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William Anderson & Harry Nurmansyah
Social and Environmental Affairs
Adidas Group
Asia Pacific

12 February 2010

Dear Mr Anderson & Mr Nurmansyah,

Re: Response to Adidas letter of 21 July and email of 14 December

Thank you for your letter of 21 July and for Mr Nurmansyah's response to our e-mail of 2 November.

Oxfam Australia continues to hold serious concerns about violations of fundamental labour rights in Adidas supplier factories. However, we remain optimistic that Adidas can improve its performance record in this important arena.

The following letter highlights the obstacles and ongoing discrimination faced by union leaders who were dismissed at PT Panarub and lost their jobs from former Spotec Adidas supplier. It suggests ways in which Adidas could improve its efforts to support these workers in securing new employment. It also stresses the broader need for Adidas to ensure that transparent recruitment procedures are adopted and implemented by *all* its suppliers.

In working through these issues we acknowledge some positive developments. In particular, Adidas' recent contribution to the dialogue process with Indonesian trade unions, which formally commenced with the two day workshop in November 2009. Overall, however, we identify a continuing need for Adidas to work much harder to fulfil its obligations under the Fair Labour Association (FLA) code, especially with regard to non-discrimination and freedom of association.

1. Supporting Union Leaders Dismissed from Supplier Factories

The following specific cases relate to Adidas' prior commitments to:

- Support former Panarub Perbupas/SBGTS union leaders and former PT Spotec in finding new employment.¹
- Ensure that these former employees are prioritised for recruitment at the Ching Luh Indonesia (CLI) factory.²

In each of the below cases, we reiterate our request for Adidas to ensure that information on upcoming CLI job opportunities is made available to each Union and dismissed union leaders with sufficient time for these individuals to apply (we suggest 3 to 4 weeks).

1.1 CLI Applications from former union officials of PT Panarub

You informed us during the teleconference on 10 August that CLI has been recruiting. As you know, Oxfam Australia believes CLI should exercise positive discrimination in favour of former union members from Panarub who were dismissed in 2005. Our reason for this position is that the dismissal of the Panarub union leaders violated their human rights.³ We expect that there will be no further discrimination against these union leaders by CLI but are yet to be fully convinced of this matter.

A number of the former Perbupas/SBGTS union leaders and union members dismissed from PT Panarub in 2005 remain in an economically perilous situation. They have been unable to obtain work with Adidas suppliers or factories elsewhere. We are currently in communication with six of these former Panarub workers who are seeking work at CLI or another Adidas supplier. Here are details of these six, with their length of service and experience at Panarub:

Suwandi, 30, warehouse & material logistician
Worked: 1999 - 2007
Ph. 0813 8610 3640

Suparjo (Parjo), 33, assembling & stock fitting
Worked: 1998 - 2007
TO BE PROVIDED-CHRIS AND MIMMY EMAILED 04/02/2010

Suheli, 37, hot press
Worked: 1991 – 2007
No phone, but can be reached via SBGTS Panarub Secretariat

Hamdani, 32, chemical warehouse & hot press
Worked: 1999 - 2007
Ph. 0856 812 1067

Mohamad Ali (Ali), 33, chemical warehouse, leather warehouse & assembling
Worked: 1999 – 2007

¹ Adidas Letter to Oxfam Australia 22/06/2007, Adidas Letter to Oxfam Australia 04/10/2007.

² Adidas Letter to Oxfam Australia 04/10/2007; Adidas letter to Oxfam Australia 07/04/2008.

³ This violation has been confirmed by the May 2006 decision of the Indonesian Human Rights Commission (Komnas HAM).

Ph. 0818 0686 7508

Neneng Dian Marlia, 26, cutting, embossing & packing
Worked: 2001 - 2005
Ph. 0813 1951 3787

Suwandi and **Hamdani** applied to CLI for work in May 2009. They both re-sent written applications to CLI in the period June-August 2009, at the same time **Suparjo** and **Suheli** also sent an application. All four have kept the postal receipts. Our understanding is that once workers are registered on CLI's recruitment database, they are automatically processed for jobs matching their skills as they arise, and they do not need to re-apply each time a job becomes available. We ask Adidas to clarify how CLI is implementing its database system and call on Adidas to take further steps to ensure all former Panarub union official applications are duly processed by CLI.

