

**adidas-Salomon**

**European Stakeholders Consultation on Supply Chain  
Reporting**

**Tuesday 1<sup>st</sup> October  
5 Langley Street, London, WC2**

**Report of Meeting**

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## Introduction & Follow Up

This document is a record of the meeting held in London on 1<sup>st</sup> October 2002 between adidas-Salomon and its European-based stakeholders.

adidas-Salomon has previously conducted similar stakeholder meetings in Hong Kong in December 2001 and in Washington in July 2002.

The participants at the meeting and the agenda are contained in Appendices 1 and 2, respectively. This record does not purport to represent a consensus amongst the participants; it has simply reflected the wealth of ideas which were raised and discussed.

Following introductions, all participants agreed the following ground rules:

- 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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adidas-Salomon 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 900 factories worldwide in the supply chain (including local sourcing suppliers and subcontractors)
- The outsourcing programme began in the 1970s with the closure of German factories, and continued in the 1980s and 1990s. The programme was felt to give considerable competitive advantages despite the increased business risks
- In 1998 adidas-Salomon first published its Standards of Engagement
- adidas-Salomon is a member of the WBCSD, BSR and of the FLA
- adidas-Salomon’ long term goal is not to establish a large monitoring and verification bureaucracy but 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
- However monitoring and verification has been implemented systematically and has exceeded the FLA target of 10% of factories for the first 12 months period until July 2002 as set out in the recent social and environmental report

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## Issues for adidas-Salomon

Many issues were raised for adidas-Salomon to consider. These can be grouped in the following headings:

### *Consultation and Co-operation*

- **Termination of contracts.** It was noted that there had been over 30 supplier terminations, solely because of SoE issues, in 2001. This was regarded as quite a high number. It was mentioned that in the adidas report the procedures towards terminations was unclear. Terminations were criticized by some participants in principle as long as these terminations were not decided upon by independent verification bodies. There were often unintended consequences of such decisions, e.g. on children and families. The possibility of involving third parties in such decisions was raised, although some felt that this was in the end a matter for adidas-Salomon.
- **Multiple contracts in factories.** This leads to multiple and conflicting codes and standards facing the supplier. This requires cross-industry co-operation to resolve.
- **Working with local organisations and institutions.** Building capacity should involve working with local stakeholders, e.g. unions and other worker organisations, with other companies and local authorities, such as labour inspectorates. (This approach could be used to arrive at and enforce common standards for suppliers servicing different companies.)
- **Worker Involvement.** Could workers have access to the full factory audit reports? Also, how can they input to the global social and environmental report?
- **Community Involvement.** Could communities be involved across a region where there are issues of common interest?
- **Children's Views.** The views of children should be directly sought and reported.
- **Labour Representation.** Labour organisations should be better represented in stakeholder discussions and in verification structures. adidas-Salomon Works Council could be regarded as a stakeholder and invited to similar meetings in the future.
- **Continuous Consultation.** Stakeholder consultation should not be seen as something which revolves around an annual report. It would be helpful to see it as a continuous process.

### *Environment*

- **Broader Life Cycle View.** It was thought that environmental analysis should encompass product use and post-use phases as well as manufacture and the proactive selection of materials.
- **Direct Impacts.** The impacts of adidas-Salomon offices should also be covered – e.g. what is the energy use of adidas-Salomon offices and warehouses?

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## **Codes – Social standards**

- **Living Wage.** This is a key problem. adidas-Salomon' sponsorship of the Indonesian study of this issue was seen as useful, but the timetable for action was unclear. Could the results of this study be made public? Some participants also raised the question how this study would be used by adidas.
- **Working Hours.** The FLA allows for exceptions to maximum hours working when there are 'emergencies'. In reality these are simply order peaks (which for some factories is most of the year) – could the causes of such peaks be tackled?
- **Complaints Systems.** Complaint systems are important and must ensure worker protection from any consequent harassment.
- **Ethnic Origin.** Issues of descent, cast and ethnic origin are not explicitly covered in the SoE.
- **Codes *plus* Engagement.** Codes and engagement practices cannot substitute for each other – both are necessary.
- **FLA.** This was criticised by some for low standards on hours of work on minimum wage and on lack of union participation.

