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INDEPENDENT INVESTIGATION
REGARDING FREEDOM OF ASSOCIATION AT ARIK BEY TEKSTIL
AND BEYBO BOYA FACTORIES, TURKEY

Prepared by

ARCHE Advisors
Sudi Sinan Doven
Sinan@ARCHEAdvisors.com

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Table of Contents

Introduction	2
Background of the Independent Investigator	3
Methodology	4
Freedom of Association Background in Turkiye	5
Freedom of Association Perspective of FLA and adidas	6
Media Search.....	7
adidas's Social Compliance System.....	9
Meeting with adidas Social and Environmental Affairs (SEA) Team.....	10
Meeting with TEKSIF Union.....	13
Beybo Boya Sanayi ve Tic A.S. at Seydisehir / Konya	19
Arik Bey Tekstil Enerji ve Sinai Yatırımlar A.S. at Beysehir / Konya	36
Conclusions of the Investigation:	53
Recommendations for the parties involved.....	56
Recommendations for Factories -Arik Bey and Beybo-	56
Recommendations for adidas:.....	58
Recommendations for TEKSIF union:	59
Recommendations for FLA:.....	59

Introduction

On April 13, 2022, the Fair Labor Association (FLA) initiated a Third-Party Complaint Investigation (TPC), consistent with its established [Safeguards procedures](#), regarding the allegations of violation of freedom of association (FOA) rights of the workers in the two production facilities of [Akkanat](#) Holding which is one of the strategic suppliers of adidas in Türkiye.

FLA first became aware of these allegations through an official Third-Party Complaint (TPC) filled by TEKSİF union on March 30, 2022. The production facilities cited in the TPC are located in different districts of the city of Konya. The names of the production facilities are as follows:

- Arik Bey Tekstil Enerji ve Sinai Yatırımlar A.S. in Beyşehir
- Beybo Boya Sanayi ve Tic A.S. in Seydisehir

The scope of this investigation is limited to the allegations in TPC filed with FLA by complainant union TEKSİF. Despite the fact that the allegations on violation of freedom of association rights of the workers are similar for both factories, TPC is referring dismissals of pioneer union members in Arik Bey factory while no dismissals of union members reported in Beybo Boya factory.

During the investigation process, Investigator had a chance to go through over all allegations made by the complainant that the Arik Bey Tekstil Beyşehir and Beybo Boya Seydisehir factory management teams have engaged in anti-union practices in noncompliance with FLA's Code and Compliance Benchmarks, including the following:

- Union members being subject to discriminatory treatment and factory management conveying the message to workers in the factories in opposition to the presence of the union.
- The unfair dismissal of nine pioneer members of the TEKSİF union from Arik Bey Tekstil Beyşehir factory due to their union membership.
- The refusal by factory management to start a social dialogue with the union in good faith despite the attempts made by the union to discuss issues related to the dismissals and other alleged anti-union practices.
- Claims about harassment and abuse of union members and their relatives working in other workplaces in the area due to the owners' influence in the locations where the two factories are located.

Background of the Independent Investigator

The FLA selected Mr. Sudi Sinan Doven from Arche Advisors as the independent investigator for the investigation. Mr. Doven has 20 years of experience in the Social Compliance area and has conducted more than 2,000 assessments in nearly 60 countries for international brands that require different accreditations such as BSCI, RJC, ICS, SA 8000, SMETA, CTPAT, FLA, and EICC in the textile, apparel, toys, electronic, sport equipment, chemicals, gold, food, mine, marble, metal, white appliances, automotive, livestock, poultry, and agriculture sectors. He is also experienced in management systems, conducting remedial workshops and seminars. Besides conducting similar investigations concerning allegations of union restrictions at workplaces, he also works with the Fair Wage Network and with international brands on Wage Grid and Performance systems in the workplace.

The investigator worked with Mr. Ovunc Ildiz from Arche Advisors, who helped him during the investigation process through worker interviews, document review, and worker surveys in both factories. Mr. Ovunc Ildiz is an experienced lead auditor who has worked in 12 countries so far with a wide variety of sectors and against industry-recognized audit standards. He has conducted nearly 750 audits and is especially skilled at identifying falsified documents, unauthorized subcontracting practices, management and worker relations, grievance mechanisms and at completing wage analysis.

Methodology

Since the objective of the assessment was to gain a better understanding of issues regarding the union's allegations of unfair dismissals of union members at the Beyşehir facility and freedom of association violations at the two facilities, the investigator has decided to gather information from all relevant parties listed below:

- TEKSİF Union (complainant)
- adidas Social Environmental Affairs Department (SEA) in Istanbul
- Nine union member workers dismissed from Arik Bey Beyşehir factory
- Workers currently employed at both factories,
- Managements of both factories

Investigator prepared the following plan and executed it during this investigation:

- Desktop Investigation during which the investigator searched for different information sources such as different national and local media outlets that covered dismissals and alleged FOA issues taking place in these two factories (May 20, 2022)
- Meeting with adidas SEA team (May 26, 2022)
- Meeting with TEKSİF representative from union HQ in Ankara through Zoom (May 27, 2022)
- Offsite interviews with dismissed TEKSİF union member workers and local TEKSİF union representative (May 30, 2022)
- Onsite investigation and worker survey at Beybo Boya San ve Tic A.S. at Seydisehir / Konya (May 31 and June 1, 2022)
- Onsite investigation and survey at Arik Bey Tekstil Enerji ve Sinai Yatirimlar A.S. at Beyşehir / Konya (June 2 & 3, 2022)
- Review of the gathered information and additional information requests from parties (in June 2022)
- Report writing and completion of draft report (June 30, 2022)

Freedom of Association Background in Türkiye

As of January 2022, official statistics declared by the Ministry of Labor indicates that out of 1,313,432 registered workers in the textile and garment industry, only 8.5% of them are registered with any union, which is very low compared to overall average union membership rate in the country for all industries (which is 14.32%). There are several reasons behind this, such as double threshold defined for unions to start collective bargaining negotiations with employers such as +1% of industry and + 50% of workplace + 1 worker or 40% of group of workplace necessities which is in violation of ILO Convention 98 Article 4 and/or lengthy and cumbersome legal process in case of violations of freedom of association rights of the workers.

International brands and MSIs are promising to uphold higher standards on their supply chains in sourcing destinations. And this is usually used as a leverage by unions in the country since organizing workplaces under existing legal background is making it very difficult if not impossible for the unions.

Freedom of Association Perspective of FLA and adidas

The investigator has checked workplace Code of Conducts and relevant Benchmarks of both FLA and adidas to gain a better understanding on expectations from suppliers on the topic of freedom of association.

As a requirement of FLA accreditation, adidas's code of conduct and relevant benchmarks have been in line with FLA's Workplace Code and Supporting benchmarks since the date of accreditation.

Media Search

A desktop investigation was conducted on May 20, 2022. The following information and news are identified regarding the case:

- <https://www.aydinlik.com.tr/haber/arikbey-tekstil-de-isci-kiyimi-306586>

On March 20, 2022, 9 workers have been terminated from Arik Bey Tekstil Beysehir because of their union membership. TEKSİF Union representatives reported that they started legal process for reinstatement of all terminated workers. Although there is no performance evaluation system, factory management terminated these workers due to low performances at adidas supplier Arik Bey Tekstil. The dismissed workers and the Union protested in front of the factory at Seydisehir requesting for re-employment of dismissed workers. Union's Chairman Advisor and Organization Expert Mr. B.E. stated that adidas conducted an audit at the factory and it was identified that our members were dismissed unfairly. The workers reported that they would protest in front of adidas' office in Istanbul to be heard. Mr. B.E. stated that they discovered there is mandatory overtime practice for long hours with low wages at Arik Bey Tekstil; the workers start at 6:30 and finish at 21:00, the recently hired workers and the workers that have been working for 20 years receive minimum wage with no seniority difference. The workers showed their interest in the Union when we arrived at the factory, however this interest have been re-pulsed with pressure and threats. We have been informed that they organized courts at the factory to convince the workers, dismissed the union members, blamed workers with 21 years, 6 years, and 5 years of experience for low performance as a reason and prevented people from using their constitutional right of Freedom of Association. Currently, the workers are not permitted to go for Friday pray which is a usual practice on Fridays to avoid workers watch our press release. According to Mr. B.E's statement, the managers call the union member workers as 'traitors', 'immoral' and 'ungrateful'. The employer puts pressure on workers in many ways. For example, one of the worker's relative has business relations with the factory and he is threatened to terminate of business relation. Currently, they are threatening the workers to terminate and say that they provide their living. Mr. B.E. reports that he requests Constitutional Right of Freedom of Association as per Clause 51 of Constitutional Act, will continue the campaign and will notify the Ministry of Internal Affairs, the Ministry of Labor and the President of Turkiye.

