



**International Union League for Brand Responsibility**  
**Liga Sindical Internacional para Responsabilizar a las Marcas**  
**Liga Sindical Internacional para Responsabilizar às Marcas**  
**Liga Serikat Buruh Internasional untuk Menuntut Pertanggungjawaban Merk**  
**Ligue Syndical Internationale pour la Responsabilité des Marques**  
**التجارية العلامات لمسؤولية الدولية العمالية الاتحادات لرابطة**  
**ইন্টারন্যাশনাল ইউনিয়ন লীগ-এর ব্র্যান্ড দায়িত্ব সংক্রান্ত**  
**ಬ್ರಾಂಡ್‌ಗಳ ಹೊಣೆಗಾರಿಕೆಗಾಗಿ ಅಂತರರಾಷ್ಟ್ರೀಯ ಯೂನಿಯನ್ ಲೀಗ್**  
**国际工会要求品牌商承担责任同盟**

October 14, 2013

Herbert Hainer  
CEO, Adidas Group  
Adi-Dassler-Strasse 1, D-91074  
Herzogenaurach, Germany

Sent via e-mail to [herbert.hainer@adidas-group.com](mailto:herbert.hainer@adidas-group.com)

Dear Mr. Hainer,

We write as the Global Chair and Executive Coordinator of the International Union League for Brand Responsibility, on behalf of unionized workers at Adidas contract factories and other allied organizations who have joined together for the purpose of improving labor conditions in Adidas' global production network.

We seek your intervention to end a troubling pattern of violations of fundamental labor rights in your contract factories. We call your attention to six current cases of egregious violations of worker rights, which represent the latest in a string of abuses in Adidas contract factories. We look forward to discussing with you how to remedy these violations and address your company's broader commitment to proactively protecting worker rights in your production network.

### **Recurring labor rights violations in Adidas' production network**

First, we are deeply concerned about the unjust firings of workers who exercise their freedom of association, form unions and seek to negotiate over working conditions. These firings violate fundamental labor rights, codified in ILO Conventions 87 and 98, and threaten all workers that would speak out about labor problems.

- At **PT Panarub Dwikarya (PDK)** in Indonesia, at least 1,300 workers were fired in July 2012 for participating in a strike, which took place because PDK management refused to comply with the minimum wage increase that went into effect six months

earlier and refused to negotiate in good faith with the union, the Federation of Independent Trade Union (GSBI). Adidas has publicly acknowledged the factory's failure to comply with the minimum wage law, for example in its August 14, 2012 public statement. These workers, members of GSBI, are demanding their reinstatement and back wages. To date, at least seven children of fired PDK workers have been forced to drop out of school because their parents do not have jobs and cannot afford the cost. A number of workers have been evicted from their rented homes because they cannot pay the rent, and loan sharks and banks are hounding them because they cannot pay their debts. This situation is gravely unfair to the workers who produce Adidas shoes, and through whose hands Adidas reaps huge profits.

- At **Centro Textil** (Centex) in Nicaragua, owned by Honduras-based Grupo Beta, workers formed their union SITRAPRIM on May 1, 2013, and at least fifteen of the newly-elected leaders and other founders of the union were fired on May 2 and May 6. These retaliatory firings were part of a broader, ongoing campaign by plant management to repress workers' associational activities.
- At **Handsome Nica** in Nicaragua, owned by the Korean firm Han-Soll, three elected union leaders were arbitrarily fired since late August 2013, in blatant disregard for local labor law and workers' union freedoms, shortly after management began refusing to recognize or communicate with the union's counsel.

There are many examples of the same practice at other Adidas contract factories. Pinehurst Manufacturing fired the founders of the union that formed at its Honduras facility in August 2010, and the owners did the same when a union formed in April 2012 at their Nicaragua facility, now called Troon Manufacturing. In May 2012, management at Flying Needle, also in Nicaragua, fired the leaders of that factory's newly formed union. In January 2013, Joe-Anne Dominicana in the Dominican Republic fired workers who were beginning efforts to form a union. In April 2013, Textiles Opico in El Salvador fired leaders and members who formed a union some weeks earlier.

While many of these unjustly fired workers were eventually rehired, they were jobless for months and were only rehired after significant advocacy by worker rights groups. Delayed and recalcitrant responses to these repeated violations are inadequate: for every day that these workers were not allowed to work, their retaliatory terminations instilled fear and chilled the exercise of union freedoms among their coworkers.

