

Adidas AG

TICKER
 ETR:ADS

MARKET CAPITALIZATION
 US\$47 billion

HEADQUARTERS
 Germany

DISCLOSURES
UK Modern Slavery Act: Yes

California Transparency in Supply Chains Act: Yes

TARGETS

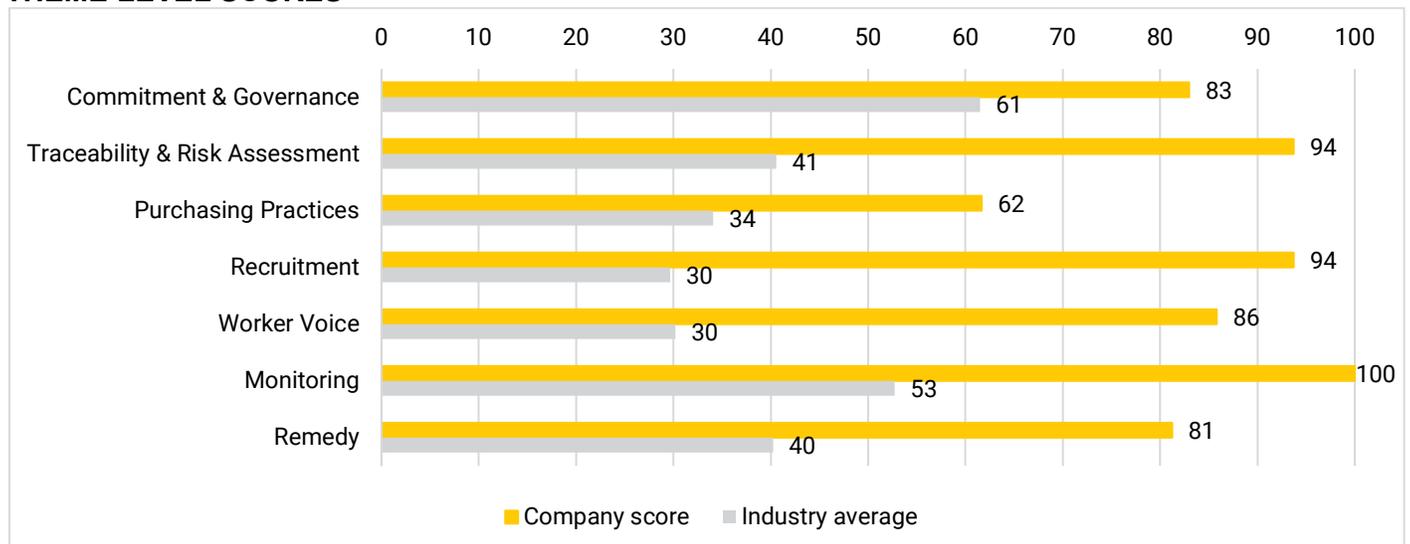
Yes

OVERALL RANKING
2 out of 37

(2018 Rank: 1 out of 43)

OVERALL SCORE
86 out of 100
SUMMARY

Adidas AG (Adidas), the biggest European sportswear brand,¹ ranks 2nd out of 37 companies, disclosing more information on its forced labor policies and practices than its peers across all themes. The company has improved by disclosing further efforts to drive responsible recruitment in its supply chains (including a focus on high-risk corridors), data on its first- and second-tier supplier workforce, assessments of its third-tier raw material suppliers, and the positive impacts of worker engagement. As the company has not improved across all themes its rank has decreased by one place. Notably, the company has the highest score on the Worker Voice theme and is among those achieving the highest scores on the themes of Traceability & Risk Assessment and Monitoring. The company is also the highest-scoring European company in the benchmark. The company discloses limited steps to address the risks of alleged Uyghur forced labor across its supply chain tiers, including prohibiting the sourcing of yarn from the region, working with stakeholders on stronger assurance systems for raw materials, and ending indirect supply links it had with the region. However, it does not disclose further details (e.g., concerning targets, remedy, and addressing risks with other raw materials, such as viscose or wool). The company has an opportunity to improve its performance and disclosure on the themes of Purchasing Practices, Worker Voice, and Remedy.

THEME-LEVEL SCORES


KEY DATA POINTS
SUPPLIER LIST

Yes

IMPROVEMENTS OF FREEDOM OF ASSOCIATION

 Yes²
HIGH-RISK RAW MATERIALS³

🇺🇦 Cotton, natural rubber, viscose, and others

DATA ON PURCHASING PRACTICES

Yes (One data point only)

REMEDY FOR SUPPLY CHAIN WORKERS

Yes

HIGH-RISK SOURCING COUNTRIES

🇺🇦 Argentina, China, India, and others

LEADING PRACTICES

Management and Accountability: Adidas discloses that its sourcing teams have “clear targets in their performance appraisal system linked to the performance and the execution of human rights policy commitments, through the delivery of social compliance key performance indicators.” The company also discloses that its social and environmental affairs team manages its day-to-day labor monitoring program and compliance with its supplier code addressing forced labor.

