

‘Raising the Bar’ – next steps on the journey towards sustainability in the sports apparel industry

A report prepared by Two Tomorrows

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Executive Summary

1. adidas commissioned Two Tomorrows to facilitate a workshop on 23 May 2011, called 'Raising the Bar – next steps on the journey towards sustainability in the sports apparel industry'. It was attended by experts from the NGO and SRI community a trade union and a sporting event organiser.
2. The event focused on adidas's supply chain management in the context of major sporting events (including, but not limited to the London Olympics 2012).
3. The workshop was structured around four key themes. In each one, adidas provided an introduction and the discussion was then opened to the floor. Key points from each are summarised below.
4. In the **major sporting events and their influence on sports apparel supply chains** session, four key issues were highlighted as being of particular importance to the labour groups present: *freedom of association, fair wages, precarious work and forced overtime*. A key recommendation from this was for adidas to issue a requirement for suppliers to provide a 'right to unionise guarantee' to workers, in order to be more pro-actively promoting freedom of association. A further recommendation was to share lessons learnt from the London Olympics with FIFA and to encourage them to raise the bar for football events.
5. In the **Driving change through sharing knowledge and best practice** session, the importance of sharing best practice with other clothing retailers, such as M&S and Next was highlighted (on issues such as enforcement of living wage in the supply chain). A 'missed opportunity' was identified for London 2012, in that adidas is not engaging with non apparel brands such as BMW and Cisco. adidas is publishing its London 2012 supplier list in July 2011 (one year before the event starts).
6. In the **Independent monitoring and assurance of sustainability in major sporting events** session, the role of the Commission for a Sustainable London 2012 was a key focus of the discussion, including its legacy once it has been 'wound down'. The role of auditing was also discussed and the consensus was that it wasn't the most effective way of monitoring suppliers. A particular challenge is ensuring that knowledge sharing extends down to the workers themselves, as they often aren't aware of their own rights.
7. In the **Engaging and involving different stakeholders in the debate** session, much of the discussion was around how adidas engages with different stakeholder groups to try and influence behaviour, for example, pressuring governments to enforce better labour standards. Sometimes adidas does this alone, at other times it forms a group with other brands/stakeholders and engages collectively. There was also a discussion around engagement internally with senior management on sustainability issues.
8. The workshop's discussions resulted in a set of 'key open questions for future debate' (captured on page 13) which adidas will consider going forward.

Introduction

Two Tomorrows¹ was commissioned by adidas Group (referred to as 'adidas' throughout this report) to facilitate and capture key findings from a workshop held on 23 May 2011, in London. The workshop was called '*Raising the Bar – next steps on the journey towards sustainability in the sports apparel industry*' and focused ongoing dialogue upon **how adidas manages labour standards in its supply chain in the context of major sporting events** (including, but not limited to, the London Olympics 2012).

Workshop attendees were a mixture of experts in the field from NGOs, investors, trade union bodies, the London Organising Committee of the Olympic Games and Paralympic Games (LOCOG), the Commission for a Sustainable London 2012 as well as four adidas representatives. For a full list of attendees, see Appendix 1.

Prior to the workshop, Two Tomorrows carried out a series of short telephone interviews with most attendees, to help structure the day and ensure that key issues were addressed. See Appendix 2 for a summary of these issues. A report detailing adidas's preparation for London 2012 was also circulated prior to the workshop (see Appendix 4).

The workshop was held under 'Chatham House Rules'. On the day, delegates were asked to introduce themselves and explain what they wanted to get out of the dialogue. A summary of these 'goals' is:

- *To find out more about adidas's approach to key issues highlighted by various pieces of research, such as living wages, precarious workers, relationship between factory workers and management and worker migration*
- *To put across current investor interests*
- *To learn about how adidas is meeting the demands of the PlayFair campaign*
- *To discuss adidas's sponsorship role for the London 2012 Olympics and how it ensures that fair working conditions are in place for key suppliers.*

adidas's own goals for the event were described as:

- *To inform our broader sustainability strategy and preparation for major events*
- *To close out misunderstandings and manage expectations*
- *To broaden our exposure to stakeholder views*

The workshop was split into four interlinked sessions, each starting with a short introduction from adidas and then the discussion was opened to the floor. This report captures the key areas covered in each session and a list of 'key open questions for future debate', which participants felt were of particular importance for adidas moving forward. The report was circulated in draft to all delegates, to receive their comment and feedback before finalisation.

