



16 March, 2018
(By email)

Dear Business & Human Rights Resource Centre

Response to CCC's Filing of an OECD NCP Complaint re. PT Panarub Dwikarya Benoa (PDB)

Thank you for providing adidas with an opportunity to respond to the Clean Clothes Campaign's (CCC's) recent press release, announcing its intention to file a complaint against adidas, for an alleged breach of the OECD MNC guidelines and for "failing to provide access to remedy to 327 workers from their Indonesian shoe supplier Panarub."

We see no justifiable grounds for such a complaint. Nevertheless, we are happy to share with the NCP our efforts and actions to date to seek remedies and to assist the parties resolve their longstanding dispute. Those efforts are well documented and have featured in past responses posted on the BHRRC site, in statements published on our corporate website (see, for instance, our lengthy statement at: https://www.adidas-group.com/media/filer_public/69/1d/691d6520-d1f9-4549-8a94-744dc49ab6ca/adidas_response_to_clean_clothes_campaign_open_letter_on_panmarub_dwikarya.pdf) and in correspondence with the CCC.

The NCP complaint repeats an earlier claim by CCC (dating from September 2017) that adidas had 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 that we held no active or ongoing relationship with PDB, which had operated as a subcontractor to our main shoe manufacturing partner, PT Panarub.

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 arrears in the minimum wages to workers, but the factory would not agree to union's call for reinstatement of Ms. Kokom Komalawati, whose redundancy case had already been reviewed and found lawful 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 negotiations 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. Since April, 2017 we have met with the Indonesian Ministry of Manpower on three separate occasions and have also written to them, formally, to request that they complete an independent review and make a legal determination over the payment of severance. It is our belief, that only a final and legally binding decision will resolve these long outstanding claims.

The two parties involved in this case have remained polarized and largely unyielding, despite adidas' early intervention, our facilitation of a mediation process immediately after the strike, and our engagement in the years that have followed. We are now placing our trust in the Indonesian Ministry of Manpower to act on the ILO's recommendations and for the sake of the workers, and their long overdue payments, to define a settlement package that is acceptable to both Panarub and the union. We understand that in the coming week the Indonesian government will meet with the ILO in Geneva to further discuss this case and progress towards a final resolution.

Sincerely,

William Anderson
Vice President
Social & Environmental Affairs
Asia Pacific