



## **ICJ delegation visits adidas' Indonesia supply factories to assess Grievance Mechanisms**

From 28 November to 3 December 2018, a delegation of the International Commission of Jurists' (ICJ) carried out a learning and assessment visit to two factories in Indonesia that are part of the supplier network of the global brand adidas.

The mission took place in the context of the ICJ Initiative on businesses Operational level grievance mechanisms (OGMS)(<https://www.icj.org/themes/business-and-human-rights/initiative-on-grievance-mechanisms/>), which looks at company practice and individual case-studies to provide the ICJ and its Expert Panel on OGMS with detailed understanding of how company-led grievance mechanisms operate in practice. The research is gathered with a view to informing the development of guidance on effective and human rights compliant OGMS by businesses around the world.

The ICJ delegation noted at the conclusion of the visit to two of the global brand's supply chain factories a number of elements of good practice, highlighted below. The mission did not aim to identify human rights impacts or to assess individual cases, their procedures and outcomes. While the ICJ assessment of the information gathered during the visit continues, the ICJ has already recommended improvements in transparency and public communication about the performance of adidas' factory suppliers. The ICJ also invited the companies to a broad reflection on the need to have a factory level grievance mechanism, instead of the existing compartmentalized system. Finally, adidas and partners need to also step up action in relation to the establishment of an effective community grievance mechanism.

The ICJ mission was led by former Australian judge and Expert Panel member John O'Meally (who also serves as an ICJ Commissioner) and included ICJ legal team consisting of Briony Potts, Ruth Paijatan and Carlos Lopez. The delegation travelled to Jakarta (Indonesia) to visit the factories installations and consulted with workers, labour union representatives and factory managers, with the support and facilitation of adidas staff.

The delegation also visited the offices of adidas regional headquarters in Jakarta to discuss the way the company's third party complaint mechanism operates in relation to worker concerns in factories like those the ICJ visited and overall in relation to the supply chain of the brand in the particularly complex context of Indonesia. The Social and Environmental Affairs (SEA) department of adidas also oversees and monitors performance in respect to those standards in various countries in Asia, including China, Cambodia, and Vietnam. The delegation also

talked with labour unions active at the national and regional level, the Indonesia Global Justice and other non-governmental organizations and the National Commission on Human Rights (KOMNASAM).

The ICJ acknowledges with gratitude the collaboration and facilitation provided by adidas staff in Indonesia and the openness and good will of all stakeholders interviewed by the ICJ delegation during the mission. A report of the study will be prepared in due course.

### **The context**

Adidas, is a global corporation headquartered in Germany, that is based on a business model mostly based on a global network of suppliers with whom the company establishes a business partnership.

The two factories visited by the ICJ were chosen in agreement between the ICJ and adidas on the basis of their accessibility and their being part of the global network of “strategic partners” for adidas. Strategic partners are those suppliers producing the majority of their output to supply adidas and therefore in relation to which adidas has a relative strong leverage to ensure that its policies and standards are respected. Both factories were part of the first tier of suppliers and were owned by Korean and Taiwanese companies respectively. The ICJ was informed that adidas’ Tier 1 suppliers cannot sub-contract their work for adidas without the company’s approval.

The factories operate in the Jakarta region in close proximity to each other. They employ 8,000 and 13,000 workers respectively, mostly young women, and supply most of its production to adidas. They are part of the network of 115 strategic suppliers’ manufacturing facilities in the Asia region.

The Jakarta region are better served than the rest of the country in terms of judicial, law enforcement and other State-based institutions relevant to the protection of labour rights and human rights in relation to business enterprises. However, there are credible allegations of bias in the judiciary and corruption in the executive branch which undermine not only their legitimacy in the eyes of the population but also their effectiveness in action. The National Human Rights Commission receives hundreds of complaints each year in this regard. However, workers and business enterprises report improvements especially in relation to industrial relations courts, whereas the government capacity to carry out effective inspections in the workplace continues to be limited.

### **The Grievance mechanisms of adidas’ supply factories**

The two factories visited by the ICJ delegation dedicate most of their production to adidas. One of the factory compounds also produced for other brands, but the production for each is insulated from production facilities for other brands, and the management is also different in each section. This has implications for the factory/company capacity to have a company level grievance mechanism that

covers the whole factory. The ICJ focused the visit on the production of shoes for adidas only.

Adidas requires its suppliers by contract to establish a grievance system. The grievance system in each factory consists of multiple channels that must include both passive and active options. Passive grievance mechanisms are those where management wait for grievances to be submitted to them, such as by means of emails, company established hotlines, and unions. Active mechanisms are those where management seek out workers' views and grievances, for example through bilateral and collective meetings with workers and management.

In 2018, with adidas support, the companies have introduced an additional channel using a smartphone application. In one factory workers with whom the ICJ spoke were aware of this and said they would use the application. In the other factory workers said they did not think it likely they would use the application to raise grievances- Given the novelty of this new application, it will not be possible to assess its effectiveness until it is better established.

The ICJ requested and obtained copies of each of the companies' grievance policies, in their original language, statistics of the number of cases/grievances filed over the recent period as well as the subject-matter of grievances. The greatest number of grievances appeared to arise from regular (so called "heart to heart") meetings between workers and management. The grievance is, if needed, further investigated by management and then a decision is communicated to the complainant. The workers with whom the ICJ spoke indicated that they were generally satisfied with the effectiveness of the process and its outcomes, although a few cases might be left pending.

The ICJ delegation also had the opportunity to talk with labour unions in each factory and nearly ten workers who had used the grievance system in each factory. These meetings took place without the management being present at the meetings. Unions and workers generally indicated that they were content with existing working conditions, except with the length of the maternity leave, and the functioning and effectiveness of the grievance process. Some complained about lapses in the provision of protective equipment and the use of inadequate standards to measure health and safety risks in the workplace. Others complained about wages and duration and type of contract that reduces their entitlements, but it appears that the complaints concern the production facilities for other brands and not adidas.

### **The complaint mechanisms of adidas**

Adidas was one of the first global brands to establish a grievance policy designed to deal with workers grievances in their supply chain. It operates two grievance channels, a workers hotline system and a third party complaints mechanism.

The hotline system also includes details of email and postal addresses where grievances can be sent. The adidas Group make it a requirement that their approved factories display information, on notice boards that all workers can access, that informs workers that the adidas Group can assist with any

complaints that cannot be resolved via the internal mechanisms established within the factories they are working in. Of the two factories the ICJ visited in Jakarta these notices were more prominent in one than another. Management representatives in factories stated that the noticeboards in each factory were positioned where they were most accessible and workers to whom the ICJ spoke did not complain about lack of information on existing channels.

The adidas group informed us that they typically receive 100 grievances per year from workers through the hotline system.

As part of planned and unannounced systematic audits, the adidas SEA department reviews grievance mechanisms and worker satisfactions with these mechanisms within their strategic suppliers. The adidas Group also informed us that a pilot to audit tier two suppliers was being launched in December 2018.

In addition, the adidas Group established in 2015, in alignment with the United Nations Guiding Principles, a third party mechanism that is primarily intended for external parties, such as unions, NGOs, affected communities and others to raise issues related to the supply chain, but this can also be used by workers to raise concerns.

The third party complaints mechanism has only dealt with a few cases every year since its creation (nearly a dozen per year), given the impact of adidas and the number of its suppliers and workers globally this number seems low. Information about the number and type of complaints addressed every year through this mechanism are available in the company's corporate website.