- TEKSİF'ten Adidas'ın önünde açıklama: 'Arkadaşlarımızı işe geri alın' ([aydinlik.com.tr](https://www.aydinlik.com.tr))

Around March 30, 2022, TEKSİF Chairman Advisor and organization specialist Mr. B.E. and Turk-Is Federation Regional Manager Mr. A.U. arranged a protest in front of adidas headquarters in Istanbul. Mr. B.E. states that adidas is an enemy of labor, workers work from 6:30 to 21:30, they are sent to toilets with stopwatch and adidas only watched the incidents. He also indicates that they moved to a hotel in Beysehir, Konya on January 10, 2022 and were threatened to leave the hotel. The workers are willing to join their union and he will not stop protesting until the justice is served. He states that adidas is only watching the incidents although the workers are guaranteed that there won't be any dismissals. adidas have been exploiting the worker's rights for 20 years as if they are slave, they are not respectful to

human rights and labor and they would show that adidas is the enemy of the labor.

Turk-Is Union Confederation Regional Manager Mr. A.U. stated that they organized the protest to give a message to adidas due to unbelievable behavior at Beysehir factory. Turkish workers have worked despite of the pandemic conditions and contributed 220 million USD export and this kind of behavior cannot be tolerated.

- <https://hi-in.facebook.com/teksifsendikasi/videos/ar%C4%B1kbey-ve-beybo-tekstildeki-ya%C5%9Fanan-insanl%C4%B1k-su%C3%A7una-sessiz-kalan-adidas-t%C3%BCrkiye/7277882952286802/>

The above link belongs to the video of the protest and press release in front of adidas office.

- <https://www.pusulahaber.com.tr/adidas-genel-mudurlugu-onunde-isten-cikartilan-calisanlar-icin-eylem-1613643h.htm>
- [Adidas Genel Müdürlüğü önünde işten çıkartılan çalışanlar için eylem haberi \(birebirhaber.net\)](#)
- [Adidas Genel Müdürlüğü Önünde İsten Çıkartılan Çalışanlar İçin Eylem \(beyazgazete.com\)](#)

The above news is dated March 31, 2022 and report the protest in front of adidas office in Istanbul. The statements mentioned are similar to the previous one.

adidas's Social Compliance System

adidas was first accredited by FLA in the year 2005 as per the below web page:

[as_pc_statement_final.pdf\(adidas-group.com\)](#)

adidas has Workplace Standards that has the following statement regarding Freedom of Association. [adidas_workplace_standards_2017_en.pdf\(respect.international\)](#)

FREEDOM OF ASSOCIATION & COLLECTIVE BARGAINING

Business partners must recognise and respect the right of employees to join and organise associations of their own choosing and to bargain collectively. Business partners must develop and fully implement mechanisms for resolving industrial disputes, including employee grievances, and ensure effective communication with employees and their representatives.

adidas Compliance Policy has the following statement regarding Employee Representative Bodies. ([adidas_compliance_policy_external_use.pdf\(adidas-group.com\)](#))

4. Employee Representative Bodies

All rights of local employee representative bodies (e.g., works council) are to be respected.

adidas Fair Play Code of Conduct section regarding the Preventing Harassment and Discrimination at page 15 has the following statement.

([adidas_fair_play_code_of_conduct_english.pdf\(adidas-group.com\)](#))

Meeting with adidas Social and Environmental Affairs (SEA) Team

The investigation team met with Mr. E.U. and Mr. H.D. from adidas on May 26, 2022 in Istanbul. adidas team provided the following chronological order of events:

Two and a half years ago, through our engagement with third parties, SEA Department learned that three different unions were trying to organize in Arikbey group factories. At the time, SEA shared this news with adidas Sourcing Department and Arikbey headquarters directly. SEA team also highlighted areas where the unions were likely to approach the workers with promises to address some issues, in particular low wages and excessive overtime work. Arikbey's management team responded by saying they were well informed about unionisation efforts, but wage raise was capped.

Unionisation efforts have continued, and more recently we have seen the following chain of events:

- **1st Feb 2022** - SEA received an e-mail from a local trade union (TEKSIF) who claimed that they are organizing in Arikbey Konya facilities and that three of their official members have been fired on the 28th of January 2021 because of their union membership.
- **8th Feb 2022** – SEA received another e-mail from TEKSIF union which was claiming that 6 more union members were fired and that the managers are threatening the workers by saying that the owner will shut down the factory if more workers get unionized.
- **24th Feb 2022** - SEA met with Mr. A.A., the owner of Akkanat Holding, and raised with him the recent dismissals and the union claims and recommended ways to remedy the issue: (1) firstly by not firing more workers; (2) rehiring the fired workers or negotiating with them to find a mutual agreement, as is common practice in Turkey; and (3) ensuring workers are not being harassed or threatened for any reason including but not limited to joining a union.
- **28th Feb 2022** – Arikbey informed adidas that they will not rehire the dismissed workers. They also said that they had tried to reach a mutual agreement, but the workers asked for more than 80.000 Turkish Lira in compensation, an amount they would unwilling to pay as it would set a bad precedent.

March 2022:

- All workers have sued Arikbey claiming that they have not been dismissed for any valid reason, but due to their union membership.
- The union lodged an official third-party complaint to FLA. SEA joined a call with FLA team on the 17th of March to explain our response to the union's complaint.
- Out of the 9 dismissed workers, Arikbey could reach an agreement with 6 of them. Out of the 3 dismissed workers on 31st of January, 2022, 3 reached an agreement with these workers on 21st of March, 2022. The factory management reached an agreement with 3 of the rest 6 dismissed workers (in February) in March.

- *Out of the nine mentioned workers, there are only 2 workers who decided to sue the company and that the rest has signed a mutual agreement with Arikbey Beysehir.*
- *From an SEA perspective, we view the termination of the worker contracts not through the lens of the union claims but as a threshold issue, due to the factory not following the correct legal procedure for these dismissals.*

April 2022:

- *The union asked FLA to ask for a third-party investigation about FoA related dismissals and harassment and abuse issues in two Arikbey Konya facilities.*

Recent Status:

- *Out of the nine mentioned workers, there are only 2 workers who decided to sue the company and that the rest have signed a mutual agreement with Arikbey Beysehir.*

The investigation team asked if adidas had onsite audit visits to the mentioned factories and has been informed that there were no visits to the factories in the last years as they are strategical partner and they evaluate the performances through self-assessments through the Fair Factories Clearinghouse system.

In the adidas Employment Guideline Working Hours section, there is an indication of Extraordinary Circumstances and there is an additional guideline on Extraordinary Circumstances and Swapping Days, Guidance on Time Recording as per the below screenshot (please see page 12). As per that guideline, it is understood that the factories can get approval to work additional overtime hours even if overtime exceeds 270 hours per year although it is limited by Labor Law, 2003, No: 4857, Art. 41¹ or work 12 days consecutively although it is limited to 7 days by Labor Law, 2003, No: 4857, Art 46².

adidas staff also reported that exception letters for working excessive overtime have been issued for the factories with the approval of Country Manager as the production demands were high. (Please see the factory side of the report for exceptional letter details.)

¹ **Labor Law, 2003, No: 4857, Art. 41.** – The total overtime period cannot exceed two hundred and seventy hours a year. The manner of implementation for overtime and extra period works is defined in the issued regulation.

² **Labor Law, 2003, No: 4857, Art 46.** - At workplaces covered by this Law, at least twenty-four hours of rest time (week holidays) is given to the workers within a period of seven days, on the condition that they have worked the workplace days determined under article 63 before the holiday.

CASE	BASIC REQUIREMENTS
1. UNUSUAL CIRCUMSTANCES (Events which are beyond anyone's control, e.g. flood, earthquake fire, riot, demonstration)	<ul style="list-style-type: none"> ✓ CM Approval Form* ✓ One day off (12 days consecutive work possible) asterisk ✓ 12 hr daily max or legal limit ✓ Voluntary ✓ Pay correct OT, weekend and Holiday rates ✓ If work day swapped with rest day, no need to pay for the day not worked ✓ Comply with local labour authority requirement
2. SWAPPING DAYS & OT (Circumstances which interfere with the prod. schedule & cause delays, e.g. no proper system mtrl delay, adidas practices contributes to the problem)	<ul style="list-style-type: none"> ✓ CM Approval Form* ✓ One day off (12 days consecutive work possible) ✓ 12 hr daily max or legal limit ✓ Voluntary ✓ Compensation day off must be provided ✓ Weekly max: 66 hrs (FW); 72 hrs (APP, A&G) ✓ Pay correct OT, weekend and Holiday rates ✓ Comply with local labour authority requirement
3. NATIONAL HOLIDAYS (Practice to swap rest day with work days in order to provide management & employees with extended holidays)	<ul style="list-style-type: none"> ✗ No need CM Approval, but notify SEA ✓ One day off (12 days consecutive work possible) ✓ IF in line with govt/industry/zone practice, no need to pay correct weekend or holiday rates ✓ Voluntary ✓ Doc. Process ✓ Possible to deduct additional leave days provided from annual leave with worker consent

After the incidents, adidas has conducted an independent audit at the sites to understand the situation better.

