






adidas Group response to Play Fair Alliance Recommendations


1. Reporting measures




Recommendation	adidas Group response	
<p>Please indicate whether your company will be willing to report publicly (on your website, in annual reports, or through other publicly available means) on the following matters:</p>	<p>We have taken steps towards disclosure in the past, but the information released has been for academic or NGO research only. It has not been made publicly available.</p> <p>In support of the proposed NGO/brand dialogue on the promotion of FOA in Jakarta, we have recently released to Oxfam Australia a supplier list detailing the status of unionization and collective bargaining agreements in each of our directly sourced factories in Indonesia. We have written to our suppliers for permission to make this list publicly available.</p>	 
<p>A6. the presence of unions and collective bargaining agreements within your supply chain, including both the number of factories with unions and collective bargaining agreements and the percentage of total production in such factories.</p>	<p>In 2005, adidas Group provided Oxfam Australia with a detailed analysis of the extent to which trade union rights are respected in each of the 18 Asia Pacific countries where, at the time, our product was sourced. The coverage represented a large portion of our global supply chain.</p> <p>In 2005, we also provided Oxfam Australia with information on the number of suppliers in each country in the Asia Pacific region where we understood unions had negotiated collective bargaining agreements (CBAs). However, such disclosure was not a straightforward exercise. It required us to mobilize staff resources across the region and to engage with individual suppliers through a series of questionnaires.</p> <p>Note that since that time (i.e. following the Reebok acquisition in 2006) the structure of our supply chain has grown larger and more complex, with a greater number of indirect sourcing arrangements. Consequently, there has also been increased turnover in the suppliers producing for the adidas Group and an increase in the number of sourcing countries, globally.</p> <p>To manage the increased complexity, over the past two year we have progressively moved to a new NGO-managed database system (the Fair Factory Clearinghouse, or FFC) where we have sought to consolidate supply chain information from many disparate sources.</p> <p>As part of our data capture in the FFC we are requiring factories to disclose their trade union status. This being the case, it may be possible in the future to mine such information to generate basic data on the number of suppliers in any given country with declared union representation. At the present time, however, this is not possible.</p> <p>Also, as the FFC database is independent of other internal</p>	  

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	<p>tolerance issues under the Workplace Standards. This however is normally the last resort following extensive engagement and a 'three strikes' warning letter system, which calls for remedial action on the part of the supplier.</p> <p>Order Allocation and Management of Suppliers: Decisions taken on order placements – if we take, for example, our footwear sourcing division - are based on a range of factors, among them the overall market conditions and consumer demand, seasonal fluctuations, supplier performance, product/category mix and the balancing of orders between suppliers to maintain committed fill rates. In evaluating the ongoing performance of a supplier, our Sourcing colleagues refer to the factory Footwear KPI data.</p> <p>The Footwear KPI data measures a range of parameters including quality, on-time delivery, innovation (R&D) and management commitment. In addition to these factors, the Footwear KPIs contain labour and social compliance parameters, including worker turnover levels, average working hours (cf. targeted levels) and a composite SEA indicator.</p> <p>The SEA indicator considers six units of measure:</p> <ol style="list-style-type: none"> 1. <i>Measuring management commitment</i> to the effective delivery of the agreed strategic compliance plan; 2. <i>Measuring supplier management systems</i> for HR and HSE includes an evaluation of certifications for environment and health and safety, development of HR and HSE systems, retention of qualified professionals for those management systems, and internal audit assessments of labour and HSE; 3. <i>Measuring worker management communications and industrial relations</i> focuses on the factory's ability to resolve disputes, respect forms of worker representation, develop effective grievance procedures and promote sustainable worker-management communications; 4. <i>Measuring the delivery and effectiveness of internal training</i> for factory staff focuses on the process for training needs assessment, the scheduling and execution of training programmes, and the capital investment for training. Trainers are evaluated for skill, knowledge and experience and the factory training records are also reviewed; 5. <i>Measuring transparency in communication and reporting</i> focuses on proactive factory reporting of self-assessment audits and action plan progress. It also scores factories on whether workers are coached, verification of document authenticity, and communication of the Workplace Standards to the workforce and subcontractors; and 6. <i>Measurements for compliance auditing</i> focus on the factory management's responses to non-compliance. <p>Please note that the adidas Group has no plans to make public the full workings of our internal sourcing and order placement tools, our supplier rankings, or the individual scores or KPIs</p>	
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	contained therein.	
Please also indicate when and in what form this reporting will be made available.	It is our longstanding practice to post all public information on our corporate website, within the Sustainability section.	