¹ Two Tomorrows (Europe) Limited trading as Two Tomorrows www.twotomorrow.com

Theme 1: major sporting events and their influence on sports apparel supply chains²

Introductory remarks from adidas:

- Major sporting events bring both positive and negative sustainability implications. On the positive side, they can attract publicity to a region and its problems. For example, the FIFA World Cup in South Africa drew attention to regional poverty issues and adidas has committed to helping local initiatives until 2013.
- adidas's social compliance programme is not driven by sports events *per se*; the main drivers are the needs of workers in the supply chain and consumer interest, as well as fulfilling demands placed by event organisers.
- Large scale events bring challenges in terms of peak demand, which puts more pressure on the supply chain – this is an area that adidas tries to pro-actively manage but it is challenging, particularly in relation to the issues associated with working hours and overtime.

adidas should issue a requirement for suppliers to provide a 'right to unionise guarantee' to workers, in a bid for adidas to be more pro-active in its approach

Key points raised by workshop participants are summarised below:

- The main advantage of major sporting events (like London 2012) is the leverage that campaigns such as PlayFair can get as a result of promoting the importance of fair labour conditions to major brands associated with the events³.
- Four key issues were identified as being particularly important to many of the labour rights participants: **freedom of association, living wages, precarious work and forced overtime**. These issues have been raised through campaigns and research such as Oxfam's 'better jobs in better supply chains' and the PlayFair campaign.
- Unionisation was discussed at length, with a suggestion made that adidas should issue a requirement for suppliers to provide a 'right to unionise guarantee' to workers, in a bid for adidas to be more pro-active in its approach. There was also a discussion around the appropriateness of productivity improvements being correlated to union agreements. In addition to this, access agreements were also highlighted as being important, in order to allow union organisers to be able to speak freely to workers about their rights.
- The point was also made that unionisation does not always lead to positive results and should not be done at the detriment of companies developing sustainably over the long term (as in the case of the print industry in Britain in the 1980s).

How can adidas sustain the 'raised bar' that will have been created for London 2012 and ensure that it's taken to Brazil 2016?

² Refer to Appendix 3 for a copy of the agenda and example discussion questions

³ Several of the workshop delegates were from organisations that are part of the PlayFair Alliance which campaigns for improvement of labour conditions in the sports goods industry. Members of the 2012 alliance included ITGLWF, TUC and Labour Behind the Label. Oxfam GB was also present and, in part, was representing Oxfam Australia (also a member).

- adidas stated that its freedom of association approach has not been a 'broad brush' one, as the context varies so much depending on the country.
- A question was raised around how adidas addresses peak production demands during sporting events (as mentioned above) and the potential geographical shift of suppliers as a result of this. How are 'blind spots' in the supply chain identified and risks managed, to avoid negative publicity and damage to the adidas brand?
- adidas sometimes feels that there is an 'uneven playing field' with regards to its management of labour – it's more of a 'leadership by showing' approach rather than a 'leadership by engagement' one, as many other brands are not willing to drive improvements around freedom of association.
- The downside of major sporting events is their short lived nature and the risk that any progress made during, for example, London 2012 will be lost (or at least not passed on) to other event organisers. That is why, from a labour rights perspective, campaigns such as PlayFair are so important: it's a continuous project that spans across events. How can adidas sustain the 'raised bar' that will have been created for London 2012 and ensure that it's taken to Brazil 2016?
- The legacy of London 2012 would be enhanced if sustainable industrial relations systems were established to provide robust mechanisms for promoting workers' rights in future events.
- OGC is not the only relevant stakeholder for organisation of the Olympics. adidas and other sponsors of London 2012 should be pressuring the international sports federations (of which there are 26) to take more action on supply chain management issues.
- A recommendation was made for adidas to engage with FIFA about the lessons learnt from the London Olympics event and how elements of the London Olympics Sourcing code could be taken by the World Cup event.

