

Oxfam Australia  
New South Wales Office  
PO Box 1711, Strawberry Hills  
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**Attention: Ms Kelly Dent and Ms Daisy Gardener**

August 20, 2008

Dear Kelly and Daisy,

Thank you for your letter dated 15<sup>th</sup> July 2008 in which you raise Oxfam Australia's ongoing concerns regarding the recruitment process at PT Ching Luh Indonesia ('CLI'). The SEA team in Jakarta continues to monitor closely the recruitment process and we have been proactive in providing regular feedback to CLI on ways in which they can improve their HR systems. While we see some progress and improvement, we accept that in some areas, the recruitment process has fallen short of our expectations.

Set out below are our respond to the points raised in your letter.

**Job for workers from Spotec and Dong Joe**

Despite CLI's commitment to give favourable treatment to ex-Spotec' workers, CLI has not been able to qualify and therefore employ all applicants from the former Spotec factory. Given the relative slow pace of recruitment for CLI, a number of ex-Spotec workers have opted to find employment with other adidas Group suppliers or with other independent companies, while others have returned to their home villages. As you will see from the enclosed tracking chart, of nearly 19,000 applications received by CLI to date, only 2,254 were from former Spotec workers.

As it currently stands, a total of 1,285 ex-Spotec workers have been hired. This number represents roughly 60 % of the total number of new employees at CLI. Although we do not have the exact number, we understand that a small number of ex-DJI workers have also secured employment at CLI.

As mentioned in our previous communications, CLI must balance the request from adidas Group to give preference to ex-Spotec workers with the demand from the local community who also wish to secure work at the factory. After obtaining advice from the local authorities, CLI decided to allow a small percentage of job openings to be allocated to local villagers.

**Protecting union officials job opportunities**

It is still our firm position that everyone, including union officials, must be given an equal opportunity when applying for a job at CLI. We have emphasised to CLI that any form of discrimination will be viewed as a breach of the adidas Group Workplace Standards. To date, at least 8 former Spotec union officials have secured employment at CLI, of which 2 were from SBGTS (Perbupas).

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If deemed necessary, the SEA team will launch investigations into any acts of deliberate discrimination. But we need substantial evidence to be able to act on case.

As for your other specific request, we do not feel it appropriate for us to write a special recommendation letter for the ex-Spotec union officials. adidas Group will not require our suppliers to give special priority to any specific individual or group of individuals, based on their current or former union affiliations. Their recruitment should be determined on job competency.

**Prioritization of Spotec workers into CLI**

As you will see from the enclosed tracking information, approximately 60 % of all new employees at CLI are former Spotec workers. This is a clear indication that prioritization has been given to ex-Spotec workers. CLI has completed the data entry of the remaining 700 application from ex-Spotec, so in total there are 2,254 applications from ex-Spotec workers in the CLI's HR data base. These applications will be processed based on the *first in first out* principle, as shown on the tracking chart.

We share your concern about the possibility of middlemen in the recruitment process and we do take action in such cases. For example, the SEA team recently spent a full day investigating a potential 'middleman' case at CLI, using a methodology which has proven to be quite effective in another factory setting. We were unable however to prove the involvement of the middleman, despite having interviewed a number of workers, both on-site and off-site. It is extremely difficult to probe such cases, especially where all we have to go on is a verbal report.

**Transparency and Fairness in recruitment**

I am confused. You mentioned that you did not receive the tracking chart for the May hiring. This was attached to my email correspondence dated 4<sup>th</sup> June 2008. The tracking chart is only updated after a hiring round is concluded. Please find enclosed with this letter the latest tracking chart, from the 1<sup>st</sup> week of August 2008 hiring.

With regards to the interview list, I clarified this in my email correspondence with Daisy in mid July. As requested, we have re-sent the interview list (hard copies) to the union officials via courier, and we will do the same in the next hiring round.

**New interviews for the 150+ ex-Spotec workers who were not contacted in first round interviews**

We understand from CLI that they have tried to contact these workers in each of the subsequent hiring rounds, but apparently none of the applicants have appeared for interviews. The likely reason for this is that either the contact details were not accurate in the first place or that they have already become out of date. CLI has expressed their frustration with continuing with this effort, where there is no result, especially given the thousands of job applications that remain on the waiting list for work.

**Outstanding entitlements**

We share your deep concern over the fate of the former DJI workers. However, as we have mentioned in previous communications, the factory is bankrupt and has closed. The severance owed to the workers was a legal duty borne by DJI. Since DJI was (again) formally declared bankrupt in mid June 2008, those obligations transferred to the court-appointed Curator. The adidas Group has no dealing with the Curator, nor with the former managers of DJI.

**Freedom of Association (FoA) and the Right to Organize at CLI**

adidas Group's Workplace Standards requirements on FoA have been clearly communicated to our suppliers, including CLI. We expect CLI to fully respect and comply with these requirements, which are also protected under Indonesia labor law.

The SEA team in Jakarta will monitor CLI adherence to this Standard in the regular monitoring activities, and that any breach will be considered as serious non compliance issue.

I hope the above responses have sufficiently addressed your concerns. Please do not hesitate to contact me again if you require further information.

Sincerely,



Harry Nurmansyah  
SEA Regional Manager West Asia  
adidas Group