

7 June, 2016

Dear Business and Human Rights Resource Centre,

Thank you for providing us with an opportunity to respond to the **STOP A L'ANTI JEU!** campaign. We have reviewed *Ethique sur Etiquette's* report and would offer the following comments.

For adidas Group, the payment of sponsorship fees has no bearing on how we manage and support working conditions in our manufacturing supply chain. And contrary to what has been stated in the NGO report, we believe we are living up to our commitment to act responsibly in sourcing our products.

The report makes some general statements about sourcing practices and manufacturing trends which we feel lack facts, are misinformed and therefore misleading. We would like to offer the following points of clarification:

- China remains a key sourcing country for the adidas Group; it represents the highest concentration of production facilities in our global supply chain. As well as exports, manufacturing operations in China serve the growing domestic market in a country which is now the world's second largest economy.
- Decisions on where to place orders are complex, they are not based on where one can secure the lowest wages, but on the interplay of available production capacity, the technical capability of a supplier to make a specific product, operating overheads and productivity levels, trade benefits for the country of origin, market access, logistics, as well as access to materials.
- Lean manufacturing, when applied correctly, offers workers the prospect of higher wages (though bonus schemes and incentives) with fewer working hours. It is generally beneficial.
- Automation of certain production processes does help in managing escalating production costs, but the introduction of robotics and other such technologies in countries such as China is not driven solely by higher materials costs and wages, but by labour shortages; the next generation of job seekers are not looking to work in factories, they would prefer to find employment in the growing service sector.
- The automated shoe production which adidas Group recently launched in Germany is called a "Speed Factory". It is designed to respond to consumer needs, by creating quick-response tailored-made products. Essentially it brings manufacturing closer to the local market. It is an innovative approach, but it cannot directly displace the high volume production processes that reside in the major exporting countries in Asia.
- It is not true that labour rights are fewer, or that workers are deprived of the opportunity to secure fair wages outside of China, where state policy has seen a progressive increase in salaries. In Cambodia for instance, 80% of adidas Group's supplier partners

have independent trade unions and wage levels in our supplier factories exceed the cost of living benchmark which has been set by local trade unions. In Indonesia 90% of our suppliers have one or more unions operating in their manufacturing plants and 80% of those unionized factories have collective bargaining agreements in place. And in Vietnam it is encouraging to see that the government has agreed to open up the space for trade unions, as part of its commitment to the Trans-Pacific Partnership agreement.

- We are concerned about the welfare of the workers who make our products and we are taking steps to progressively improve compensation levels and deliver a fair wage. We are doing so in partnership with our suppliers and with the Fair Labor Association, which is a US-based labour advocacy group. In each of our major production locations we are benchmarking wages against government mandated minimum wages, industry norms and various living wage measures, as we work towards a fair wage for workers. For more information on this topic please see <http://www.adidas-group.com/en/sustainability/supply-chain/critical-issues-copy/#/fair-wages/>
- Contrary to what has been stated in the report, falsification of working hours or payroll records is a rarity in our key suppliers, which account for more than 90% of our global production. We have worked closely with our key suppliers to eliminate such practices and as our long term strategic partners they consistently achieve good compliance in terms of the proper and timely payment of wages and benefits, including overtime premiums, as well as leave entitlements and social insurance.
- Finally, we have a well-developed policy and approach to responsible sourcing including level loading of orders to balance the flow of production, swap day approvals, and strict legal compliance, which together reduces the incidence of excessive working hours.
- All of these substantial achievements have resulted in positive recognition and ratings from our many stakeholders. See, for example, those listed on our corporate website: <http://www.adidas-group.com/en/sustainability/managing-sustainability/awards-recognition/>

We trust these comments are helpful.

Sincerely,



William Anderson
Vice President
Social and Environmental Affairs
Asia Pacific