Recruitment Fees: The company’s responsible recruitment policy, which is aligned with the ILO’s general principles for fair recruitment, includes the [Employer Pays Principle](#) and states that factories should cover the cost of the workers’ return home at the end of their contract. Adidas discloses how it is working to prevent recruitment fees by conducting on-site investigations and interviews with migrant workers and hiring agency officials to gather information on the hiring process. It also discloses the costs of recruitment in high-risk countries and corridors. Adidas indicates that it works with more than 20 recruitment agencies in Taiwan, Thailand, the Philippines, and Vietnam, and it reports that it is focusing on specific high-risk corridors, including Vietnam to Taiwan, the Philippines to Taiwan, and Myanmar to Thailand.

Monitoring: Adidas discloses that it is conducting comprehensive assessments of its third-tier raw material suppliers to identify and address modern slavery risks. It has also added its second-tier UK suppliers to its audit coverage, noting that the UK was “previously deemed to be low risk.” Furthermore, Adidas reports that 23% of its second-tier suppliers that have been trained on modern slavery risks (in China, Indonesia, South Korea, Taiwan, and Vietnam) have been included in its monitoring program.

NOTABLE FINDINGS

Traceability and Supply Chain Transparency: Adidas discloses its 2020 global factory list, which includes first-tier suppliers and their subcontractors, as well as licensees. The list includes supplier names, addresses, countries, and product categories. In addition, the list includes the number of workers per supplier, as well as the number of women, men, and migrant workers. Adidas also publishes its second-tier wet process suppliers, including their names, addresses, product categories, and the number of workers. Adidas discloses the sourcing locations of natural rubber, some of its cotton, and some of its leather.

Grievance Mechanism: Adidas discloses a number of grievance mechanisms are available for its supply chain workers and their representatives, including its mobile phone-based “Workers Voice” grievance platform, its third-party complaints process, and the Fair Labor Association third-party complaint process. It also discloses that workers in the third tier of its supply chains have access to the Better Cotton Initiative grievance mechanism. Additionally, workers in the second tier of its supply chains and cotton farmworkers

in Turkey have access to a dedicated hotline. The company discloses complaints received through its third-party complaints process and their outcomes. The company also reports seeing a 400% increase in worker grievances during Covid-19 and states that 98% were resolved. Adidas states that worker satisfaction in relation to its Workers Voice platform rose from 35% in 2019 to 56% in 2020.

Remedy: The company discloses its process for responding to grievances and allegations of labor abuses in its supply chains. It states that its social and environmental affairs team is responsible for reviewing allegations. It reports that the team will engage with government agencies or other stakeholders from local communities or civil society and resolve the complaint through mutual agreement on remedy. Adidas states this process may take three weeks or more. Additionally, it notes that if a party is unhappy with how the complaint has been handled, it can raise the issue with the company's team, and it will be escalated to Adidas' general counsel. The company also discloses remedial outcomes for workers, including repayment of fees to workers, and a severance package for dismissed workers (where the factory had closed so they could not be reinstated), which included back-wages from the date of dismissal.

OPPORTUNITIES FOR IMPROVEMENT

Purchasing Practices: While the company discloses the steps it has taken to source cotton responsibly, it may consider taking steps to address forced labor risks across all the high-risk raw materials that it sources. The company discloses policies on purchasing practices and buying commitments and is encouraged to disclose evidence of the policy execution, such as details on forecasting and costing that includes for example the implementation of the Employer Pays Principle. The company is encouraged to disclose annual data points on its purchasing practices with all its suppliers, in particular on payment terms, planning and forecasting, the costing.

Worker Voice:⁴ To guarantee protections for supply chain workers on freedom of association and collective bargaining, the company may consider entering enforceable supply chain labor rights agreements with trade unions or worker organizations. The company is further encouraged to systematically include workers in the design and implementation of its labor-related programs.

Remedy: The company is encouraged to ensure that workers and/or their representatives are an integral part of its remedy programs, including in monitoring processes, and to verify that remedy addresses root causes and is to the satisfaction of workers. To demonstrate leadership, the company is encouraged to consider actively supporting remediation requests from supply chain workers (e.g., by publicly supporting such requests, encouraging governments or other entities to set up such funds, or by contributing to funds for affected workers).⁵

ENGAGED WITH KNOWTHECHAIN⁶

Yes ([Provided Additional Disclosure](#)).

¹ Statista (9 April 2020), "[Adidas - Statistics & Facts](#)."

² For further details on the company's track record on freedom of association, see [Business & Human Rights Resource Centre](#).

³ For further details on high-risk raw materials and sourcing countries, see [KnowTheChain's 2021 Apparel and Footwear Benchmark Report](#).

⁴ At 61/100, Adidas achieves the highest worker-centric score. This score is, however, significantly lower than its benchmark score. See [KnowTheChain's 2021 Apparel and Footwear Benchmark Report](#).

⁵ Such requests are put forward by worker rights organizations around the world: Asia Floor Wage Alliance calls for companies to pay [2% of total annual sourcing](#) toward immediate relief for supply chain workers; Migrant Forum in Asia suggests companies contribute to a [compensation fund](#); and the Coalition to End Forced Labour in the Uyghur Region suggest companies can provide remedy by providing [compensation](#) to affected workers.

⁶ Research conducted through November 2020 or through February 2021, where companies provided additional disclosure or links. For more information, see the full dataset [here](#). For information on a company's positive and negative human rights impact, see the [Business & Human Rights Resource Centre website](#).