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10th September 2008

Dear Mr. Henke and Mr. Anderson,

We are writing to you regarding the ongoing discrimination of union officials in adidas' supplier factories. We are concerned that several of your supplier factories, Panarub, Ching Luh and PT Alaska are not upholding adidas' own workplace standards relating to Freedom of Association, the right to organise and collectively bargain.

Whilst we are encouraged by adidas' online response to the Sector Wide Solutions put forward by the CCC and Oxfam Australia, these solutions will only benefit workers if they are implemented in adidas' supplier factories.

Adidas' current track record indicates that Freedom of Association (FOA) and the right to organise are not adequately respected in your supplier factories. Trade union officials continue to be harassed and black listed.

We would like to see adidas ensure that:

1. Parjo (dismissed Panarub union official who has been blacklisted from your suppliers) be found a position in an adidas supplier as soon as possible
2. All dismissed Panarub union leaders find employment in adidas suppliers, should they want these jobs
3. The current SBGTS union in your Panarub supplier be allowed to freely organise and collectively bargain.
4. SBGTS union leaders from Spotec receive interviews for jobs they applied for in December 2007 at your CLI supplier
5. adidas' own commitment to FOA, the right to organise and collectively bargain (as expressed in your Workplace Standards and adidas' general agreement with the Sector Wide Solutions) is implemented in full at your supplier level.
Adidas should provide incentives to your suppliers to enable them to do this.

1. Parjo (dismissed Panarub union official) should be found a position in an adidas supplier as soon as possible

We understand that a dismissed Panarub union official, Parjo, has been fired from your supplier factory, PT Alaska, because he was recognised as a former union official.

On the 25th and 26th of February Parjo sat a skills test at PT Alaska, which he passed. He started working that same week on February 27th. Just two days after starting work, he was told to stop working - that he had been fired. We understand from Parjo that an ex-manager from Panarub recognised him and reported him to management.

On the 1st March Parjo spoke to management in PT Alaska to try to find out why he had been fired. Parjo was given no compelling reason about why he had been fired. Management offered that he could be moved to work in CLI if he left PT Alaska. Parjo accepted the offer for employment at CLI.

Soon after this meeting we understand that the ex-Panarub manager informed Parjo that he would not be hired by CLI or PT Pratama because they knew about Parjo's organising in Panarub.

We understand Yanti (General Secretary of GSBI Indonesia) raised the issue of Parjo's discrimination in person with Bill Anderson in June 2008 at a meeting in Hong Kong. At this time Bill assured Yanti that Harry would follow up this matter. To date this has not occurred and it appears adidas has done nothing to ensure Parjo is not blacklisted again.

In adidas' April 14 online statement about Panarub, adidas stated you were:

“committing to seek gainful employment for any of the dismissed workers [from Panarub] in other suppliers, and in doing so, to ensure they are not subject to discrimination or unfair treatment.”

In your very recent August 20 letter to Oxfam Australia you reaffirm this commitment by stating that:

“the SEA team will launch investigations into any acts of deliberate discrimination.”

This is a clear case of discrimination and as such we expect adidas to ensure that Parjo finds work in an adidas supplier as soon as possible.

2. All dismissed SBGTS Panarub union leaders should be supported to find employment in adidas suppliers, should they want these jobs

We are very disappointed that adidas has done so little to support the SBGTS (Perbupas) union officials who were fired from your Panarub supplier to find employment.

Adidas should recognise the efforts SBGTS make to communicate and cooperate with adidas. Your company should help SGBTS with the information and support they need to finally find new jobs in adidas suppliers.

For months dismissed SBGTS/Perbupas union leaders have been applying for jobs in adidas suppliers without success.

Adidas claim in your April 14 2008 online statement that the SBGTS union did not respond to your proposals for a job placement scheme for the dismissed workers.

“Several meetings and discussions were held with SBGTS and in August 2007 we wrote to them outlining our proposals for a job placement scheme for the dismissed workers. The job placement scheme comprised an offer by the adidas Group's social compliance team to:

1. Notify the union of available job openings; and
2. Monitor the handling of the application by our suppliers.

To date, we still not received a response from SBGTS to our offer. This is regrettable, as it is not viable for us to move forward with any job placement, without the direct support and cooperation of the union and the dismissed workers.”

Contrary to your statement, we have evidence that SBGTS emailed Mr. Nurmansyah (adidas SEA Regional Manager West Asia) and Ms. Simanjuntak (adidas Social & Environmental Affairs) on October 29th 2007 thanking them for adidas’ previous letter to SBGTS; telling adidas that ex-Perbupas officials were having difficulties applying to adidas suppliers (for example at the Nikomas factory); and asking adidas to provide SBGTS with a list of adidas suppliers and contact people in those suppliers so they could apply for jobs.

