



adidas Response to Clean Clothes Campaign (CCC) Statement

CCC has issued a statement on February 11, 2019, that calls on adidas and Mizuno to secure a “full remedy” for workers who lost their employment following a strike at PT Panarub Dwikarya Benoa (**‘PDB’**) in 2012.

PDB acted as a subcontractor to our main business partner PT Panarub and in the 18 months that adidas was linked to the subcontractor we were a minority buyer; we accounted for around 5% of its order volumes. When PDB failed to meet our requirement to stop using a government-approved waiver - which reduced the workers’ minimum wage payments - we withdrew permission for PT Panarub to place orders at this supplier. All committed orders were completed.

In July 2012, several months after we initiated our exit, the workers went on strike, demanding wage arrears, improved working conditions and the reinstatement of former workers who had been laid-off at the end of February 2012 for, allegedly, organizing a (second) trade union in the factory. Contrary to the CCC statement, the Indonesian Labor Court had ruled that these layoffs were lawful i.e. not in breach of Freedom of Association.

Six years later, the Indonesian union SBGTS has entered into a binding agreement with PT Panarub to accept a compensation payment for 284 workers who had lost their employment following the strike. That agreement was mediated by the Indonesian Manpower Department, in response to a complaint lodged by the union with the ILO. In addition to the compensation payments both the government and PT Panarub paid towards personal loans that the workers had taken out.

Despite adidas having no ongoing business relationship with PDB, immediately following the strike we supported an independent mediation between the union and the factory. When that proved unsuccessful - with neither party giving ground or reaching an accommodation - we recommended that SBGTS pursue their case through the Industry Court. However, rather than contesting the workers’ loss of employment through the court system, the union waited until the closure of PDB in January 2014 and then sought recourse through the ILO’s Freedom of Association Committee in Geneva, submitting a complaint in 2015.

The ILO in turn directed the Indonesian government to adjudicate the case and reach a settlement. It is our understanding that the settlement of this dispute, which has been signed by PT Panarub and SBGTS and registered with the Indonesian Courts, is a full and final payment.

Contrary to what CCC has stated, we do not believe that SBGTS was under pressure to complete the negotiation within a certain deadline, in fact the union played a pivotal role in setting terms and conditions of the final agreement, as well as a supplementary agreement for the payment of the workers’ personal loans. The CCC also claim that only one quarter of the legal severance has been paid. That is incorrect. In the absence of any formal and independent legal hearing to determine the lawfulness of the strike, the amount to be settled has been left to negotiation between the parties.

In their statement CCC has also referred to a breach in the obligation of brands to deliver timely remedies under the OECD’s voluntary guidelines for MNC and the UN Guiding Principles. As these matters are subject to ongoing mediation through the German National Contact Point, and are bound by the confidentiality of that process, we are unable to comment.