Beybo Boya in Seydisehir was audited on February 18, 2022 and Arik Bey Tekstil in Beysehir was audited on February 15&16, 2022 independently by adidas. (Please see the factory sections of the report for factory's Corrective Actions and process)

Meeting with TEKSIF Union

The investigation team has conducted a zoom meeting with International Secretary of TEKSIF Mr. M.O.P. on May 24, 2022 at 13:30 to 14:45. He was asked to provide the events in chronological order, and this was provided on May 25, 2022.

The investigation team has met with Assistant President of TEKSIF Mr. B.E. and the Organizing Expert Mr. E.Z.I. between 14:15 to 18:30 on May 30, 2022, as per the schedule. Assistant President of TEKSIF Mr. B.E. prepared the below events in chronological order:

January 10, 2022

We checked in Ali Bilir Hotel as the other hotels did not accept us.

January 12, 2022

We started registering the workers of Beybo Boya San ve Tic A.S. at Seydisehir to the union per the worker's requests.

January 16, 2022

Registering the workers to union has been continuing at both Beybo Boya San Tic A.S. and Arik Bey Tekstil ve Sinai Yatırımlar A.S. Our members Ms. A.T.D. and Ms. Y.T. were called to the General Manager's room to stop union activities at the factory.

January 16-30, 2022

The requests for registering to the union has been continuing rapidly. However, the employer representatives (the factory manager Mr. H.O. and Confection supervisor Mr. B.A). have conducted a meeting with all other supervisors and put pressure on them by saying that supervisors would pressure their production bands and union membership registration has to stop, the union members have to resign, otherwise they would face the consequences. Besides the pressure the workers face, the unjustified warning letters have started to be issued for everything and used as a threat. The only aim was to put pressure and threaten the workers in order to make them resign from the union. The workers were being followed at the factory and within the city during the non-working hours to prevent workers from meeting with the union. The supervisors close to the employer continued to put psychological pressure on the workers.

January 31, 2022

Three union members at Arik Bey Tekstil in Beysehir have been dismissed with the claim that their performance is weak. The Union's Headquarters have been notified and we started to prepare to issue a court case to the factory for the dismissed workers to return to work.

February 2, 2022

We sent notification to the factory indicating that disabled worker Mr. A.B., Mr. A. Y. and Mr. C. U. have been terminated due to being union members. After the dismissal, the general manager of Arik Bey Tekstil Mr. V.A. met with the Municipality Mayor Mr. A.B. and blamed the dismissed workers with false statements. The dismissed workers were called by the Mayor

to the Municipality, and he told the workers that they are making a mistake, they need to resign from the union and he could employ them at the municipality if they resign from the union, which is clearly against the worker's constitutional right. However, the workers did not agree. Right after this incident, the uncle of Mr. C.U. who works at a dairy products supplier company which is a long time supplier of textile factories in the region was threatened with dismissal. The pressure and the threats continued. The factory has arranged questioning of the workers with the presence of general manager, factory manager, supervisors, department chiefs, Human Resources staff and the factory lawyer Mr. A.G. According to the allegations, the management staff did not allow the workers to sit in order to humiliate and put pressure on them, and the workers gave their testimonies while standing.

February 3, 2022

The workers continued to register with the union at Arik Tekstil Konfeksiyon Imalat Ihracat ve Tic Ltd Sti company (which is within the group).

February 7, 2022

Our member Mr. G.G. has been terminated from the factory due to low performance.

February 8, 2022

We sent notification to the factory indicating that Mr. G.G. was terminated due to being union member.

February 18, 2022

Our members Mr. M.A., Mr. K.E., Mr. I. G., and Mr. N.B. have been terminated from the factory due to low performance.

February 19, 2022

The mobbing and pressure towards the union members continued in a fast pace at Beybo Boya San Tic A.S. especially by the owner of the company Mr. K.A. and the General Manager Mr. H.B.. The employer has been threatening the company XXXXXXXXXXXX by not sourcing from them unless they terminate the employment of the husband of one of our pioneer members in the factory, Ms. A.T.D.

February 21, 2022

Our member Mr. O.S. has requested to take permission to leave as he had to take his son to hospital in Antalya due to his liver transplant operation, however the supervisors diverted the request to the factory manager Mr. H.B. and he was rejected to leave being told that he is at the wrong path and there is no leave permission for him, intending to refer to his union membership.

February 22, 2022

We sent notification to the factory indicating that Mr. M.A., Mr. K.E., Mr. I.G., and Mr. N.B. were terminated due to being union member.

Although we started the re-employment lawsuit for all mentioned members, before the intermediary process, the lawyer of the factory Mr. A.G. invited the workers to his office,

claimed that the employer did not know about that meeting and called them for their own wellbeing, and he threatened the workers stating that they cannot find any job at Beysehir and got their signatures for giving up their re-employment lawsuits.

March 17, 2022

The Mayor of Beysehir Mr. A.B. pointed the terminated union members in Beysehir society by posting on his Facebook account that the workers terminated from Arik Bey Tekstil Enerji ve Sinai Yatirimlar A.S. by Mr.A.A. are traitors in short pants pooping where they eat. This is when the society started putting pressure on our terminated members' families as if they were terrorists. In fact, the perception that being a union member is equal to being a terrorist has been raised.

March 18, 2022

After Beysehir Mayor Mr. A.B.'s announcement posts on Facebook and the comments below the posts, he turned this to a supporting campaign for Mr. A.A. and visited the factory with a crowded convoy while we were in front of Arik Bey Tekstil Enerji ve Sinai Yatirimlar A.S. for the press release which was already planned days before. This action has also scared the workers. Moreover, they tried to intimidate us as there were people around with criminal record who had nothing to do with the union.

March 30, 2022

We held a press release in front of adidas Turkiye office at Istanbul – Mecidiyekoy requesting the re-employment of the terminated union members and pointing to the restriction of freedom of association right of our current members working in the factory.

After our press release, the employer of Akkanat Holding has paid 1,250 TL to all Arik Bey Tekstil workers only. The pressure on the union member workers and other workers in the factory has increased in time as some of the union members were forced to stay at their homes due to pressure. As we all know, late justice is not just, we request that these issues are solved as soon as possible. The workers have been gradually losing their trust to a brand operating worldwide, adidas, as they have been restricted to use their constitutional right of joining a union.

May 15, 2022

The workers were not paid on May 2, 2022 before Ramadan Holiday.

Conclusion: *All three factory workers belonging to Akkanat Holding are requesting the right to join union, and requests from the international brand, adidas, and the employer to be involved to stop the illegal and inhumane treatment. The workers do not request adidas to visit the factory frequently, instead they request to be treated respectfully and to be able to use their constitutional right of freedom of association without any pressure.*

During the meeting with the union, there were also 4 dismissed workers from Arik Bey Tekstil, 1 worker who resigned from Arik Bey Tekstil, 1 supervisor who resigned due to mobbing as per his statement and 1 dyeing section supervisor who used to work at Beybo Boya long time ago who is also the uncle of one dismissed worker.

The following issues are reported during the meeting with the dismissed workers:

- *The uncle of the dismissed worker reported that due to his niece's dismissal, the families have also been put into pressure as his current employer informed him that he received a phone call to fire him, however his employer refused this. Therefore, the contracts of the shop which sells dairy goods has been terminated by the factory. The dismissed workers' families are threatened, and pressure has been put on the city by the Mayor not to provide any work to these workers or their family members including internship.*
- *One of the dismissed workers is threatened not to get out of his house.*
- *One worker from Beybo Boya is considering moving out of Beysehir city as her husband working at another company is also being pressured to be terminated according to her statement.*
- *There is a restriction on using the toilets in the factory.*
- *There are two types of overtime which are overtime for all and overtime for the selected ones depending to the operation needs. The workers reported that they can ask permission to leave when there is overtime for selected workers if they can find someone else for their position or if the supervisors find their reasons valid; however, cannot decline overtime work when there is overtime for all.*
- *There are verbal abuse and mobbing towards the union members and to the workers who cannot reach the daily quota. There were also allegations of sexual harassment from the supervisors towards the workers.*
- *There is a restriction in taking permission for sick leave: A worker at Arik Bey Tekstil passed away as she was forced to work in the factory although she reported feeling sick and the management did not take her to the hospital as per the allegation.*
- *The workers cannot leave the factory during the meal breaks and the factory has started organizing the Friday prayers within the factory to prevent union representatives from reaching the workers.*
- *XXXXXXX in Ordu is used as subcontractor according to the workers.*
- *The disabled worker who was working at the accessory reported that the factory used low quality yarn and used high quality yarn only when there is someone from adidas in the factory.*
- *One dismissed worker reported that he had an argument with a female worker on January 20, 2022; then joined the union on January 24, 2022, and then dismissed on January 30, 2022. He reported that the disciplinary notice date has been changed to January 26, 2022 to find a ground for dismissal.*
- *The shuttles are overcrowded and there were reports that the drivers did not accept to carry the union members.*

