

Third Party Complaint Process for Breaches to the adidas Group Workplace Standards or Violations of International Human Rights Norms¹

The adidas Group is committed to operating as a sustainable business which is environmentally sound, respects human rights and ensures fair, safe and healthy working conditions across our global supply chain. To support this goal, the adidas Group has established sustainability policies and practices as well as a code of conduct – our Workplace Standards - which our suppliers, agents, licensees and other related service providers are expected to follow.

The Third Party Complaint Process described below is designed to assist the adidas Group fulfill its commitments to engaging our stakeholders and providing a means by which individuals and organisations can bring to our attention serious non-compliance with the adidas Group's Workplace Standards or concerns related to any potential, or actual, breach of an international human right norm that is linked to adidas Group operations, products or services.

Our process aims to ensure that such complaints are investigated and resolved in a manner which is transparent and fair.

What will constitute a complaint under the process?

A complaint is a report of:

- (a) a violation by a supplier, licensee, agent or contractor of an element of the Workplace Standards relevant to that supplier, contractor or service provider; or
- (b) any breach of an international human rights norm, whether related to an external service provider, supplier or to adidas Group's own business operations, where these affect an outside party.

Separate but related complaint mechanisms are available with respect to the adidas Group's own business practices, in matters of any breach of national laws and/or external and internal regulations. For example, in relation to business ethics, privacy and employment practices. These parallel processes are managed by the adidas Group's Legal and Compliance team,

¹ *Acknowledgement:* The grievance mechanism described in this document builds on a worker's rights complaint process which has been in place for more than a decade at the adidas Group. The procedures, format and language are also closely modelled on the third party complaint mechanism which was developed by the London Organising Committee for 2012 Summer Olympics, with the support of Ergon Associates, an independent consulting firm. The adidas Group was involved directly in fulfilling LOCOG's Source Code requirements, including addressing complaints lodged by international and local labour rights groups under the LOCOG grievance mechanism.

through an internal reporting mechanism to the General Counsel/Chief Compliance Officer, or to our Regional General Counsels, under the Group's "Fair Play Framework".

What type of complaint can be made?

The complaint should be factual and evidence-based. This means that the complainant should be able to produce sufficient information to demonstrate the relevance and seriousness of the complaint, that it is a breach of the adidas Group's Workplace Standards, or of an international human rights norm, and that there is clear link to the adidas Group.

Who can complain?

Any individual or organisation directly affected by an issue, or an organisation with a formal mandate to represent individuals or communities directly affected, can make a complaint related to adidas Group operations or our global supply chain. They must have access to first-hand knowledge of the circumstances of the complaint and if they are an organisation, they must be viewed as a legitimate representative of those affected.

How can a complaint be made?

Workers with complaints or grievances who work in factories making products for the adidas Group should use the hotline numbers posted in their workplaces. The worker hotlines are operated by staff from our Social & Environmental Affairs (SEA) department, or in some countries, such as China and Bangladesh, by independent third parties and NGOs who speak the local languages of the worker populations.

For other third parties, we encourage written submissions, emailed, faxed or posted. The complaint does not have to be submitted in English, it can be submitted in the individual's or organisation's own language.

The complaint should be sent to sustainability@adidas-Group.com, or posted or faxed to:

Europe	Africa, Middle East, Asia Pacific	Americas
<p>adidas Group Social & Environmental Affairs World of Sports Adi-Dassler-Straße 1 91074 Herzogenaurach Germany</p> <p><u>Attention:</u> Mr Frank Henke</p> <p>Global Director, Social & Environmental Affairs</p> <p>Phone: +49 (0) 9132 / 84 - 0 Fax: +49 (0) 9132 / 84 - 3242</p>	<p>adidas Group Social & Environmental Affairs 10 Floor Cityplaza Four 12 Taikoo Wan Road Taikoo Shing Island East Hong Kong</p> <p><u>Attention:</u> Mr William Anderson</p> <p>Vice President, Social & Environmental Affairs</p> <p>Phone: +852 2302 8654 Fax: +852 2302 8875</p>	<p>adidas Group Social & Environmental Affairs 5055 North Greeley Avenue OR 97217 USA</p> <p><u>Attention:</u> Mr Gregg Nebel</p> <p>Vice President, Social & Environmental Affairs</p> <p>Phone: +1 (781) 401-7533 Fax: +1 781.401.7179</p>

Where workers have participated in on-site or off-site interviews with SEA staff members, they are free to contact those staff members directly.

What information is required by the adidas Group?

