



May 7, 2020

(By Email)

Dear Business and Human Rights Resource Centre,

adidas Response to CCC's "Exploitation made in Europe" Campaign

Thank you for providing us with an opportunity to comment on the Clean Clothes Campaign's (CCC's) recently published 'Exploitation made in Europe' report. Below you will find a brief description of our general approach to fair wages - which is the central issue in the CCC study - and an explanation of the wage-setting processes we have pursued in the Ukraine.

General Approach

At adidas we are committed to ensuring fair labour practices, fair wages and safe and environmental-friendly working conditions throughout our global supply chain. With respect to our suppliers, we follow a well-developed and progressive *Fair Compensation Strategy*, which we have developed in partnership with the Fair Labor Association, a multi-stakeholder US labour rights advocacy group.

Our Fair Compensation Strategy requires that:

1. We do not infringe on the rights of workers, their employers and governments to set fair wages as a minimum;
2. We conduct due diligence and act when business partners are not compliant with the law or our Workplace Standards; and,
3. We facilitate positive wage progression and fair wages in our supply chain.

The idea of a living wage is that workers and their families are able to afford a basic, but decent, standard of living that is considered acceptable by society at its current level of economic development. Fair compensation goes deeper. It considers the fairness of the wage that a worker is paid by benchmarking whether wages: are paid regularly and on time, include the legal minimum, allow decent living standards, reflect a worker's performance and skills, reward overtime, follow price increases paid for the products they are making, are linked to their employer's profits and sales, reflect changes in work technology, are negotiated individually or collectively with workers, are clearly and formally communicated to workers.

As a responsible business, we do not want the workers employed in our supply chain to face hardship in their daily lives. Our aspiration, as set out in the core principles of our Workplace Standards, is that workers earn enough for their basic needs and also have income remaining to cover their discretionary spending as well as savings. 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.

Wages in Eastern Europe

We have sought to address and improve supplier wages in Eastern Europe through wage assessments and in-country collaborations.

The CCC report states, incorrectly, that adidas is producing goods in Bulgaria. We are not. However, we do have production in Ukraine and have benchmarked wages for that country.

To complete the benchmark, we reached out to the Ukrainian statistics office to obtain nationwide wage data and, in parallel, conducted wage surveys in each of our partner' factories. From the combined data, we created a wage map. The mapping showed that our manufacturing partners were already paying a prevailing industry wage, one that was significantly higher than the legal minimum wage.

Since our initial benchmarking study, we have continued to track the wage payments for workers employed by these suppliers.

We remain committed to delivering fair wages across our supply chain, including in production facilities in Eastern Europe.

Sincerely,

A handwritten signature in black ink, appearing to read "William Anderson".

William Anderson
Vice President, Global
Social & Environmental Affairs