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Theme 2: Driving change through sharing knowledge and best practice

Introductory remarks from adidas:

- In our own work at the factory level, we believe that best practice sharing is a positive way to raise the bar.
- We also contribute our knowledge and experience to others through our memberships to the World Federation of the Sporting Goods Industry, Fair Labour Association, World Business Council for Sustainable Development, Sustainable Apparel Coalition, ILO/IFC Better Work programme and Global Social Compliance Programme. Finding the right forum to engage on these issues is sometimes a challenge.
- Engagement with LOCOG for London 2012 has been refreshing, and adidas, together with Next, are seeking to support smaller licensees that don't have the experience or capacity to address supplier issues. However, engagement with other (non apparel sector) sponsors such as BMW and Cisco has been limited – which is a lost opportunity to share experiences on supplier management.
- adidas openly engaged with LOCOG and other sponsors on the sourcing code, the complaint mechanism and on sustainability issues generally. adidas would be happy to share experiences with the organisers of Brazil 2016, but engagement post Beijing was limited. The same applies to engaging with FIFA to develop governance programmes in parallel to LOCOG.
- adidas is organising, with Next, training for smaller licensees in China on ethical sourcing practices and working hours
- It is also prompting local engagements around labour rights topics (for example, through workshops held with local unions and the ITGLWF in Sri Lanka).

Engagement with other (non apparel sector) sponsors such as BMW and Cisco has been limited – which is a lost opportunity to share experiences on supplier management.

Any Olympic Games is inherently unsustainable – the only way to say that it is sustainable is to reach beyond the boundaries of the event itself

Key points raised by workshop participants are summarised below:

- Sustainability elements were embedded into LOCOG partner/sponsor/licensee contracts very early on – for example, adhering to the sourcing code.
- LOCOG's performance is being assessed on an ongoing basis – through publication of its own sustainability report and subsequent stakeholder sessions, sharing best practice case studies etc.
- Any Olympic Games is inherently unsustainable – the only way to say that it is sustainable is to reach beyond the boundaries of the event itself to things like workers' rights, educating people in embodied carbon management in construction, setting standards and applying the lessons learnt elsewhere.
- Sustainability is a relatively new concept for the events sector but it is being rapidly taken up with the new British Standard and GRI guidelines. It provides a platform that most other industries don't get, because it's so public facing

but there are transferable learnings from other sectors in, for example, logistics and carbon management.

- Sharing knowledge and experiences on implementing a living wage – M&S has developed a model which requires all factories to pay all workers a living wage. This is being discussed by other clothing retailers such as Next and George at Asda and is a good example of how best practice of one company is influencing the behaviour of others.
- There was concern expressed by some delegates over the tendency to link the business case for increasing living wage to productivity levels of factories, rather than acknowledging the fact that it is a basic human right.
- Several delegates asked when adidas is going to publish its list of suppliers for the LO2012. This will be on 27 July 2011 (1 year before the LO starts in 2012) and it will contain all LOCOG licensed products and the list of factories manufacturing them. This will allow campaigning NGOs to cross reference the list with factories of concern.
- adidas also explained that as with its previous 2010 World Cup disclosure, the 2012 Olympic list of LOCOG suppliers will include the trade unions status of each factory. The labour groups present asked that the list also state whether Collective Bargaining Agreements also exist.
- Some delegates asked how feasible it was for adidas to disclose information on its entire supply chain and what (if any) limitations there were. adidas was also pressed to engage with peer companies in order to encourage more disclosure of suppliers.
- There was a lengthy discussion around precarious work and how adidas is addressing the issue – there have been a number of success stories for example, in adidas's major supplier in the Philippines, contract labour has gone from 90% down to 1% of the total. However, a number of examples where adidas's policies have not been implemented in factories have been uncovered during investigations by union federations such as ITGLWF.⁴
- Generally, the financial crisis drove the number of casual labour contracts in the apparel sector up again, as production demands became more unpredictable, which sometimes led to shortfalls in production capacity and subsequent short term contracts.
- Poor management of migrant labour is not such a significant issue in adidas's supply chain – their experience of bad practice tends to be isolated cases which are dealt with on a 'case by case' basis rather than a blanket approach.
- adidas does not subscribe to the ETI Base Code – it uses the adidas Group Workplace Standards and FLA code instead. It is, however, open to hearing what other companies who do use the ETI Code are doing in areas such as Living Wage.

The events sector provides a platform that most other industries don't get, because it's so public facing but there are transferable learnings from other sectors in, for example, logistics and carbon management.

