

In 2023, adidas, a Fair Labor Accredited company, has successfully demonstrated alignment with Milestone 5 Evaluation Year 1, which included: Fair Labor Principles 4 (Training for Suppliers and Production Staff), 5 (Monitoring) and 6 (Functioning Grievance Mechanism). The remaining principles will be evaluated in 2024 and 2025.

## About the Fair Labor Association (FLA)

The Fair Labor Association (FLA) promotes human rights at work. It is an international network of companies, universities, and civil society organizations collaborating to ensure that millions of people working at the world's factories and farms are paid fairly and protected from risks to their health, safety, and well-being.

At the core of FLA's work with agriculture and manufacturing companies is Fair Labor Accreditation, which signifies that an FLA member company has effective systems in place that protect workers in their global supply chain. It is the only comprehensive program of its kind that is based on international standards and frameworks such as the International Labour Organization, the United Nations Guiding Principles and Sustainable Development Goals, and the Organisation for Economic Co-operation and Development.

## Milestone 5 Evaluation

Fair Labor Accreditation is a rigorous, multi-year process that evaluates a company's systems to improve labor conditions in its Tier One and owned manufacturers based on [five milestones](#): 1) Governance and Internal Alignment; 2) Implementation and Monitoring; 3) Review and Improvement; 4) Full Implementation and Integration; and 5) Maintenance.

Each milestone represents key building blocks of an effective social compliance program that improves working conditions and worker well-being. Once a company is admitted as an FLA member, it is expected to reach Accreditation within five years. Following Accreditation, it must continuously work to maintain alignment with FLA's standards. For an overview of outcomes for each milestone, please see Annex 1.

A company achieves Accreditation after fulfilling all requirements of the first four milestones, including annual social compliance audits by independent FLA-approved assessors on a percentage of its Tier One factories; audit field observations; training observations; a three-day headquarters assessment; and approval by the FLA Board of Directors. Being recognized as a Fair Labor

Accredited company indicates a company's comprehensive social compliance and demonstrated performance in protecting workers' rights at the time of Accreditation.

Following Accreditation, a company enters Milestone 5, in which it receives ongoing due diligence training and feedback from FLA, including factory assessments and regular evaluation of headquarters programs. Companies are required to maintain and update social compliance programs as FLA standards are updated.

As part of Milestone 5, Fair Labor Accredited companies are evaluated annually to verify that they are maintaining alignment with [FLA Sourcing and Production Principles](#). Milestone 5 evaluations follow a three-year cycle, with three principles evaluated each year.<sup>1</sup>

The annual Milestone 5 Evaluation Performance Summary highlights the company's overall performance against a set of key performance indicators (KPIs) for each of the FLA Principles, which are summarized in Appendix 1. Each KPI is verified and scored accordingly, after which Accredited companies are required to address incomplete scores or gaps.

The Milestone 5 Evaluation: Post-Accreditation Report will be annually updated to cover all FLA principles verified throughout the three-year cycle and reflect progress of the company towards addressing its gaps identified in previous Milestone 5 evaluations.

## adidas 2023 Performance Summary: Principles 4, 5, 6

**adidas scored over 90% on all three principles evaluated in 2023, representing a high level of performance on implementation.**

Fair Labor Accredited companies, such as adidas, are reevaluated on FLA's 10 principles over a three-year cycle. The 2023 Milestone 5 Evaluation evaluated how adidas maintained the alignment of its social compliance system with the following set of principles after its Accreditation:

