

adidas-Salomon

European Stakeholders Consultation Meeting

**Thursday 23rd October 2003
Hotel Metropole, Brussels**

Report of Meeting

prepared by Adrian Henriques, www.henriques.co.uk

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Introduction

This report is a record of the meeting held in Brussels on 23rd October 2003 between adidas-Salomon and its European-based stakeholders, facilitated by Adrian Henriques and Duncan Minty.

The participants at the meeting and the agenda are contained in Appendices 1 and 2, respectively. This report is not intended to convey a consensus amongst the participants; it has simply reflected the variety of ideas raised and discussed.

Following introductions, all participants agreed the following groundrules:

- The origin of particular views would be treated as confidential, although the comments themselves may be quoted without attribution
- Participants agreed to allow each other a fair hearing.

It was agreed that this document would be circulated to all participants for comments and amended to reflect them.

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Issues for adidas-Salomon

adidas-Salomon first described its social and environmental programme, particularly as it related to the supply chain. Key points were:

- adidas-Salomon has 3 major brands – ‘adidas’, ‘Salomon’, and ‘TaylorMade’
- There are some 800 factories worldwide in the supply chain (including local sourcing suppliers and subcontractors)
- In 1998 adidas-Salomon first published its Standards of Engagement
- adidas-Salomon’s long term goal is the development of local capacity for suppliers and local organisations to manage their own social and environmental performance
- Training relating to the Standards of Engagement is therefore a major part of the supply chain programme
- adidas-Salomon has previously conducted similar stakeholder meetings in Europe, Asia and America in 2002 and intends to hold two further meetings in Asia in 2003.

The sections below set out the strategic issues and questions for adidas-Salomon raised by participants at the meeting. The issues are grouped under the following broad headings:

- **integration** of social and environmental performance into mainstream business
- **stakeholder involvement**
- **codes** and standards.

Integration Issues

- it was acknowledged that adidas-Salomon’s main goal was to make money through producing quality goods; but this has to be achieved under social and environmental performance constraints
- How are social and environmental issues integrated within mainstream business processes? For example purchasing decisions may be affected by lead times which may not be feasible if the supplier adheres to the SoE.
- What is adidas-Salomon’s exit policy when terminating business? How does adidas-Salomon handle terminations when a supplier is more or less dependent on it?
- What is the role of the SEA-team in supplier decisions?
- A lot of effort is needed to communicate to consumers the overall nature of adidas-Salomon’s supply chain
- Many adidas-Salomon raw materials are fossil fuel based – these have significant environmental impacts throughout the lifecycle.
- adidas-Salomon has consolidated its supply chain. This needs to be reported; what effect has it had?
- adidas-Salomon should take a proactive approach to issues – going beyond single media issues.

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- The move from 'policing to training' was good. But how can suppliers feedback issues connected with SoE implementation to the SEA team, when commercial demands may outweigh social performance?
- How far is it the responsibility of the top 3 brands to develop the performance of less high profile brands?
- Is it useful to compete on social issues?

Stakeholder Involvement Issues

- How far can workers influence issues within their factories, and within the supply chain overall?
- There needs to be a balance between action by adidas-Salomon and local government and other local associations and groups. Often governments in particular do little; how can they be more involved?
- The report should include more on union issues and on overall vision and progress.
- adidas-Salomon should collaborate more with Trade Unions in order to find solutions
- The issue of appropriate wages is important. How can a company affect prevailing wage rates? There may be a difference between western and local perceptions. The public has only a partial grasp of this issue.
- There could be a global works council, on the German model, for adidas-Salomon-owned factories around the world. This would bring a broader perspective.
- Is adidas-Salomon working with other companies to share verification?
- It is hard to find good partners in all parts of the world with which adidas-Salomon can develop its social and environmental projects.
- A key challenge is how to go beyond the statement of intentions and to communicate these and act on them throughout the supply chain – to the most local level, including homeworkers.
- Does good social and environmental performance feed through into consumer purchase decisions? Retailers are reluctant to talk about or use such issues. This is probably not a competitive issue.
- The fashion-oriented nature of most adidas-Salomon products is contrary to the idea of a 'lifecycle brand'.

Code-related Issues

- The issue of cultural diversity and appropriateness of working conditions is difficult. How can it be understood and communicated locally and internationally? How should this be reconciled with the implementation of a single global code?
- Is the monitoring of the SoE really independent? Are all parties informed about an audit?
- There is no reference to the ILO conventions in the report.
- At the moment there appears to be more and more legislation on social and environmental issues. Can business show that the voluntary approach is working?
- adidas-Salomon should participate, with other brands, NGOs and others, in efforts to create a single world-wide standard. Supply chain

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issues are now mature and so can support co-operation. This would probably be supported by retailers. This should be driven by government legislation; although consumers will trust multi-stakeholder codes most.