⁴ <http://www.itglwf.org/lang/en/documents/ITGLWFSportswearReport2011.pdf>

Theme 3: Independent monitoring and assurance of sustainability in major sporting events

Introductory remarks from adidas:

- adidas is a member of the Fair Labour Association and fully participates in their processes which verify adidas's social compliance programme.
- adidas also follows LOCOG's requirement to disclose all factories used for London 2012 licensed products on SEDEX.
- Factories have undergone an environmental audit and licensed products comply with the Group restricted substances list and are generally compliant with the standards listed in the LOCOG code.
- adidas has been consulted on the LOCOG independent complaint and dispute resolution process, along with other licensees and brands.
- There are already challenges associated with this complaints mechanism – for example – the products for London 2012 will have already been manufactured by the time the event starts. The diversity of the supply chain along with the different languages spoken by the workers will also be a hurdle to overcome.
- Worker hotlines are a key component of adidas's compliance programme. As well as the 'in-house' lines there is also a line run independently by an NGO for around 400 factories in China.
- Where a non compliance case draws public attention, adidas may involve an independent third party to investigate, as was the case recently in Latin America.

Key points raised by workshop participants are summarised below:

- adidas has been involved in the design of the LOCOG complaints procedure and is committed to implementing it, but there will inevitably be challenges, at least initially, in rolling it out. adidas Group guidelines state that if an issue is brought to public attention, it will work with a third party to assess the problem independently as well as work on it itself.
- A key challenge with the LOCOG complaints procedure is that it runs alongside a company's own investigative processes – which should be the priority during the London2012? It is important that this complaints procedure is started as soon as possible.
- The challenge that LOCOG has is that it's a temporary organisation put in place to deliver the games – it doesn't have the expertise in place to deal with the challenges that are likely to arise (hence the complaints mechanism being outsourced to Ergon Associates).

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Legacy is a key issue – what will happen once the Commission winds down in March 2013? How will its experiences (positive and negative) be passed onto other sporting event committees and organisers?

- In the case of adidas, it will initially address a problem using its own process and keep LOCOG in the loop. If at any point, it requires independence or LOCOG disagrees with the process adopted, it will move into the complaints procedure.
- The Commission for Sustainable London 2012 was set up to verify the performance of the LO2012. It has to strike a balance between being close to LOCOG and other bodies and campaigning against them. 'Assurance' and 'commentary' are important words for the commission – it wanted to avoid a 'tick box' exercise and actually add value/make recommendations. It focuses on 'strategic' level assurance, rather than factory level (there are only three members of staff working on this).
- Legacy is a key issue – what will happen once the Commission winds down in March 2013? How will its experiences (positive and negative) be passed onto other sporting event committees and organisers? How can developed assurance mechanisms be handed onto other organisers?
- Auditing alone is becoming less effective – suppliers are getting "cleverer" at presenting positive pictures that are not representative. We need development of mature systems of industrial relations that detect non compliance and enforcement of these systems locally.
- The role of Sedex in monitoring was discussed ⁵– it was felt that there are better tools that are more valuable for driving improvements in labour relations, for example, mechanisms for solving problems quickly at the local level, the right to unionise, keeping records of worker turnover and absenteeism.
- A big challenge in incorporating policies, codes and processes is making sure that they're filtered down to the workers level, to ensure their involvement – can adidas work on this as part of its legacy? Workers are often not aware even of what codes are in place to protect their rights. One method is running training courses for small numbers of workers in 'study circles' who then conduct discussion groups with colleagues.

Auditing alone is becoming less effective – suppliers are getting "cleverer" at presenting positive pictures that are not representative.

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⁵ Sedex is a membership organisation, set up for companies to share ethical data on their global supply chains. It is primarily meant to be a data exchange vehicle, to share information in order to identify (and then manage) risks.

Theme 4: Engaging and involving different stakeholders in the debate

Introductory remarks from adidas:

- adidas has conducted stakeholder engagement over many years for different purposes and in many different settings – it's sometimes difficult to know who to reach out to and which issues to focus on. Some is pro-active outreach, others is reactive or responsive.
- The aim is to identify issues early and engage, or speedily respond to an issue that has come to light.
- adidas always aims for the dialogue to be constructive and seeks to listen and act on what it has heard – however, it cannot always satisfy everyone's requests. The challenge is between the commercial role adidas plays and its role in safeguarding rights.
- adidas has reached out to those that have not had a voice – through worker hotlines and student groups, but a challenge remains with consumer engagement, which tends to be through public disclosure.
- adidas's influence on others has been variable. Often it is most successful if there is a specific issue or a convergence of interests, especially when dealing with governments.
- It has always been company policy to speak out where issues that impact workers need to be addressed by government, or that they have failed to address. An example would be minimum wages in Karnataka in India – the government had failed to enforce minimum wages so adidas met with senior government state officials to lobby for this.
- adidas has a commercial relationship with FIFA and therefore, historically, doesn't make demands, but is respectful and makes requests. We note FIFA has this year extended the FIFA pledge, beyond child labour and forced labour to other countries and rights.

