



MODERN SLAVERY ACT TRANSPARENCY STATEMENT 2022

The following statement has been prepared in accordance with the Australian Modern Slavery Act 2018 (Cth).

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 2021**.

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 approximately 450 employees and does not control or own any other entities. Up to and including in 2021, adidas Australia had an exclusive licence to promote, distribute, market and sell products bearing the Reebok brand in Australia from Reebok International Limited. This ended in early 2022 when Reebok International Limited was sold by 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 26 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.

adidas has outsourced most of its production. Overall, we work with more than 500 independent factories from around the world that manufacture our products in more than 46 countries (Status: 2021). Working closely with key strategic partners, the vast majority of our products are produced by 132 manufacturing partners worldwide. We value long-term relationships. As of the end of 2021, 65% of our strategic suppliers have worked with adidas for more than ten years and 35% 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.



For more information on our supply chain structure and to view our global supplier lists, see:

<https://www.adidas-group.com/en/sustainability/transparency/supplier-lists/>

3. Risks of Modern Slavery Practices

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

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

In launching the programme in 2016, we conducted an initial risk assessment, following the methodology as outlined in the United Nations Guiding Principles on Business and Human Rights (UNGPs) to identify salient risks and priorities. 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

The 2016 risk assessment identified three priority areas that required tailored initiatives and strategies to prevent and mitigate potential Modern Slavery practices:

1. **Modern Slavery Training:** Development of a targeted training module for Tier 2 suppliers located in high-risk countries such as Taiwan, China, Vietnam and Indonesia to increase awareness and provide practical guidance on responsible and ethical recruitment and employment practices.
2. **Raw Material Sourcing:** Identifying and mitigating risks associated with raw material sourcing for leather and natural rubber from high-risk countries to inform our approach at the Tier 3 level.
3. **Cotton Sourcing:** Prioritizing Turkey as our primary focus for engagement given its high-risk profile due to the Syrian refugee crisis.

We completed the activities in the first phase of our workplan at the end of 2017 and refined our priorities for the next phase of our work (2018-2020) 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 conducted a review of our Modern Slavery Risk Assessment and updated the findings from 2016, which identified risks across three priority topics:

1. **Responsible Recruitment:** Promoting responsible recruitment and employment practices in sourcing countries that employ foreign migrant workers
2. **Forced and Child Labour Risks in Raw Material Sourcing:** Applying due diligence efforts through collaborative change models for this tier of the supply chain, with a focus on the efficacy of existing assurance models for forced labour and child labour.
3. **Regulatory Needs and Issues-Driven Risks:** Fulfilling stakeholder expectations with regard to new regulations and laws, more impactful human rights due diligence and disclosure practices, and emerging issues and situational risks.



For more information see: https://media.business-humanrights.org/media/documents/files/documents/Modern_Slavery_Outreach_Program_Risk_Assessment_Review_Dec2019.pdf

We continue to review and update the risk assessment process and findings on a regular basis, based on findings from third-party assessments, regular engagement with suppliers, internal and external stakeholders. We will review and update our Modern Slavery Risk Assessment in 2022 to ensure we accurately assess the potential risks of modern slavery in our operations and extended supply chain to set priorities for further action and engagement.

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

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, regular 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: <https://www.adidas-group.com/en/sustainability/social-impacts/human-rights/#/modern-slavery/>

Our commitment to ensuring fair labour practices and safe working conditions in our manufacturing facilities throughout our global supply chain is fundamental to our human rights approach. We regularly assess our manufacturing partners on their ability to provide fair, healthy, and environmentally sound workplace conditions by conducting announced and unannounced audits through our own team and accredited external auditors. Such audits evaluate 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 2021 can be found in our annual report here: <https://report.adidas-group.com/2021/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.

In alignment with the UN Guiding Principles on Business and Human Rights, we continue to ensure access to effective grievance mechanisms within our business and supply chain. We have implemented dedicated third-party grievance channels to address 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/dd/67/dd6737b9-cbfd-4859-9735-74500d3a24d9/third_party_complaint_process_adidas_august_2021.pdf

Supply chain workers also have access to an operational grievance channel at a factory level, a mobile application-based 'Workers Voice' platform. We have progressively improved and expanded the use of this grievance platform and in 2021 more than 600,000 workers employed in 123 manufacturing facilities across 18 countries had access to this system, reflecting a 99% coverage of strategic manufacturing partners.



