



19 January 2012

Playfair Alliance
C/- Oxfam Australia
132 Leicester Street, Carlton
Victoria 3053
AUSTRALIA

Attn: Ms. Alexia Huxley - Acting Executive Director

Dear Playfair,

adidas Group Response to Suggested Public Reporting Steps for the Indonesian FOA Protocol

On behalf of the adidas Group we would like to thank you for your letter of 20th December 2011, marked for the attention of Mr. Herbert Hainer, our CEO.

As you will see from the attachment, we have responded to each of the points you have raised on suggested public reporting steps for the Indonesian FOA Protocol.

We would welcome further discussions on the relevant external reporting of the FOA Protocol, once the scope and operation of the National Protocol Committee has been agreed locally with the Indonesian unions and suppliers.

Sincerely,

For and on behalf of adidas Group,

A handwritten signature in black ink, appearing to read "William Anderson", with a long horizontal flourish extending to the right.

William Anderson
Head of social & Environmental Affairs
Asia Pacific

cc Frank Henke, Global Director, SEA
Harry Nurmansyah – Regional Manager (South Asia), SEA

ADIDAS GROUP RESPONSE TO PLAYFAIR'S SUGGESTED REPORTING STEPS ON PROTOCOL IMPLEMENTATION

1. Sign the Protocol

adidas Group is part of the FOA Protocol 'Core Team' and has played an active role in the discussions and negotiation of the protocol through to its finalization. We have signed the original copy of the FOA Protocol on June 7th, 2011 during the FOA Protocol Workshop in Jakarta.

2. Provide a copy of the signed Protocol to the Indonesian trade unions and the Play Fair Alliance

When the FOA Protocol Supervision and Dispute Settlement Committee (National Protocol Committee) is set up, signed copies of the Protocol will also be shared with members of the Committee

We believe the Indonesian trade Unions and members of Play Fair Alliances have kept the signed copies of the FOA Protocol following the signing ceremony of the protocol on June 7th, 2011. We have shared the signed protocol with the World Federation of Sporting Goods Industry (WFSGI), who have also been actively engaged in the FOA Protocol discussions and has offered to act as a repository for member companies.

We do not foresee any problem with sharing the signed copy of the protocol agreement with the FOA Protocol Supervision and Dispute Settlement Committee once this has been formally established.

3. Provide a copy of Protocol as signed by *suppliers* to the Indonesian trade unions, the Play Fair Alliance and the National Protocol Committee (It is expected that all supplier factories in Indonesia will sign the Protocol.)

Brands to provide updates as suppliers sign onto the Protocol. This includes providing a copy of the Protocol as signed by each supplier management to Play Fair, the National Protocol Committee and Indonesian unions who have signed.

In order to assess progress made towards implementation of the Protocol across the whole supply chain in Indonesia brands need to disclose names and addresses of all supplier factories

To date, the Protocol signing process for suppliers has not been clearly defined. In the interim, we have prepared a simple mechanism for our suppliers to follow for signing and implementing the Protocol. Our approach includes providing a signed copy to all relevant parties. We will share our suggested approach with the Indonesian trade unions groups in our next meeting. Internally we have set tentative timeline to extend the number of our suppliers signing on to the FOA Protocol, starting from end of February 2012. We would like to see the protocol to be progressively rolled-out and signed to, by our business partners in Indonesia.

4. Include the implementation of the Protocol into contracts with suppliers.

Report to the National Protocol Committee, Indonesian unions and Play Fair on how the Protocol has been incorporated into contracts/agreements with suppliers. Brands should provide quarterly updates about any renewed contracts to report on this step.

When entering business relationship, adidas Group and a supplier sign a global manufacturing agreement which sets out business and legal requirements for both parties. The manufacturing agreements are standardized. They apply across all countries globally and include a contractual obligation for the suppliers to comply with the adidas Group's Workplace Standards, of which Freedom of Association is one of the key employment principles.

By signing onto the FOA Protocol, adidas Group has committed to promote its requirements with our supply chain partners in Indonesia and to have individual suppliers make similar commitments, in concert with their respective factory trade unions. In this respect we view fulfillment of the Protocol requirements as an FOA best practice against our Workplace Standards, not as a minimum contractual obligation.

Conclusion: We do not see the need to include specific language on the application of the FOA Protocol in our global manufacturing agreements.

5. Report on number of suppliers who have a Collective Bargaining Agreement on the basis of, or stronger than, the provisions of the Protocol

Parties are obliged to negotiate a CBA within six months of signing. Where there is already a CBA in place in supplier factories, brands can report on any new CBAs that are negotiated and whether they are as strong as the provisions in the Protocol. Play Fair, the National Protocol Committee and Indonesian Unions should be updated about new CBA's every 3 months.

While we are willing to extend full cooperation in the transparency of the FOA protocol implementation, we feel that the CBA reporting mechanism needs to be discussed further in the National Protocol Committee. Our view is that the factory itself and its union are the parties who have to come together and reach agreement on the application or inclusion of the FOA Protocol provisions in their CBA and they are best placed to regularly report back to the NPC on the status of their own CBAs, not the brands.

6. Report on engagement in the National Protocol Committee and support for FOA Protocol committees at the factory level.

Include information about meetings attended – issues resolved at the National Protocol Committee meetings. This should include how the brand has participated in resolving violations of the Protocol. This step will be reported on once the National Protocol Committee and associated Standard Operating Procedure has been established. Brands should report on how they have supported the establishment and running of FOA Protocol Committees at the supplier factory level and how they are supporting factory level dispute resolution processes.

adidas Group will play an active role in the setting up the National FOA Protocol Committee and the formulation of its Standard Operating Procedure (SOP). We have confirmed to attend the first meeting with the Indonesia trade unions groups which is tentatively scheduled for the end of February 2012. We will further review and look at the most practical way for us to provide support to the FOA Protocol Committee at the factory level. Once these processes are in train, we will also review the level of reporting or information that needs to be shared with interested external stakeholders.