- *The dismissed workers reported that the owner of the factory was very powerful and even the Municipality Mayor has invited them to his office and told them not to join the union.*
- *The release forms of the dismissed workers indicate that they agree not to disclose any information to FLA and the workers reported that they were pressured to sign the forms.*
- *Codes are not posted and no training is provided on Codes as they maintain Freedom of Association.*
- *Pay slips are not provided to the workers.*
- *One worker has been assigned to 8 knitting machines due to being member of the union.*
- *Protests have been organized in front of the factory and there were around 8 or 9 people to provoke the meeting, the military police have prevented any possible incident as per the union representatives.*
- *While the union member workers are dismissed at Arik Bey Tekstil; Beybo Boya union member workers are not dismissed. However, the workers have been informed that the factory would be closed if union enters the factory. This causes the union members to be pressured by other workers.*
- *The supervisors of Arikbey received nearly 80% wage raise while the production workers work for the minimum wage.*
- *There is no seniority wage difference as the recently hired workers and a worker for 10 years receive minimum wage.*

The union representatives also provided the screenshots of the Municipality Mayor Mr. A.B.'s Facebook posts dated March 17, 2022, indicating that the owner of Akkanat Holding has been supporting the city in every way, and he has been hearing that there have been ungratefulness and traitors despite of all the services provided to the city. (Please refer to the Facebook post: (<https://www.facebook.com/adilbayindirtr/posts/pfbid02FvgdmnaYhvMKtn8QwZ5FDV3bDfqbie8v7gYCsUoHpfQWN4i5HyTRTnCoieZqeKu7l>))

The union representatives also provided pictures of several letters indicating the following:

- One worker requested for leave as he had to take his child to a hospital in Antalya due to his liver transplant operation on February 21, 2022, however he was not allowed to leave as he is a union member.
- One worker reported that the management announced the workers should not trust them for any debts taken from the banks, they would close the factory if needed and everyone should be careful on February 10, 2022, right after adidas audit on February 9, 2022 according to the letter dated February 10, 2022.
- The above-mentioned worker's another letter indicates that they are threatened to be dismissed when they decline overtime work although they exceed 270 hours of

overtime per year which is the legal limit per law. The management indicates that they have got permission from adidas to work extended hours and force workers to comply. Due to production pressure, they cannot use the toilets freely as the names are collected and time spent at the toilets are noted as per the allegation. It is also reported that the worker decided to be union member on January 16, 2022 due to the pressure they had and the factory manager called and reported that the owner of the factory might have to close the factory as union cannot enter the factory, she should stop talking about union in the factory, he has to report this to upper management and they would see what happens next.

The investigation team asked the registration dates and the termination dates of the dismissed workers, and the following information is provided:

Name	Date of Union Membership	Date of Termination
Mr. A.Y.	23.01.2022	31.01.2022
Mr. C.U.	23.01.2022	31.01.2022
Mr. G.G.	23.01.2022	07.02.2022
Mr. A.B.	24.01.2022	31.01.2022
Mr. K.E.	27.01.2022	18.02.2022
Mr. N.B.	27.01.2022	18.02.2022
Mr. F.M.A.	08.02.2022	18.02.2022
Mr. O.F.H.	24.01.2022	18.02.2022
Mr. E.M.	23.01.2022	18.02.2022
Mr. I.G.	18.02.2022	18.02.2022
Ms. M.T. (From Arik Tekstil which is out of scope)	19.02.2022	2.3.2022

Beybo Boya Sanayi ve Tic A.S. at Seydisehir / Konya

The investigation team visited Beybo Boya Sanayi ve Ticaret at Seydisehir / Konya on May 31 and June 1, 2022 as scheduled. Mr. H.D. from adidas also attended to this investigation work. Opening meeting was conducted with Social and Environment Affairs Responsible Ms. H.S., HR Manager Ms. F.A.G., Production Manager Mr. H.B. and Factory Manager Mr. K.C.A. The management team was informed of the scope of the investigation which is limited to allegations and Freedom of Association issues.

The management team was receptive and provided the below chronological timeline of the events as per their view as below:

January 20, 2022

We received an e-mail regarding the allegations of the union regarding the production manager Mr. H.B. putting pressure on our members due to their being union members: Ms. A.T.D. on January 20, 2022 and Ms. Y.T. on January 19, 2022.

January 21, 2022

We have investigated the allegations at Beybo Boya factory at Seydisehir and shared my notes with the brand. While investigating the issue, I have been informed and confirmed that Mr. H.B. did call Mr. B.A. from Arik Bey factory at Beysehir and asked if they also have the same issue. Mr. B.A. also reported that one of their sewing operators, Ms. H.B., was talking on the phone while work bell rang for workers and he warned her to resume work. After this warning, she shows a name written on a paper in her hand indicating that someone she does not know called her, requested to meet, and talked about trainings & membership. She questioned where her number was found from and the person on the phone stated that someone from her previous work have provided the number although it was changed afterwards. When we investigated the person who called, we found out that he is the Organizing Specialist of TEKSIF union Mr. E.Z.I.

We learned that the union issue at Arik Bey Tekstil at Beysehir company has also started while we were investigating the issue.

We shared the information we obtained from the brand with both Beybo Boya and Arik Bey company managements. We also informed the management teams that we have to work with the brand and inform them at any update regarding this case, no one should be dismissed for being a union member, the management should not interfere with union issues, should not try to find out which worker is a union member and do not interfere with the worker's trying to increase the number of the union members during non-working hours.

January 31, 2022

3 workers have been dismissed from Arik Bey Tekstil company (Mr.C.U., Mr.A.B. and Mr.A.Y.). There were problems regarding the productivity and obeying factory rules regarding these workers. These workers were not terminated earlier due to workload, and it was not allowed during Covid-19 pandemic period although we were not happy with their

work.

We informed these workers that all their rights would be compensated through the intermediary process, and they agreed; however, they did not go to mediation process. When we contacted some of them, they reported that they are registered to the union and the factory should speak the details with the Union's lawyer.

We were not aware that these workers are union members until we received the allegation e-mail from the brand and heard it from them on the phone.

February 1, 2022

We received a complaint e-mail from the brand indicating that Arik Bey Tekstil manager Mr. H.O. gathered the managers on January 28, 2022 and indicated that they do not want union at the factory, any worker who is a union member would be terminated and 3 workers (Mr.C.U., Mr.A.B. and Mr.A.Y.) have already been terminated due to being union members. During the meeting the managers, it was explained that the employer is going on providing heating allowance, scholarship to worker's children, childcare center etc. although the raw material prices have increased, and profit has been decreased.

February 7, 2022

The worker Mr. G.G. is terminated during his probation period.

February 18, 2022

6 workers' contracts have been terminated. (2 workers as per disciplinary committee and other due to Labor Law Art 25/2³.)

³ **Right of immediate termination of employer on justified grounds**

ARTICLE 25. – The employer can terminate the labour contract with definite or indefinite term before the expiry of its period or without waiting for the notification period in the following cases:

II- Cases contradicting to rules of ethic and goodwill and similar cases:

- a. If the worker misleads the employer at the time of conclusion of the labour contract by asserting that he/she has the characteristics or conditions required for one of the important points of the contract although he/she does not have them, providing unreal information, or telling unreal things.
- b. If the worker tells words that harm the honor and good name of the employer or one of the members of his/her family, behaves in such manner or makes unreal attributions or accusations harming the honor and dignity of the employer or one of his/her family members against the employer.
- c. If the worker attempts sexual harassment against another worker of the employer.
- d. If the worker teases the employer or one of his/her family members or another worker of the employer or acts in contradiction to article 84.
- e. If the worker attempts behaviors contradicting to honesty and loyalty, such as misuse of the trust of the employer, theft and disclosure of professional secrets of the employer.
- f. If the worker commits an offense at the workplace, which leads to conviction to imprisonment more than seven days and the conviction of which is not deferred.
- g. If the worker does not come to work during consecutive two workplace days or two times in a month on a day following any holiday or three days within one month without receiving the permission of the employer or without any justified reason.
- h. If the worker insists on not performing his/her assignments although he/she is reminded thereof.
- i. If the worker jeopardizes the safety of work due to his/her own will or negligence or causes damage and loss on the machines, installations or other property and materials that belong to the workplace or do not belong to the workplace, but are available there at a degree that he/she can not compensate with the amount of his/her thirty-day wage.

