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Dear Mr Anderson and Mr Nurmansyah,

**Re: Implementation of the Freedom of Association Protocol in Indonesia**

We welcome adidas' adoption of the Freedom of Association (FOA) Protocol on 7 June 2011. The FOA Protocol has significant potential to strengthen union rights in Indonesian supplier factories. We look forward to witnessing the implementation of the Protocol throughout adidas' supply chain.

In our meeting of 4 May 2011, adidas reported that it would brief all its Indonesian suppliers in detail about the contents of the Protocol. Adidas also said that it would ensure that the FOA Protocol is used as a primary reference for the resolution of freedom of association issues. We would like to know:

1. Has adidas communicated the contents of the protocol with *all* of its Indonesian suppliers?
2. How will adidas ensure that collective bargaining agreements in suppliers encompass the provisions of the protocol?
3. How will adidas intervene in cases where a supplier is not complying with the protocol?
4. Where will adidas keep a public record to indicate which of its suppliers are signatory to the protocol?

Furthermore, the Freedom of Association Protocol is pertinent to the resolution of a number of current workplace issues in adidas' Indonesian suppliers, as outlined below.

**Union access problems at Panarub**

In our May meeting adidas said it would investigate the implementation of union access procedures at Panarub. In accordance with this commitment, can adidas inform us how union access procedures have been implemented so we can see demonstrated compliance with the FOA Protocol?

Unjustified interference with union functions is prohibited under Article 4 (3) of the FOA Protocol. Yet, as mentioned in our previous correspondence, union access problems continue at adidas supplier PT Panarub. On 4 May 2011 we gave Adidas evidence documenting a recent case in which SBGTS union representative, Ms Sari Indayani, was prevented from meeting with union member, Ms Riska. Ms Riska had requested Ms Sari's assistance because she felt threatened when under interrogation by security staff at the factory. As a worker representative, Sari should not have been prevented from accompanying Ms Riska during her interrogation.

According to SBGTS, the above case is not an isolated incident. SBGTS has reported ongoing interference when trying to meet and communicate with its members. For example, on several occasions SBGTS was prevented from conducting employee surveys about workplace conditions. These surveys were designed to inform the union's policies when negotiating their new collective bargaining agreement (CBA). Article

(6)(2)(d) of the Freedom of Association Protocol provides that during CBA negotiations, union delegates in the negotiating team are to be given freedom to carry out surveys to support the negotiations. As such we hope that unions seeking to carry out these activities will no longer face such interventions.

### **Negotiation of Panarub CBA and food allowance**

We are pleased to hear that negotiations of the 2011 CBA have commenced after prolonged delays. An increase in the food allowance is one of the key priorities for Panarub workers under the present negotiations. The price of basic foods in Indonesia has risen dramatically in the past year. The cost of rice—a staple for Indonesian workers—has increased by 25%. We welcome adidas' support of renewed negotiation of the food allowance, however, we disagree that adidas bares no influence over this negotiation. As the sole buyer at Panarub, adidas is in a powerful position to influence workplace policies, including worker benefits, through its own buying practices. Given the steep increase in food prices compared with real wages in recent years, we hope that adidas will actively support an increase in the food allowance by ensuring that this increase can be resourced through your purchasing agreements.

### **Investigation of leave entitlements**

In our May meeting adidas said that it would be conducting an investigation into why Ms Prih Purwantini was dismissed while under going medical treatment. It is our understanding that by law workers are entitled to sick leave for up to 12 months in the case of serious illnesses. So far Panarub management has refused to reinstate Ms Prih and as a consequence her union (SBGTS) has been forced to pursue this issue via legal processes. SBGTS reports that the litigation process has been very time consuming— there have been three hearings to date as well as long delays. At the same time Ms Prih desperately needs her entitlements so that she can pay for medical treatment. Considering these urgent circumstances, we believe that adidas should ensure that Ms Prih is reinstated and that she receives her legal entitlements.

### **Union rights at Shyang Yao Fung**

Oxfam Australia remains concerned about the dismissal of Mr Erwan from adidas supplier Shyang Yao Fung. At the time of his dismissal, Mr Erwan was in the process of establishing a union at the factory (SBN).

KASBI has already sent adidas a detailed account of Mr Erwan's dismissal. Mr Erwan believes that he was dismissed because of his role in establishing the SBN union at Shyang Yao Fung. His account also includes serious allegations of intimidation by Shyang Yao Fung factory personnel.

Adidas told Oxfam Australia in May that it had conducted some preliminary investigations into the case. We are still waiting to receive the details of those investigations. Mr Erwan has informed us that he was not contacted by adidas about any investigation. Mr Erwan also says he has evidence that demonstrates that the formal grounds for his dismissal (absenteeism) are false. He is willing to share evidence with adidas to show that he was present at the workplace on days when management claimed that he was absent.

As long as this case remains unresolved, we hold serious doubts about the status of freedom of association at Shyang Yao Fung. Therefore, we ask that adidas fully investigate the allegations made by Mr Erwan and ensure that Mr Erwan is reinstated at the supplier. A number of FOA Protocol provisions may assist adidas in resolving this case. Article 4 (1) states that suppliers must "[g]ive workers freedom to form unions within the company premises". This article is further informed by Article (4)(10), which states "There must be no intimidation in any form whatsoever, including demotions, transfers, wage reductions, criminalisation, provision of a work load outside of the worker's capabilities, suspension or sacking of members and/or union organisers, perpetrated against union members or representatives undertaking organisational activities throughout the period of their leadership."

### **Union representatives from adidas subcontracted factories**

Oxfam Australia is concerned about the rights of workers employed within adidas' tier two suppliers. Although adidas' workplace standards are supposed to apply to these factories, adidas does not conduct any

direct monitoring of these suppliers. Would adidas be willing to meet with worker representatives from its tier two factories if requested to explain how its workplace standards apply to their workplaces? We strongly believe that adidas has a responsibility to respond to these worker representatives and ensure that they have access to their workplace rights.

### **Contracts and outsourcing**

The national-level union coalition involved in the negotiation of the Freedom of Association Protocol has prioritized short-term contracts and outsourcing for the next round of negotiations. Following from the successful completion of the FOA Protocol, we hope that adidas will continue to engage in this second round of negotiations.

As adidas is well aware, the issue of short-term contracts and outsourcing has a major impact on the basic rights and welfare of footwear and garment workers. In our May meeting Adidas reported that in the past 12 months it has doubled its efforts to reduce the number of workers on short term contracts. Adidas also reported that the majority of its footwear factories in Indonesia no longer use short-term contracts. These are all positive developments.

As discussed in our May meeting the use of contracts is endemic across the industry. Implementing a ban on the excessive use of short-term contracts will require proactive monitoring. For this reason we encourage adidas to lead by example during the upcoming negotiations to end the exploitative use of short-term contracts and outsourcing. As a starting point, we urge adidas to be transparent and publically report the percentage of short-term contract workers at its Indonesian suppliers. We also encourage adidas to report on the situation in its suppliers elsewhere around the globe.

Additionally, to follow up from our meeting in May, has adidas now checked the contract situation at its Dwikarya supplier? As we mentioned previously, we have heard reports that the use of short-term contracts is a continuing problem at this factory.

### **Looking ahead**

By taking firm action to resolve the above mentioned issues, adidas has the opportunity to demonstrate its commitment to both the letter and spirit of the FOA Protocol. We hope that adidas will take up this opportunity. Since adidas is a party to the successful negotiations of the FOA Protocol, we hope that adidas will take a leading role in ensuring its implementation.

Yours sincerely,



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