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adidas position on ACT

ACT (Action, Collaboration, Transformation) is an agreement between global brands, retailers and trade unions to transform garment, textile and footwear industry and achieve living wages for workers through collective bargaining at an industry level, linked to purchasing practices. We understand that ACT's current focus countries are Bangladesh, Turkey and Cambodia. We have a significant sourcing presence in one of those countries (Cambodia), where ACT is promoting sectoral wage development through collective bargaining processes, but in others (such as Turkey and Bangladesh) we have little or no meaningful footprint.

Operating supply networks in many countries of the world we have been engaging with stakeholders for many years. That engagement has helped us define, shape and execute our approach on wage setting schemes in supplier countries. The steps we have taken have been published on our corporate website [here](#).

Like ACT, we do not want 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 programs and other services which enhance quality of life.

We oblige employers to pay compensation that is legally required or has been freely negotiated through a collective bargaining process. As a buyer, we influence a factory's ability to pay its workforce their wages in two ways: in the prices we pay for products and by sourcing and buying those products responsibly.

Our approach to payment of fair wages in global supply chains is built on three pillars and aligned with basic human rights concepts:

- Do not infringe on the rights of workers, their employers and governments to set fair wages.
- Conduct due diligence and act when business partners are not compliant with the law or our Workplace Standards.
- Facilitate ways and actions that influence wage progression and fair wages

We are aligned with ACT's goal of supporting industrial dialog to enable the development of sector wages and this is underpinned by our Workplace Standards, which mandates that suppliers pay industry or sectoral wages, if higher than legal minimum wages. In the case

of Cambodia this means that if ACT is successful, in partnership with unions, the manufacturing association and government, in securing a higher sectoral wage, all adidas' suppliers would have to abide by that sectoral agreement.

Furthermore, adidas is already independently meeting the core commitments outlined by ACT for its brand partners, both through our commitment to maintaining long-term business partnerships with our suppliers and by our adoption of responsible sourcing practices. We publicly report about the length of business relations we hold with our strategic suppliers. In 2018, 84% of our key strategic partners have worked with adidas for more than ten years and 42% have a tenure of more than 20 years. We have also [published our policies on responsible sourcing](#) and obtain independent feedback on the application of such practices through the Better Buyers forum.

We remain open to understanding the benefits of ACT membership and have been in an ongoing dialog with the Secretariat and ACT's member brands. In particular, we have discussed ACT's efforts to advance sectoral agreements Cambodia, where our sourcing partners have a long-term presence.

We believe that the EU's proposed withdrawal of trade preferences places a constraint on ACT and its tripartite engagement in Cambodia. It has created a period of uncertainty and if trade preferences are removed, they will negatively impact the apparel export sector. It will be difficult for the stakeholders within ACT to negotiate higher wages, while the attractiveness of Cambodia as a sourcing location is threatened by EU actions. Members of the US Senate have similarly called for U.S. government to withdraw the Generalized System of Preferences from Cambodia.

Current trade tensions are clearly an impediment. This is evidenced by the fact that on January 24, 2019, the Garment Manufacturing Association in Cambodia (GMAC) - a key partner in ACT - notified the Trade Union Negotiating Council that it would suspend discussions on a sectoral collective bargaining agreement. GMAC cited the risk of EU sanctions, but also the cumulative costs facing manufacturers in Cambodia in 2019; including increases to the minimum wage, seniority allowances and proposed pension fund contributions.