Second, we are alarmed by the serious occupational injuries and illnesses that workers have suffered at Adidas contract factories in China, especially the ongoing violations at

Dynamic Casting and Stella Footwear that were detailed in the Cross-strait Labor Organizations' August 13 response to Adidas' July 24<sup>th</sup> statement.

In Adidas' July 24, 2013 statement, responding to an earlier petition from some of our organizations on these two cases, Adidas appeared to suggest that occupational injuries were inevitable and unavoidable in its contract factories. The statement rejects as impossible the petition's call for Adidas to "implement feasible guarantees of industrial health and safety." In the wake of repeated fatal industrial disasters in the garment industry, Adidas' attitude is deeply troubling. Workers in Adidas' production network are developing conditions that are often permanent and potentially fatal. If Adidas is not willing to take responsibility for ensuring that no worker suffers occupational injuries or illnesses in its production network, its claims of "social responsibility" are empty.

In your July 24, 2013 statement, Adidas repeatedly denied responsibility by passing the buck to the local bureaucracy in Guangzhou. Academic research and NGO studies have shown the local labor courts in Guangzhou and elsewhere in China to be systematically biased against workers. Adidas' confidence in this local administrative process is misplaced and self-serving. It is especially surprising that Adidas would endorse the legal framework for worker rights in China, given that the brand's own Workplace Standards for freedom of association are fundamentally incompatible with the restrictions on worker rights under Chinese law.

We are also deeply concerned that 650 workers in the Sadesa tannery in Esperanza, Argentina are forced to work with dangerous chemicals without adequate protective equipment. This has caused chronic, endemic health problems in the vast majority of workers. The company consistently ignores these constant health risks, and has even threatened to fire workers with work-related conditions in order to avoid paying for medical treatment. The company refuses to work with the union to ensure that its workers are safe at work.

Third, we find it troubling that Adidas has withdrawn production from factories where workers have sought to exercise their rights under local and international labor law and Adidas' code of conduct. Many Adidas workers have taken the difficult and courageous step of demanding resolution to violations of their rights, even in the face of threatened reprisals. However, Adidas appears to have removed its orders from its contract factories where workers do speak up, or to have coordinated with the contract factory to shift production elsewhere.

- **Pinehurst Manufacturing** in Honduras is dismissing nine hundred workers based on Adidas' sudden decision to withdraw the majority of its orders. This comes less than a year after the plant's workers won their first collective bargaining agreement, and in spite of Adidas's repeated assurances to the union that it would not withdraw

orders after that CBA was signed. Removing orders from those few factories where workers successfully organize and negotiate, also known as “cutting and running,” is a serious violation of workers’ freedom of association.

- In March of this year, **Dynamic Precision** closed its subsidiary Dynamic Casting, discussed above, and announced plans to move the work to Taiwan, soon after the factory’s workers and various NGOs called on Adidas and Dynamic Precision to compensate workers for various occupational injuries and to correct the severe workplace safety issues. This came after the factory and Adidas had assured workers and NGOs in early 2012 that rumors of an imminent closure were false. More recently, Adidas has asserted to NGOs that its TaylorMade Golf division was directly involved in making plans for the closure with Dynamic Precision since 2010, but that the decision of the actual closure date was not made until at least later in 2012. This inconsistency raises doubts about Adidas’ good faith in addressing the dire labor situation in this factory.

Complicating all of the above problems, Adidas has repeatedly denied you had production in a particular contract factory when confronted with labor rights violations, only for workers soon afterwards to prove through documentary evidence that the facility produces for Adidas. It is surprising that an experienced and established multinational corporation like Adidas would repeatedly communicate inaccurate information about its contract factories.

Regarding the PDK factory, discussed above, Adidas has been blatantly dishonest about your production at the facility. Adidas has repeatedly claimed: “At the time [of the dismissals], adidas Group had no orders with this factory, which is a subcontractor of one of our main footwear sourcing partners in Indonesia, PT Panarub. We continue to have no orders with this factory.” This is demonstrably false. Workers have repeatedly testified to making Adidas products at PDK, and publicly available customs data shows eleven different shipments from PDK to Adidas in 2013 alone.<sup>1</sup> It does not matter if the relationship is direct or via subcontract, Adidas is responsible for conditions in factories where Adidas apparel or footwear is produced.