Key					
We positively support		We support in part, but further engagement/discussion is required		We are unable to support	

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2. Policy development




Recommendation	adidas Group response	
<p>Please indicate whether your company will adopt new policies across your supply chain regarding the following matters, and where applicable, a time-frame for delivery.</p>		
<p>A1. In order to develop a positive climate of non-interference with freedom of association and collective bargaining within sportswear supply chains, require all suppliers to proactively adopt a "Freedom of Association Policy" and communicate this policy to workers in their own languages in the form of a 'Right to Organize Guarantee'. Audit to ensure the policy has been adopted and communicated to workers.</p>	<p>The adidas Group's Workplace Standards are derived from ILO conventions. As such, FOA and the right to form and join a trade union of a worker's own choosing is a right that we seek to promote and protect. It is also a key performance measure for our suppliers and is communicated to workers in open letters in their own language. Moreover, a positive climate of non-interference is encouraged through the encouragement and implementation of effective systems of worker-management communication.</p> <p>At the enterprise level FOA and other trade union rights are being closely monitored by our Social & Environmental Affairs (SEA) team. Where we see breaches of this right by our business partners, we do take direct action. However, before doing so, we first look to the relevant government authorities to take the necessary steps to enforce their own labour laws, and for workers and unions to find redress through mediation and labour arbitration processes.</p> <p>We would be interested to learn how the 'Right to Organise Guarantee', which was been referenced in the <i>Clearing the Hurdles</i> report, has been applied in practice by other brands. For example, has it been communicated to workers in the Peoples Republic of China and in Vietnam, where a single government-backed union is mandated by law? Some 45% of our suppliers are located in these two countries.</p>	●
<p>B4. Incorporate a clause in the Code of Conduct prohibiting labour-only contracting arrangements or false apprenticeship schemes intended to avoid fulfilling obligations to workers.</p>	<p>We do not see the need to revise the wording in our Workplace Standards to specifically highlight this issue. Our policy (as detailed in our Employment Guidelines), and our practice, is to oppose contracting arrangements or false apprenticeship schemes that seek to bypass or avoid the legitimate obligations of workers, and their proper pay and benefits.</p>	●