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, there has been increased attention given to potential forced labour risks linked to high-risk locations and materials or goods, such as cotton from Uzbekistan and Turkmenistan and goods from China's Xinjiang region. adidas has never manufactured goods in Xinjiang and does not source yarn from this region. adidas has upheld a pledge to not source cotton from Uzbekistan or Turkmenistan. We continue to monitor developments in high-risk locations and adjust our due diligence approach accordingly to manage and mitigate evolving risks.

To view a summary of 2021 activities and the actions we have taken to assess and address modern slavery and human trafficking see our 2021 Modern Slavery Progress Report attached as **Appendix A** hereto.

Partnerships and Stakeholder Engagement

Engaging openly with stakeholders and establishing leadership approaches for transparency and disclosure is a fundamental part of our approach to sustainability. Engaging openly with stakeholders and establishing leadership approaches for transparency and disclosure is a fundamental part of our approach to sustainability. Throughout 2021, we continued to engage with external stakeholders from the investor community, international organisations and civil society, including by:

- Providing regular briefings for the ESG and investor community given the high level of interest in due diligence efforts to satisfy forced labour provisions within current and emerging regulations in North America and Europe.
- Engaging with UNICEF and providing case study materials outlining how we have worked with upstream suppliers to combat modern slavery and the worst forms of child labour, which was included in [A Compendium of Company and Industry Examples](#) from the garment sector.
- Continuing our engagement with Anti-Slavery International, ASOS, IndustriALL, and the UK Home Office in relation to the development of an independent grievance mechanism and training centre for garment manufacturers in Mauritius. See <https://www.antislavery.org/migrant-worker-rights-providing-meaningful-access-to-remedy-is-paramount/>
- Renewing our sponsorship of the [Yarn Ethically and Sustainably Sourced](#) (YESS) initiative, a due diligence approach in the cotton textile industry to address forced labour

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

Over five years after the launch of our modern slavery outreach programme, 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.

We maintained our leadership position in the 2021 KnowTheChain forced labour benchmark as the highest-scoring European company in the benchmark and second highest-scoring company overall among 37 companies benchmarked in the apparel and footwear sector.

If any consumer, stakeholder or affected party 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 the directors of adidas Australia Pty. Limited.

<p>DocuSigned by: <i>Steve Castledine</i> 7CC02AF8E6C04D8...</p> <p>Steve Castledine Director and General Manager</p> <p>adidas Australia Pty. Limited</p> <p>Date: June 2022 29.06.2022</p>	<p>DocuSigned by: <i>Uwe Reiner</i> DD64E9D67C9E48F...</p> <p>Uwe Reiner Director</p> <p>adidas Australia Pty. Limited</p> <p>Date: June 2022 28.06.2022</p>
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APPENDIX A

MODERN SLAVERY PROGRESS REPORT LOOKING BACK AT 2021

2021 marks the sixth year of the modern slavery outreach program at adidas. To complement our 20-year-old labour and human rights monitoring program, we launched the modern slavery outreach program in 2016 to intensify our efforts on potential risks in the upstream supply chain, looking beyond our Tier 1 suppliers, to drive greater transparency in the extended supply chain.

This report outlines the actions we have taken in 2021 to assess and address potential risks associated with modern slavery and forced labour in our supply chain.

I. Policies

Our approach to managing and eradicating forced or compulsory labour from our operations include the implementation of our [Policy on Modern Slavery](#) (first published in 2010), which ensures a tailored, risk based due-diligence process, risk assessment, regular monitoring activities and performance measurements as well as designing and delivering targeted training and capacity building.

We have also included clear and well-defined policies on human trafficking and slavery in our [Policy on Responsible Recruitment](#) and [Responsible Sourcing and Purchasing Policy](#).

Our commitment to ensuring fair labour practices and safe working conditions in our manufacturing facilities throughout our global supply chain is fundamental to our human rights approach. Our active efforts are guided by the adidas [Workplace Standards](#), which is our supply chain code of conduct. To explain how we expect our suppliers to live up to our Workplace Standards – including our expectations on forced labour and child labour – we have produced a number of [supporting guidelines](#) that detail our expectations for fair, healthy, safe workplace conditions and environmentally sound factory operations.

