

Oxfam Australia
New South Wales Office
PO Box 1711, Strawberry Hills
NSW 2012, Australia

Attention: Ms. Kelly Dent and Mr. Tim Connor

July 21st, 2009

Dear Ms. Dent and Mr. Connor,

Re: Response to OXFAM Australia letter to adidas Group dated June 5th, 2009

Thank you for your letter dated June 5th, 2009 outlining your concerns regarding labour issues at PT Panarub Industry ("Panarub") and PT Ching Luh Indonesia ("CLI").

The following responds to the points you have raised and the recommendations that you put forward in your letter.

Verifications of unions at PT Panarub

Thank you for setting out so clearly the main points of agreement from our meeting in November 2008. As a follow-up to that meeting in January 2009 we met on two separate occasions with the Indonesian Ministry of Manpower, to discuss the union verification process. Based these consultations and on the requirements of Manpower Regulation *Permenaker No. PER.06/MEN/2005* we have prepared a step-by-step summary of the process (please see Attachment 1).

We are happy to receive feedback and input from Oxfam Australia on the verification process as outlined above. Once this is received we will facilitate a further round of discussions with the trade unions and the management of PT Panarub on union membership verification. Steps thereafter will depend on whether positive agreement can be reached between PT Panarub and each of the unions.

The reinstatement of the SBGTS Union leader at PT Panarub

When it comes to industrial disputes you will be aware that our standard practice is to encourage factory management to resolve such matters internally, using available grievance mechanisms. Failing this, we expect the parties to the dispute to use government mediation/arbitration channels to find a resolution. This was the process followed in the *Kosnan* dismissal case. We respect the decision of PT Panarub and SBGTS to pursue this dismissal case through the Industrial Court and we understand that several hearings have already taken place, attended by both parties. We believe Tangerang Disnaker's recommendation on reinstatement will carry weight with the Court, which is to reach a decision on this case by mid-August 2009.

Although we can not become involved directly with the court proceedings, we have been monitoring the progress of this case and have had several discussions with Panarub management. As a result, PT Panarub has committed to adidas that, should the ruling call for *Kosan*'s reinstatement, it will accept the Court's decision without further appeal.

We will continue to closely track the *Kosnan* case and we will take action if Panarub fails to honour their commitment to abide by the Court ruling. If the Court rules against *Kosnan*, we will review the fairness and legality of the decision.

We believe the above approach is in line with our obligations under the FLA's code provision for Freedom of Association and Collective Bargaining. We will seek the FLA's views if there is any perceived conflict between the final resolution of this case and the relevant FLA code.

Continuing to provide information to union leaders to support their efforts to find employment in adidas suppliers

Thank you for your clarifying your request.

To be clear, we do not ourselves wish to be drawn into an exercise whereby we will have to collate and track every job opening that becomes available across our supply chain. We are happy, however, to explore with our suppliers the possibility of posting information onto an established online recruitment site. This would enable former trade union leaders and others to visit the site, to see available jobs. We will examine the practicalities of this and come back to you with our findings.

Supporting the ex Panarub Perbupas/SBGTS union leaders find employment (Neneng, Hamdani, Suwandi)

We welcome your statement that *Neneng* will provide us with information to support her alleged payment of a bride at PT Nikomas. The payment of recruitment fees is a breach of adidas Group's Workplace Standard and also contravenes PT Nikomas's internal hiring policy. As we outlined in an earlier letter, having documented evidence will allow us to launch a more in-depth investigation and will help PT Nikomas in their efforts to eradicate this practice from their workplace.

We also note from your letter that *Neneng* will inform us once she has submitted her job application to CLI. We will check with the factory to ensure her application is received and treated fairly, as we have done for other similar submissions by ex-union leaders.

With respect to the application of *Hamdani* and *Suwandi* to CLI, the factory has confirmed that they have received *Suwandi's* application and his details are posted on their recruitment database. However, the initial feedback from CLI is that *Suwandi's* experience (in warehouse operations) does not match the current job openings. CLI are looking primarily for workers in Cutting, Stitching and Assembly.

CLI have no record of *Hamdani's* application. We do not know the reason for this, but we would suggest that *Hamdani* re-submit his application and inform the SEA team in Jakarta immediately he has done so.

With regards to the applications lodged back in 2007, CLI informed us that at the time they had difficulties in tracking the many thousands of applications they received when the factory first advertised its job openings; a total of 19,000 applications were received. Also, due to the agreed prioritization of ex-Spotec employees, once available positions were filled CLI suspending the processing of other applications.

Ex-Spotec SBGTS Union leader

As mentioned previously, CLI is currently looking to recruit individuals with experience in Cutting, Stitching and Assembly. As far as we understand, *Agus, Heri, Suhardi* and *Syaiful* all have experience in outsole production, which in CLI's view does not make them ideal candidates for this work. Having said this, we have given CLI a very clear message that all applicants must be treated equally and they must be actively considered one merit, where there is a suitable job opening – one that matches their qualifications and experience.

With regards to the concern that CLI may have discriminated against applicants based on their ID card ('KTP'), we found no grounds to support this. CLI confirmed that they do require employees to hold an ID card for administrative purposes, which is a standard practice in Indonesia, but it matters not whether this ID is a local or otherwise. We have interviewed a cross-section of workers in the factory; many of those employed do not hold local ID cards.

SBKU Union leaders

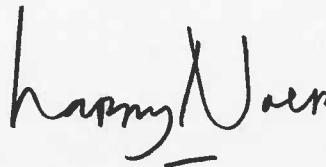
We have noted from your letter that former SBKU Union leaders, *Irzanni* and *Asma*, will soon re-submit their applications to CLI. We will check their applications once we receive confirmation that they have been re-submitted. Thereafter we will monitor these applications, along with applications from other former union leaders referenced earlier.

We hope the above sufficiently address the concerns and requests raised in your letter. Please do not hesitate to contact us again should you have further questions.

Sincerely,



William Anderson
Head of Social & Environmental Affairs
Asia Pacific



Harry Nurmansyah
SEA Regional Manager
South Asia