You confirmed in your letter of 21 July that Suwandi's application is on the CLI database, while in your e-mail of 14 December you noted it had been received but not processed. There has been a general lack of transparency regarding the treatment of his application by CLI and we ask Adidas to ensure that there has been no discrimination against unionised applicants such as Suwandi. In any case, we hope Suwandi will be offered the next warehouse or logistics job that becomes available at CLI.

We have encouraged **Hamdani**, **Neneng**, **Suheli**, **Parjo** and **Ali** to re-apply to CLI, and provide us with proof that they have sent the applications. We understand Hamdani and Parjo re-applied on November 26, and that Suheli, Ali and Neneng plan to re-apply soon, if they have not done so already. We look forward to hearing that these workers have been added to CLI's recruitment database.

- Oxfam Australia requests that Adidas clarify how CLI is implementing its database system and call on Adidas to take further steps to ensure all former Panarub union official applications are duly processed by CLI.
- We hope Suwandi will be offered the next warehouse or logistics job that becomes available at CLI.
- We ask that these former Panarub workers be prioritized for CLI recruitment, and that Adidas ensure there is no unfair discrimination against them.

1.2 CLI Applications from former union officials of PT Spotec

Adidas has also undertaken to ensure that ex-Spotec workers are prioritised during recruitment and employment with CLI.⁴ Oxfam Australia strongly endorses this prioritisation.

We understand from your letter of 21 July 2009 that **Agus Santosa**, **Syaiful**, **Heri Kurniawan** and **Suhardi** are on the CLI recruitment database. Is that correct? Assuming that it is, we expect that they will be the first appointed to positions matching their skills and not discriminated against. The relevant skill sets are as follows:

⁴ Adidas Letter to Oxfam Australia 04/10/2007; Adidas Letter to Oxfam Australia 07/04/2008; Adidas Letter to Oxfam Australia 20/08/2008.

Agus: Hot press & chemical
Syaiful: Hot press
Heri: Phylon production
Suhardi: Phylon production

Thank you for advising us of the anticipated vacancies in CLI's Chemical Department from March 2010 and for offering to e-mail details directly to Mohamad Ali (ali_gsbi@yahoo.com) and Agus Santosa (perbupas@yahoo.com) as they become available.

- Oxfam Australia expects that Adidas will take further steps to ensure that former union officials of PT Spotec will be informed of and appointed to the first suitable CLI positions that become available.

1.3 Information and On-line Notification regarding Job Vacancies in Adidas' Suppliers

We appreciate your commitment to notifying the dismissed union leaders of vacancies in your supply factories and ensuring that they are not black-listed or discriminated against by your suppliers.⁵ Thank you for the spreadsheet detailing current vacancies in your suppliers.

You refer in your July 2009 letter to the possibility of your Indonesian suppliers posting vacancies on “an established online recruitment site,” and note in your e-mail of 14 December that this has not yet occurred. We are aware that Adidas is concerned that this proposal might prove impractical. However, based on our research we strongly believe that this is both practical and achievable.

Our investigations have found that both CLI and Panarub HR Departments currently advertise vacancies for professional positions online.⁶ These advertisements, publicised in English and Bahasa Indonesia, demonstrate that both supplier companies are familiar with writing and posting on-line job advertisements. Given this fact, it should not be difficult for Adidas to make it compulsory that factory floor positions, rather than only high level positions, be advertised on-line in Bahasa Indonesia. It should be possible for Adidas to oblige suppliers to post the links to all such advertisements—or the advertisements themselves—on a specified site. The details of this site should then be made available to dismissed Panarub union officials and former Spotec workers with *sufficient notice* (i.e. 3-4 weeks). As both suppliers are already conducting online job advertising we believe that Adidas should take steps to see that the online proposal goes ahead in the *near future*.

- Oxfam Australia hopes that in the near future Adidas will have its suppliers advertise factory vacancies on-line with sufficient notice to ensure that information about vacancies is made readily available.

⁵ Adidas letter to Oxfam Australia 17/12/2007; Adidas letter to Oxfam Australia 30/04/2009.

