

Adidas AG

TICKER

DB:ADS

MARKET CAPITALIZATION

US\$47 billion

HEADQUARTERS

Germany

COMPLIANCE
UK Modern Slavery Act: [Yes \(disclosure of subsidiary\)](#)
California Transparency in Supply Chains Act: [Yes](#)
COMMITMENTS
[Yes](#)
OVERALL RANKING

1 out of 43

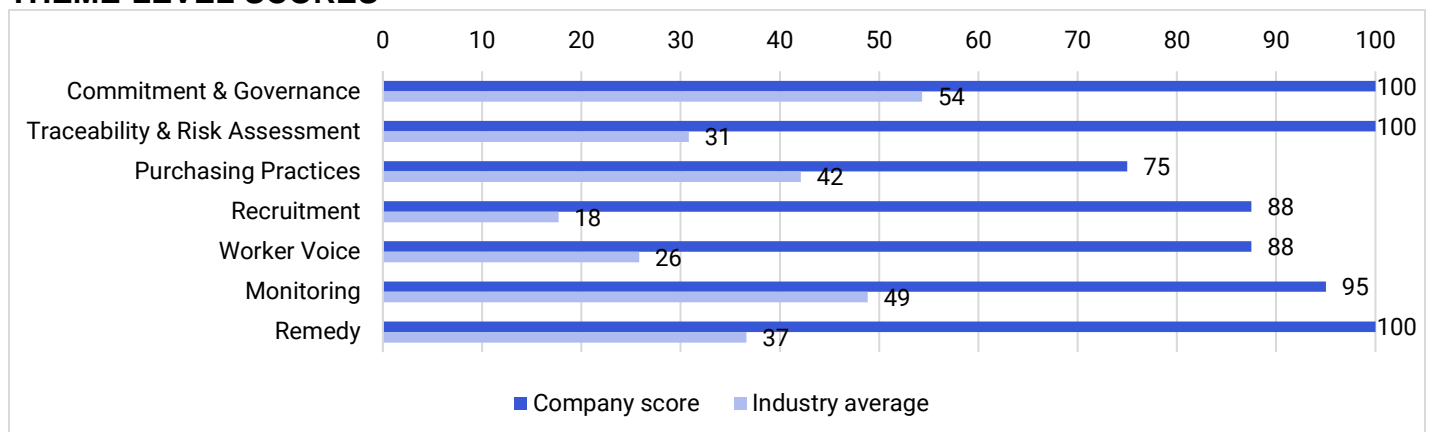
(2016: 1 out of 20)

OVERALL SCORE

92 out of 100

SUMMARY

Adidas AG (Adidas), a footwear and sports apparel company based in Germany, ranks first out of 43 companies, disclosing more information on its forced labor policies and practices than its peers across all themes. Compared to 2016, the company improved its score by 11 points. Since 2016, the company has improved by disclosing a responsible purchasing policy, the percentage of unannounced audits undertaken, and an example of reimbursement of recruitment-related fees. The company also strengthened its practices regarding its second-tier suppliers by auditing second-tier suppliers deemed at-risk and by training second-tier suppliers in high-risk countries on forced labor risks. It further engaged with local stakeholders related to different raw materials, sourcing countries, and tiers on forced labor. Notably, the company achieves the highest score on the themes of Traceability & Risk Assessment, Worker Voice, and Remedy, and is among the companies achieving the highest score on the theme of Commitment & Governance. Additional steps the company could take include strengthening its disclosure and practices on the themes of Purchasing Practices, Recruitment, and Worker Voice.

THEME-LEVEL SCORES

 Research conducted through June 2018, or through August 2018 where companies provided additional disclosure or links. For more information, see the full dataset [here](#).

LEADING PRACTICES

Training: Adidas discloses that it trained its second-tier suppliers in high-risk countries on forced labor. It states that it conducted training on ethical employment practices for almost 100 second-tier suppliers, including knitters, spinners, tanneries, dye-houses, and fabric mills in Vietnam, Indonesia, China, and Taiwan. It discloses that this training provided suppliers with “guidance to identify and remedy unscrupulous employment practices.”

Recruitment: Adidas discloses that it is mapping its labor supply chains from a sending-and-receiving country perspective in order to design intervention strategies to strengthen its ethical recruitment approach. To do so, in 2017 it conducted “on-site investigations including interviewing migrant workers and hiring agency officials in Vietnam to get first-hand information on the hiring process and the costs involved.” The company also reports that it requires suppliers across tiers to disclose their recruitment practices concerning migrant workers. Adidas further discloses that it works with members of the Mekong Club's Apparel and Footwear Working Group to develop a migrant corridor mapping tool to share data on migration corridors and recruitment fees among participating brands. Additionally, Adidas discloses that it has reimbursed Burmese workers at a supplier factory in Malaysia for unlawful fees which had been deducted from the workers' wages for transportation costs, forced savings, and illegal termination. It states that it worked with the factory in question to reimburse RMB4500 (approximately US\$650) to each worker and to reinstate the workers' employment.