The complaint should provide the following basic information:

- Name of the adidas Group entity or the name of the supplier/contractor or employer:** the normal trading name of the company providing products or services to the adidas Group. The name of the workers’ employer (if different), or any sub-contractor is also required.
- Name of work site:** including information to allow identification of the specific location of the factory, warehouse, business unit, or activity to which the complaint relates.
- Link with the adidas Group product or service:** description of product or service being supplied, with as much detail as possible.
- Alleged breach:** the element of the Workplace Standards or human rights norm which has or is being breached, a short description of the nature of the breach, any supporting evidence, and the date or period when the alleged breach occurred.

- **Contact point:** name and full contact details of individual or organisation making the complaint. If the complaint is being handled on behalf of others, provide the contact details for the originators of the complaint.
- **Confidentiality:** whether the complainant or a party to the complaint must remain anonymous and the reasons for anonymity (see below).

Ideally, the following additional information should be included. If not provided initially, the adidas Group will contact the complainant to gather this information and assess whether the complaint should be taken forward:

- **The scale of the alleged problem:** how many workers or products are involved? How has the community been impacted? Is there immediate physical danger? How serious is the breach to the Workplace Standards or how severe is the adverse impact on the international human rights norm?
- **Supporting information:** details about where corroborating information can be found.
- **Is the grievance being pursued by other means?** Has a formal grievance with the employer been lodged, or mediation or arbitration been sought, or a court case been filed? Have other local or international agencies been contacted?
- **Has the issue been raised before?** Has the issue been the subject of previous complaints to the adidas Group via another complaints mechanism? Has the issue been raised with other organisations, for example local government agencies?
- **What is the preferred solution?** What do the complainants want to see happen to remedy the situation?
- **Other relevant organisations:** any other organisation that might have useful information directly relevant to the complaint together with their contact details.
- **Local complexities:** for example ethnic, cultural or political issues that will have a bearing on the alleged violation and how it can be investigated.

Is the complaint confidential?

The adidas Group wishes all parties to have confidence in the complaint procedures. We therefore deal with complaints in an open and transparent way. Unless there are good reasons not to do so, all information received will be provided to all other parties to the complaint. If

there is sensitive information, the preferred course is to agree with all parties on how to deal with this.

In principle, details of individual employees or complainants should be provided. However, the adidas Group recognises the risk of retaliation facing workers making complaints about their employment conditions, or individuals raising issues related to human rights violations. In these circumstances the adidas Group will not disclose the identities of workers to employers to open them up to retaliation, or the names of individuals who may have been subjected to human rights violations, where such disclosure would lead to their likely intimidation or victimisation.

Please see our Anti-Retaliation Policy at the end of the complaint mechanism.

What if the complaint is anonymous?

Ideally, the adidas Group would like to contact a complainant and verify the details of any allegation, but we do understand that at times, individuals may wish to make an anonymous complaint. Where anonymous complaints are received, the adidas Group will investigate and determine whether there are grounds to the complaint. However, in the case of anonymous complaints we will not be able to inform the complainant with the outcome of those investigations, or the actions taken by the adidas Group. If an individual decides to make an anonymous complaint it is important that the complainant provides as much information as possible to substantiate their complaint.

What will happen when a complaint is made?

The adidas Group's preferred general approach to all complaints is based on an initial assessment of the evidence, followed by an in-depth investigation, and the development of appropriate remedial action(s) in the quickest possible timeframe.

How quickly will complaints be handled?

It is important that complaints are submitted to the adidas Group promptly so that breaches of our Standards or any negative human rights impact can be rectified as soon as possible. The adidas Group will therefore strive to assess complaints and take expedient action. It's difficult to set a predetermined fixed timetable as complaints will vary in scale, complexity and geographical origin but most can be dealt with in weeks, rather than months.

What will the adidas Group do when it receives a complaint?

The adidas Group will acknowledge receipt of a complaint in writing, or verbally if the complaint was received via a telephone call or in a face-to-face meeting with a complainant. The adidas Group will then assess whether it can be accepted as a legitimate complaint. To be accepted, the complaint must:

- Relate to an activity by an adidas Group business entity or employee, or to a contractor, supplier or licensee which actively involved in the production or supply of products or services to the Group. Where it relates to a product, it must be at a tier of the supply chain that is traceable directly to the adidas Group,
- Relate to a breach of the adidas Group's Workplace Standards, a breach to a clause in our related guidelines, or a breach of a recognised and codified international human rights norm².
- Contain sufficient information to enable the adidas Group to assess the substance of the complaint.

If there is insufficient information provided by the complainant initially, the adidas Group will ask for additional information or clarification about the nature of the complaint.

