

7 July, 2016

Dear Business and Human Rights Resource Centre,

Thank you for providing us with an opportunity to respond to the recent Change Your Shoes (CYS) coalition and Clean Clothes Campaign (CCC) reports related to the leather and footwear industries.

Please see our comments below.

Leather Tanneries - Trampling Workers Rights Underfoot

The CYS assessment calls out “the potential lack of transparency of subcontractors and upstream suppliers (e.g. tanneries)” as inhibiting adidas Group’s “identification of negative impacts on working conditions and human rights”. This is not wholly correct. All major tanneries supplying leather to our footwear operations are well known to us; they are long-term partners and are publicly disclosed on our corporate website (see <http://www.adidas-group.com/en/sustainability/supply-chain/supply-chain-structure/>).

The named tanneries are part of our chemical management programme (for wet processes), which includes occupational safety, and they also fall within our extended supply chain programme to address Forced Labour, Child Labour and Trafficking; our so-called *Modern Day Slavery Outreach Programme*. Moreover, for many years we have supported the Leather Working Group (LWG), an industry-led environmental stewardship programme for tanneries. The LWG rates the environmental performance of tanneries (including traceability of hides back to the slaughterhouse) and drives long-term, sustainable improvement.

Elsewhere in the report, CYS states that “Adidas to large extent meets its responsibility to account for how negative impacts on labour and human rights have been addressed”, but observes that we should do more to address the negative impacts on human rights in tanneries. We have in place a well-tested human rights due diligence process, one which considers the severity of country and industry-level risks within our global supply chain. The sourcing of raw hides and finished leather has already been identified as a priority area for further assessment and our deeper involvement. However, CYS’s ambition that adidas Group drives change in the industry as a whole must be tempered by an understanding of our influence. Each year, adidas Group uses less than 0.6% of all leather produced in the world.

Finally, a minor point of clarification: CYS’s infographic incorrectly states that adidas Group manufactures “footwear and leather” in 1,100 factories in 61 countries. These figures are the adidas Group’s total sourcing footprint for all product types, globally.

adidas Group’s footwear products are supplied by no fewer than 30 factories, the majority of which are located in Asia.

Footwear Manufacturing in Eastern Europe - *Labour on a Shoestring*

adidas Group is not directly referred to in the Clean Clothes Campaign's report, but we do agree with CCC that working conditions in Eastern Europe are generally under-reported and increased worker rights protection is called for. More should be done to improve wages and we know, first-hand, that engagement between local suppliers, unions, governments, and buyers can pay dividends and improve the overall lives of workers. Our recent collaboration with other sporting goods brands in a shared apparel factory in Georgia is a good illustration of this. The buyers engaged with the unions and government, and working closely with the factory management team, secured a higher base wage for workers – well above the state-mandated minimum wage.

With respect to the general questions posed on footwear production in Eastern Europe we can share the following information:

- The vast majority of our footwear production takes place in Asia (96%) and in South America (3%).
- Within Europe, a small amount (less than 1%) of specialty product is made in an adidas-owned footwear manufacturing plant in Southern Germany and we have recently launched a new, highly innovative and fully automated "speed factory", which is also located in Germany.
- We do subcontract a small amount of upper stitching to a factory in Bosnia & Herzegovina, which is named in our Tier 2 public disclosure list (see <http://www.adidas-group.com/en/sustainability/supply-chain/supply-chain-structure/>).
- The uppers manufacturer is regularly audited for social and environmental compliance, including occupational safety. We have seen no evidence of unpaid overtime or the provision of PPE being a problem at this plant. We have, however, addressed the need for improved fire safety.
- With respect to wages, the Bosnia & Herzegovina plant pays above the legal minimum wage and provides a bonus scheme to incentive workers and reward productivity. The base wages have been defined through an official CBA signed between the employer and the employee's Works Council.

We trust these comments are helpful.

Sincerely,



William Anderson
Vice President
Social and Environmental Affairs