Commonly used engagement methods with workers such as hotlines & suggestion boxes etc are often set up to actually avoid freedom of association – adidas should be cautious of relying on these methods alone.

What role does adidas play as an individual company or with others to advocate responsible labour relations to government?

Key points raised by workshop participants are summarised below:

- Does adidas engage with governments on enforcement, or actually increasing minimum wages? adidas's response was 'both' – an example being in Cambodia where it partnered with four other brands and put pressure on government on this issue, despite having a relatively small presence there.
- Commonly used engagement methods with workers such as hotlines & suggestion boxes are often set up to actually avoid freedom of association – adidas should be cautious of relying on these methods alone.
- What role does adidas play as an individual company or with others to advocate responsible labour relations to government? It depends on the individual situation: an example was given of a problem in one Asian country, where the Ministry of State Security was requiring suppliers to

retain workers documents. adidas and several other stakeholder groups (NGOs, TU movement, migrant labour associations) were all in agreement and collectively lobbied for improved practice. In that situation, adidas could not single handedly take on the Ministry of Security. However, in other scenarios, adidas does take on governments by itself and lobbies for change.

- In terms of working with other brands/peers, adidas tends to work with those whose supplier management programmes are of roughly the same maturity or those who use the same suppliers.
- There was a discussion around senior management commitment within adidas to sustainability. The executive team must agree any actions by adidas in this area and there is regular two way dialogue on emerging and current issues. The sustainability team sits within the legal department and, where workers' rights are affected, adidas is happy to push for things.
- In terms of engaging with the committee for Brazil 2016, adidas would be happy to do so, but of course, it doesn't yet know if it will be a partner – this will affect the extent to which it engages.

Key open questions for future debate

The following key issues/questions were identified as a result of the four sessions, for adidas to consider going forward:

- 1) **The 'right to unionise guarantee'**⁶ – can adidas commit to requiring its suppliers to enforce this for workers, as soon as possible?
- 2) **Commitment to living wage from suppliers** and engaging with different stakeholders on how to enforce it in practice. Definition of what a 'living wage' is is important. Stakeholders wanted a clear commitment from adidas to this issue.
- 3) **What lessons can be learned from how other apparel companies, such as M&S regards enforcing a living wage commitment?**
- 4) Enforcing living wages across adidas's entire supply chain will inevitably lead to some cost increases and potential impact on shareholder value. **Who should absorb these costs and how should this be decided?**
- 5) **How can the baton be passed from LOCOG to Brazil2016?** Who is responsible for ensuring that experiences are shared effectively? Should it be the committees, partners/sponsors, the IOC, International Federations?

⁶ This issue and others covered by the PlayFair campaign were covered by a separate session, which took place immediately after this workshop.

Appendix 1 – delegate list

Name	Organisation
Mark Line	Meeting Facilitator Two Tomorrows (Europe) Ltd
Vicky Mc Allister	Meeting Facilitator Two Tomorrows (Europe) Ltd
Francis House	Institute for Human Rights and Business Director of Strategy
Rachel Wilshaw	Oxfam GB
Shaun McCarthy	Commission for a Sustainable London 2012
Jonathan Turner	Commission for a Sustainable London 2012
Phil Cumming	London Organising Committee of the Olympic Games and Paralympics Games Ltd
Dominic Eagleton	ActionAid
Ashling Seely	International Textile, Garment Leather Workers Federations (ITGLWF)
Steve Grinter	International Textile, Garment Leather Workers Federations (ITGLWF)
Sam Gourney	European Union and International Relations Department, Trades Union Congress (TUC)
Samantha Maher	Labour Behind the Label
Phillip Mettler	Sustainable Asset Management
Ian Weigh	Jupiter Asset Management
Jon Wallace	Jupiter Asset Management
Bill Anderson	adidas Group Social & Environmental Affairs/Asia Pacific
Frank Henke	adidas Group Social & Environmental Affairs
Evelyn Ulrich	adidas Group Social & Environmental Affairs EMEA
Erica Kerner	adidas Director Global Olympics

