

Summary of Third Party Complaints Handled by adidas Group in 2016¹

Complainant*	Factory name	Complaint	Outcome	Status
Worker Rights Consortium (WRC)	Reliance Denim Industries Ltd., Bangladesh	<p>WRC wrote to adidas Group to raise concerns regarding violent assaults that had taken place against workers at Reliance Denim Industries Ltd., a factory in Chittagong, Bangladesh. It was alleged that a worker had been imprisoned under false charges filed by factory staff following these assaults.</p> <p>WRC explained that Reliance Denim was owned by Salim and Brothers, Ltd. and they were contacting buyers who held a relationship with Reliance Denim or its parent company.</p>	<p>adidas Group checked its internal database and found no record of having contracted with any factory by the name of Reliance Denim Industries, Ltd.</p> <p>We confirmed that we had previously had a sourcing relationship with a company called Salim and Brothers Ltd' in Bangladesh, but that relationship was terminated in 2013.</p> <p>Having provided this information, there was no further communications with WRC.</p>	Closed
Worker Rights Consortium (WRC)	Advanced Sporting Goods Co., Ltd, China	<p>WRC wrote to adidas, having read in the newspaper that Advanced Sporting Goods factory, a golf club manufacturing facility which supplies TaylorMade, was hiring more than 400 Uyghur workers. WRC raised concerns over potential communications issues for this minority ethnic group and the impact that this would have on safety training, etc.</p>	<p>adidas Group had already scheduled a visit, as part of its regular monitoring activities. The visit confirmed that the factory had employed, through a government-sponsored initiative, 400 Xinjiang Uyghur workers.</p> <p>During our investigation we found several non-compliances related to employment practices, as well as working conditions, for this minority group. We immediately asked factory to develop a remediation plan to ensure full compliance to China law and adidas Group's employment and safety standards. The factory agreed to take remedial steps, which are being closely tracked by SEA.</p>	Ongoing

¹ These are complaints which fall within the ambit of the *Third Party Complaint Process for Breaches to the adidas Group Workplace Standards or Violations of International Human Rights Norms*, see http://www.adidas-group.com/media/filer_public/47/95/47956de4-7a3b-4559-a449-51ef963c7f9e/adidas_group_complaint_process_november_2016.pdf

<p>Federacion Sindical de El Salvador – local trade union</p>	<p>Style Avenue, El Salvador</p>	<p>In December 2016, the factory’s union Federacion Sindical de El Salvador (FESS) submitted a third-party complaint to the Fair Labor Association (FLA) alleging: union discrimination and harassment against union leaders (including restrictions on granting leave for union leaders to attend to official union matters); deductions from workers’ earnings when they use medical leave; noncompliance with legal provisions regarding rest during Holidays; lack of sanitation at the canteen; and other health and safety issues such as ineffectiveness of the health and safety committee; absence of machinery maintenance; excessive heat/temperature at the production floor; and inadequate filtering system of drinking water.</p> <p>The factory has been a supplier for the adidas U.S. licensee, Outerstuff since 2011. Outerstuff is an accredited participating company of the FLA.</p>	<p>Outerstuff, in addition to another FLA participating company that has business at Style Avenue, committed to investigate through two separate audits. The first audit will take place in February 2017 and the second audit will take place in either June or July 2017 to verify the remediation status of any open issues from the earlier audit.</p>	<p>Ongoing</p>
<p>Researchers, Asian Law Centre, Melbourne Law School, The University of Melbourne</p>	<p>PT Panarub Industry, Indonesia</p>	<p>In February 2014, the factory management received a letter from the plant level union, SBGTS – GSBI, to inform them that they rejected a plan from GSBI National Board to deactivate their current leadership. And in March 2014, PT Panarub received a letter from GSBI National Board declaring that they were deactivating the current leadership of SBGTS and would re-elect new leaders.</p> <p>PT Panarub declared that it could not intervene</p>	<p>adidas Group responded to the letter from the academics, addressing each of their concerns. adidas also contacted the existing union leadership (which had been deactivated by GSBI National Board) and asked that they correspond directly with the researchers. We continued to engage with the two factions from the union, who agreed to the National FOA Protocol Committee examining their case.</p> <p>The National FOA Protocol Committee</p>	<p>Unresolved</p>