<i>Name</i>	<i>Section</i>	<i>Date of Hire</i>	<i>Date of Termination</i>	<i>Intermediary process date / Explanation</i>
<i>Mr. A.Y.</i>	<i>Sewing</i>	<i>4.12.2019</i>	<i>31.01.2022</i>	<i>21.03.2022 / Withdrawal of the lawsuit</i>
<i>Mr. C.U.</i>	<i>Sewing</i>	<i>20.01.2020</i>	<i>31.01.2022</i>	<i>21.03.2022 / Withdrawal of the lawsuit</i>
<i>Mr. G.G.</i>	<i>Yarn</i>	<i>10.01.2022</i>	<i>07.02.2022</i>	<i>Unsuccessful during probation period / Lawsuit continues</i>
<i>Mr. A.B.</i>	<i>Sewing</i>	<i>20.10.2020</i>	<i>31.01.2022</i>	<i>21.03.2022 / Withdrawal of the lawsuit</i>
<i>Mr. K.E.</i>	<i>Sewing</i>	<i>20.10.2021</i>	<i>18.02.2022</i>	<i>Labor Law Art 25 / Lawsuit continues</i>
<i>Mr. N.B.</i>	<i>Sewing</i>	<i>01.10.2018</i>	<i>18.02.2022</i>	<i>24.03.2022 / Agree through mediator</i>
<i>Mr. F.M.A</i>	<i>Yarn</i>	<i>05.04.2022</i>	<i>18.02.2022</i>	<i>Agreed on 13.5.2022</i>
<i>Mr. I.G.</i>	<i>Sewing</i>	<i>20.10.2021</i>	<i>18.02.2022</i>	<i>Labor Law Art 25 / Lawsuit continues</i>
<i>Mr. E.M.</i>	<i>Sewing</i>	<i>14.6.2021</i>	<i>18.02.2022</i>	<i>23.02.2022 / Agreement through mediator</i>
<i>Mr. O.F.H</i>	<i>Sewing</i>	<i>04.12.2019</i>	<i>18.02.2022</i>	<i>23.02.2022 / Agreement through mediator</i>

February 28, 2022

A worker visits one of his relative's restaurant and the union representatives' requests to talk to him as they learn that he works at Arik Bey Tekstil. The union officials talk promising and indicate that they would put pressure on adidas and will make the brand to pay more wages, etc. The worker asked several questions and the union responsible left before answering the worker's questions.

March 18, 2022

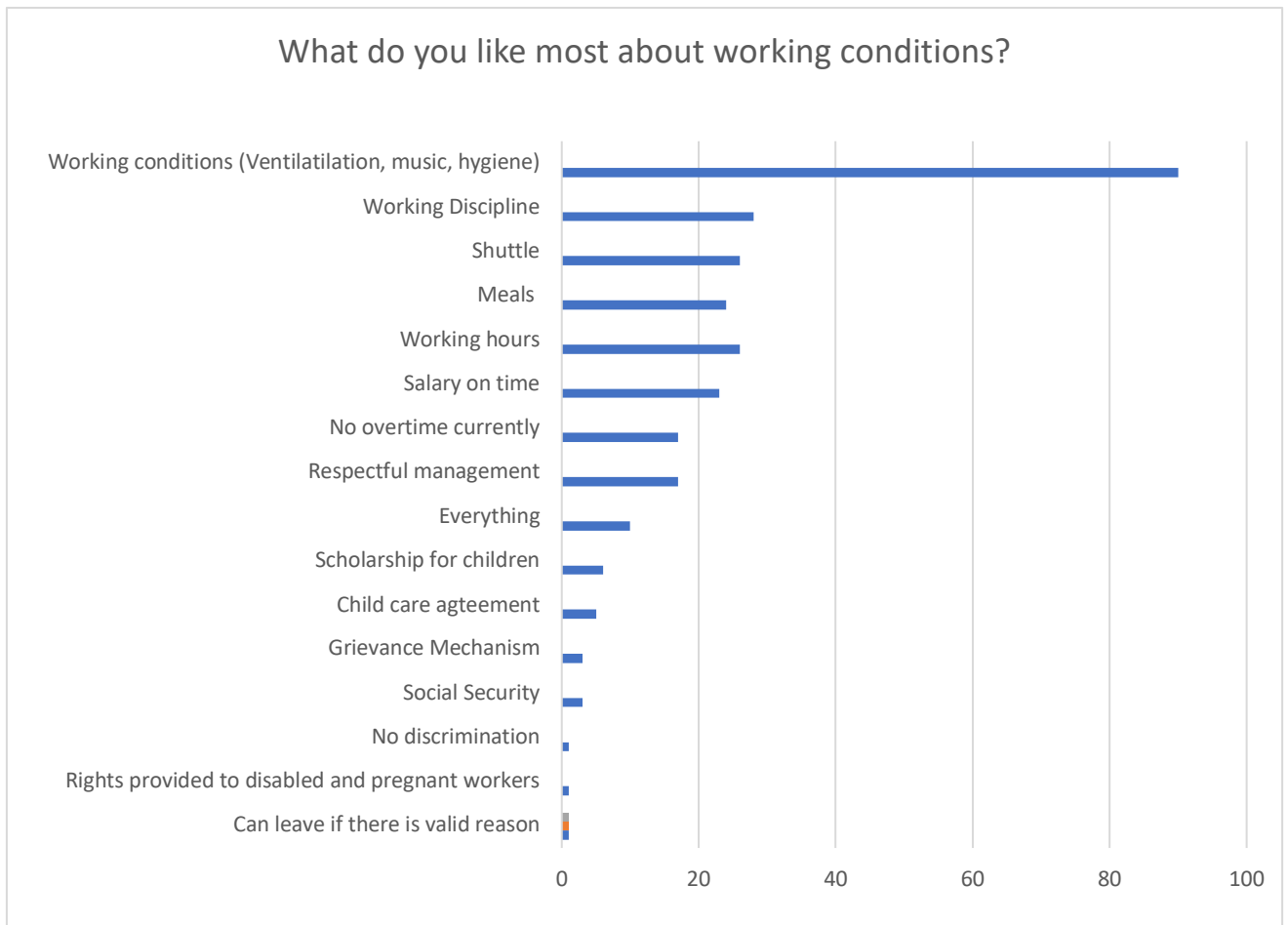
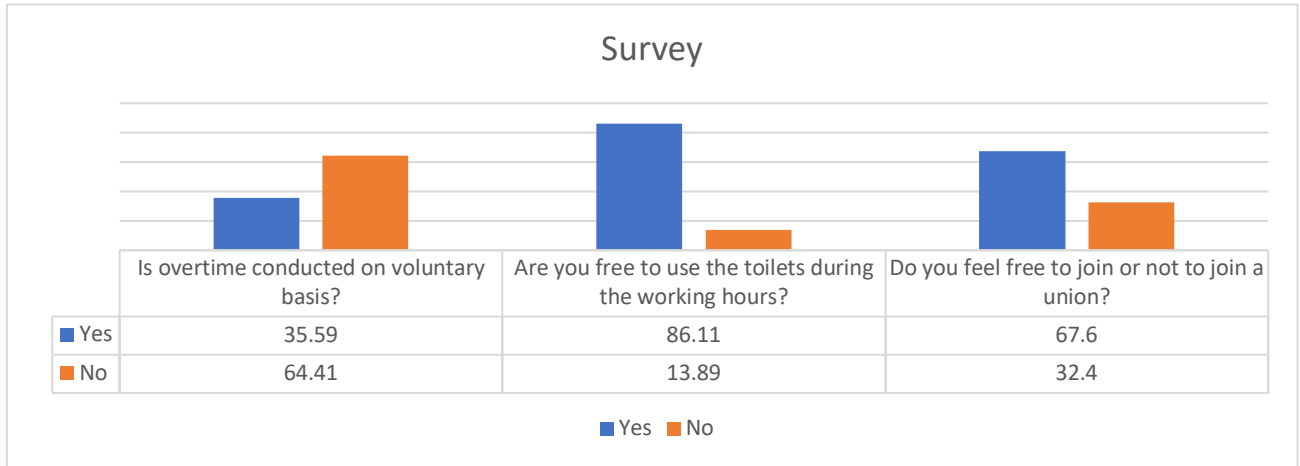
The union officials held a press release in front of Arik Bey Tekstil.