Finally, the poverty-level wages throughout Adidas’ production network contradict the brand’s commitment to social responsibility, and are inexcusable as Adidas celebrates sales growth to a record-breaking €14.9 billion and profits of €503 million in 2012. Adidas is the primary party responsible for wage levels in its production because of its tremendous power in negotiating prices with a superabundant number of suppliers who must constantly underbid each other to stay in business. Collective bargaining over wages is

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<sup>1</sup> For example, customs forms filed at the Port of Tacoma, Washington, on July 8, 2013, show that “Adidas Canada Limited” received 2,492 kilograms of “Adifast Adidas Sports Shoes” from “Panarub Dwikarya.” There are many more examples of data on specific shipments.

often obstructed when local management threatens workers that Adidas will simply withdraw from the factory if prices rise due to wage increases. On May 1 in Cambodia, the national apparel workers union C.CAWDU called on Adidas and three other brands to compel contract factories to increase workers' poverty-level wages, which were so low that garment workers were often fainting from malnutrition; currently C.CAWDU is demanding a minimum wage of \$150 per month. Workers in Cambodia have suffered a 16% decrease in inflation-adjusted wages since 2000, while an ILO study showed workers need more than \$104 per month just to cover basic living expenses. In Turkey, Adidas' third largest sourcing country, workers of the garment and textile industry launched a national strike on August 15 over wages, after the national industry association offered a raise of 3%, far below the rate of inflation. Just recently, in Bangladesh hundreds of thousands of garment workers took to the streets demanding significant increases in the minimum wage.

### **Ending labor abuse in Adidas' production network**

Labor abuses are systemic in Adidas' production network. Many of our organizations have contacted Adidas about individual cases of labor rights violations in our respective countries. While Adidas has been responsive in some of these cases, we are frustrated to see the problems recurring and even increasing in frequency. These observations are corroborated by data: Pennsylvania State University Professor Mark Anner found, after studying FLA audit data of many brands, that Adidas had the highest rate of Freedom Of Association violations per factory and the highest number overall.

The only sustainable solution to the systemic labor abuse in Adidas' production network is to proactively prevent labor violations, not just respond after the fact, case by case. This could be accomplished by entering into a binding agreement that changes the incentive structure for subcontracted factories, which currently rewards cutting corners on worker safety and conditions. To do this, Adidas must deal directly with the unions of workers in its production network that have joined together in the campaign "Adidas Workers Unite" launched by the International Union League for Brand Responsibility.

In this spirit, Evangelina Argueta of the CGT in Honduras wrote to you on February 13, 2013 on behalf of the unions that make up the League. The union leaders requested a direct meeting between Adidas executives and elected worker leaders in the Adidas contract factories already represented by those unions. They requested that Adidas negotiate an agreement that would guarantee safe factories with stable jobs and fair wages throughout its production network. Adidas has not responded to this letter.

We reiterate the request for you or your representative to meet with Adidas workers' union representatives who have organized as the League. We further urge you to take the following actions to resolve these ongoing violations at Adidas contract factories:

1. PDK must offer reinstatement and provide back wages to every worker who was fired for participating in the July 2012 strike, in a resolution negotiated with GSBI in representation of the workers and recognize and negotiate in good faith with GSBI about ongoing issues;
2. Adidas must ensure that the Dynamic Casting workers suffering from benzene poisoning are immediately compensated *on the basis of the average of their previous 12-month wage during their diagnosis period, as required by law*. Adidas must also immediately arrange diagnosis and treatment for the three remaining workers suffering from benzene poisoning who have not been able to attain their official diagnosis yet.
3. Adidas must ensure improved working conditions, including OHS conditions in the Stella Xingang factory and release a report on these improvements to the public.
4. Sadesa must provide protective equipment that the workers' union considers adequate for the protection of the workers and should assume the responsibility and costs for health problems caused by unsafe working conditions.
5. Centex must offer reinstatement with backpay to every worker who was fired for founding or affiliating to the SITRAPRIM union.
6. Handsome Nica must offer reinstatement with backpay to the illegally fired leaders of the Trabajadores Al Poder union.
7. Adidas must restore orders to Pinehurst Manufacturing to the level preceding the reduction that provoked the current mass layoffs, notwithstanding normal seasonal production cycles.

We request your prompt response to inform our upcoming activities in pursuit of fair resolutions of all the labor rights violations described above.

Please reply to us at [adidas.workers@gmail.com](mailto:adidas.workers@gmail.com). Thank you for your attention.

Sincerely,

Estela Ramirez  
Global Chair

Jeffery Hermanson  
Executive Coordinator

International Union League for Brand Responsibility  
<http://www.union-league.org/>

Cc: Frank Henke, William Anderson, Gregg Nebel, Hilde Vestad