Appendix 2 – key issues raised in pre workshop phone interviews

1. How does adidas see the next stage in the journey for its sustainability arrangements from a broad perspective, not just social aspects of supply chain (although that remains hugely important), but also environmental management of outsourced operations?
2. There has been good collaboration between the major sports apparel brands recently – what has been learned from that experience and where does the road ahead lie?
3. To what extent are you willing to exercise leadership around mega sporting events, ethical sourcing, with your peers and industry? How bold are you prepared to be given your apparent commitment to these issues?
4. So much of campaigning is ad hoc, but for the sponsors of major sporting events, their response is a continuing process. What lessons have you learned, how do you manage the process, how do you drive collaboration?
5. Specifically with relation to labour standards – inflation in China is causing changes in patterns of outsourcing that may direct the work away from areas where standards have been improving. There is a risk of greater non-compliance. Discuss?
6. The key focal points of “*Better jobs in better supply chains*” (Oxfam), which are:
 - a. *Precarious work and poverty wages*
 - b. *Weak relations between mgt and workers*
 - c. *Purchasing practices that undermine standards*
 - d. *Over-reliance on audits*
7. The differences between ETI and FLA with respect to ‘living wage’.
8. Recruitment processes and use of bonded/migrant labour – what does adidas demand from its suppliers on this front?
9. How far down the supply chain do audit arrangements for suppliers extend?
10. In managing supplier risks, is adidas prepared for the ‘worst case scenario’ for London2012? If suppliers are found to be non compliant in any way, how will adidas respond and address whatever issue is flagged?

11. Target setting – I would like to see more ‘hard hitting’ targets that are linked to actual outcomes, rather than process targets
12. I would like to know more about LOCOG’s complaints mechanisms and its implementation.
13. Does adidas have a role in advocating higher standards with Government?
14. Are there any issues that have concerned adidas about LOCOG and its sourcing principles? Did they go far enough? What lessons for Brazil 2016?
15. When will adidas publicly disclose its supplier list for the London 2012?

Appendix 3 – workshop agenda

Agenda item	Notes/questions to consider
<p>Introduction from – Mark Line, Chairman of Two Tomorrows – independent facilitator</p>	<p>Welcome to event</p> <p>Facilitator’s role</p> <p>Round of introductions</p> <p>Structure for the day</p>
<p>Welcome remarks - Frank Henke, Global Director Social & Environmental Affairs, adidas AG</p>	<p>Why adidas wanted to hold this event now</p> <p>Raising the bar – what might this mean? Desired outcomes?</p>
<p>Discussion theme 1</p> <p>Major sporting events and their influence on sports apparel supply chains</p>	<p>Introductory remarks from adidas</p> <p>Example questions:</p> <p><i>How can partners in major sporting events align their processes with requirements of the event organisers (and learn from instances where they are not)?</i></p> <p><i>The greatest focus to date has been upon labour standards - what material influence can the sports apparel companies have on environmental issues at supplier factories?</i></p> <p><i>How should widely used codes and standards be improved and aligned? (For example, ETI and FLA codes).</i></p> <p><i>What lessons can be learnt from previous sporting events, such as Beijing 2008 and the FIFA 2010 World Cup?</i></p> <p><i>How far can adidas go in terms of demanding best practice from its suppliers and ‘raising the bar’ with its peers?</i></p>

<p>Discussion theme 2</p> <p>Driving change through sharing knowledge and best practice</p>	<p>Introductory remarks from adidas</p> <p>Example questions:</p> <p><i>How have the lessons learned from the sustainability-related processes developed during major sporting events been shared effectively with wider industry, governments and others?</i></p> <p><i>Where are these lessons helping to drive progress on the journey from Beijing to London and beyond?</i></p> <p><i>How should adidas build on its involvement in major sporting events and incorporate that learning into management of its entire supply chain, not just those suppliers involved in that event?</i></p> <p><i>How can London 2012 leave a legacy for the sponsors of future sporting events (Brazil 2016, FIFA 2014 World Cup etc)?</i></p>
<p>Lunch</p>	
<p>Discussion theme 3</p> <p>Independent monitoring and assurance of sustainability at major sporting events</p>	<p>Introductory remarks from adidas</p> <p>Example questions:</p> <p><i>What role can independent assurance/verification play in ensuring higher standards are met during major sporting events?</i></p> <p><i>Who needs to be assured and how can this be achieved meaningfully across so many different issues, countries, suppliers and partner organisations??</i></p> <p><i>Where is the developmental edge for such assurance activity – for example the role of an Independent Commission?</i></p> <p><i>How can we build on recent/current experiences around major sporting events?</i></p>

