

adidas Group response to Play Fair's *Fair Games?* report on 2012 Olympic supplier factories

China

Claim: The factory does not cover medical expenses.

Response: This is incorrect. Workers' medical expenses are covered by the factory, either through worker registration into the national social security scheme or the equivalent coverage provided by the Amerseas private medical insurance.

Claim: The majority of workers are on temporary contracts.

Response: This is incorrect. In fact, all workers sign three-year employment contracts with the factory directly, which is a common practice in China. By law, workers take up permanent employment status on the second renewal of their contract. Irrespective of the contract status, adidas Group's Workplace Standards require all workers to receive the same pay, benefits and bonuses as permanent employees.

Claim: Protective equipment such as noise reduction devices are not provided, despite the noise of hundreds of machines operating on the factory floor.

Response: It is a requirement, strictly monitored by adidas Group, that workers employed in enclosed embroidery rooms must wear ear plugs due to the noise of this machinery. Noise levels in the general production areas, however, do not reach levels that would present an occupational health risk and would not warrant noise protection. They are below the national limit and in compliance with adidas Group's health and safety guidelines. This has been confirmed by noise tests conducted in 2011.

Claim: Workers sit on stools instead of chairs.

Response: During our last business review meeting with the factory in 2011, adidas Group raised its concern over the general ergonomics in the factory and the use of old-fashioned stools by workers. We recommended that the stools be replaced with chairs with back supports and Amerseas undertook to provide these to the workforce by the end of 2012.

Claim: Hot water is only available after the overtime shift finishes at 11pm.

Response: This is incorrect. Hot water is supplied from 6-11pm every day.

Claim: Workers at the Amerseas plant are not receiving a living wage.

Response: The average wage for workers during the last 12 months was RMB 2,482 per month – almost double the current minimum wage. Over the past three years, the local minimum wage has increased, on average, 20 per cent per annum – which is well above inflation – and the current minimum wage stands at RMB 1,300 per month.

A productivity incentive scheme has been implemented by Amerseas to reward workers' performance. Top performers can earn up to RMB 100 daily on top of their base salary and overtime premiums and, for the most productive workers, their monthly income can reach RMB 4,900 per month.

Claim: Workers do not wear masks because they feel that this will impact them in meeting production targets – the implication being that they are placing their health at risk.

Response: We have reviewed air testing reports for the factory and can confirm that the air quality on all production floors at factory premises is in compliance with national and international standards. Occupational health medical checks, which are conducted annually, show no evidence of respiratory problems and it is questionable why workers are being required to wear dust masks in what is a normal cut-and-sow operation. A recent unannounced audit revealed over 80 per cent of workers wearing such masks. adidas Group has recommended that the factory conduct a risk assessment, to confirm which operators really need to wear dust masks and which do not.

Claim: The Amerseas factory's employee manual states that strikes and the dissemination of materials which hamper the employer-employee relationship can lead to dismissal.

Response: The workers' handbook does mention that the distribution of materials can result in dismissal, but it makes no reference to, nor does it prohibit, participation in strikes. We understand that no disciplinary action has ever been taken in relation to this clause on dissemination of materials, but we have requested that it be removed as it is inconsistent with workers' right to free speech. The factory has agreed to amend and re-issue its workers' handbook deleting this clause.

Claim: All workers are required to work overtime on a daily basis, with shifts that can begin at 8am and don't finish until 10 or 11pm.

Response: The factory has applied for and received government approval for Comprehensive Working Hours which permits extended overtime during specific periods in the year. This accords with adidas Group's Workplace Standards which are derived from ILO guidance, which caps the working week at 60 hours, with one day off in seven. From our review of records and on-site worker interviews, we can see that the factory implements a voluntary overtime system;

workers are allowed to take leave or refuse overtime. On those days where overtime is required, it is our understanding that the factory would typically operate until 9pm (with a one-hour meal break from 6-7pm).

Whenever issues over excessive working hours arise, adidas Group will always continue to press our suppliers to reduce total working hours, while maintaining existing levels of take-home pay, through higher productivity and incentive schemes.

Philippines

Claim: No workers' organisation of any type exists.

Response: This is incorrect. Each factory has a Labour Management Council (LMC) where the workers' representatives are freely elected by the workers. These LMC's are fully functioning and hold regular meetings to discuss workers' welfare issue.

Claim: Workers have not attempted to form unions because they are afraid of the employers' reaction, fearing their employment would be terminated and that company management would refuse to recognise a union.

Response: The adidas Group's Workplace Standards are very clear on this point. Freedom of Association and the right to form and join a trade union of a worker's own choosing is a right that we seek to promote and protect. It is also a key performance measure for our suppliers.

Claim: Yuen Thai Philippines workers are specifically informed by management on their first day of employment that it is company policy to prevent workers from joining or forming a trade union.

Response: There is no evidence to support this allegation and we are conducting worker interviews to corroborate this. The factories have training officers who manage the induction programme for new joiners. The presentation materials include a clear statement outlining the company's commitment to comply with adidas Group's standards on Freedom of Association. To make it clearer still, we will ask Yuen Thai to insert the statement on their commitment to Freedom of Association – i.e. respect workers' right to form or join unions at their own choosing – into the Employee Handbook.

Claim: Between 25 and 30 per cent of workers are employed on short-term contracts.

Response: This is incorrect. None of the factories employ short-term contract workers. There are only two types of employment contract: (i) regular (i.e. permanent) and (ii) probationary

workers. Currently there are, on average, 2-6 per cent of probation workers in our supplier's factories in Cebu. The factories have been asked to improve their personnel files record and communication to workers, so that all workers are fully aware of their status, especially when their probation period ends and they sign a new contract as a regular worker.

Claim: Employees have to work excessive hours and are forced into involuntary overtime.

Response: This is incorrect. We strictly control working hours and all overtime must be voluntary. We have investigated the claims that our Philippines suppliers are forcing their workers into overtime and have found that all of the factories have in place a voluntary overtime policy and that this has been clearly communicated to the workers at the time of their induction. This has been verified through feedback obtained from worker interviews and also by a review of factory records, which show that workers sign voluntary overtime forms prior to undertaking overtime work.

Claim: Eight workers said they were not being paid premium rates for working on special days such as public holidays. A further 11 workers claimed they had not received premium pay for working a normal rest day.

Response: Our review of factory payroll and other records do not show any issue over the payment of overtime compensation. We will be requesting the particulars of each of these workers, so that their claims can be checked.

Sri Lanka

It is important to note that adidas Group has not worked with the MAS Linea Aqua factory in Sri Lanka since January 2008. Furthermore, although the MAS Linea Intimo factory was initially disclosed by adidas Group as a potential production unit for Team GB kit, no Olympic apparel has been made there and adidas products make up only a tiny percentage of the factory's overall production. In fact, adidas Group's relationship with MAS Linea Intimo is drawing to a close as a result of the low volume of orders.