		<p>in a dispute which was essentially an internal matter for the plant level union and its parent federation. However, as GSBI declined to use the Ministry of Manpower's dispute mechanism to resolve the case, Panarub management offered to facilitate a meeting between the two factions of SBGST. This meeting took place on June 26th, 2014, but no agreement was reached.</p>	<p>investigated, reviewing all documents and interviewing both parties. The Committee concluded that the dispute was rooted in miscommunication and different interpretations over the legality of the union board, as expressed in the GSBI statutes, and recommended that the two parties continue to negotiate. GSBI National Board rejected the recommendation.</p> <p>There have been no further enquiries, complaints or questions raised with the adidas Group about this case. The next round of trade union leadership elections at the plant are scheduled for April 2017, which will determine the trade union status.</p>	
<p>SBTGS - an Indonesian trade union, supported by the Clean Clothes Campaign</p>	<p>PT Panarub Dwikarya Benoa (PDB), Indonesia (Former sub-contractor of one of the adidas Group's contract footwear supplier).</p>	<p>The complaint relates to a dispute, which began in July 2012, when workers were treated as having "resigned" following an 8 day strike over back wages, and other demands.² The union requested that adidas Group intervene and ensure that workers are reinstated, compensated for losses and paid out redundancy, given the factory has now closed. The supplier has countered that they acted lawfully and that the strike took place without the required legal notice, i.e. was illegal, and the striking workers failed to return to work within the time period stipulated under the law.</p>	<p>Despite having no business with this factory at the time of the dispute, adidas Group offered to help the two parties and in 2013 the union and the factory management agreed to independent mediation. However they could not reach agreement. We therefore recommended that the complainant either continue with direct negotiations, or take the matter to court. No settlement was reached by the parties.</p> <p>In mid-2016, at the request of CCC, adidas persuaded Panarub Industry ('Panarub) to meet</p>	<p>Unresolved</p>

² <http://www.adidas-group.com/en/media/news-archive/sustainability-news/2012/update-current-status-workers-dismissals-factory-pt-panarub-dwikarya-benoa-indonesia/>

		<p>In November 2015 the Clean Clothes Campaign (CCC) labelled this a case of “unfair dismissal”.³ adidas Group issued a formal response to those claims, which can be found on the Business & Human Rights Resource Centre website.⁴</p>	<p>with the SBTGS to discuss possible settlement for this long outstanding case. Panarub had been adamant that the case was officially ‘closed’ and that the responsible legal entity, PT Panarub Dwikarya Benoa, which had acted as their subcontractor, no longer exists.</p> <p>Neither Panarub nor the union could find common ground. Panarub repeated an earlier offer to pay the remaining 300+ former PT Dwikarya Benoa workers the same settlement package accepted by other former employees, whereas the union continued its call for a much higher pay out.</p> <p>At the end of 2016 adidas Group sent letters to the CCC explaining the steps taken to resolve this case and our understanding of the status of the unresolved claims.</p>	
<p>Carlos Fonseca Amador Trade Union</p>	<p>Troon Manufacturing Tipitapa, Nicaragua</p>	<p>In March 2016 one of the factory’s unions filed a third party complaint with the FLA. The complaint alleged: 1. Instances of verbal harassment by some factory managers. 2. The favouring of one union over the others (the factory had 3 unions). 3. The elimination of a production bonus for workers in the storage department.</p>	<p>adidas Group’s Social & Environmental Affairs (SEA) Team along with the factory’s corporate compliance team reviewed and investigated the allegations. Below is a summary of the investigation findings:</p> <p>1. One instance of verbal harassment by 1 senior factory manager was verified. The factory responded by following its internal disciplinary procedures. Additionally, the factory provided a complete training</p>	<p>Closed</p>

³ <http://www.cleanclothes.org/news/2015/08/26/adidas-and-mizuno-involved-in-unfair-dismissal-case>

⁴ <http://business-humanrights.org/sites/default/files/documents/adidas-response-Nov-2015.pdf>