⁶ PT Ching Luh Indonesia professional job vacancies are currently posted on sites such as:

<http://www.bukalowongan.com/lowongan-kerja-terbaru-2009-di-pt-ching-luh-indonesia/>

http://groups.yahoo.com/group/indonesia_headhunter/message/26497

http://lowongan.mercubuana.ac.id/2009/06/lowongan-kerja-lowongan-kerja_1032.html

PT Punarab professional job vacancies are currently posted at sites such as:

http://www.datakarir.com/index.php?show_emp=4825

<http://lowongankerjajbaru.web.id/lowongan-kerja-recruitment-staff-pt-panarub-industry>

<http://lowongankerjajbaru.net/2009/05/lowongan-recruitment-staff-panarub-industry-pt.html>

2.0 Transparency in Adidas Supplier Recruitment Processes

Beyond the cases of individual workers discussed above, Oxfam Australia also shares some more general concerns about the recruitment procedures practised by Adidas suppliers, including CLI and PT Nikomas.

2.1 CLI's recruitment procedures

In investigating the TS case earlier this year, Adidas found that CLI had breached its own recruitment procedures. Adidas then recommended that CLI review and reform those procedures in order to prevent any further breaches. Oxfam Australia looks forward to hearing evidence that such a review and reform process is underway.

At the end of last year Tim Connor met with members of the FSKBU union at CLI. The FSKBU members reported that CLI continues to routinely breach its own recruitment procedures. These FSKBU members allege that CLI workers are not in fact selected on the basis of their experience or their training and test results. Whereas Adidas made a commitment that former workers from PT Spotec would be prioritised for jobs in CLI, FSKBU reports that in practice the opposite is the case. According to FSKBU, many of their members from the former PT Spotec factory have made multiple applications and been tested up to seven times, but each time have not been offered a job, while workers with less experience have been appointed.

Given these ongoing problems with CLI's recruitment procedures, and the considerable frustrations they are causing for former workers from PT Spotec, we ask that Adidas require CLI to automatically employ former Spotec workers as jobs which match their skills and experience become available, rather than requiring the workers to go through the flawed recruitment process. If Adidas is not willing to take this step, we ask that at the very least Adidas carefully monitor the testing process in all cases to ensure there is no further discrimination.

- In light of the continuing problems with CLI recruitment procedures, Adidas should intervene to ensure that Spotec workers are employed in appropriate positions. Failing this, Adidas should investigate applications and testing first hand to make certain that further discrimination does not take place.

2.2 Transparency in aptitude tests at CLI

Ari (short for Maryati) worked at PT Spotec for six years in Sewing, Development and Assembly. There were never any complaints about her work at Spotec, nor did she ever receive any warnings before her dismissal when Spotec closed in 2005.

Confident of her high level of skills, competence and experience Ari was optimistic that she would be employed by CLI. Ari has since applied for a job there, but was told she failed the aptitude test. The pass score for the test was set at 60 and Ari's recorded results were as follows:

Ability to understand theories: 50
Ability to operate: 50
Ability to adapt: 50
Creativity: 50
Discipline: 50

Ari has retained the score card stating the above.

Ari believes that her aptitude test was not conducted fairly and that these scores do not reflect either her knowledge or skills. She is concerned that CLI management is reluctant to hire her on account of her union activity at Spotec.

While some other FFSKBU leaders now work at CLI, Ari believes this is because they had the benefit of local residency combined with the personal backing of the local village head. As we have previously discussed and agreed, it seems clear that at least some current workers at CLI gained employment at the factory as a result of their local connections. Given that those former FFSKBU leaders who have gained employment at CLI enjoy those connections; their employment does not prove that there has been no discrimination against others.

As further evidence of discrimination against the right to organise, Ari reports that during her training days at CLI, the supervisor who was training her offered to promote her to forewoman, on condition she give up her union involvement. Ari refused.

There are disturbing parallels between Ari's situation and the 'foul play' you found occurred in TS's case. In that instance, Adidas insisted CLI hire TS, given the 'wrongdoing' CLI admitted had occurred, and in August this year TS was hired.

In this case Ari alleges similar tampering. Ari believes that she has been the victim of discrimination due to her active role as a union organiser. Reassured by your action in TS's case, and recalling your undertaking to prioritise ex-Spotec workers in recruitment by CLI, we ask that you arrange for CLI to re-test Ari in the presence of an independent expert.