<p>Discussion item 4</p> <p>Engaging and involving different stakeholders in the debate?</p>	<p>Introductory remarks from adidas</p> <p>Example questions:</p> <p><i>What is the best way to engage different stakeholders in the debate (from delegates' own perspective and wider perspective)?</i></p> <p><i>How important is it for adidas to involve its consumers in the supply chain debate? Should that be a key part of its sustainability/supply chain programme?</i></p> <p><i>How can adidas demonstrate leadership in its sector and beyond?</i></p> <p><i>Is it adidas's role to actively influence and lobby government and other stakeholders on key issues relating to major sporting events?</i></p>
<p>Any Open Questions?</p>	<p>How can this conversation continue after today?</p>
<p>Wrap up/close</p>	<p>Summary of key outcomes from the workshop and next steps</p>
<p>End of workshop</p>	

Appendix 4 – adidas Group Stakeholder Dialogue – 2012 London Olympics (circulated prior to the workshop)

Introduction

Engaging with stakeholders is a key pillar of the adidas Group's sustainability strategy. Various parts of the Group's sustainability programme have been developed in close consultation with stakeholders: examples are our corporate reporting and disclosure practices, review and verification of labour issues in supplier factories or addressing systemic issues of governmental bodies.

Key engagements with stakeholders in 2010 have been reported in the adidas Group 2010 sustainability report: <http://www.adidas-group.com/en/SER2010/>

Global sports events such as the Football World Cup or the Olympic Games place considerable attention on the host countries, the event organizers and their major partners. This greater attention also poses questions around how events are organised and how the involved parties manage their wider responsibilities when it comes to protecting human or labour rights.

Building on previous engagements, in May 2011 the adidas Group will host a stakeholder dialogue in our London offices on the topic "*Respecting Labour Rights in Global Supply Chains: The Impact of Major Sporting Events*". The dialogue will include representatives from UK labour rights and human rights organizations, from the London Organising Committee for the Olympic Games and Paralympic Games (LOCOG), SRI-analysts and senior staff from adidas.

The feedback from the meeting is to be used to help shape the Company's supply chain delivery for major sporting events, inclusive of the 2012 Olympic Games. The Dialogue will be hosted by an independent facilitator. At the end of the engagement, the facilitator will prepare a report summarizing views from the meeting. A draft copy will be circulated for comment, before being made public and posted on the adidas Group sustainability site.

2012 London Olympics Sourcing Code

LOCOG issued a Sustainable Sourcing Code to its partners. The code clearly outlines four key principles for commercial partners to follow:

- Responsible sourcing - ensuring that products and services are sourced and produced under a set of internationally acceptable environmental, social, and ethical guidelines and standards.
- Use of secondary materials - maximising the use of materials with reused and recycled content, minimising packaging and designing products that can either be reused or recycled.

- Minimising embodied impacts - maximising resource and energy efficiency in the manufacturing and supply process in order to minimise environmental impacts.
- Healthy materials - ensuring that appropriate substances and materials are used in order to protect human health and the environment.

These principles are reflected in LOCOG's Sustainable Sourcing Code and all commercial partners are contractually bound to abide by its policies and requirements. This includes disclosing to LOCOG the locations of factories used to produce London 2012 products. It also means registering those factory premises on the Supplier Ethical Data Exchange (Sedex), which allows companies to share ethical performance data with each other.

adidas Group's approach

In 2008, adidas UK became the official Sportswear Partner of the London 2012 Olympic Games. To respond to expectations around the London Olympics, adidas has prepared a range of measures that are tied to the launch of LOCOG licensed products, starting from 2010 onwards.