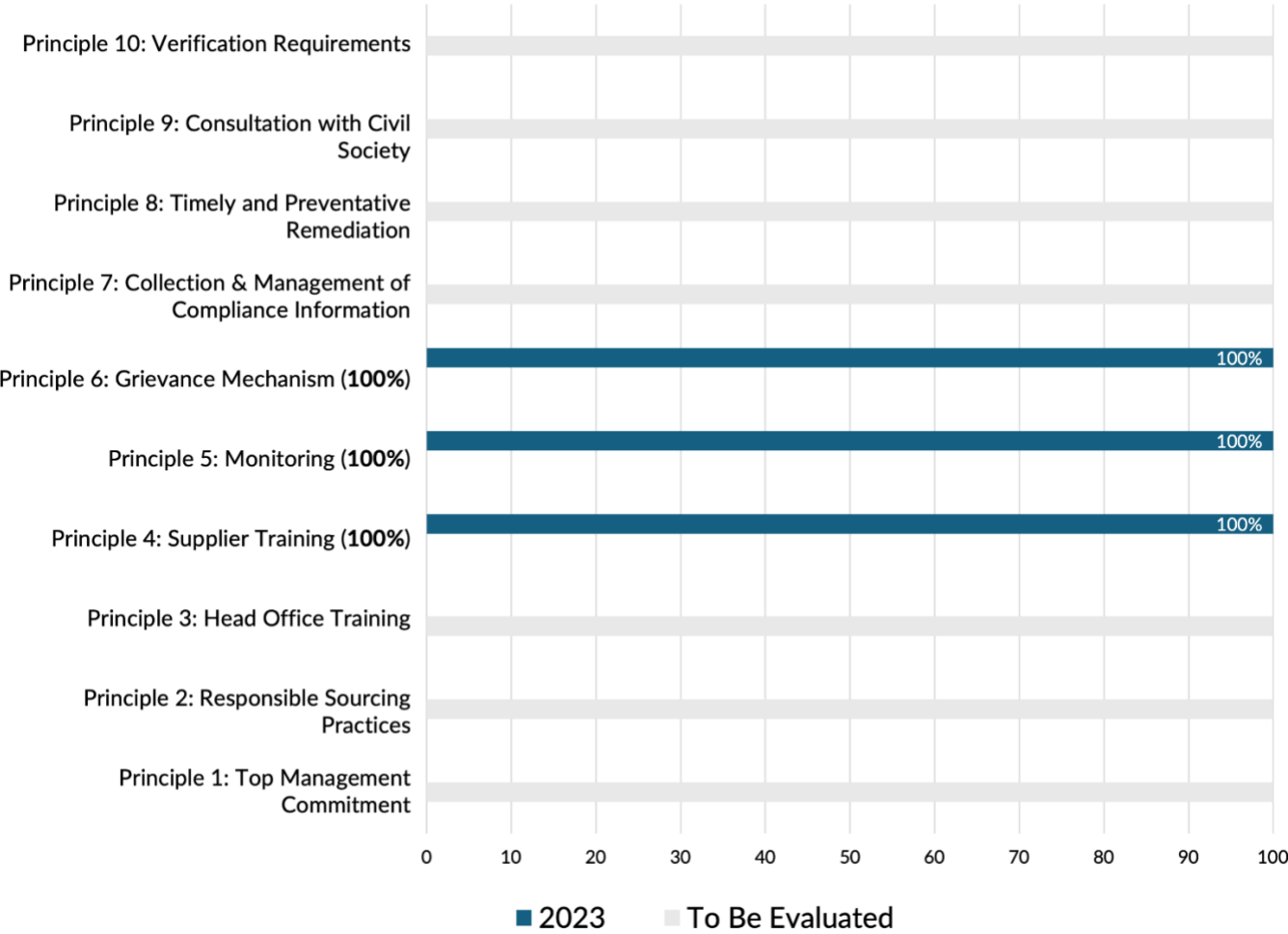
- **Principle 4: Training for Suppliers and Production Staff:** Commitment to train relevant supplier management, or all management staff and employees at owned facilities, on workplace standards and track effectiveness of supplier workforce training;
- **Principle 5: Monitoring:** Commitment to conduct workplace standards compliance monitoring; and
- **Principle 6: Functioning Grievance Mechanisms:** Commitment to ensure workers have, or provide workers with, access to functioning grievance mechanisms, which include multiple reporting channels (of which at least one is confidential).

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<sup>1</sup> In 2024, FLA will evaluate **Principle 1:** Top Management Commitment & Workplace Standards, **Principle 2:** Responsible Purchasing Practices and **Principle 3:** Responsibility & Head Office Training. The cycle will end in 2025 with evaluation of **Principle 7:** Collection & Management of Compliance Information, **Principle 8:** Timely & Preventive Remediation, **Principle 9:** Consultation with Civil Society and **Principle 10:** Verification Requirements.

The chart below highlights the company’s performance (in percentage) against those three principles at the time of publication. FLA expects companies to continuously work toward reaching and maintaining complete alignment with standards. FLA staff track progress in closing the gaps identified in the Milestone 5 Evaluation, which is reflected in the following year’s updated report, along with scores for Principles 1, 2 and 3 (to be published in 2025) and Principles 7, 8, 9 and 10 (to be published in 2026).

### 2023 Milestone 5 Evaluation Performance (Principle Scores in %)



**TABLE 1: COMPANY OVERVIEW**

<b>Name</b>	adidas
<b>HQ Location</b>	Herzogenaurach, Bavaria, Germany
<b>Category</b>	Sourcing
<b>Product</b>	Apparel, Footwear, Accessories, Sports Equipment
<b>Tier One Applicable Factories and Owned Facilities</b>	354 Factories
<b>FLA Accreditation(s)<sup>2</sup></b>	Accredited since 2005 Reaccredited in 2008 Reaccredited in 2017

The following table reflects adidas’ participation in FLA activities, including factory-level assessments, investigations, participation in FLA governance and other projects since its latest reaccreditation (2017). All Accreditation reports are available [here](#).