To date adidas have not provided this information to SBGTS. Without a contact point within the factory it has proven extremely difficult for ex-Panarub SBGTS officials to hand in their applications at the factory without facing middlemen and unresponsive security guards.

We understand that SBGTS followed up their October 2007 email by calling Adidas’ Jakarta staff Adelina Simanjuntak and asking for the name of contacts in adidas suppliers (Nikomas, for example). However, Ms. Simanjuntak only provided the factory phone number and did not provide a name/contact person within the factory.

In the November 2007 meeting with Oxfam Australia, adidas committed to:

- Provide SBGTS with list of job openings in all adidas supplier factories
- Provide contact information and address of HR managers in these factories
- Adidas will check that the applications are received by factory and that they are being processed fairly and not discriminated against.

Unfortunately Adidas is yet to fulfill this promise. In December 2007 Neneng, an ex-Panarub SBGTS official, tried to submit application to Nikomas. We understand that Neneng asked the security at the gate of the factory to pass her application on to the personnel/human resources department inside the factory. The security refused to take her application and told her she needed a contact person within the factory. Neneng called Ms. Simanjuntak at Adidas’ Jakarta office, who did follow up with Neneng, but it was too late.

In February 2008, Neneng tried again to apply at Nikomas, but this time she had to pay a bribe of 2 million Rupiah (ca. AUD 250) to get the job. Neneng now works in the adidas printing section at Nikomas.

Through refusing to pass on the details of contact people within adidas supplier factories, and not following up with those applications that adidas have been informed about, adidas have made it virtually impossible for the dismissed Panarub SBGTS union officials to get a job without having to pay large bribes to middlemen.

We repeat our call to adidas to honour you commitments and ensure that SBGTS dismissed Panarub officials who want jobs are given assistance to find them.

In light of this evidence we request that adidas amends your April 14 2008 online statement, which is factually inaccurate.

3. The current SBGTS union in your Panarub supplier should be allowed to freely organise and collectively bargain.

The SBGTS union continues to be discriminated against at your Panarub supplier. Workers have been pressured to resign from the SBGTS union, SBGTS have been banned from meeting their members in the factory buildings and a fair verification process, of union membership, is still outstanding.

We understand that two strikes were held earlier this year, after Panarub management refused to negotiate with workers around a request for a pay increase to better reflect a living wage. We understand that following the March 18th-19th strike and April 1st strike, management called 400 SBGTS members into their office and pressured them to resign from their union– and that 200 SBGTS members did.

We have evidence of a conversation between a SBGTS member and Panarub management in March this year – just a day after strikes at the factory. In this conversation the Panarub manager addresses the workers from cell 3 who are members of SBGTS. The manager says he is concerned that the workers from cell 3 are in the spotlight because of the recent strikes at the factory, suggesting that the strikes may have been illegal.

“And as your superior, I'm concerned. I'm taking you all as adult, and adult people know which is good and which is bad. “

The manager goes on to accuse the SBGTS members of having been paid to participate in the strikes and that such strikes will force the factory to close. The manager then tells the SBGTS members of cell 3:

“You can check, assembling line 1, all resigned from Perbupas. Do you know why? Because they know better... Sewing line 1, 4 and 2... all resigned and become 'golput' (*golongan putih*, means, decide not to join any union).). They resigned voluntarily, without any compulsion from management. Management just gave direction, suggestion on how to be better in the future. Only here, in line 3, that there are still member of Perbupas. Still not been called and been given direction yet. You can ask your friends in line 1, 4, 2... no more Perbupas members.”

The manager suggests that the workers from cell 3 are like his children:

“As your supervisor, I want our work to be done smoothly. As the house owner, I don't want my children to skip work many times. I don't want my resource to be ruined.”

In this meeting a worker from cell 3 raises their concern that the SBGTS officials are being blocked by management from entering the building to talk to SBGTS members inside Panarub. The worker explains that the strike was their last choice, because their attempts to negotiate met with no results.

Following the harassment of SBGTS members in Panarub, we understand SBGTS wrote to adidas in mid-April outlining violations to workers' rights in Panarub, and asking Adidas to investigate these violations. To date, SBGTS have not received any response from adidas about the progress of adidas' investigation into these FOA, Right to Organise and collectively bargain violations at your supplier factory.

We support SBGTS's request to adidas that adidas support training for Panarub management on respect for FOA. It is clearly required.

The current leadership of the Perbupas (SBGTS) union at Panarub is still waiting for adidas to fulfil your commitment to a fair verification process.