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<p>B5. Produce guidelines on precarious employment, and incorporate key requirements into Compliance Benchmarks.</p>	<p>As mentioned previously, we already have established guidance on the employment of casual or contract labour, which guides our field assessments of factory compliance. Our KPI which has been described above, in our response to item C.4 in Section 1, does not treat precarious employment as a standalone measurable. However the improper or unlawful use of contract labour would be deemed a serious non-compliance and would be reflected in reduced scores in the <i>Compliance Performance</i> measurable in the KPI.</p>	
<p>C1. Develop and adopt formal policies and procedures to give effect to the MFA Forum's Collaborative Framework, including all of the steps outlined in the MFA Forum's <i>Guidelines for Managing Responsible Transitions</i>, and communicate these policies publicly.</p>	<p>In 2006 SEA reviewed and updated our Workplace Standards and supporting policies, including our standard operating procedures for managing factory terminations. This procedure is posted on our Corporate website. We would be happy to review our termination procedures and benchmark these against the guidance offered in the MFA Forum's <i>Guidelines for Managing Responsible Transitions</i>. Any revisions or updates to our existing procedures following such a review would be re-posted, i.e. made public, on our website.</p>	
<p>D1. Incorporate a living wage standard in your Code of Conduct.</p>	<p>In 2001 the <i>Wages & Benefits</i> standard in our code was revised and updated, to read as follows:</p> <p>“Wages are essential for meeting the basic needs of employees and reasonable savings and expenditure. We seek business partners who progressively raise employee living standards through improved wage systems, benefits, welfare programmes and other services, which enhance quality of life.”</p> <p>The adidas Group has examined the question of fair wages in the past and has concluded that the best way to improve the general welfare of workers is to work with our business partners at the enterprise level, to promote wage-setting mechanisms which are transparent and have been developed with the direct input of workers. Ideally, this occurs through negotiation or collective bargaining, or through alternative legal means, such as a workers council or welfare committee. We believe basic pay should be benchmarked at a level higher than the local minimum wage or the industry wage, and should acknowledge and rewards workers for productivity gains. A suppliers' wage-setting should also take into account data the general cost of living and needs of their workforce. The wage setting mechanisms must also be supported by improvements in the factories human resources management system and they must meet, in full, all legally mandated benefits.</p> <p>However there remains a significant gap between broad objectives and ideals derived from our research on Fair Wages</p>	





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	<p>and the delivery of improved wage-setting mechanisms and increased pay and benefits at the factory level. Across the supply chain we find that:</p> <p>a) the majority of our suppliers pay minimum wage + OT + some allowances and bonuses based on seniority, special skills, hazardous work or night shift work, and productivity;</p> <p>b) some of our long-term, dedicated FW and apparel suppliers pay a basic wage <i>above</i> the local minimum to workers with experience and seniority OR in some countries suppliers and employer associations have been pressured (in the case of Vietnam, for example, by industrial action) to pay a basic salary above the minimum in recognition that the local minimum wage is simply too low compared to the workers cost of living;</p> <p>c) we fully support the establishment of wage setting mechanisms that are based on negotiation with the workforce, collective bargaining and other forms of direct worker input, as well as the provision of increased benefits to workers which improve worker welfare and living standards; and</p> <p>d) in order to realize c) above, in addition to our ongoing monitoring programme, we have engaged service providers and NGOs to project manage a number of initiatives in different countries, including a Human Resource Management Systems (HRMS) Training programme, establishment of Worker Cooperative Organizations, Industrial Relations & Negotiation Training for factory management, Election of Worker Committees, and FOA Awareness Raising.</p>	
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We positively support		We support in part, but further engagement/discussion is required		We are unable to support	




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3. Study/measurement

Recommendation	adidas Group response	
Please indicate whether your company will engage in research – either individually or in a multistakeholder environment – regarding the following matters, and where applicable, in what time frame:	In some areas we would support collaborative research. See responses below.	
A3. Develop means of measuring impacts of management and worker training programs, and develop quantitative and transparent reporting on those results.	<p>We have in place a KPI tool that we use to track the delivery and effectiveness of a suppliers compliance performance, across a range of parameters, including worker management communication and training.</p> <p>We would be happy to engage with the Play Fair Alliance on ways of measuring the effectiveness and delivery of management and worker training programmes.</p>	
D3. Undertake an independent review of prices paid to suppliers in supplier factories to determine whether prices paid to suppliers are sufficient to allow compliance with international labour standards and provide for an expected wage for workers that meets workers' basic needs.	adidas Group will not participate in research which requires the disclosure of confidential price data.	
D5. Work with trade unions, suppliers and NGOs to develop a wage ladder, including a living wage figure for workers in each country or region.	<p>We produce products in 68 countries globally and have more than a thousand suppliers, some through direct relationships and others through intermediaries, such as licensees and agents. In some countries we have multiple factory locations, with varying minimum wage levels and living costs. In some cases workers are housed in dormitories and in others they are resident in villages, towns or cities. Our earlier work on Fair Wages conducted in Indonesia in 2003-4 showed us that there were significant variations in what could be termed a living wage, based on the methodology adopted and the number of dependents considered applicable (the single family unit, or the extended family of dependents). There was also wide variation between industry type (small domestic market producer versus large-scale footwear exporter) and locations.</p> <p>We do not view it as practical to develop wage ladders for each</p>	