Responsible Sourcing Practices				
		2010	2011	2012
All direct suppliers and sewing subcontractors selected to manufacture LOCOG licensed product				
• have obtained clear briefing on the their obligations be chosen as a supplier for LOCOG licensed products				
• are required to meet the adidas Group Work Place Standards				
• are fully disclosed in the SEDEX (Supplier Ethical data Exchange)				
• are subject of regular labour, health and safety compliance inspections by adidas Group SEA compliance staff				
• meet a defined Key Performance Indicator (KPI) rating factories' compliance performance				
• have a management plan in place that details the factory's compliance program and future targets				
• are publicly disclosed via the adidas Group website				
Use of Secondary Materials				
		2010	2011	2012
All adidas on-field and licensed Olympic product will contain environmentally-improved materials, i.e. that they will be drawn from the list of materials which have undergone an in-depth environmental assessment. Preferred materials are organic, recycled and recyclable materials.				

In the years leading up to the Games, adidas will use the materials passed environmental assessments in an increasing number of products.				
Continuous efforts are being made to both reduce and improve the environmental impact of its packaging leading up to the London Games. As part of this effort, all shoeboxes for London 2012 will use 100% recycled content, soy-based inks and no glue. All shipping cartons are made of predominantly recycled content. Various methods are being explored to safely ship multiple products in single packaging, as well as find a viable environmentally-optimized alternative for the adidas garment shipping bag.				

Minimising Embodied Impact				
All direct suppliers selected to manufacture adidas-branded LOCOG licensed product and their major materials suppliers undergo in-depth environmental assessments of their sites. Assessments are used for the development of individual factory improvement programs. Factories progress is going to be tracked regularly. adidas will endeavour to reduce the embodied impact of its products through material sourcing and pattern efficiency.				
Healthy Materials				
LOCOG licensed products comply with the adidas Group restricted substances list and are in compliance with standards listed in the LOCOG Sourcing Code.				

adidas Group has engaged with LOCOG for getting organisations appointed to provide LOCOG with services relating to the investigation of complaints / allegations about sustainability issues in the LOCOG supply chain.

Engagements with humans/labour rights groups around the Olympics

In the four years leading up to the 2008 Olympics there was extensive engagement with civil society groups in Europe, North America and Asia regarding the human rights dimensions of a China-hosted Summer Games. Those dialogues helped inform and shape adidas Group's approach and policy framework for human rights as a company. Some of those engagements were triggered as a direct response to campaign activities, such as the 2008 Play Fair's *Road to Beijing 2008*, the *Dream to Darfur* Campaign and *Free Tibet* Campaign. A summary of our engagement in 2007-8 can be found in the Stakeholder Section of our 2008 Sustainability Report. See:

http://www.adidas-group.com/en/sustainability/reporting/reports_to_download/default.aspx

To date, the London Games has not garnered the same level of attention to human rights, as the Beijing Olympics did, but there has been an active engagement by adidas with the Play Fair Alliance over worker rights

issues, with meetings in London in June 2010, support for research activities in the Philippines and most recently in a multi-stakeholder dialogue in Sri Lanka hosted in March 2011. There have also been ongoing engagements with LOCOG, local community groups and the London Sustainability Commission, who have been invited to join the forthcoming Stakeholder Dialogue.

Disclosure and reporting

In as early as 2002, adidas Group had shared factory lists with NGOs and academics to support research into factory conditions. A full and more formal public list of suppliers was posted on our website in 2007 and has been regularly updated. In 2009, adidas Group made a decision to further extend our transparency in the supply of product for major sporting events and posted a list of all World Cup 2010 suppliers, including details on the trade union status of those suppliers. It is our intention to post a similar list for the 2012 London Olympics. The full list will be made available from July 2011.

Engagement on local community programs

As a London 2012 sponsor, adidas wanted to provide a sporting legacy to the UK that would get more people active and break down barriers to sport and physical activity. We engaged with local and central government, organisations like The Youth Sports Trust, Sport England, and LOCOG in the development and roll out of the adiZone programme.

The adiZones programme revolves around the provision of innovative multi-sport venues that provide a social platform for members of the community to do a range of activities.

The brand has built over 40 adiZones spanning across every region in England equipped with sustainable facilities for both able and disabled bodied users to use every hour of every day of the year. Designed to last over 25 years, the venues have had an immediate effect on the communities they serve. Over 300,000 users have benefited from adiZones with 62% of users agreeing that the venues helped them to be more active with 73% of those users under 16

The adiZones programme has been very well received by local communities and Government due to its scope as well as the tangible impact it will have on the UK public for a number of years to come.