In your April 2008 web statement you claim:

“As a 3rd party, we also continue to support the union membership verification process in PT Panarub, which was first highlighted by the WRC in 2005. (..) It is deeply frustrating for all concerned, that despite extensive efforts spanning several years, we have seen no final resolution to this issue. The latest setback has been the unilateral decision by SBGTS to withdraw their support to a verification exercise proposed by the local Manpower office (...)”

We find it disconcerting that adidas is blaming SBGTS for holding back the verification process. SBGTS have suffered discrimination in Panarub for years. It is adidas who has failed to adequately support a fair union verification process put forward by the Workers Right Consortium in 2005.

4. SBGTS should finally receive interviews for jobs they applied for in December at CLI

In your August 20 letter to Oxfam Australia adidas mentions that 2 SBGTS officials have been hired into CLI. This is encouraging news. We would like to know which two SBGTS officials have been hired. Given the discrimination of Parjo from working at CLI and PT Alaska we remain vigilant about the job opportunities of SBGTS union officials at CLI.

We again ask adidas to closely monitor the applications of:

Agus Santoso
Heri Kurniawan
Mulyatno
Suhardi
Rahmad
Sumarni
Made Ernawati

All of these SBGTS union officials put applications into CLI in December last year. They have been waiting for 8 months for an interview. We would like to hear from adidas about the fair, transparent and speedy progress of their applications.

5. Encouraging respect for FOA in your supplier factories

In adidas' 25 April online statement you mention Freedom of Association (FOA) seven times. In this web statement adidas strongly reiterates your commitment to promoting FOA and protecting the Right to Organise and Bargain Collectively. Adidas claim that

“FOA and the right to form and join unions is a right that we seek to promote and protect. It is also a key performance measure for our suppliers.”

To date we have received no information from adidas about what how FOA is actually weighted in your assessment of suppliers against Key Performance Indicators. In September 2007 we asked adidas the following question

“What occurs when an individual factory scores highly on FOA under this KPI?”.

Given we have not received any information from adidas about this weighting; we have made the following observations.

Adidas' report your core suppliers are rated against the six units of measure in your Workplace Standards Key Performance indicator (KPI).

These units of measure are:

1. Measuring management commitment and responsiveness to a strategic compliance plan.
- 2. Measuring supplier management systems for HR and HSE**
3. Measuring worker-management communication and industrial relations
4. Measuring the delivery and effectiveness of internal training for factory staff
5. Measuring transparency in communication and reporting
6. Measurements for compliance activities

Adidas' description of **Measuring supplier management systems for HR and HSE** is:

"Measuring supplier management systems for HR and HSE includes an evaluation of certifications for environment and health and safety, development of HR and HSE systems, retention of qualified professionals for those management systems and internal audit assessments of labour and HSE practices."

As described above, this measurement includes four parts. An evaluation of certifications for environment and health and safety (1), development of HR and HSE systems (2), retention of qualified professionals for those management systems (3) and internal audit assessments of labour and HSE practices (4).

So one quarter of **Measuring supplier management systems for HR and HSE** is devoted to 'audit assessments of labour and HSE practices', or roughly 4.25% of the overall Workplace Standards KPI. What weight does Freedom of Association and the Right to Organise carry in within this 4.25%?

We would welcome adidas demonstrating to us that FOA, the Right to Organise and collectively bargain does carry some real weight in your assessment of suppliers performance.

For the past several years, international NGOs including Oxfam Australia have called on Adidas to give incentives to your suppliers who respect FOA, the right to organise and collectively bargain. Until adidas provides incentives and a fair price, your suppliers will continue to be squeezed between adidas' purchasing/production demands and your requirement that suppliers respect your workplace standards.

As you can see from this letter, we remain very concerned about the lack of real support for FOA, the right to organise and collectively bargain in your supplier factories. We would expect adidas will put greater attention on action to meet the commitments you have made and ensure that your suppliers start upholding your own Workplace Standards and that adidas start seriously considering the recommendations outlined in the *Sector Wide Solutions for the footwear and apparel industries in Indonesia*.

Blacklisting of union officials, preventing organising and intimidating union members are not acceptable practices according to adidas' own policies.

We look forward to hearing back from you about how adidas is concretely ensuring the fair and transparent treatment of union officials and members at the above mentioned factories and in your supplier factories more generally.

Yours Sincerely,



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Cc:

Adidas Sourcing Asia

Serikat Pekerja Nasional (National workers union)

PT. Spotec

Perkumpulan buruh-Buruh Pabrik Sepatu (Shoe workers union)

PT. Spotec

Federasi Serikat Buruh Karya Utama (Karya Utama workers union)

PT. Spotec

Adidas' Jakarta Social & Environmental Affairs Team

Clean Clothes Campaign