

2 October, 2017

(By email)

Dear Business & Human Rights Resource Centre

Response to Clean Clothes Campaign Letter of 18 September re PT Panarub Dwikarya Benoa

Thank you for providing adidas with an opportunity to respond to the Clean Clothes Campaign's statement of 18 September, 2018 calling for the payment of severance to former workers of PT Panarub Dwikarya Benoa (PDB) in Indonesia.

CCC state that adidas has neglected its responsibility to address human rights violations in this case or to create the necessary leverage to resolve this long-standing dispute. We believe the opposite to be true. We have stepped outside the normal boundaries of what would be expected of any buyer to help resolve this case – given the fact that we held no active or ongoing relationship with PDB.

We had no orders with PDB at the time the workers went on strike in July 2012, or at the time when they lost their employment, or at any time thereafter, up until the factory closed in January 2014. CCC are fully aware that throughout the period in question the factory was making products for another sporting goods company, not adidas. Despite this fact, we stepped forward, based on our long-standing relationship with the union's parent federation, to encourage an early resolution of the dispute. Those efforts were both extensive, and continuous. For example:

- We monitored the strike activities and on several occasions GSBI came to our offices to brief us on their demands and PDB's response. Based on those briefings it was reported that PDB had agreed to meet the workers' demands for full payment of the minimum wages, but the factory would not agree to union's call for reinstatement of Ms Kokom Komalawati, whose redundancy case had already been reviewed and dismissed by the Manpower Department;
- When the strike continued into its second week, we reached out to PDB and encouraged them to extend the deadline for workers to return to work, i.e. beyond the 7 days' legal limit, to allow for additional time to resolve the dispute;
- In the aftermath of the strike, we consulted with Manpower Department officials, the ILO and sought independent advice from an industrial relations lawyer and shared this feedback with both Panarub and GSBI;
- We facilitated the appointment of an independent third party, to mediate between the parties and after that mediation failed, we continue to urge both parties to negotiate and reach a mutual agreement to resolve their dispute; and, finally,

- We spoke with GSBI on multiple occasions advising them that if they were unable to secure a favourable outcome through negotiate with PDB they should to take the case to court for final resolution.

Although there was no legal impediment placed on GSBI-SBGTS, the union chose not to exercise its right to seek a judicial review of the lawfulness of the factory's decision (to treat workers as having resigned for failure to return to work in due time) and after 2 years of inaction those rights lapsed. Instead, the union chose another route to address this issue and in February 2015 GSBI lodged a complaint directly with the ILO Committee on Freedom of Association in Geneva.

The ILO Committee has now deliberated and delivered its conclusions and a remedy: it has called on the Indonesian government to hold a formal inquiry to reach a decision on the legality of the strike, based on which the appropriate level of compensation due to the workers can then be determined.

We continue to engage with all parties and in recent months we have met with the Indonesian Ministry of Manpower on two separate occasions to formally request that they complete an independent review and make a legal determination over the payment of severance. Only a final and legally binding decision will resolve these long outstanding claims.

We would ask your readers view the full statement we have placed on our website, which CCC has also kindly included a link to at the end of their statement.

See: https://www.adidas-group.com/media/filer_public/69/1d/691d6520-d1f9-4549-8a94-744dc49ab6ca/adidas_response_to_clean_clothes_campaign_open_letter_on_panarub_dwikarya.pdf

Finally, and for clarity, in CCC's latest posting they have alleged that: "For years prior to the 2012 strike, the workers at the PDK factory, most of them women, experienced abusive and unlawful working conditions ..." We disagree with this very negative portrayal of working conditions at PT Panarub Dwikarya Benoa. For the 19 months that adidas held a business relationship with the factory it was subject to regular audit visits and worker interviews. None of monitoring records or worker feedback show any evidence of systematic verbal or physical abuse, as alleged by the CCC.

Sincerely,



William Anderson
Vice President
Social & Environmental Affairs
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