- Labels on finished articles are seen as a long way off, because of the difficulty of meeting the expectations it would generate.
- What is the best relationship between brands and codes? How can you create leadership without creating competitive advantage for one company only without a convergence of codes? Can you 'un-brand' the codes and still make progress?
- Why should adidas-Salomon have created its own code, when there are so many available ones out there, such as the ILO, ETI, etc? Why did it sign up to the FLA code, rather than a European one?

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adidas-Salomon described its approach to improving performance. Three key aspects were:

- Management tools, such as guidelines on Employment Standards, Health, Safety & Environment and supplier performance rating systems
- Capacity building in the supply chain
- Community involvement by suppliers.

Key points made by participants in relation to adidas-Salomon's performance were:

- adidas-Salomon's proposed long-term move from monitoring to sustainable self-governance of suppliers was seen as innovative. However it is at an early stage of development and this could cause problems.
- It is important that capacity building for self-governance needs to build on what is happening with other companies, the ILO and local organisations. adidas-Salomon should therefore continue to work with local organisations.
- SoE commitments need to be fully integrated into core business functions. Does procurement take note of what a viable price may be to enable compliance with SoE? Need to be able to communicate CSR issues through core business contact points. adidas-Salomon also needs to manage internal cross-border issues to avoid counter-productive internal competition.
- There is a need to measure the impact and effectiveness of adidas-Salomon training and its systems.
- adidas-Salomon's approach to the issue of independent unions vs company organisations should be clearly articulated.
- Community involvement is not a high priority at this stage.

Recommendations for Improving Performance

- There should be more interaction between the various different stakeholders in order to achieve common goals.
- It is important to get workers' feedback – a qualitative perspective - on the SoE process and its implementation.
- There is a need to educate staff and workers on the overall lifecycle impacts of adidas-Salomon's products.
- A timetable for progress against issues would be very useful.

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Reporting

adidas-Salomon described its approach to reporting and how it had developed over the past few years.

The participants' response to adidas-Salomon's reporting is set out in the following sections, covering:

- the purpose of the report
- the reporting format
- information required within the report.

Purpose

- What are adidas-Salomon's transparency and accountability goals?
- What is the real purpose of the social and environmental reports? Who reads the social and environmental reports? It is not clear at whom it is aimed. The needs of the various audiences – eg NGOs and consumers are different.
- How much are the reports read? How many hits does the website get?
- Overall the impact of the use of adidas-Salomon products – social and environmental – should be considered. The report could be used to educate consumers on issues such as pricing in relation to social and environmental performance and the environmental impact of product use (eg mountain bikes)
- It would be very useful to have enhanced support for report users and those who need information about adidas-Salomon; this could allow them to reach those who are directly concerned with operations and can answer questions directly, rather than only communications staff.
- The report does, and must, include those cases where goals are not achieved; this builds trust.
- The sustainability report should be independently verified.

Format

- Could there be different reports for different audiences? Could there be separate country reports?
- The report should be produced on paper (as well as on the internet) in an integrated fashion.
- The sustainability reports and the financial reports could be combined – although this should not be at the expense of sustainability information.
- It is not clear in some parts of the report what data is at group level and what at divisional level.
- The case studies on the website were thought to be transparent, specific and useful.

Information

- The various media should be integrated.
- Quantitative, absolute data should be included in the report as well as relative and normalised data, eg on:
 - PVC use

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- Investment in training in relation to turnover and number of people trained.
- A list of individual factories and the data from them would be useful, eg:
 - the link between qualitative data and the percentage of workers within a union
 - workers turnover at factories and relationship to SoE implementation
 - qualitative reactions from workers
- Some of the most interesting GRI indicators are missing.
- There should be much more environmental information in the report; this should encompass both supply chain and head office impacts.
- There is a need to have historical comparisons of the figures to enable previous years' performance to be considered. Overall a deeper historical context would be useful.
- The definitions of supplier 'tiers' are not always clear and appear to be defined differently in different places.
- The results of the independent verification of factory performance needs to be better integrated into the website and /or report and should include an analysis of the outcomes, instead of stakeholders having to visit the FLA website to get the details
- adidas-Salomon has a mass of data which could be analysed in many different ways – eg:
 - audience
 - country
 - issue
- the report would benefit from a FAQs section
- Quantitative targets are needed in relation to the management system (as well as code implementation).
- the websites of BP and Shell were cited as examples of useful ways to handle controversial issues; they publish allegations together with the company response.
- adidas-Salomon should also report fully on its own direct workers.

