and establishing leadership approaches for transparency and disclosure is a fundamental part of our approach to sustainability. We use an extensive and ongoing multistakeholder fora to elicit industry, government and civil society feedback on our work. See: https://www.adidas-group.com/media/filer_public/d3/07/d307bf6e-7175-4122-9411-60a5169da997/2017_2018_cross_section_of_stakeholder_feedback.pdf

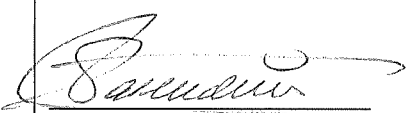
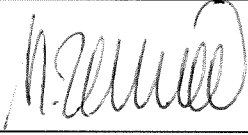
To learn more about our partnerships approach see: <https://www.adidas-group.com/en/sustainability/managing-sustainability/partnership-approach/>

Five years after the launch of the modern slavery outreach program (adidasGroup Summary Modern Slavery Risk Assessment Aug2016rev 002.pdf (business-humanrights.org)), we have reached an increased understanding of the potential risks associated with modern slavery in our upstream supply chain. In this time, we have engaged extensively on human rights and forced labour industry benchmarks and have identified and filled gaps in our policies and practices, which has led us to secure the highest ratings in those benchmarks.

In 2020 adidas ranked first in our sector and in the top 5 companies globally among 230 of the world's largest publicly traded companies in the Corporate Human Rights Benchmark (CHRB) that assesses companies on their human rights performance. We have benchmarked our policies and practices on human rights against publicly disclosed information and have made the annual CHRB disclosure platform as our primary vehicle for tracking and reporting on human rights risks.

If any consumer has a concern or question related to adidas' approach to tackling human trafficking and slavery, please write to us at: modernslavery@adidas.com

This statement is approved and signed by all of the directors of adidas Australia Pty. Limited.

 Steve Castledine Director and General Manager adidas Australia Pty. Limited Date: June 2021	 Uwe Reiner Director adidas Australia Pty. Limited Date: June 2021
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APPENDIX A



MODERN SLAVERY PROGRESS REPORT LOOKING BACK AT 2020

I. Navigating through the coronavirus pandemic

2020 was an extraordinary year, marked by the worldwide Covid-19 pandemic. adidas acted early to protect workers lives, through the roll-out of guidance on safety and infection control, and cooperating with suppliers to form Emergency Response Teams, working together to share best practices and formulate approaches to safeguard against the spread of Covid-19 within the workplace and ensure compliance with the directives of the local health authorities.

Our work included benchmarking our guidance against International Labor Organization (ILO) and World Health Organization guidelines, as well as advisory information developed by the NGO community. See our public statement [here](#).

In order to support our supplier partners, we continued to honor and uphold our standard manufacturing terms, including worker rights protection, and assisted key strategic suppliers secure bank finance to help them weather the Covid-19 crisis. We continued to be committed to ensure legal compliance in terms of pay and benefits for all workers and tracked the working conditions in each, and every factory.

Our bespoke Covid-19 tracking system was updated on a daily and weekly basis and included an ongoing review of local legal requirements and guidance from government. The information was used to focus efforts and target interventions to high-risk countries, locations, or specific suppliers.

adidas' Covid-19 response has been 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 crisis in their supply chain.

Addressing foreign migrant worker risks

Special attention was given to Foreign Migrant Workers in our supply chain. We engaged and aligned with guidance developed by the United Nations' International Organization for Migration (IOM) to ensure the necessary protections were in place and monitoring was undertaken for these workers, who are often housed in large dormitories. To better map the concerns of this vulnerable group and support remedial efforts for any human rights breaches, in early 2020 we extended our outreach to governments, unions and UN agencies in specific countries. For example, in Jordan we utilized the results of worker surveys conducted by the ILO Better Work program to pinpoint specific issues over safety, pay, and security of contract, and supported industry-wide collaboration to ensure that the potential risks were understood, and rights were protected.

Effective grievance mechanisms

Covid-19 has strengthened the value and importance the suppliers place on the operational grievance mechanism that we deploy at all our strategic supplier sites reaching more than half a million workers. It has provided a readily available tool for them to broadcast and secure feedback from workers on their plans and response to the health emergency unfolding in each country. There was substantial improvement on how our supplier partners and workers utilized the grievance digital platform during the pandemic (Jan-May 2020) in comparison to the same period in 2019:

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- Total number of cases reported by workers increased by nearly 400% i.e., from less than 4000 to more than 17000 cases
- Total Timely Resolved Cases rate increased from 80% to 98%
- Total number of broadcasting messages sent by factory's management increased exponentially by nearly 1500%, from less than 200 to more than 3000 broadcasts.
- 85% of workers confirmed that they are satisfied with the managements' response to their messages, compared to 81% from last year.

We recognized that these actions alone would not be enough, and we endorsed the [International Labor Organization's ILO Call to Action](#) to address the impact of the Covid-19 pandemic on the garment industry. The ILO convened a global working group, charged with securing funding to ensure business continuity, payment of wages, income-support, and job retention initiatives sufficient to protect garment workers' income, health, and employment. The effort includes a commitment to support the development and expansion of social protection systems for workers and employers in the garment industry, consistent with ILO Recommendation 202.