The adidas Group will identify the parties to the complaint. Depending on the nature of the complaint, these parties could include the complainant, the subject of the complaint, rights-holders, workers or others directly affected by the issues raised, groups representing or advocating on behalf of those directly affected, and other actors in the supply chain or in the adidas Group's business operations, subsidiaries or associated business entities.

The complainant will be informed whether the complaint has been accepted. If the complaint is not accepted, the reasons will be given to the complainant.

Will a complainant have to waive their legal rights?

No. An individual, group or community submitting a complaint are free to pursue their legal rights and access all available judicial mechanisms, in parallel with, or following adidas Group's

² They include the rights contained in the "International Bill of Human Rights" – meaning the *Universal Declaration of Human Rights*, the *International Covenant on Civil and Political Rights* and the *International Covenant on Economic, social and Cultural Rights* – together with the internationally-recognised rights set out in the International Labour Organization's (ILO) *Declaration of Fundamental Principles and Rights at Work*.

consideration of their complaint. Pursuing such a course of action may in fact be vital if matters of law, or of legal interpretation, are an important element of a complaint.

What happens if a complaint is accepted for examination?

If the complaint is accepted, all parties will be contacted and briefed on the process. The substance of the complaint and all relevant documents will be examined by the adidas Group's Social and Environmental Affairs (SEA) department or by the Group's Regional Compliance Officers, if it relates directly to our own business operations or the conduct of our own employees. The complaint and SEA's findings will be communicated to the subject of the complaint and their response will be requested. They will be given a defined period of time to respond.

How should the subject of the complaint respond?

The subject of the complaint may be a company contracted to supply the adidas Group with goods or services, or it may relate to one of the adidas Group's own operating businesses. If the complaint relates to the adidas Group's own operations the company's General Counsel/Chief Compliance Officer or the designated Regional Compliance Officers will be immediately informed, as will the head of the relevant business unit.

The adidas Group will immediately mobilise staff from the SEA department to begin an internal investigation. They will gather information about the complaint, the supplier's or contractor's worksite or the practices of the employer of workers providing services. This information will come from on and off-site interviews and an examination of the contractor's or supplier's own records. The SEA department may also engage with relevant government agencies and other stakeholders from the local communities and civil society. Where appropriate, or when additional expertise is required, the adidas Group may choose to commission an external investigation from an independent third party, or use the services of an independent specialist or, appoint an independent ombudsman or mediator to manage the complaint process.

Whatever method is chosen, the key factor is to ensure the process produces information that enables a fully-informed discussion of the complaint, based on the full facts of the case. The adidas Group will strive for the process and the information-gathering methodology to be transparent and credible.

The SEA department's findings will be shared with all parties, unless there is a strong compelling case for confidentiality.

Resolution at an early stage

It is possible that a complaint is settled early and goes no further. There may be a formal or legal process that can be pursued e.g. an internal grievance procedure, mediation or arbitration process, or labour tribunal or other legal procedure that is applicable. The adidas Group will encourage those engagements that are practicable and are likely to lead to a result, rather than setting up a parallel process.

The subject of the complaint may, on the basis of its own investigations, suggest a remedy which is agreeable to the complainants or the affected parties. Equally the complainants may, on the basis of the information provided by the subject, agree that there is no merit in pursuing the complaint.

Remedial action

Where the adidas Group determines that it has caused or directly contributed to a violation it will undertake to cease or change the activity that is responsible, in order to prevent or mitigate the chance of the impact occurring or recurring. If an impact is occurring, the adidas Group will engage actively in its remediation, either directly or in cooperation with others.

Where the adidas Group is neither causing nor directly contributing to a violation it will encourage the entity that has caused or contributed to the impact to prevent or mitigate its recurrence.

In resolving complaints, the adidas Group will be mindful of the law and legal precedence in the country where a complaint arises. The adidas Group will not assume, nor accept, the legal duties or obligations of other parties who may be the subject of a complaint.

The adidas Group cannot adjudicate on legal disputes between parties, nor can it determine cases which require the deliberations and decisions of a court, tribunal or other duly authorised body under national or international law.

How will remedial actions be checked?

Depending on the type of remedial action agreed, the parties will seek to reach agreement on how this is to be monitored and checked to ensure that it is implemented within the agreed timescale. The adidas Group's SEA department will normally monitor the implementation of agreed outcomes, or will appoint a credible third party to do so.

What happens if there is no agreement between the parties?

If there is no agreement within a reasonable period of time, the adidas Group reserves the right to decide on the outcome of the complaint. It will do this on the basis of the information supplied at all stages of the complaint. The adidas Group will communicate its decision and the reasons to all parties. If the adidas Group upholds the complaint, it will institute appropriate action within its contractual rights, if the issue relates to its suppliers, licensees or service providers, or its legal rights and responsibilities if the complaint is directed against an adidas Group business entity.