- Oxfam Australia urges Adidas to intervene in the case of Maryati's CLI application and arrange that Maryati be re-tested in the presence of an independent expert.

2.2 Allegations of discrimination against applicants without local identity cards (KTP)

In your letter and during our phone conversation, you indicated that only a few hundred people local to CLI have been given preferential treatment in hiring, and that you do not believe there has been discrimination against applicants from outside the local area.

Could you please confirm the exact number of workers employed at CLI with local identity cards, as compared with workers whose identity cards are from other areas? To guard against both discrimination and the appearance of discrimination, could Adidas ask CLI to conduct its recruitment processes 'blind' without requiring applicants to produce identity cards until *after* a decision has been made to offer a worker a job?

- Oxfam Australia asks Adidas to provide concrete evidence to show that discrimination based on identity cards has not occurred. Regardless of whether discrimination can be proven Oxfam Australia strongly suggests that Adidas ask CLI to implement a blind recruitment process to curb the possibility of unfair discrimination based on identity cards at the initial recruitment stage.

2.3 Allegations of bribery at PT Nikomas

You will be aware that Neneng Dian Marlia has provided Adidas with a written statement concerning the bribe she paid to secure work at PT Nikomas. Neneng is willing to give further evidence of this directly to Adidas. We look forward to hearing the results of your investigations.

2.4 Investigations into Suparjo ('Parjo') at PT Alaska

You will recall Parjo was one of those illegally dismissed from Panarub after 10 years of service in assembly. He reports that he worked briefly at PT Alaska, although PT Alaska denies this. As noted above, Parjo has now applied for work at CLI. Given that Adidas is phasing out of production at PT Alaska, we have regretfully agreed with Parjo that we will no longer pursue his case in relation unfair dismissal at PT Alaska. We will instead be asking Adidas to ensure that Parjo is not discriminated against in his application to work at CLI.

We do want to comment, however, on the request in your e-mail of 27 August that Parjo's witness supply "some sort of (written) evidence or record to support his story." What written evidence could there be? As stated in our e-mail of 2 November, Oxfam is concerned that privileging written evidence of events puts workers at an unfair disadvantage relative to management. While it is possible verbal evidence may be unreliable, it's also possible to falsify written evidence. There are ways of testing the validity of both forms of evidence. By accepting the testimony of credible witnesses, and protecting them from reprisals, it is likely that more people will come forward to corroborate verbal evidence.

3.0 Violations of the FLA Code and Adidas Workplace Standards

As previously discussed, it is our understanding that Adidas' membership of the FLA requires you to actively investigate alleged FLA Code violations. Further, we believe that in such cases Adidas is obliged to make a finding as to whether a violation has occurred. We ask, therefore, that in future Adidas routinely investigate alleged violations of the FLA Code, including the provision on freedom of association.

3.1 Re-instatement of Kosnan, SBGTS union leader at Panarub

We welcome the news that Kosnan has finally resumed work at PT Panarub after the Industrial Court instructed Panarub to reinstate him. We understand it took a number of weeks for the court order to take effect. It is disappointing that Adidas did not take a more proactive role in investigating and intervening in this case.

4.0 Adidas' Contribution to the Trade Union Dialogue Process

We welcome Adidas' contribution to the dialogue process with Indonesian trade unions, which formally started with the two-day workshop in November 2009. We very much hope this dialogue leads to positive progress. We caution that many of the Indonesian trade unions are yet to be convinced that brand corporations such as Adidas are serious in their proposal to negotiate a Freedom of Association protocol. This doubt is based on long experience of ongoing violations of trade union rights in sportswear supplier factories.

Oxfam Australia hopes that Adidas can prove otherwise by addressing in earnest the current concerns raised about violations of freedom of association within Adidas supplier factories. By genuinely addressing these concerns, including those set out in the above sections, Adidas can contribute to the success of this important dialogue process. Adidas can also demonstrate to sportswear workers, unions, NGOs, governments and its consumer base that the company is serious in its commitments to give '110%' in doing its part to achieve fair labour practices and the realisation of workers' fundamental human rights.

We look forward to your response regarding the above concerns and hearing of any concrete progress you make on the suggestions outlined throughout this letter.

Yours sincerely,



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