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	<p>country where we source product. We previously participated in the Jo-In project in Turkey which looked at an experimental wage ladder and saw no tangible benefits for the workers.</p> <p>See also our response to D1 above.</p>	
<p>D8. Commission one or more independent studies of lean production methods and whether they reliably deliver increases in wages to workers by increasing the efficiency of production lines without increasing the pace, hours or physical exertion expected of workers.</p>	<p>We would support commissioning one or more independent studies on lean production methods and the impact on working conditions and wages, through the adoption of bonus and incentive or productivity-driven payment schemes.</p>	





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4. Factory Monitoring

Recommendation	adidas Group response	
Please indicate whether your company will monitor supply factories and/or establish its own procedures to ensure that:	Please see responses below.	
A4. Workers have accessible and safe means by which they can file complaints about violations of freedom of association and collective bargaining rights to buyers, with a transparent process for resolving credible complaints.	<p>Since the establishment of our programme a decade ago we have provided workers with the contact numbers of our field monitors and a confidential channel to lodge complaints about factory non-compliances, including infringement of FOA rights.</p> <p>All approved suppliers are required to post open letters from the adidas Group to workers providing a hotline number to the Social & Environmental team. In some cases these hotlines are manned by independent NGOs, as is the case in China. In other countries, such as Bangladesh we are partnered with local NGOs to independently report on worker concerns.</p> <p>Following the receipt of a worker complaint, SEA investigates the issues reported by interviewing workers and management, and by reviewing pertinent documents. The SEA team then identifies the subsequent training, consultation and monitoring required. Depending on the findings, we involve liaison office staff, quality staff, other brands, NGOs, and local Government in the resolution of problems within the work place.</p>	
A11. Where trade unions are not restricted by law but non-union forms of worker representation are permissible, such forms of workplace representation conform with the principles of worker representation as laid down in ILO Convention 135.	<p>We would be willing to examine existing forms of worker representation and determine their conformance with ILO Convention 135. Based on such a review we would consider changes to our internal monitoring procedures to reflect adherence to the principles set out in this Convention, namely the protection of worker representatives against prejudicial acts by factory management, including dismissal.</p> <p>However in terms of the corresponding enforcement by government agencies, it is important to recognize that only 85 of the ILO's 182 member governments have ratified Convention 135, with the majority being countries in Europe. This leaves a considerable gap between attempts to advance code provisions when they may not be matching national legal mechanisms in many of the sourcing countries in which we operate.</p>	