			<p>programme on harassment and abuse to all staff along with a briefing on factory procedures. The SEA Team, the factory's corporate compliance team and the FLA verified with the complainant that its relationship with management had greatly improved by mid-2016. The two other grievances included in the 3PC were not verified by the investigation.</p> <p>2. The issue related to union favouritism had to do with the fact that alleged favoured union had a signed CBA with the factory, which provided their union with some benefits (the posting of union events) that the complainant mistook as favouritism.</p> <p>3. The issue related to bonus was also not fully substantiated, as the bonus described by complainant never existed.</p> <p>It is important to note that after 6 months of no orders from customers, this factory closed in November 2016. A final report was published by the FLA in December 2016.⁵</p>	
<p>Sindicato Trabajadores al Poder de la Empresa New Holland Apparel</p>	<p>New Holland, Nicaragua</p>	<p>In November 2015 the adidas Group along with the New Holland's other buyer received a direct third party complaint from one of the factory's trade unions regarding allegations of FOA violations. The factory union alleged that the factory had recently terminated 5 workers in retaliation for filing complaints to their union federation and attempting to organize a new factory union. adidas Group's Social &</p>	<p>The special investigation revealed that 4 out of the 5 terminations included in the complaint had taken place; 2 of the terminations were conducted in accordance to labour law and required no remediation actions; 2 of the terminations were not properly conducted by factory management; the fifth worker had not been terminated as reported by complaint and continued working at the factory. As result of</p>	<p>Closed</p>

⁵ <http://www.fairlabor.org/report/troon-manufacturing-nicaragua-1>

		Environmental Affairs (SEA) Team worked with the factory's other buyer and commissioned the FLA to conduct a special investigation of all the allegations reported by the complainant.	the investigation, the factory reinstated the two workers who were improperly terminated as recommended by the Brands. Additionally, the factory was tasked to review and improve its factory bylaws, disciplinary procedures, termination procedures and grievance system and provide training to its HR team on Freedom of Association. The FLA published a final report in November 2016. ⁶ It is important to note that this factory was terminated by the adidas Group in October 2016 for production related reasons.	
TEKSIF (local trade union)	Imteks, Turkey	On 29 th August 2016, TEKSIF called adidas Group to complain about a delay in severance payments and wages owed for the months of June and July.	adidas Group met with Imteks and the trade union to understand the reasons for the delayed payment. Imteks disclosed that they were facing financial difficulties and to improve liquidity were looking to dispose of other assets. A payment plan was agreed between the factory and TEKSIF. It was agreed that workers' salaries would be paid on the 20 th of each month (as per the law) instead of the 10 th of each month (as agreed in the CBA) until the assets were sold. The union and factory also agreed that severance payments were to be paid in instalments. adidas Group followed-up and confirmed that payments were made in accordance with the agreement.	Closed

⁶ <http://www.fairlabor.org/report/new-holland-nica-nicaragua>

TEKSIF (local trade union)	Fersan Tekstil, Turkey	On the 10 th of November 2016, adidas Group was approached by TEKSIF, alleging that the management of a Tier 2 material supplier, Fersan Tekstil, had threatened and subsequently dismissed workers who wanted to become trade union members. Fersan Tekstil supplies fabric to 2 adidas Group manufacturing partners.	adidas Group, together with another buyer, met with its primary suppliers sourcing fabrics from Fersan and asked them to investigate the union's claims. An audit was conducted and the allegations were found to be true. adidas Group asked its suppliers to engage Fersan to stop further acts of trade union discrimination, harassment and imposing restrictions over the workers right to organise. TEKSIF welcomed adidas Group's intervention, but as our suppliers purchase less than 3% of the fabric produced by Fersan the union indicated that it will approach other buyers who may have greater leverage than adidas Group.	Ongoing
BagimsizSen (local trade Union)	Imteks, Turkey	BagimsizSen, a local trade union, claimed that adidas was allowing another union (TESKIF) to abuse workers in its supplier Imteks. It was alleged that the existing unionized workers wanted to resign from TESKIF to join BagimsizSen, but Imteks and TESKIF (the officially registered union in the factory) were threatening the workers with summary dismissal (without pay) if they do so.	adidas Group's Social & Environmental Affairs team followed up by interviewing a cross-section of worker representatives and unionized workers in the factory. The worker feedback did not support the claims being made by BagimsizSen. SEA then asked BagimsizSen to arrange meetings with the individuals who were allegedly threatened. The union representative said that he would arrange a meeting. A week later, the union representative informed us that the workers had "changed their statements" and thanked us for our support.	Closed