March 30, 2022

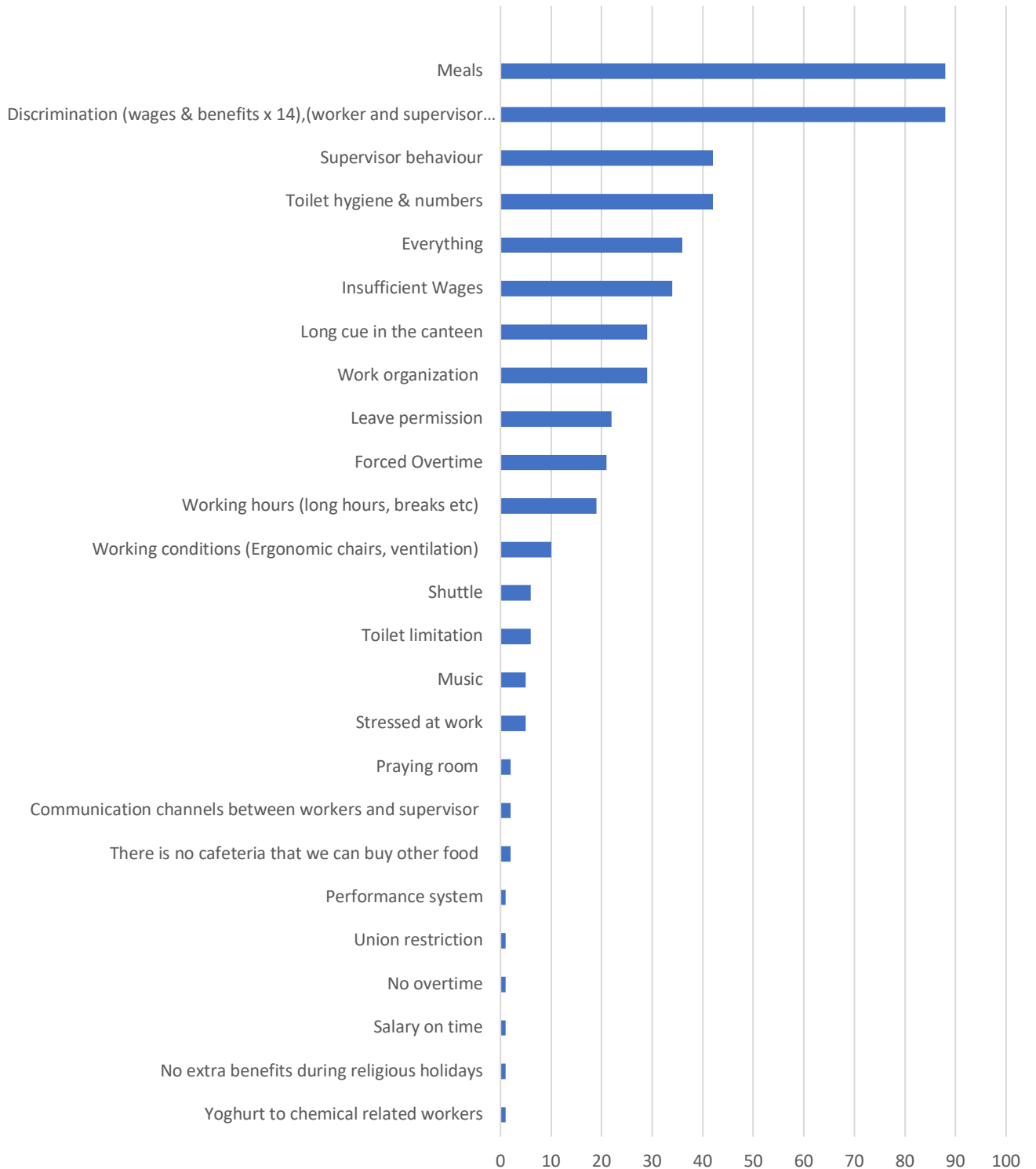
We have been informed that the union representatives held a press release in front of adidas office.

During the investigation, a worker survey with 3 closed and 2 open questions was conducted

in order to allow all workers indicate their point of view and 389 workers including all shifts have attended to this survey. The results of the survey are as follows:



What are the things the factory should improve or correct?



According to the survey results, 64,41% of the workers stated that overtime is conducted on a mandatory basis, 13,89% of the workers stated that there is restriction in using the toilets and 32.4% of the workers stated that they are not free to join or not to join a union.

In addition to the above-mentioned worker survey, individual interviews were conducted with 6 supervisors, 3 worker representatives and 25 workers.

- Approximately 90% of the interviewed workers stated that they have not received effective CSR training.
- Approximately 40% of the interviewed workers reported that the Production Manager Mr. H.B.'s treatment to workers is fair and respectful.
- Approximately 80% of the workers stated that they cannot take daily leave of absence freely due to production pressures.
- Approximately 80% of the workers stated that OT work is mandatory (30% reported that overtime is announced on the same day).
- Approximately 80% of the workers stated that there is a toilet restriction (20% stated that it's restricted to use toilets first and last 1 hour of WH's).
- Approximately 70% of the interviewed workers stated that there is verbal abuse by the supervisor due to production pressure (daily target).
- Approximately 60% of the workers stated that there is psychological pressure to stay away of the union activities. There is a rumour to shut down the company if the union enters to the factory. During the working hours, there is intimidation about union membership by the mid-level supervisors.
- Approximately 50% of the workers stated that factory management conducted a meeting with the worker representatives and worker representatives have spread a rumour in the factory indicating that the factory would close if union enters the factory, and union deducts the worker's wages, etc.
- Approximately 35% of the interviewed workers stated that they demand wage raise due to economic situation of the country. They stated that they did not get a fair living wage, most of the workers have credit debt, so they are afraid to lose their jobs if they join the union.
- Approximately 30% of the interviewed workers reported that the factory is well organized during the audits, however they are very stressed when the audit team leaves the factory as nothing changes.
- Approximately 20% of the workers stated that they cannot use their annual leaves when they want.
- 1 worker stated that talking with Ms. A.T.D is restricted by supervisors.

On June 7, 2022, the Union's Chairman Advisor and Organization Expert Mr. B.E. sent the notary notice of Ms. A.T.D. indicating that she is terminating her contract due to mobbing and

threats she received after she registered to TEKSIF Union, which is her Constitutional Right, on January 12, 2022.

The management team stated that they received the work orders from Akkanat Group and then distributed them to the factories within the group. The work orders sent to Beybo Boya factory from Akkanat Group for adidas production is listed below along with the average salary, overtime and allowance payments, Covid cases, lost days due to Covid and overtime hours.

Month	Average Wage	Overtime Wage	Allowances	Covid Cases	Lost Days	adidas Work orders	Weekly hours & Overtime
January 2021	1,630,035 TL / 424 workers = 3,844 TL	433,939 TL / 424 workers = 1,023 TL	1,697 TL total	3	66	301,297	46 to 60 Hours: 88%
February 2021	1,598,975 TL / 432 workers = 3,701 TL	380,118 TL / 432 workers = 879 TL	6,897 TL total	2	18	272,751	46 to 60 Hours: 85,5% Exceeding daily limit: 2,10% (9 workers)
March 2021	1,651,684 TL / 438 workers = 3,770 TL	359,626 TL / 438 workers = 821 TL	5,483 TL total	5	34	323,483	46 to 60 Hours: 80,4%
April 2021	1,514,112 TL / 434 workers = 3488 TL	350,648 TL / 434 workers = 807 TL	1795 TL total	55	503	237,087	46 to 60 Hours: 59,2%
May 2021	1,612,505 TL / 423 workers = 3,812 TL	116,663 TL / 423 workers = 275 TL	1762 TL total	17	122	200,663	46 to 60 Hours: 42,7%
June 2021	1,522,466 TL / 434 workers = 3,507 TL	289,399 TL / 434 workers = 666 TL	0	3	30	217,136	46 to 60 Hours: 79,7% 61 to 72 Hours: 0,2% (1 worker)
July 2021	1,710,722 TL / 450	327,237 TL / 450	1697 TL total	2	24	97,157	46 to 60 Hours: 47,9%

	workers = 3,801 TL	workers = 727 TL					7 th day rest not provided: 1 worker once
August 2021	1,698,916 TL / 453 workers = 3,750 TL	61,146 TL / 453 workers = 134 TL	7628 TL total	18	190	93,377	46 to 60 Hours: 45,7%
September 2021	1,647,592 TL / 476 workers = 3,461 TL	139,058 TL / 476 workers = 292 TL	11,806 TL total	17	172	195,440	46 to 60 Hours: 45,6%
October 2021	1,763,625 TL / 469 workers = 3,760 TL	324,054 TL / 469 workers = 690 TL	8,579 TL total	11	101	216,825	46 to 60 Hours: 67,8%
November 2021	1,722,204 TL / 470 workers = 3,664 TL	258,012 TL / 470 workers = 548 TL	13,279 TL total	2	18	195,990	46 to 60 Hours: 65%
December 2021	1,774,266 TL / 467 workers = 3,799 TL	300,323 TL / 467 workers = 643 TL	0	6	66	219,974	46 to 60 Hours: 67,5% Exceeding daily limit: 76,41% (353 workers)
January 2022	2,553,381 TL / 492 workers = 5,189 TL	38,151 TL / 492 workers = 77 TL	0	58	357	145,260	46 to 60 Hours: 19,1%
February 2022	2,541,119 TL / 491 workers = 5,175 TL	160,128 TL / 492 workers = 325 TL	7,173 TL total	33	148	202,963	46 to 60 Hours: 22,7% 61 to 72 Hours: 0,1% (2 workers) Exceeding daily limit: 6,25% (31 workers) 7 th day rest not provided: 3

							workers once
March 2022	2,647,654 TL / 501 workers = 5,284 TL	115,955 TL / 501 workers = 231 TL	9,086 TL total	2	30	197,222	46 to 60 Hours: 32,8% Exceeding daily limit: 3,07% (15 workers)
April 2022	2,585,826 TL / 494 workers = 5,234 TL	9,967 TL / 494 workers = 20 TL	29,720 TL total	1	5	151,400	46 to 60 Hours: 3,2% 7 th day rest: 7 workers once

It is also noted that the factory has increased the wages around 51,21% on average between 2021 and 2022 while the minimum wage raise in the country at same timeframe was 50,51%.