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<p>B1. Suppliers enter into formal employment contracts with workers and ensure workers receive a formal appointment letter setting out the terms of their contract.</p>	<p>The requirement for suppliers to enter into formal employment contacts with workers has been a standard requirement of our programme for the past decade and is set out clearly in our Employment Guidelines and monitoring tools.</p>	
<p>B2. Any workers engaged in the company's core business are employed directly rather than through third-party employment schemes.</p>	<p>In recent years there has been a growing trend in some countries for suppliers to outsource the entire employment relationship. The Workplace Standards does <i>not</i> prohibit the use of recruitment agents. However, the factory will still be deemed directly responsible for all recruitments terms, employment terms and conditions, and to ensure that our Employment Guidelines are adhered to throughout the recruitment process. In short, suppliers may use recruitment agents, but are not allowed to use employment agencies which manage the entire employment relationship. A supplementary guidance note was developed on this standard in 2006, which will be incorporated into the second edition of the adidas Group Employment Guidelines, due for release in 2009.</p>	
<p>B3. Workers engaged in the company's core business are employed under open-ended or undetermined duration contracts, and that:</p>	<p>Based on the findings from our own monitoring, and in response to feedback from the NGO community, union organizations, and workers themselves, in 2006 a supplementary guidance note was developed dealing with contract, temporary and/or casual labour. The standards and practices set out in the guidance note, make it clear that we expect suppliers to comply with local laws and our Employment Guidelines when recruiting workers and signing employment contracts, and that the use of short-term labour should be limited and only used under certain conditions. (Note: this guidance note will also be incorporated into the second edition of the adidas Group Employment Guidelines.)</p> <p>The two underlying principles governing this standard are:</p> <ol style="list-style-type: none"> (1) suppliers must not hire workers on a contract basis as a means for depriving such workers of the correct wage and benefits, or other rights and privileges provided to permanent workers; and (2) suppliers must not hire contract workers on a continuous basis, multiple short-term contracts, or as regular practice, to support normal business needs. 	
<ul style="list-style-type: none"> • Any use of fixed duration contracts is in response to a clearly defined plan justifying their use; 	<p>The guidance note referred to directly above states that suppliers may hire contract workers where contract (ie short-term) employment is allowed by law; in cases of unusual or extraordinary circumstances which may result in great financial loss to the supplier if delivery of goods cannot be met on time; or in the event of an unexpected or unusually large volume of orders placed at the factory and the permanent workforce is not sufficient.</p>	

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	<p>If factories use contract workers during peak periods, then the peak season must be clearly defined and this information provided to adidas, ie suppliers should consult with SEA before hiring any contract workers. Additionally, the factory should define the job functions or tasks that contract workers are hired to perform, and maintain information on the use of contract workers in relation to production needs.</p>	
<ul style="list-style-type: none"> • Any workers on fixed duration contracts are provided the same salary and benefits accorded to permanent workers performing the same work; 	<p>The same guidance notes specifically states: "Contract workers must receive at least the minimum wage or the prevailing industry wage, whichever is higher, and all legally mandated benefits such as social security, other forms of insurance, annual leave and holiday pay." It also states: "Factory rules and regulations apply to contract workers the same as to permanent workers."</p>	
<ul style="list-style-type: none"> • Once a short-term employee has been hired on a fixed duration contract twice by the same employer, or for two years, the employee is automatically hired on an undetermined duration contract with the third contract; and 	<p>The guidance that we have developed on this point does not specify at which point a supplier would be required to automatically hire a worker who has been engaged on a short-term or contract basis. This is mainly because different countries and jurisdictions have adopted their own requirements to protect contact workers.</p> <p>Nonetheless, the standards set out in the guidance note referred to above, are aimed specifically and preventing suppliers from continuously engaging workers on multiple short-term contracts.</p> <p>Additional requirements set out in the guidance note are:</p> <ul style="list-style-type: none"> • Any local laws governing contract workers must be observed. Where local law is silent on specific aspects of contract employment, at a minimum, contract workers must be provided an employment agreement, setting out the employment terms and conditions. • Personnel files and all relevant information in relation to contract workers must be maintained and accessible at the factory at all times. If a contract worker is hired on more than one occasion, ie under separate contracts, the worker should retain the same ID number where possible and all information on that worker must be kept in one file. • Contract workers must be given priority when the factory is seeking 'new' permanent employees. • For any contract worker who becomes a permanent employee, seniority and other benefits such as social security entitlements, must be dated from the first date of entry to the factory as a contract worker, and not from the first day of permanent employment, ie all work-related benefits accumulate. 	