Grievance Mechanisms: Adidas discloses several grievance mechanisms for workers in its supply chains. The Fair Labor Association discloses that, in 2016, Adidas's SMS Worker Hotline covered more than 28,000 workers in Cambodia, Indonesia, Vietnam, and China, and that more than 23,000 grievances were submitted through this hotline. The company also discloses that it has been working with an external party to provide an “Interactive Voice Response” hotline for Turkish and Arabic workers at second-tier factories. The system allows the company to track how many workers register in the system, download the application, and how grievances are submitted. Adidas also discloses that workers of third-tier suppliers have access to the Better Cotton Initiative's complaint mechanism in the countries in which the initiative operates. Further, the company has its own third-party grievance mechanism, which was developed with the input of trade unions, NGOs, and others. Adidas discloses detailed information on the operation of this mechanism, including the type of complainant, the factory name, a summary of the complaint, as well as the outcome. In 2016, this mechanism was used with regards to a second-tier supplier of the company.

NOTABLE FINDINGS

Stakeholder Engagement: Adidas engages with a range of stakeholders in a number of countries where its direct and indirect suppliers are located. To understand the risk of forced labor in Brazil and Paraguay in leather sourcing, the company discloses that it engaged with local and global NGOs and industry coalitions, as well as meat processors, traders, and apparel brands. It also discloses that it “supported the Fair Labor Association (FLA) with a letter written to the Turkish government to legalize the employment of Syrian refugees and provide them with social benefits.” Further, the company convened a multi-stakeholder dialogue in Tokyo with companies across sectors to discuss migrant labor regulation, ethical recruitment, and treatment of foreign workers. Adidas also discloses that it is part of a multi-stakeholder project led by the FLA and the Better Cotton Initiative aimed at better understanding working conditions and forced labor at cotton farms in Turkey. The company also discloses engagements on forced labor and migrant workers with the International Trade Union Confederation (focused on migrant labor rights for the FIFA World Cup in Qatar) and the ILO Special Action Programme against Forced Labour (e.g., regarding the Thai rubber industry).

Traceability: Adidas discloses a global supplier list which includes first-tier suppliers, second-tier suppliers, and licensee factories. The list includes suppliers' names and addresses, their parent organization, the type of products supplied, and the number of workers per supplier. Additionally, Adidas discloses lists of suppliers of apparel and footwear products used for specific sporting events. These lists also indicate whether trade union or worker representation is in place at each factory.

Freedom of Association: Adidas notes that, in countries where independent trade unions are permitted, more than 80% of its suppliers have unions. Adidas discloses that, in Indonesia, it was a leading party in a multi-stakeholder process “with local trade unions, non-government organizations and suppliers to develop [a freedom of association] protocol.” It states that the protocol aims to reduce misunderstandings between factory managers and trade union officials with respect to trade union activities. Additionally, the company states that it has designed training modules on freedom of association, including worker representative training in China (conducted in partnership with labor NGOs) and briefing sessions in partnership with trade unions and labor officials in the Philippines. This also included disseminating materials on strike management in Vietnam with the ILO. Adidas discloses several cases where, as a result of complaints submitted via its grievance mechanism, it required suppliers to cooperate with unions. For example, a Cambodian supplier agreed to reinstate union leaders to their previous positions and to pay back deducted wages and benefits following demotions which seemed linked to union membership and to repay deductions of wages for time taken to carry out union activities. In the case of an El Salvadorian supplier, where a disproportionate number of union members were laid off and not allowed to be represented by unions, the majority of the terminated union workers were provided compensatory settlements.

OPPORTUNITIES FOR IMPROVEMENT

Purchasing Practices: The company is encouraged to provide evidence of integrating its company code into its suppliers’ contracts, for example by disclosing the contract language. To strengthen the implementation of its supplier code of conduct further down the supply chain, the company is encouraged to strengthen its code and, in addition to encouraging suppliers to cascade its standards, to require its first-tier suppliers to ensure their own suppliers implement the company’s standards. In addition to undertaking audits on high-risk lower-tier suppliers, the company is encouraged to work with key suppliers to ensure its standards are cascaded. Further, the company notes that it evaluates its suppliers’ compliance, audit performance, and leadership in collecting worker feedback and remediation and considers this information when orders are awarded. The company is encouraged to disclose the outcomes of this process.

Recruitment: To avoid the exploitation of migrant workers in its supply chains, the company is encouraged to ensure that employment and/or recruitment agencies used in its supply chains are monitored. Further, the company may consider ensuring that migrant workers are not discriminated against, and not retaliated against, when they raise grievances. In addition, the company may consider disclosing more extensive information on recruitment agencies used in its supply chains.

Worker Voice: In addition to engaging workers in Indonesia and Bangladesh on their rights, the company is encouraged to engage with workers in other sourcing countries on their labor rights. To ensure scalability and effectiveness of such engagements, the company may consider ensuring that there are worker-to-worker education initiatives on labor rights in its supply chains and measuring and disclosing evidence of the positive impact of worker engagement in its supply chains.

COMPANY PROVIDED ADDITIONAL DISCLOSURE

[Yes.](#)