All policies mentioned are available on our corporate website [here](#).

II. Due Diligence Processes

Irrespective of country, or location, we expect our supplier partners to uphold our Workplace Standards, which explicitly prohibit all forms of forced labour, including prison labour. In accordance with the UN Guiding Principles on Business and Human Rights, we conduct due diligence to seek to prevent and mitigate 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 and trade restrictions.

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 and materials or goods, such as cotton from Uzbekistan and Turkmenistan and goods from China's Xinjiang region. adidas has never manufactured goods in Xinjiang and does not source yarn from this region. adidas has upheld a pledge to not source cotton from Uzbekistan or Turkmenistan. We continue to monitor developments in high-risk locations and adjust our due diligence response accordingly.



In 2011, adidas, together with other international brands and retailers, signed a civil society and investor-led Cotton Campaign pledge, calling for the Uzbek government to end forced child labour in the cotton sector of Uzbekistan. In 2018 adidas had signed a similar pledge with the Cotton Campaign to address forced labour in Turkmen-sourced cotton. While improving the traceability of our material, we have reminded our suppliers that we expect them to ensure, to the best of their knowledge, that none of the cotton or cotton materials used in our products originate from Turkmenistan.

In 2021, we renewed our support of the Yarn Ethically and Sustainably Sourced (YESS) initiative, which utilizes a risk-based due diligence approach to identify and eliminate modern slavery from cotton supply chains. YESS has been designed and championed by the Responsible Sourcing Network (RSN), a US non-profit. We have continued to engage with RSN on the application of YESS in cotton supply countries, such as Pakistan and India, and its potential future application in Uzbekistan.

We also developed a standardized template aligned with the International Labour Organization (ILO) indicators of forced labour to map and track the risk of forced labour in our supplier facilities. This template has been integrated into the Fair Factories Clearinghouse (FFC), a shared industry audit data platform, to support ongoing monitoring of forced labour risks in our supply chain.

In March 2021 we issued a memorandum to all our manufacturer business partners, licensees, agents and materials suppliers as a reminder - through the sourcing of raw materials, parts, components, or finished goods - of the importance of conducting due diligence to ensure our supply chain is free from all forms of forced labour, including prison labour, and that the rights of the child are upheld and protected.

Through the above measures, adidas endeavours to ensure that potential adverse human rights impacts are identified, and measures are taken to prevent or mitigate such risks, including full compliance with any national or international legal obligations, trade restrictions or sanctions.

Effective grievance mechanisms

We deploy an operational grievance mechanism at our strategic supplier sites. In 2021, more than 600,000 workers employed in 123 manufacturing facilities across 18 countries had access to this digital system, reflecting a 99% coverage of strategic manufacturing partners.

There continued to be a positive trend in improvement with regard to how our supplier partners and workers utilized the operational grievance mechanism in 2021 as compared to the same period in 2020:

- In 2021, the grievance mechanism received nearly 52,000 worker complaints (2020: around 46,000). In terms of volume, the top complaints were related to concerns over topics such as: general facilities, benefits, health and safety issues associated with COVID-19, and communication.
- The total rate of timely resolved cases increased from 98% to 99%, reflecting greater confidence in our suppliers' ability to address and resolve issues raised by workers. Workers expressed a 71% satisfaction rate with regards to how their cases were resolved by management. Suppliers continue to utilize the digital platform to better communicate with workers and inform them of their rights, as well as key operational updates. In 2020, there were 7,714 broadcast messages sent by factory management to workers; in 2021, this increased to 8,567.

In addition to our digital grievance system, we also run worker hotlines and an overarching [human rights third party complaint mechanism](#), which is accessible to anyone, anywhere.



III. Addressing Identified Risks

Responsible recruitment for Tier 2 suppliers

Modern slavery and forced labour risks are often highest in manufacturing settings where there are significant populations of foreign migrant workers. Since 2018, we have focused our efforts on addressing such modern slavery risks in our supply chain among Tier 2 suppliers through a partnership with the International Organization for Migration (IOM) and its Corporate Responsibility in Eliminating Slavery and Trafficking (CREST) initiative to promote fair recruitment practices.

