



January 23, 2013

Mary Sue Coleman, President  
University of Michigan  
2074 Fleming Administrative Building  
503 Thompson Street  
Ann Arbor, MI 48109-1340

Dear President Coleman,

We are writing to update you on the adidas Group's current efforts to support the former workers of PT Kizone. Although we had no business relationship with the factory at the time of its closure, we have committed more resources than any other brand to this matter. Importantly, we continue to make progress in developing sustainable business solutions that address the systemic root cause and consequence of unethical factory closures.

As you know, we are pursuing three ways to develop sustainable solutions for the PT Kizone workers and factory closures. We are addressing the plight of the Kizone workers, engaging with governments and regulatory agencies responsible for regulating factory closures, and engaging with others in finding globally sustainable solutions that mitigate negative impacts to workers during factory closures.

Since our last update letter in November, we made a third distribution of food vouchers to the displaced workers. Over a two day period in December, 2,541 workers received food vouchers. An additional part of the distribution program were medical services with more than 1,900 workers receiving medical services and checkups, and an additional 900 workers receiving medical briefings.

100 workers were interviewed on November 6-7 and 99% of the respondents said they used the food vouchers distributed in August to buy food. One of the respondents said they sold some of the vouchers to pay school fees. Most workers said the vouchers were used to buy groceries such as sugar, rice, milk, palm oil, soap, toothpaste. The monies for groceries that was replaced by the food vouchers was re-allocated for paying school fees, house rental, buying clothes, traveling to hometowns for Lebaran holiday, and to buy groceries. An additional 250 workers were interviewed on December 15-16 and indicated that this coupon distribution was a better program than the previous ones in August as the venue was bigger, there were additional medical services, and there were more seats and tents installed. The workers indicated they used the vouchers for fundamentally the same things as reported in November's surveys. Additional comments from workers indicated that most of the workers have very limited information from DPC about Kizone's bankruptcy case. They said they've received information "from their friends" that the legal process is still on going.

In total, we have given \$525,000 in humanitarian aid which was and continues to be distributed to the displaced workers through local organizations. We have also encouraged local suppliers and others to extend preferential hiring to the workers. A new company-employer has reopened the former Kizone factory site and has been hiring workers. Our job placement program is now closed but PT Lidi and others are actively engaged with former workers to receive re-employment help when it's needed. We estimate that at one point up to 1,300-1,400 of the former workers had been re-employed locally but that number has been a moving target due to the completion of a number of short term contracts for former workers with Green Textile.

On October 5, the Indonesia Supreme Court issued a favorable ruling and verdict to the Curator's appeal in the Kizone bankruptcy. This means the Curator can distribute IDR 6.5 billion or almost USD 700 K to the workers which is approximately 20% of the total severance due. However the primary creditor in the bankruptcy, State Bank of India, immediately appealed the ruling so the completion of the ruling is on hold. There has been no further ruling by the Supreme Court and we will continue to monitor this carefully as the 20% will be quite favorable based on the past precedents of bankruptcy awards of workers severance.

We understand that the Global Forum for Sustainable Supply Chains is still exploring opportunities to bring forward sustainable solutions for protecting workers severance and unemployment entitlements. The development work for this concept dates back to 2008 and is a solid foundation to press the current engagement forward. We understand that the schedule of the next group discussion on this matter is soon but not finalized.

Ensuring fair labor practices, fair wages and safe working conditions in factories throughout our global supply chain is critical to our business and a priority for the adidas Group. We are confident that we are adhering to and, in fact, exceeding both the spirit and the letter of the University of Michigan's strict code of conduct required of its business partners. We hope this summary communicates sufficient clarity on our activities to address the PT Kizone closure and the progress towards global solutions to factory closures and negative consequences to workers. We appreciate your support of our efforts to protect worker's rights.

Sincerely,



Patrik Nilsson  
adidas America  
President



Gregg Nebel  
adidas Group  
Head of Social and Environmental Affairs, the Americas