

MODERN SLAVERY OUTREACH PROGRAMME

STRATEGY 2018- 2020

In mid-October 2015, we appointed a full-time resource within the Social & Environmental Affairs department to lead our modern slavery outreach programme. This was part of a 5-year plan to broaden our efforts to address potential risks of Modern Slavery along our extended supply chain, i.e. the upstream supply chain including our Tier 2 processing facilities and Tier 3 raw material sources, which are not covered by our mainstream social compliance and labour rights programme.

Our robust twenty-year old social compliance programme remains an important risk assessment tool, upholding international labour rights standards and checking for forced labour, child labour and risks associated with migrant labour in our Tier 1 supply chain and selected Tier 2 embellishers and key materials suppliers.

RISK ASSESSMENT

In 2016 we completed a [risk based assessment](#) of the extended supply chain and identified the following focus areas for tailored initiatives and strategies to prevent and mitigate Modern Slavery. These complement our ongoing social compliance and labour monitoring programme.

- **STRATEGY 1:** Development of a Modern Slavery Training Module for Tier 2 supply chain to drive awareness and provide practical guidance on good work practices
- **STRATEGY 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
- **STRATEGY 3:** For cotton sourcing, making Turkey our primary focus for engagement given its high-risk profile due to the Syrian refugee crisis

PROGRESS AGAINST GOALS & WAY FORWARD (2018-2020)

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. As we enter 2018 we have drawn lessons from the earlier work to refine our priorities for the coming 2 years, as described below.

- **STRATEGY 1 - MODERN SLAVERY TRAINING:** Our Tier 2 suppliers are a focal point in the supply chain. In our efforts to ensure decent employment practices, all key Tier 2 suppliers (covering components and processing units including dyers, finishers, tanneries, weaving, knitting, packaging, etc.) from high risk countries such as Taiwan, China, Vietnam and Indonesia participated in targeted modern slavery capacity building workshops. Practices that would typically constitute a risk of forced labour, such as the retention of identity documents or the partial withholding of worker salaries, as a forced measure of saving, were identified at some of these trainings.
- **NEXT STEPS:** The next cycle of our work will focus on follow-up engagements with trained suppliers on clear and actionable plans to address the specific noncompliance issues identified at the trainings. Remedial action is based on a 'continuous improvement' model, which aims to mitigate future risks by improving overall systems and practices. We will continue to roll out refresher trainings where necessary and expand the training coverage to other high risk countries in our Tier 2 supply chain network. We are aware that unregulated recruitment agencies increase the risk of forced labour. Whilst our targeted trainings and policies detail for suppliers our requirements for ethical recruitment, we recognize that we will need to do more to promote and enforce our Zero Recruitment Fees policy. We will therefore launch a due-diligence programme focusing on labour brokers and recruitment agencies in relevant high risk countries.



- **STRATEGY 2 - RAW MATERIAL SOURCING:** As in the past years, our raw material sourcing for leather continues to be a tiny fraction (less than 0.6%) of global production volumes. Despite our limited leverage, through 2017 we engaged closely with a range of stakeholders to understand prevailing social and labour conditions in cattle ranches, slaughterhouses and tanneries in what we deemed to be potentially high risk countries, such as Brazil and Paraguay. However, further investigation has shown that there is strict regulatory enforcement, including social assessments at large slaughterhouses, and together with our own in-depth assessments of Tier 2 supplier relationships we have revisited and lowered our risk rating for Brazil.
- **NEXT STEPS:** Whilst we will continue to seek partnership opportunities in South America, our focus in the next phase of our modern slavery outreach programme will be on the natural rubber supply chain in Vietnam, which is the source of all our natural rubber. Like leather, our natural rubber footprint is a tiny fraction of global production volumes (approximately 0.016%). Given our limited influence we are seeking to partner with NGOs active in the agricultural sector, as well as other industries sourcing from Vietnam, such as tire manufacturers, whose large-scale procurement of natural rubber demands that they address modern slavery risks, including forced labour and child labour, at the rubber plantations.
- **STRATEGY 3 - COTTON SOURCING:** We are founding members of the Better Cotton Initiative (BCI) and for the past few years have been progressively sourcing increasing volumes of BCI certified cotton such that by the end of 2018 majority of the cotton entering our supply chain will be BCI certified with a minority being organic/recycled. BCI has an assurance model that checks for forced labour and child labour as part of their decent work production principle. However, given the high-risk profile for Turkey due to the Syrian refugee crisis we focused our efforts on developing collaborative models to address risks associated with cotton production including forging a partnership with BCI's local implementing partner and the Fair Labour Association (FLA). Please see our 2017 progress report [here](#) for a full list of activities.
- **NEXT STEPS:** In the next phase of our programmatic work, we will review the social and labour conditions in high volume cotton production countries such as India, China and Pakistan. Together with BCI, and other brands with similar agricultural supply chains, we will examine opportunities to engage and test collaborative models at the field level. As a signatory to the Responsible Sourcing Network's (RSN's) Yarn Ethically and Sustainably Sourced (YESS) initiative, we will engage with RSN and their other partner brands in a drive to eliminate forced labour at spinning facilities.

LEADERSHIP

In November 2017, the Thomson Reuters Foundation awarded adidas with the Stop Slavery Award in the outstanding achiever category. The Stop Slavery Award gives public recognition to corporations that are "best in class" at demonstrating integrity, courage, and innovation in cleaning their supply chains of modern slavery and human trafficking.

As we move forward with our programme goals and delivery, we are committed to improving and refining our approach working in close collaboration with institutions seeking to end modern slavery, such as the Bali Process Government and Business Forum on Human Trafficking, The Mekong Club, International Organization for Migration, Fair Labour Association and others.