<p>IndustriALL Turkey (affiliate of international trade union)</p>	<p>SLN Tekstil – Fatsa, Turkey</p>	<p>IndustriALL Turkey contacted adidas Group to complain about the dismissal of three employees due to their trade union membership. IndustriALL asked for help to reinstate the workers.</p>	<p>To investigate the claim, adidas conducted a joint visit with another buyer and the Fair Labor Association (FLA). Feedback was received from all 270 workers at the plant. The investigation found that the factory had announced several months earlier that they were downsizing due to economic reasons. This resulted in the dismissal of 30 workers, based on job performance. Out of the 30 workers dismissed, 3 were union members.</p> <p>To gauge the factory management’s attitude towards unions, interviews were conducted with other trade union members. They reported no adverse change in the behaviour of the factory towards them.</p> <p>adidas Group informed IndustriALL that the investigation had found that the dismissals were due to economic reasons and lawful. The selection of those who were eventually laid-off was based on past job performance, not trade union affiliation. IndustriALL accepted the findings.</p>	<p>Closed</p>
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<p>Viet Labor, a federation of labour groups⁷ and Workers Rights Consortium</p>	<p>Yupoong Vietnam, Bien Hoa, Vietnam</p>	<p>Viet Labor wrote to adidas (and number of other buyers) calling for an investigation into “Yupoong’s suspicious and wrongful behaviours”.⁸ On the 21st of September 2015 a large fire led to the closure of Yupoong’s operations and the retrenchment of some 1,900 workers. Viet Labor believed the fire had started under suspicious circumstances and complained that subsequently workers had been harassed by security personnel, that pregnant women had lost their employment in breach of their legal rights, and that other workers had been forced to “voluntary” resign. The Labor organization requested that adidas and Yupoong’s other buyers, fact-find, and meet with the workers and their representatives. They also called for proper compensation to be paid for those who had been laid-off and a suspension of further layoffs.</p> <p>In support of Viet Labor, Worker Rights Consortium wrote to adidas to seek clarification on certain aspects of the case and recommended that Yupoong offer the retrenched workers jobs at Yupoong’s plant in Long An and, based on its interpretation of the Vietnamese labour code, reinstate all worker who are or were pregnant or on maternity</p>	<p>adidas Group committed to investigate, noting that it had reviewed the reasons for the closure and was aware that the labour department and state run union had accepted the lawfulness of the layoffs. As part of our investigation, we interviewed workers and continued to exchange information with Viet Labor.</p> <p>The government investigations into the fire, which occurred at night after the factory had closed, concluded that the cause was likely to have been an electrical fault. There were no reported injuries. We could find no grounds to view the fire as “suspicious”.</p> <p>Our investigations into the factory’s handling of the layoffs did result in positive outcomes. We secured a commitment for Yupoong to rehire around 186 former workers. Yupoong also agreed to suspend the retrenchment of female workers who were less than 6 months pregnancy at the time of the factory closure in December 2015. This allowed the workers to be employed for a longer period, entitling them to claim their maternity benefits under Vietnamese social insurance leave, in addition to the severance package provided by Yupoong.</p> <p>With respect to WRC, adidas Group advised the</p>	<p>Closed</p>
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⁷ Free Viet Labor Federation (abbreviated to Viet Labor) is an alliance of labor groups inside and outside Vietnam comprising: Viet Labor Movement, Vietnam Independent Union, and Committee to Protect Vietnamese Workers. See <http://laodongviet.org/about/>

⁸ See <http://laodongviet.org/2015/12/13/yupoong-retrenchment/>

		<p>leave when the plant closed.</p>	<p>NGO that their interpretation of the law (on reinstatement of pregnant workers or those on maternity) was not consistent with the advice we had received from the ILO, or from our earlier engagement with officials from the Labour Department. We confirmed that the lawfulness of the actions related to the termination at Yupoong had been confirmed by several government officials. Namely the Deputy Director of the Department of Wages and the Deputy Minister for Labour.</p> <p>adidas Group also highlighted for WRC that there are some practical challenges in offering Bien Hoa workers employment at Yupoong's Long An facility; the feedback from laid-off workers was that it was too far (80km) away to be considered as a reasonable alternative place for employment.</p> <p>adidas Group has written on two separate occasions to Viet Labor to ask if there is any further pending issue or concerns that need to be addressed related to the Yupoong case. Viet Labor has not responded and we now consider this case to be closed.</p>	
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Note* Complainants are only named where their cases have already been disclosed publicly (usually by international advocacy or labour rights groups, the media or by the complainant themselves. For third party complaints managed by the Fair Labor Association, go to: <http://www.fairlabor.org/transparency/safeguards>