The wages of the supervisors are also reviewed and it is noted that dyeing supervisor receives 5,250 TL, knitting supervisor receives 5,500 TL, yarn supervisors receive 5,399 TL to 5,900 TL, warehouse supervisors receive 5,250 TL to 6,249 TL, sewing supervisors receives 4,822 TL to 6,299 TL, cutting supervisor receives 5,750 TL, preparing section supervisor receives 6,250 TL to 7,250 TL, quality control supervisor receives 6,500 TL, printing supervisor receives 11,500 TL while majority of the production workers receive 4,253 TL to 4,400 TL.

The factory provides heating allowance, food supplies during Ramadans, education allowance for primary and middle school for 600 TL per year per child (262 students), scholarship for each worker for their high school and university students for 9 months (360 TL for high school and 600 TL for university (164 students)). The management team also stated that they cover the health check expenses of the workers when they start working in the factory.

During the analysis of the overtime hours, it is noted that there were 282 workers who exceeded 270 hours with max 376 overtime hours in 2021 which is not in compliance with Labor Law, 4857, Art 41⁴. Although there are excessive overtime practices, it is noted that adidas have provided below exemption permission to the factory for 100 additional hours after 270 overtime hours yearly limit between October 1 to December 31, 2021 according to the document dated September 30, 2021 below. Moreover, the factory is provided with an additional 60 hours of overtime above the legal limits of 270 overtime per year for December 3 to 31, 2021 according to the document dated December 2, 2021 below.

⁴ **Labor Law, 2003, No: 4857, Art. 41** - The total overtime period cannot exceed two hundred and seventy hours a year.

adidas GROUP
Country Manager Approval Form
FOR WORK OUTSIDE THE SEA LIMITS

COMPLETED BY FACTORY

Date : 30 September 2021 Factory : Arik Bey Beysehir / Istanbul
Akkanat Konfeksiyon Istanbul
Beybo Seydisehir

No of Workers Involved : 1800

Section(s) : All Production Departments

Nature of Request:

I. The requested week (Monday - Sunday): Between 40th - 48th weeks of year 2021

II. Select the most suitable option by checking the box next to the options below:

1. work more than 60 hrs ☐
2. work on Sunday ☐
3. work on Holiday ☐
4. work on Sunday and on Holiday ☐
5. work more than 60 hrs and on Sunday ☐
6. work more than 60 hrs and on Holiday ☐
7. work more than 60 hrs, on Sunday and on Holiday ☐

III. The highest number of working hours including the requested overtime: 60 hours/week

IV. If requires work on Sunday/Holiday please specify the following:

1. The requested reason:
2. The details of compensatory day off will be provided

V. Other details (e.g. whether regular/overtime rate will be applied; union/workers reps.' consent has been obtained)

Overtime will be applied between 1st of October-31 December 2021 and max. 100 hours is permitted on annual legal overtime limit(270 hours+100 hours). Daily and weekly overtime legal limits will be kept and it will be conducted voluntarily

Reason for request:

I. Please select the most suitable option by checking the box next to the options below:

Unusual/extraordinary circumstances:

1. Flood ☐
2. Earthquake ☐
3. Fire ☐
4. Social gathering (concerts) ☐
5. Outbreak of disease e.g. SARS, Avian influenza ☐
6. Unexpected power failure/electrical shortage ☐
7. Typhoon/other disasters, please specified in the below column (Other details) ☐

Swapping Days & Additional Overtime (extreme production cases):

1. Material delay ☐
2. Quality problem ☐
3. Break down in machinery ☐
4. Failure to accurately make real capacity ☐
5. Unexpected transferred orders ☐
6. Expected/unfilled power failure/electrical shortage ☐
7. Others, please specified in the below column (Other details) ☐

II. Other details (please explain why this is the case and how the production schedule will be arranged):

Mid November deliveries is not balanced compared to end of month deliveries and 80% of required qty belongs to complex ISC styles, so we need to pull forward production in October and plan overtime in November

Specify expected consequences if approval is not granted:

ISC orders are needed to be delivered as package and qty can't be foreseen like inline styles, we need additional overtime permission.

Prepared by: *[Signature]*
Factory's authorised signature

COMPLETED BY COUNTRY MANAGER

Approved: Yes ☒ No ☐

If yes, conditions under which approval granted:

Approved by: *[Signature]*
adidas Country Manager

This form must be prepared by the factory and signed/approved by the country manager or an authorised representative before the factory may operate outside the SEA limits.

adidas GROUP
Country Manager Approval Form
FOR WORK OUTSIDE THE SEA LIMITS

COMPLETED BY FACTORY

Date : 02 December 2021 Factory : Arik Bey Beysehir / Istanbul
Akkanat Konfeksiyon Istanbul
Beybo Seydisehir

No of Workers Involved : 1800

Section(s) : All Production Departments

Nature of Request:

I. The requested week (Monday - Sunday): Between 48th - 52th weeks of year 2021

II. Select the most suitable option by checking the box next to the options below:

1. work more than 60 hrs ☐
2. work on Sunday ☐
3. work on Holiday ☐
4. work on Sunday and on Holiday ☐
5. work more than 60 hrs and on Sunday ☐
6. work more than 60 hrs and on Holiday ☐
7. work more than 60 hrs, on Sunday and on Holiday ☐

III. The highest number of working hours including the requested overtime: 60 hours/week

IV. If requires work on Sunday/Holiday please specify the following:

1. The requested reason:
2. The details of compensatory day off will be provided

V. Other details (e.g. whether regular/overtime rate will be applied; union/workers reps.' consent has been obtained)

Overtime will be applied between 3 December-31 December 2021 and max. 60 hours is permitted during that period. Daily and weekly overtime legal limits will be kept and it will be conducted voluntarily

Reason for request:

I. Please select the most suitable option by checking the box next to the options below:

Unusual/extraordinary circumstances:

1. Flood ☐
2. Earthquake ☐
3. Fire ☐
4. Social gathering (concerts) ☐
5. Outbreak of disease e.g. SARS, Avian influenza ☐
6. Unexpected power failure/electrical shortage ☐
7. Typhoon/other disasters, please specified in the below column (Other details) ☐

Swapping Days & Additional Overtime (extreme production cases):

1. Material delay ☐
2. Quality problem ☐
3. Break down in machinery ☐
4. Failure to accurately state real capacity ☐
5. Unexpected transferred orders ☐
6. Expected/unfilled power failure/electrical shortage ☐
7. Others, please specified in the below column (Other details) ☐

II. Other details (please explain why this is the case and how the production schedule will be arranged):

Mid November deliveries was not balanced compared to end of month deliveries and 80% of required qty belongs to complex ISC styles, so we had to pull forward production in October and planned overtime in November. There was development delay for ISC styles, so we couldn't balance production in October and November and couldn't arrange overtime effectively

Specify expected consequences if approval is not granted:

ISC orders are needed to be delivered as package and qty can't be foreseen like inline styles, we need additional overtime permission.

Prepared by: *[Signature]*
Factory's authorised signature

COMPLETED BY COUNTRY MANAGER

Approved: Yes ☐ No ☐

If yes, conditions under which approval granted:

Approved by: Rana Eken
adidas Country Manager

This form must be prepared by the factory and signed/approved by the country manager or an authorised representative before the factory may operate outside the SEA limits.

The factory policies and procedures were also reviewed. It is noted that the factory has company policy without a date, indicating that the workers are free to join any union as it is constitutional right and overtime limit is 270 hours per year which is legal restriction. The freedom of association policy dated 24.8.2018 indicates that the workers are free to join a union or not. The procedure also indicates that the worker does not have to inform the factory regarding his/her union membership. The non-discrimination policy dated 24.8.2018 indicates that the workers cannot be discriminated based on sexual preference, language, ethnicity, race, marital status, disability. It is noted that the non-discrimination policy is not linked with freedom of association. Harassment and abuse policy indicates that no discrimination is allowed in the factory. Leave policy indicates that workers are entitled for annual leave, marriage leave, death leave, birth leave, fatherhood leave, unpaid leave. It is also noted that disciplinary committee procedure dated 5.10.2021 does not indicate any verbal warning procedure, however the workers are generally verbally warned if they agree with their mistakes as per the disciplinary records. Qualification procedure is available, however there is no written link with wages or wage increase rates.