## **Commercial**

- **Costs of Improvement.** adidas-Salomon' current strategy is to pay for monitoring, but require suppliers to pay for improvement. This was questioned. Contract price negotiations could reflect both past achievements and required improvements.
- **Pricing of Contracts.** Contract pricing should also include anticipated improvements and living wage considerations. How does past SoE performance by suppliers influence future orders?

## **Strategy and Systems**

- **Export of bad practice.** Insisting on better practices in one area (e.g. India) could lead to contracts being moved to other areas (e.g. China) where such practices are harder to enforce.
- **Strategy for audits.** The highest risk countries/suppliers should be prioritised for audit.
- **Verification.** The social and environmental report and the general sourcing policy of adidas should be verified. This should cover issues such as the choice of factories for audit, as well as data accuracy. Verification at the factory level is also crucial. However there is a serious scarcity of qualified verifiers.

## **Approaches**

There was considerable discussion over what strategy and new approaches would be most helpful to take adidas-Salomon forward. The discussion revolved around the following six kinds of initiative, which address a number of the issues set out above:

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1. **Local Multi-stakeholder Co-operation.** This could include the competitors, local NGOs and unions as well as public authorities. It was regarded as essential that the discussion, development and implementation of such initiatives should take place in the country concerned. It was also thought helpful, for such initiatives that they focus on one or more clearly defined issues, such as a living wage.
2. **Global Convergence.** While difficult to progress, global co-operation on a range of issues was regarded as the longer term solution. The end goal might be regarded as a worldwide monitoring system which would ensure there was a level playing field for adidas-Salomon and its competitors. This might include recognition of the common ground covered by the various codes.
3. **European Orientation.** It was felt by some that a public commitment to codes and monitoring and verification models recognised and endorsed by the public and NGOs in Europe would be helpful. The FLA was not thought to be sufficiently established in Europe and other models, such as the ETI or the Clean Clothes Campaign, or a proposal for a pilot project on independent verification in the framework of the German Round Table on Codes of Conduct, were available.
4. **Resourcing Local Institutions.** Bearing adidas-Salomon' long-term aspirations of capacity-building in mind, the idea of supporting local public or regulatory institutions' capacity was raised. The concrete example was given of pro-actively inviting a representative of a national labour inspectorate into a factory. It was also acknowledged that there might be resistance to such efforts from the institutions concerned as well as from the suppliers. Another example was the idea of deliberately engaging with suppliers in countries with poor practices in order to improve them – although this could lead to the perception of poor performance by Adidas-Salomon.
5. **Management Systems Development.** There should be a continuing effort to develop and refine the internal management systems for administering the SoE and an independent verification structure. This should include overall governance systems and committees. One issue raised was to enhance how adidas-Salomon already chooses factories for audit; it was suggested that this could be on the basis of wider risk factors instead of convenience.
6. **Participation.** Greater end-stakeholder participation in decision-making should be encouraged. End-stakeholders include both workers and their families and communities. Possibilities include informing workers of decisions and remedial action plans affecting them, finding ways to report fully back to workers, rather than only to supplier management. Stakeholders could also be included in the production of the overall social report. Some participants underlined the necessity to ensure workers' and labour-related NGO participation by integrating them into the independent verification structure.

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## Reporting

While participants recognised the overall value of adidas-Salomon' social and environmental reports, many suggestions were made as to how to improve future reports.

### **Strategy**

At a high level, it would be useful to have adidas-Salomon' attitude and responses to the issues identified during the meeting and other strategic challenges faced. This would include the strategy and approach to the level of monitoring, reporting and code developments, globalisation and other major trends. The road map was seen as perhaps too abstract a way to convey these themes by itself.

Where issues have been discussed in previous reports, the level and nature of follow-up should be reported.

### **Scope of Report**

Stakeholders and their relationships could be set out more clearly with a more detailed stakeholder mapping.

