



21 September 2020

(By Email)

Attn: Alysha Khambay (Labour Rights Researcher)

Dear Business & Human Rights Resource Centre,

**adidas' response to the workers retrenchment in apparel manufacturers in the Mactan Economic Zone, Cebu**

Thank you for providing adidas with an opportunity to respond to reports about workers being retrenched in Sports City International ('SCI') and Yuenthai ('YTI') factories in Cebu, Philippines.

adidas has guidance in place that outlines the steps suppliers must take when contemplating and conducting worker layoffs. The guidance calls for clear communications, the proper notification and calculation of severance pay (and other benefits) and ensuring an effective means to resolve any dispute.

SCI is one of the largest apparel manufacturers in Cebu. It employs over 18,000 workers and produces for multiple international brands, including adidas. In advance of any announced retrenchment, SCI shared with its workers its ongoing business challenges and the options it was considering in the face of Covid-19. SCI's retrenchment plan, which includes clear selection criteria and a detailed severance package, was presented to the Department of Labor and Employment (DOLE) for its review and approval, prior to being communicated to the workforce. To date, 97% of the 4,400 impacted workers have signed their termination agreement and received their lawful severance, including one month pay in lieu of notice and additional in-kind assistance from SCI.

Beginning in June 2020, YTI, which is a smaller manufacturer in the Mactan economic zone, retrenched approximately 700 workers. We can confirm that employees have received their lawful severance and payment in lieu of notice, as per YTI's legal obligations.

Both YTI and SCI have committed to maintain an open dialogue with the affected workers and address any grievance in a fair and timely manner. To this end, YTI is in an active mediation with a group of retrenched workers regarding their overall severance package. Although YTI is not unionized, a representation from one of the Philippines' largest trade unions (ALU) has been permitted to observe the mediation, which is being managed by the DOLE in Cebu.

# adidas

We continue to be closely engaged with our suppliers and are receiving regular updates on the DOLE-managed mediation. We have also called on our suppliers to assist the affected workers secure unemployment benefit from the Philippines' Social Security System, which they have agreed to do.

Sincerely,

A handwritten signature in black ink, appearing to read 'William Anderson', with a long horizontal flourish extending to the right.

William Anderson  
Vice President, Global Social & Environmental Affairs