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<ul style="list-style-type: none"> Where requirements are stronger under local law, the higher standard should prevail. 	<p>This is consistent with the General Principle set out in the Workplace Standards and is a basic requirement incorporated into our compliance work.</p>	
<p>D9. Increases in production targets for workers are only adopted after significant upgrades to equipment, processes, or worker skills. Ensure that increases in wages are not answered with decreases in other monetary benefits.</p>	<p>To support lean manufacturing considerable investment has been made by our suppliers in new equipment, factory layouts, and training initiatives to equip workers with an understanding of new process flows and productivity requirements. We support research into the impact of lean manufacturing on pay and benefits.</p>	


Key					
<p>We positively support</p>		<p>We support in part, but further engagement/discussion is required</p>		<p>We are unable to support</p>	




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5. Factory level actions

Recommendation	adidas Group response	
Please indicate whether your company will undertake efforts with your suppliers and trade unions at the factory level to:	Please see responses below.	
A2. In collaboration with trade union organizations and credible labour rights NGOs, facilitate independent education and training for workers and management personnel concerning freedom of association and collective bargaining.	<p>As part of our ongoing efforts to promote understanding and respect for FOA we have, over the past several years, partnered with the ILO, the Manpower/Labour departments, and local industrial relation experts in various countries to provide training to workers, union officials and factory managers.</p> <p>We remain open to opportunities to collaborate and partner with credible organisations that are able to provide local language training on FOA and collective bargaining processes.</p>	
A9. Require the signing of access agreements between factory management and local unions at supply factories.	At a minimum, we expect our suppliers to recognize and respect FOA rights, to be neutral regarding organizing, and to forego campaigns against union formation. We would not mandate that suppliers sign access agreements, but we would take enforcement action if a local trade union provides us with evidence that a right of access has been denied.	
A10. Where trade unions are present or newly established at supply factories, facilitate the negotiation by the union and the employer of grievance procedures, as well as rules and procedures for hiring, firing, promotion, discipline, union facilities at the workplace, and dispute handling.	<p>As part of our day-to-day compliance work we review the effectiveness of recruitment, grievance and disciplinary procedures adopted by suppliers and offer additional support as needed when these depart from our Workplace Standards or Employment Guidelines.</p> <p>The adidas Group has no legitimate role in the negotiations or collective agreements that take place between independent unions and factory management – agreements which may endorse existing factory regulations or modify these by developing specific rules and procedures. Nonetheless, we are happy to supply guidance materials if these are requested by the two parties, and in many cases have provided introductions to local ILO trainers and other consultants who can assist management and workers to build their social dialogue mechanisms.</p>	
A12. Where freedom of association and collective bargaining are restricted by law, take identifiable measures promoting genuine freedom of association	Where we have seen restrictions placed on freedom of association we have supported the development of parallel means to enable a dialogue between workers and management. Moreover we have worked with NGOs to support and train workers and factory managers on how to establish and run joint worker-management welfare committees and HSE committees. The latter has included the	





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<p>within the country concerned, including engaging the workers collectively to facilitate their self-organization in ways that are consistent with the principles of freedom of association and respect for human rights.</p>	<p>direct election of worker representatives.</p>	
<p>D4. On a confidential basis, provide information regarding the unit price the buyer is paying for goods to workers' representatives engaged in collective bargaining with suppliers.</p>	<p>We believe that as an external 3rd party, brands have no lawful role in the negotiations conducted by a trade union and the related employer; they cannot intervene, or become a party to this process.</p> <p>During the process of collective bargaining, our suppliers are free to disclose to the unions their operating income and costs as well as information on productivity, in order to explain the economic realities of their operation. However, there is well established regulatory guidance on the information that can and cannot be supplied to a union during collective bargaining. Cost data on individual products that impact on trade and trade practices is normally considered restricted information and is not disclosed to unions, or any other 3rd parties for that matter.</p>	

Key					
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6. Supplier relationships