II. Policies

We have clear and well-defined policies on human trafficking and slavery which include our **Policy on Modern Slavery**, **Responsible Recruitment Policy** and **Responsible Sourcing and Purchasing Policy**.

In 2020, we added a set of **10 Buyer Commitments** to guide our responsible purchasing and ensure that our sourcing and purchasing decisions do not impede or conflict with the fulfilment of the adidas [Workplace Standards](#), including wage payment to workers.

To explain how we expect our suppliers to live up to our Workplace Standards, we have produced a number of supporting guidelines that detail our expectations for fair, healthy, safe workplace conditions and environmentally sound factory operations. In 2020 we updated our [Guidelines on Employment Standards](#). The revised guidelines contain a chapter on Human Rights Due Diligence (HRDD), including a seven-step guide for our supplier partners to fulfill their responsibility to respect human rights. We have also taken steps to simplify the current guidelines and ensure they continue to offer a valuable resource for our supplier partners. Furthermore, we have added additional language pertaining to the important topics of Responsible Recruitment, Migrant Workers, and Forced Labour in those guidelines.

Finally, given that the majority of our supply chain's workers are women, it is important that our supplier partners are sensitive to, and consistently apply, a "gender lens" to their daily operations. Again this has been incorporated into our updated [Guidelines on Employment Standards](#). See: [Women's Rights in the Workplace](#).

All policies mentioned can be found [here](#).

III. Due Diligence Processes

Forced Labour in High-Risk Locations

In recent years, there has been increased attention given to potential forced labour risks, linked to high-risk locations, such as Uzbekistan, Turkmenistan, and China's Xinjiang region. adidas has never manufactured goods in Xinjiang and does not source yarn from this region. For the past decade adidas has upheld a pledge to not source cotton from Uzbekistan and since 2016 we have also undertaken to not source cotton from Turkmenistan in Central Asia.

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Irrespective of country, or location, we expect our supplier partners to uphold our Workplace Standards, with its strict prohibition on all forms of forced labour, including prison labour. In accordance with the UN Guiding Principles, we use due diligence to seek to prevent and mitigate against potential severe human rights risks. Our primary aim is to ensure that suppliers are not linked to entities suspected of involvement in serious human rights harms or forced labour and that our manufactured goods are compliant with all applicable government sanctions, regulations, and trade restrictions.

In March 2020 we publicly shared our response to research findings published by the Australian Strategic Policy Institution (ASPI), which alleged that Uyghur workers were being exploited by manufacturers in China. We investigated and confirmed that we had no active or ongoing relationship with any of the suppliers named in that report.

To support sustainable cotton sourcing activities, in 2020 adidas joined an [Expert Task Force on Forced Labour and Decent Work](#) to examine and improve assurance methods at a farm level. This engagement resulted in a [public report](#) with guidelines on how to tackle decent work and forced labour risks in the cotton supply chain, globally.

The above actions form part of our ongoing efforts to ensure that there are no linkages to forced labour anywhere in our supply chain.

IV. Risk Assessment

Responsible Recruitment for Tier 2 suppliers

We were early signatories to the American Apparel Footwear Association - Fair Labor Association (AAFA-FLA) [pledge on responsible recruitment](#) and are working closely with the IOM on a [partnership](#) that comprise specialized trainings and due diligence measures for our business partners in receiving countries and for recruitment agencies in sending countries, especially in high-risk migrant corridors previously identified as part of our foreign labour risk mapping efforts.

In 2020, we strengthened engagement with our Tier 2 suppliers employing foreign migrant workers. Due to travel restrictions owing to the Covid-19 pandemic, we engaged remotely with the suppliers covered under the umbrella of this partnership. These engagements and trainings ranged from desktop reviews to online supplier trainings on labor recruiter due-diligence via the IOM's e-campus foundation course on ethical recruitment.

IV. Measurement and Performance Standards

We diligently track our work in this area and provide frequent updates to the stakeholder community to increase transparency and disclosure. We have benchmarked our policies and practices on human rights against publicly disclosed information and have made the annual Corporate Human Rights Benchmark (CHRB) disclosure platform as our primary vehicle for tracking and reporting on human rights risks.

In 2020's CHRB's assessment, **adidas ranked first in our sector** and in the top 5 companies globally of the 230 largest publicly traded companies that were assessed on their human rights performance. CHRB provides a comparative analysis of companies' human rights policies, processes and practices in alignment with the UN Guiding Principles for Business and Human Rights.

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The 2020 CHRB assessment was also supplemented by a separate study that explored the response of the private sector to Covid-19. We provided a comprehensive response to the study highlighting how adidas has responded to the increased human rights risks and impacts associated with the Covid-19 crisis.

VI. Training and Capacity Building

Building on our previous internal online training on preventing modern slavery in our supply chain for close to 2,000 Sourcing and Procurement staff, we designed a company-wide training module on human rights to raise awareness and build staff capacity among all employees, worldwide. Due to the Covid-19 crisis, the training was temporarily put on hold and will be re-launched in the coming year.