**TABLE 2: COMPANY FAIR LABOR ACTIVITIES SINCE LAST EVALUATION (2017)**

<b>Fair Labor Activities (2017-2024)</b>	<b>Purpose</b>
<b>US Headquarters visit (August, 2023)</b>	Post-Accreditation headquarters visits to interview senior leadership and staff in the compliance, purchasing, production, and/or planning departments.
<b>Timeline Factory-Level Assessments (SCIs)</b> (20 assessments: Bangladesh, Cambodia, China, El Salvador, Guatemala, India, Indonesia, Philippines, Thailand, Türkiye, Việt Nam)	Identify any labor violations, assess root causes, and track remediation efforts over time.  All factory-level assessment reports and corrective action plans are available <a href="#">here</a> .
<b>Completed Fair Labor Investigations</b> El Salvador, Mauritius and Türkiye (2022) Honduras and India (2019) India (2018)	Investigate supplier for alleged noncompliance, report follow-up on remediation, and engagement with union.  All ongoing and completed investigations reports are available <a href="#">here</a> .

<sup>2</sup> Annual Milestone 5 evaluations replace FLA’s previous approach of reaccreditation, and verify, on an ongoing basis, that companies are maintaining their alignment with FLA standards post-accreditation.

Fair Labor Activities (2017-2024)	Purpose
<b>Participation in FLA's Governing Body and Advisory</b>	<ul style="list-style-type: none"> <li>• Board of Directors (Since 2001)</li> <li>• Executive Board (Since 2021)</li> <li>• Manufacturing Committee (since 2001)</li> <li>• Living Wage Practitioner Working Group (2016 - 2022)</li> <li>• Responsible Licensing Principles Working Group (2018 -2021)</li> <li>• Communications Committee (2019-2021)</li> <li>• Fair Compensation Dashboard Taskforce (since 2022)</li> </ul>
<b>Special Projects</b>	<ul style="list-style-type: none"> <li>• <u>Rubber Mapping project in Việt Nam.</u></li> <li>• <u>Improving Employment Practices in the Turkish Cotton Sector.</u></li> <li>• <u>Piloting Strategies to Support Workers Beyond Tier 1.</u></li> <li>• Living Wage Pilot (Current)</li> <li>• Prep 4 Change (Current)</li> </ul>

# Annex 1: Manufacturing Milestones Toward Accreditation

## Milestone 1: Governance and Internal Alignment

The company receives FLA training on standards, tools, and initial recommendations for meeting subsequent milestones.

Outcomes:

- Alignment of the company's commitment to workplace standards with FLA's Code of Conduct and Benchmarks; and
- Development of headquarters-level systems for factory monitoring, grievance mechanisms and remediation.

## Milestone 2: Implementation and Monitoring

Outcomes:

- Implementation of headquarters-level systems for factory monitoring, grievance mechanisms, and remediation;
- Development of systems for staff training, responsible retrenchment, and remediation
- Collection and analysis of wage data; and
- Assessments at sample factories.

## Milestone 3: Review and Improvement

Outcomes:

- Ongoing improvement of a company's monitoring and training systems;
- Formalized systems for responsible purchasing and production and civil society engagement;
- Implementation of feedback and recommendations from FLA to improve monitoring, remediation, and business practices;
- Development of a fair compensation blueprint to improve wages in the supply chain; and
- Ongoing assessments at sample factories, as well as assessments of audits and trainings.

## Milestone 4: Full Implementation and Integration

Outcomes:

- Confirmation that the company's daily business processes and decisions uphold FLA standards;
- Public company commitment to uphold fair compensation in its factories;
- Final assessment of company headquarters by FLA; and
- Ongoing assessments and evaluation of remediation activities.

### ***Accreditation:***

***After fulfilling all requirements, the company's progress is reviewed by FLA's Board of Directors. If a company is fully aligned, the board will vote to grant the company Fair Labor Accreditation, indicating comprehensive social compliance and demonstrated performance in protecting workers' rights.***

### Milestone 5: Maintenance

- The company moves to ongoing maintenance of the systems developed and verified in Milestones 1 to 4.
- The company receives ongoing due diligence training and feedback from FLA, including factory assessments and regular evaluation of headquarters programs.
- The company is expected to maintain and revise its programs as FLA standards are updated.

## Annex 2.1: 2023 Milestone 5 Evaluation Questionnaire – Sourcing Principles 4, 5, and 6

### Principles of Fair Labor and Responsible Sourcing

In 2023, FLA evaluated Fair Labor Accredited companies against a set of more than 110 key performance indicators (KPIs) for **Principle 4: Supplier Training**, **Principle 5: Monitoring and Principle 6: Functioning Grievance Mechanisms** of the [Principles of Fair Labor and Responsible Sourcing](#). Those KPIs are summarized [here](#).

## Annex 2.2: 2023 Milestone 5 Evaluation Questionnaire – Production Principles 4, 5, and 6

### Principles of Fair Labor and Responsible Production

In 2023, FLA evaluated Fair Labor Accredited companies against a set of more than 160 KPIs for **Principle 4: Production Staff Training**, **Principle 5: Monitoring and Principle 6: Functioning Grievance Mechanisms** of the [Principles of Fair Labor and Responsible Production](#). Those KPIs are summarized [here](#).