Recommendation	adidas Group response	
Please indicate whether your company will adapt its own procedures for supplier selection and management to ensure that your company:	Please see responses below.	
A5. Provide measurable incentives for factories that have a Collective Bargaining Agreement with an independent trade union, including: <ul style="list-style-type: none"> • Preferential order placement; • long-term, stable supply contracts; and • a measurable CBA premium in unit prices. 	In a highly competitive industry – one with complex business processes – sourcing relations and purchasing preferences cannot be driven by a single factor, such as preferential order placement due to the existence of a trade union or CBA. What we do support is rewarding suppliers who demonstrate <u>both</u> business and compliance performance. This is the practice already followed in our direct supply chain. We do so through KPI systems that inform order placement for our long term suppliers. See also our description of <i>Order Allocation and Management of Suppliers</i> in our response to Recommendation C4, in Section 1.	
B6. Establishes long-term, stable supply contracts with supply factories.	Over the past 7 years the adidas Group has implemented a sourcing strategy that seeks to balance security with flexibility and growth. To this end, we strive to engage in long term and stable relationships with manufacturing partners.	
B7 and D2. Sets out payment schedules in all supply contracts and makes payments on time.	Payment of contract obligations to suppliers is prompt and in accordance with the terms of payment agreed to at the time of order placement.	
B8. Establishes an optimum notice time for factories about changes in existing orders or placement of orders so that the factory is able to adjust production accordingly without violating hours of work standards or requiring the use of short-term contracts and subcontracting. Apply optimum notice time for placement of orders and changes in existing	Our Sourcing teams work closely with the suppliers to manage the placement of orders and changes in production. They follow a number of well established practices, for example: they 'level load' to distribute the flow of orders to manage the peaks and troughs in working hours; they provide factories with advanced notice if there are plans to reallocate orders, or expand to accommodate un-forecast orders; and, seasonally, suppliers must submit capacity calculations to demonstrate to us that they can accommodate orders, without breaching the maximum permitted 60 hour work week or requirement of one rest day in every seven day period. Sourcing teams also manage the reallocation of orders between factories where it is anticipated that a breach of our standard on weekly working hour might occur.	



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orders.		
D7. Across the supply chain, favours suppliers that consistently meet a higher standard on the wage ladder for the region.	<p>As a business, our sourcing decisions are reinforced by regular compliance evaluations which rate the effectiveness of actions taken by management to remedy non-compliance. The factory compliance ratings are determined through the monitoring process and are communicated to colleagues in Sourcing for inclusion in the key performance indicators used to decide production allocation and factory site selections. We would not base our order placement or give specific preference to order allocations based on a single factor, be this trade union status, the existence of CBAs, or wage ladders.</p> <p>See also our description of <i>Order Allocation and Management of Suppliers</i> in our response to Recommendation C4, in Section 1.</p>	●



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7. Government policy

Recommendation	adidas Group response	
<p>Please indicate whether your company is willing to advocate and/or support advocacy with national governments for:</p>	<p>Three factors generally weigh against our involvement in advocacy work.</p> <p>Firstly, political lobbying is not part of the general corporate culture or practice of the adidas Group.</p> <p>Secondly, we do not have the resources to dedicate personnel to actively lobby governments in the 68 countries where we source our product, with respect to labour law reform.</p> <p>Thirdly, we believe that any meaningful engagement with government requires us to have standing. That is, to be seen as a legitimate party or consultee in the law-making process. Local trade union federations and local employer associations are the parties normally consulted by their home governments, with respect to the topics listed in Section 7.</p> <p>Nevertheless, there have been exceptional cases where our Social & Environmental Affairs department has taken up an advocacy position, either individually or in concert with NGOs and other brands. In particular we have acted where there have been clear breaches of human rights, such as in the persecution or imprisonment of trade union officials in Indonesia, the Philippines and Cambodia, and the arrest of NGO monitors in Bangladesh. For each of the topics listed below we would require specific detailed proposals at a country level, to determine whether we are able to support or act in any advocacy role.</p> <p>Supplementary comments and questions are given below.</p>	
<p>A13. positive legal reforms of labour laws to remove legal restrictions on freedom of association and collective bargaining where these rights are restricted by law.</p>	<p>Do we understand this to mean that individual brands should advocate, or support advocacy, for the removal of the government-mandated unions that exist in China and Vietnam? How would such advocacy work, given the existing political regimes in each country? What would be the specific process to be followed? Who in Government would be lobbied? What would be the consequences for the brand, and for its supply chain, if the targeted government and the government mandated-union vigorously opposed such lobbying? Who would be suitably qualified to play this advocacy role and have the necessary influence over these governments to achieve the desired outcome? What inducements would have to be offered, or threats applied?</p> <p>adidas Group would support joint engagement with the ILO to discuss the Chinese and Vietnamese Governments over progress towards acceding to Conventions Nos. 87 and 98.</p>	