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Feedback on the Meeting

Feedback on the process of the meeting was suggested by adidas-Salomon and all participants, including facilitators. The main points are set out below:

- How does adidas-Salomon build on these meetings and integrate its conclusions into its decisions?
- How is the composition of the group determined? The more important stakeholders are in the relevant regions – eg China.
- In addition to those present, there should also be representatives from:
 - government
 - consumer
 - press
 - supplier
 - environmental NGO
 - challenging / campaigning NGOs.
- This meeting should be regarded more as a brainstorming process, rather than a formal consultation, which would rely on formal representation of stakeholders.
- The multi-stakeholder perspectives are useful and the process worked well. Is the impact of such meetings monitored and measured?
- There was recognition that a great many useful ideas had been generated for adidas-Salomon to process. How will they be taken forward?
- What do such events and the issues they cover mean to people within adidas-Salomon?
- Could the same group reconvene next year for feedback on issues and progress made?
- The meeting was also a networking event; it would be helpful to have longer breaks.
- It would be helpful to have:
 - greater interaction with a wider range of adidas-Salomon people at such meetings
 - the questions worked on in groups available in advance
 - additional detail on adidas-Salomon activities prior to the event.

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Appendix 1 – Participants

<i>Name/ Organisation</i>	Address	Telephone/ Fax	E-Mail
Alberto Bichi FESI Federation of the European Sporting Goods Industry	Avenue de Janvier, 3 BE-1200 Brussels Belgium	+32-27-62-86-48 +32 -27-71-84-76	info@fesi-sport.org
Evelyn Ulrich aS AG	World of Sports D-91074 Herzogenaurach Germany	+49-9132-84-3242 +49-9132-84-3242	evelyn.ulrich@adidas.de
Irene Zeilinger Stock at Stake	Rue du Progress 333/b7 BE-1030 Brussels Belgium	+32-2-206-67-92 +32-2-206-67-90	irene.zeilinger@stockatstake.com
Jan Eggert FTA/AVE Foreign Trade Association/ Außenhandelsvereini- gung	Mauritiussteinweg 1 50676 Köln Germany	+49-221-9218-3411 +49-221-9218-3428	jan.eggert@ave-koeln.de
Pat Neyts Levis	Avenue Arnaud Fraiteur 15-23 BE-1050 Brussels Belgium	+32-2641-63-75 +32-2641-62-67	pneyts@levi.com
Patrick Itschert ETUC European Trade Unions Confederation	Rue Joseph Stevens 8 B-1000 Brussels Belgium	+32-2-511-5477	fse.thc@skynet.be
Sabine Bauer aS AG	World of Sports D-91074 Herzogenaurach Germany	+49-9132-84-2185 +49-9132-84-4483	sabine.bauer@adidas.de
Sumi Dhanarajan OXFAM	274 Banbury Road Oxford OX2 7DZ Great Britain	+44-1865-312-198 +44-1865-312-245	sdhanaraja@oxfam.org.uk
Duncan Minty Notekeeper	9 Victoria Road Stroud Green London N4 3SH United Kingdom	+44-20-74-8202-35	duncan.minty@virgin.net
Adrian Henriques Facilitator	14 Priory Gardens Highgate London N6 5QS United Kingdom	+44-208-341-1583 +44 -771-3739-300	adrian@henriques.co.uk

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Appendix 2 – Agenda

	<i>Coffee & Refreshments available from 10.30am</i>
11.00am	Introductions Facilitation & Groundrules Round Table
11.30	Adidas: <ul style="list-style-type: none">• overview of adidas approach to supply chain issues
12.00	Issues for Adidas
1.00pm	Lunch
1.30	Improving Performance <ul style="list-style-type: none">• adidas' approach• participant response
2.30	Improving Reporting <ul style="list-style-type: none">• adidas approach• participant response
3.30	Improving Consultation <ul style="list-style-type: none">• reactions to the day
4.00	Close

Questions posed during working sessions during the day:

- what are your reactions to adidas-Salomon's approach to social and environmental issues?
- What should adidas-Salomon be doing?
- is adidas-Salomon reporting at the right levels?
- How, and what, should adidas-Salomon report?