While the adidas Group will make every effort to facilitate agreed resolutions to legitimate complaints, and do so in partnership with suppliers, licensees and other business partners or providers, and with the full engagement of other stakeholders, this does not affect the adidas Group's contractual or legal rights.

The adidas Group may cease business with the subject of the complaint in accordance with the terms of the relevant contract or agreement.

How will complaints be communicated publicly?

At the conclusion of the complaint, the adidas Group will write a short summary of the complaint and the outcome and share this with the affected parties.

At the end of each year the adidas Group will communicate, via its corporate website, how many third party complaints it has received related to labour or human rights violations and the status of those complaints (i.e. being investigated, successfully resolved, etc.).

The specific details of the complaints or the parties to the complaint will not be disclosed, unless both the complainant and the subject of the complaint have agreed that this to be made public. However, in those cases where an independent third party is retained to investigate a complaint, the terms of their appointment may require that they publicly report their findings and recommended actions, thereby ensuring credibility and transparency.

The adidas Group will not disclose detailed information on any complaint, where it involves or could affect an ongoing legal case.

What happens if any party is unhappy with the way the complaint has been handled?

In the first instance, the party should raise the issue with adidas Group's SEA department. SEA will review the case and communicate the information to the Group's General Counsel/Chief Compliance Officer for a final decision.

If the complainant is still dissatisfied with the outcome of their complaint and the actions taken by the adidas Group, then they do have recourse to available judicial processes or other independent complaint processes, as detailed below.

Other forms of redress

FLA's Third Party Complaint Process – The adidas Group is a founding member of the Fair Labor Association (FLA). The FLA is a non-profit collaborative effort of universities, civil society organisations, and socially responsible companies which promotes adherence to international and national labour laws. The FLA's Third Party Complaint Process was established as a safeguard for any person, group or organisation to report serious violations of workers' rights in facilities used by any company that has committed to the FLA's Code of Conduct and Responsible Sourcing Practices. This process is not intended to replace or undermine existing internal grievance channels in a factory, or legal remedies available at a country level. Rather, the complaint process is intended as a tool of last resort when other channels have failed to protect workers' rights.

For more information on the FLA's Third Party Complaint Process please go to:

<http://www.fairlabor.org/transparency/complaints-investigations>

National Contact Points – The adidas Group, as a public company headquartered in Germany, is committed to uphold the OECD Guidelines for Multinational Corporations. An English language version can be downloaded here: <http://www.oecd.org/daf/inv/mne/48004323.pdf>. The Guidelines, which were updated in 2011, include recommendations for responsible business conduct with respect to human rights, environment, as well as other topics.

The OECD Guidelines are supported by a unique implementation mechanism known as National Contact Points (NCPs), agencies established by adhering governments to promote and implement the Guidelines. The NCPs assist enterprises and their stakeholders to take appropriate measures to further the implementation of the Guidelines and act as a mediation and conciliation platform for resolving practical issues that may arise. Where there is evidence that a business has failed to live up to the voluntary principles set forth in the OECD Guidelines, a complaint can be filed with the National Contact Point.

The relevant contact point for Germany is:

Federal Ministry of Economy and Technology
National Contact Point
Referat VC3
Scharnhorststr. 34-37
10115 Berlin
Germany

Tel: (49-30) 2014 75 21

Fax: (49-30) 2014 50 5378

Email: oezd-nks@bmwi.bund.de or buero-vc3@bmwi.bund.de.

Web: <http://www.bmwi.de/EN/Topics/Foreign-trade/oezd-guidelines-for-multinational-enterprises,did=430734.html>

adidas Group Anti-Retaliation Policy

In executing our anti-retaliation policy, our central concern will always be to safeguard the rights and wellbeing of any person who has lodged, in good faith, a grievance with the adidas Group.

If a person or organization believes that they have been subject of retaliation as a result of registering a complaint with the adidas Group, they should contact us immediately and provide the specific details of what has occurred. We will investigate and if there is clear evidence of retaliation against them, we will take action to remedy the situation. This may require, for example, the issuing of a warning letter to a business partner, if it is found that they have retaliated against a worker, or a worker representative, for disclosing workplace issues, or it may demand the intervention of government, when a legal or administrative remedy is required.

As retaliation can take many forms (loss of job, demotion, involuntary transfer, harassment, intimidation, etc.) we will deal with each incidence on a case-by-case basis and look for tailored solutions.

Citation: "Third Party Complaint Process for Breaches to adidas Group Workplace Standards or Violations of International Human Rights Norms", Version 3, published in November 2016.