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<p>B9. positive legal reforms of labour laws in each country of supply to legally restrict the use of short-term contracts.</p>	<p>The permanent employment and contract status of workers is often linked to broader economic questions, such as the role of the formal sector in national economic development and job security vs the demand for “flexible” labour markets. Such issues are highly politicized, with many local vested interests holding sway over government decision-making. Typically it is the local trade union federations (where these exist) and local employer associations that are the main parties in government engagement on contract labour law reform. In the developing world employment contract law is also influenced by practices outside of the manufacturing sector, such as in the agricultural and construction sectors, where short-term or seasonal contract labour is employed.</p> <p>adidas Group would be happy to extend our engagement with Play Fair to understanding what is being sought as legal reform in specific countries.</p> <p>As a general principle, we will engage in dialogue with government and civil society in cases where the use of short term contracts is used as a systematic measure to deprive workers of wage levels and benefits which would ordinarily be due to them - for example, the repeat-hire of the same individual under multiple short-term contracts to avoid paying medical and social benefits or seniority allowances, or to maintain the basic salary at the minimum wage level.</p>	
<p>D10. increases in the minimum wage consistent with ILO Convention 131.</p>	<p>ILO Convention 131 calls for Governments to establish national minimum wage setting mechanisms. Such mechanisms vary by country and reflect national practice and local conditions. The Convention calls for Governments to consider and balance the needs of workers and their families, the general level of wages in the country, the cost of living, social security benefits, as well as economic factors, such as the requirements of economic development, levels of productivity and the desirability of attaining and maintaining a high level of employment. Typically, there is no legal basis or requirement for individual brands to be consulted in such minimum wage-setting mechanisms. As set out above, employer and industry associations hold the necessary status to provide input to this process.</p> <p>However, as a general principle, adidas Group would engage in dialogue with government and civil society, including employer and manufacturing associations, where we see chronic failures in minimum wage-setting mechanisms.</p>	

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Key					
We positively support		We support in part, but further engagement/discussion is required		We are unable to support	

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8. Collaboration with other brand buyers

Recommendation	adidas Group response	
Please indicate whether your company is willing to commit to achieving a living wage in shared suppliers over time by:	Please see response below.	
<ul style="list-style-type: none"> • collaborating with other buyers (possibly through an MSI) to identify suppliers in which participating buyers collectively control more than 75% of production on a regular basis; • facilitating the establishment of negotiating structures to enable factory management and trade union(s) to consolidate the living wage element into the existing pay structure at those factories; • individually negotiating with factory management on measures needed to meet a living wage target proportional to each buyer's share in production. 	<p>adidas Group is open to general collaboration with other buyers regarding workplace conditions and the fulfillment of labour rights and local legal compliance. However, where the purpose of such collaboration is to promote or foster certain wage conditions within a factory (other than a requirement to meet overtime premiums and minimum wages as established by local law or through the application of a CBA) then we are concerned that anti-trust considerations apply.</p> <p>Please see our earlier comments on living wage in response to recommendation D1, in Section 2.</p>	●
All of the above proposals correspond to Proposal D6 in the <i>Clearing the Hurdles</i> report.	Noted.	

Key					
We positively support	●	We support in part, but further engagement/discussion is required	●	We are unable to support	●