Together, adidas and IOM CREST conducted a foreign migrant worker risk assessment, which identified Indonesia, the Philippines, Thailand, and Vietnam as the key sending countries for foreign migrant workers employed among our Tier 2 suppliers in Taiwan. A key focus of the programme has been to strengthen our engagement with our Tier 2 suppliers employing foreign migrant workers and build capacity among the recruitment agencies working with these suppliers.

In 2021, we provided targeted trainings for private recruitment agencies from the four identified key sending countries to raise their awareness on international standards on responsible recruitment and available certifications. The training was conducted in partnership with IOM, as part of our drive to increase overall awareness of ethical recruitment, improve recruitment fee transparency, and build capability and understanding of the 'International Recruitment Integrity System' ('IRIS'), the global standard for ethical recruitment.

IV. Measurement and Performance Standards

We diligently track our work to address modern slavery risks and provide frequent updates to both internal and external stakeholders to increase transparency and disclosure. Through our annual UK and Australia Modern Slavery Statements, annual modern slavery progress reports, and other public disclosures, we regularly share and communicate the actions we have taken to address forced labour and modern slavery in our supply chain.

We continue to receive external recognition for our approach to managing human rights and modern slavery risks. We maintained our leadership position in the 2021 KnowTheChain forced labour benchmark as the highest-scoring European company in the benchmark and second highest-scoring company overall among 37 companies benchmarked in the apparel and footwear sector.

Stakeholder engagement

Engaging openly with stakeholders and establishing leadership approaches for transparency and disclosure is a fundamental part of our approach to sustainability. Throughout the year, we continued to engage with external stakeholders from the investor community, international organisations and civil society. Examples of stakeholder engagement conducted in 2021 include:

- Providing regular briefings for the ESG and investor community who have shown a strong interest in due diligence processes and transparency efforts, to satisfy forced labour provisions within current and emerging regulations in North America and Europe.



- Engaging with UNICEF and providing case study materials outlining how we have worked with upstream suppliers to combat modern slavery and the worst forms of child labour, which was included in [A Compendium of Company and Industry Examples](#) for the garment and footwear sector.
- Continuing our engagement with Anti-Slavery International, ASOS, IndustriALL, and the UK Home Office in relation to the development of an independent grievance mechanism and training centre for garment manufacturers in Mauritius. For more information on this initiative, see: <https://www.antislavery.org/migrant-worker-rights-providing-meaningful-access-to-remedy-is-paramount/>
- Renewing our sponsorship of the [Yarn Ethically and Sustainably Sourced](#) (YESS) initiative, a due diligence approach in the cotton textile industry to address forced labour

VI. Training and Capacity Building

We continue to raise awareness of modern slavery, both within our own operations and our supply chain. Building on the 2018 targeted online training on preventing modern slavery in our supply chain for close to 2,000 Sourcing and Procurement staff in our own operations, in 2021 we focused our efforts on our supply chain.

2021 saw an expansion of our mobile-phone-based 'Digital Training' project, which was successfully rolled out in 43 manufacturing facilities across Cambodia, China, Indonesia, and Vietnam. The digital tool assesses workers' awareness of their labour rights and options for access to remedies, with training topics including harassment and abuse, fire safety and use of grievance channels. Of the more than 62,000 workers who took part in 2021, workers averaged a score of 92 out of 100 in the post-test questions, demonstrating robust understanding and awareness.

VII. Looking Forward

We plan to continue to embed modern slavery awareness within our business and among our suppliers to ensure effective remediation and sustainable capacity building. In 2022, we will refresh the modern slavery online training for our Sourcing and Procurement staff to ensure internal knowledge and capacity remains updated and aligned with evolving risks and issues related to modern slavery.

We will also review and update our Modern Slavery Risk Assessment in 2022 to ensure we accurately assess the potential risks of modern slavery in our operations and extended supply chain to set priorities for further action and engagement.

We will also continue to closely monitor regulatory developments and emerging legislation related to modern slavery, forced labour and human rights due diligence to our ongoing efforts to manage modern slavery and forced labour risks comply with the law.