Some stakeholders need greater attention, including:

- Communities. This should include donations and other philanthropic initiatives
- children and their issues. The report could convey the 'voices' of children
- customers – including their views on ethics and the role of advertising
- unions

There could be a more systematic treatment of environmental product impacts, such as product take-back and recycling. Environmental reporting could also cover standard direct impacts, e.g. office energy use, waste, transport use.

It would also be useful to have more detail on governance arrangements – from Board level committees to management systems. This could also include partnership structures.

The precise relationship of the report to GRI requirements could be made clearer, including the areas where the report exceeds GRI requirements.

The issue of adidas-Salomon advertising, and whether it could be considered to be sustainable, was also raised.

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## ***Detail and Type of Indicators***

It would be very useful to report on the impacts and results of adidas-Salomon' approach on stakeholders' lives. For example, how many additional children were now in education? Other specific points made about the detail of the report included:

- more detail could be given on terminations – adidas-Salomon' overall strategy and reasons for termination and also the timetable and steps followed for particular cases
- percentages as well as absolute figures for factories audited by region would be useful
- numbers of people composing specific stakeholder groups could be reported
- it should be possible to use a CD or the web site to enable interested parties to drill down to deeper levels of analysis
- the reasons for shifting production between regions/countries could be discussed

## ***Verification***

The report as a whole should be verified. In addition the identity of factory level verifiers should be made clearer.

## **Feedback**

While the meeting was generally felt to be productive, the following suggestions were also made:

- regular meeting and consultation are important
- a more structured approach to planning solutions would be helpful
- participants need to see how such meetings lead to changes – this would demonstrate that adidas-Salomon is listening to its stakeholders.
- a diversity of engagement, covering different kinds and levels of stakeholder is necessary. In particular local stakeholder involvement is crucial.

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## Appendix 1 – Participants

<b>Name</b>	<b>Organisation</b>
<b>Andre Gorgemans</b>	<b><i>World Federation of Sporting Goods Industries</i></b>
<b>Effie Marinos</b>	<b><i>SGS</i></b>
<b>Ingeborg Wick, Esther de Haan</b>	<b><i>Clean Clothes Campaign</i></b>
<b>John Sabapathy</b>	<b><i>AccountAbility</i></b>
<b>Emily Delap</b>	<b><i>SCF</i></b>
<b>Lesley Roberts</b>	<b><i>Pentland</i></b>
<b>Andreas Wieder</b>	<b><i>IG BCE Union</i></b>
<b>Gerard Oonk</b>	<b><i>India Committee of the Netherlands</i></b>
<b>Catherine Long, Jayn Harding</b>	<b><i>FTSE4Good</i></b>
<b>Frank Henke, Evelyn Ulrich</b>	<b><i>adidas-Salomon</i></b>
<b>Adrian Henriques, Duncan Minty</b>	<b><i>Facilitators</i></b>

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## Appendix 2 – Agenda

	<b>Coffee &amp; Refreshments available from 10.30am</b>	
<b>11.00am</b>	<b>Introductions</b>	
	<b>Facilitation &amp; Groundrules</b>	<b>Adrian Henriques</b>
	<b>Round Table</b>	<b>All</b>
<b>11.30</b>	<b>adidas-Salomon:</b> <ul style="list-style-type: none"> <li>• <b>company profile</b></li> <li>• <b>reporting history</b></li> <li>• <b>previous consultations</b></li> <li>• <b>possible areas for consultation</b></li> </ul>	<b>Frank Henke, Evelyn Ulrich</b>
<b>12.00</b>	<b>Issues for adidas-Salomon</b>	<b>All</b>
<b>1.00pm</b>	<b>Lunch</b>	
<b>1.30</b>	<b>Lessons from other companies:</b> <ul style="list-style-type: none"> <li>• <b>what could be copied?</b></li> <li>• <b>what should be avoided?</b></li> </ul>	<b>All</b>
<b>2.30</b>	<b>Reporting</b> <ul style="list-style-type: none"> <li>• <b>the value of reporting</b></li> <li>• <b>information required</b></li> </ul>	<b>All</b>
<b>3.30</b>	<b>Feedback on consultation process</b>	<b>All</b>
<b>4.00</b>	<b>Close</b>	