Performance evaluation system is starting to be established, however there is no written procedure on that. It does not affect the wages currently. Individual performance analysis is conducted by 5 minutes of sampling only. The factory management stated that they are planning to keep individual performances in the future.

It is also noted that the performance system calculates the loss time for the sewing workers while the production performance is calculated for the line. This puts pressure on sewing workers and other workers oppose to use the restroom breaks. The management team stated that they are in progress of implementing the performance system and no procedure is established on it yet.

The factory has conducted a survey with 44 workers in October 2022 and November 2022. It is noted that these survey forms were not anonymous.

First question of the survey is asking the treatment of the management staff:

According to the results, 12 workers have complained on yelling of three supervisors (Mr. M.E., Mr. A.A. and Ms. N.O), 20 workers have complained on discrimination of three supervisors (Mr. M.E., Mr. A.A. and Ms. E.A.), 10 workers have complained on harassment of two supervisors (Mr. M.E., Mr. A.A.), 3 workers have complained on pressure of band chiefs, 15 workers does not have any complaints.

Second question of the survey is asking the complaints they have at the workplace:

According to the results, 14 workers complained on overtime hours, 6 workers complained on meal quality, 5 workers complained on shuttle services, 5 workers complained on wages, 4 workers complained on tax deductions, 2 workers complained on doctor being available every other days, 2 workers complained on the hygiene of toilets, 1 worker complained of not being given option to use more than one machine, 1 worker complained on working hours, 1 worker complained on not having hot water, 1 worker complained on maintenance not being done on time, 1 worker complained on love affairs. 21 workers do not have any complaints.

Third question of the survey asks if there is any other complain they want to share:

According to the results, there are requests to have prayers on speaker system on Fridays, the workers need to be warned for using their masks, band chief's responsibilities should be increased, the work orders should be based on the worker capacity, overtime should be conducted at certain days of the week, the chairs should be more comfortable, the praying room and cafeteria should be closer and the irons should be fixed.

Based on the above results, the factory has conducted trainings on effective communication, body language, team management, stress management, time management, knowing yourself and people, leadership and motivation on October 16 and 23, 2021 and November 6, 2021. These trainings on Saturdays were paid to the supervisors as per the documentation provided. Line chiefs have not attended to these trainings.

It is noted that the factory has decided and terminated Mr. M.E. on 17.11.2021 due to the above complaints without any disciplinary warning, reason for termination letter and defense letter of the worker.

The factory has total of 24 administration staff and 485 production workers which makes total of 509 workers. Committee election and assignment documents dated 20.1.2022 indicates that there are 4 representatives at the annual leave committee, disciplinary committee, health & safety committee.

The management team was asked to provide the files of the terminated workers since November 2021 and the following is provided:

April 2022: 8 workers - 2 of them resigned (Code 3), 1 of them was dismissed during probation period (Code 1), 1 of them was terminated by the employer (Code 4), 4 workers were transferred to another company within the group (Code 22)

March 2022: 10 workers – 1 worker because of military service (Code 12), 1 of them for marriage (Code 13), 1 of them for dismissal during probation period (Code 1), 2 workers resigned (Code 3), 1 worker left due to her husband's relocation at another job (Code 22), 1 worker was transferred to another company within the group (Code 16), 1 worker quit the job due to health reasons (Code 24), 2 workers were terminated due to absence without permission (Code 48),

February 2022: 7 workers – 2 workers dismissal during probation period (Code 1), 4 workers resigned (Code 3), 1 worker terminated by the employer (Code 4)

January 2022: 3 workers – 1 worker dismissal during probation period (Code 1), 2 workers resigned (Code 3)

December 2021: 6 workers – 3 workers dismissal during probation period (Code 1), 3 workers resigned (Code 3)

November 2021: 53 workers – 43 workers were transferred to another company within the group (Code 16), 6 workers quitting (Code 3), 1 worker terminated by the employer (Code 4 – a manager due to the complaints received regarding his attitude according to the management team), 1 worker for marriage (Code 13), 1 worker for retirement (Code 8), 1 worker dismissal during probation period (Code 1)

During the review of these files, it is noted that no conciliator used for one of the above workers and no defense letter is obtained for the one who had disciplinary complaints.

The complaint box files are also reviewed and according to the grievance records, the workers have requested the following:

27.4.2022 – Mirror is requested at the changing rooms. Additional drinking water is requested at printing section and Beybo 1.

29.3.2022 – There are broken places at the female toilets. Seating arrangements to be organized at the shuttle services. Hot water request to be fixed, toilet paper shelves to be provided.

21.2.2022 – Toilet paper shelve to be provided and drinking water to be provided to printing, hot water to be provided.

17.1.2022 – Digital watch to be provided, recycling training to be provided, hot water to be provided. Workers do not want to work overtime and glad that it is reduced in January 2022.

There is also WOVO complaint system where adidas gets the complains when the workers place a complaint anonymously to the factory. This system has been used since around June 2021.

The below complaints are filled through WOVO system according to the documentation provided:

July 2021: 2 complaints regarding smoking at toilets, 1 regarding excessive overtime, 3 regarding the delay in the wage payments,

August 2021: 1 regarding managers and supervisors putting pressure on workers, 1 regarding the delay in the wage payments,

October 2021: 2 regarding band supervisor's psychological pressure, 4 regarding verbal abuse, 2 regarding restrictions in taking leaves,

November 2021: 1 regarding mandatory overtime, 7 regarding the requests to rehire the manager terminated due to his yelling incidents.

December 2021: 1 regarding hot water request in toilets, 1 regarding relationship of male and female workers, 1 regarding verbal abuse, 1 regarding toilet restriction, 5 regarding psychologic pressure of supervisors, 1 regarding another worker's behavior and 1 wage raise request,

January 2022: 2 thanking to management for good practices, 2 complaints regarding relationship of male and female workers, 1 regarding toilet restriction, 1 complaint regarding another worker's behaviors, 1 supervisor grievance,

February 2022: 1 complaint regarding restriction in taking leave, 1 regarding supervisor's behaviors, 3 regarding verbal abuse, 1 regarding union membership and 4 requests for heating system. (One worker has complained saying that although the workers were informed that union is a constitutional right and no one can be terminated because of being union member during an audit, on February 10, 2022, all the supervisors announced to workers that no one should trust the factory for going under debt as the factory would be closed as per the majority of the workers. According to the management team, the supervisors have taken their own initiative to tell these to the workers and they warned them verbally.)

March 2022: 1 complaint regarding supervisor behavior and 1 regarding verbal abuse.

It is noted that the factory does not have detailed action plan or proper feedback to other workers regarding these issues. The response of the management is shared with the worker who complained and adidas as per the management testimony. The issues are usually closed by indicating that the problem is solved without the action plans.

The previous audits were also reviewed and it is noted that the factory was SMETA audited on 21.2.2022 and had only three health & safety issues. The factory was also audited on 19.10.2021 for XXX and had three health & safety issues at that report as well.

The factory has implemented corrective actions for audits conducted at the site. There was an FLA audit conducted on August 9&10, 2021 and the corrective action responses of the factory

are as follows in bold font:

- Contracts should be revised as there were clauses indicating that the work place can be changed. - **This issue is still in progress as new contracts are prepared for the new workers, however others remain same according to the management team.**
- Performance system is not linked to job grading or promotions. - **This issue is still in progress according to the management team as they recently started considering it. Performance evaluation does not have any worker representatives to make sure that the evaluation is objective.**
- FLA Code was not posted. - **This is corrected on November 10, 2021 according to the documentation provided. FLA Code is posted at 4 different locations: One at the branch No: 12 building which does not produce for adidas, one at the cafeteria, one at the warehouse, cutting, printing section's No: 14 employee entrance, one at the adidas production building at No: 18.**
- The factory does not provide written documentation that substantiates all the issues covered in orientation trainings. - **This issue has been addressed on 15.11.2021 according to the documentation provided.**
- Although the factory has clear policy and procedures as all overtime work is voluntary, the workers feel pressured to decline overtime work when the production demands are high. - **The corrective action indicates that the overtime decisions are taken based on the production demands with no solution.**
- Daily excessive working hours – **Continued until January 2022**
- Working hours and overtime policy indicates wrong law numbers. - **It appears to be corrected at this time.**
- The information of working overtime is provided to the workers at the same day around 11:00 am which affects workers' work – life balance especially in peak seasons. - **There were reports of overtime decision on the same day again if there is urgent shipment.**

There was also an independent audit conducted at the site on February 11, 2021 and the corrective actions of the factory are as follows in bold font:

- There were more than 270 yearly overtime hours (248 workers) – **We got approval from adidas for working more than 270 overtime hours per year.**
- Working more than 11 hours per day and 60 hours per week – **We got approval from adidas.**
- Regular & mandatory overtime – **It depends on high work orders; we would be more planned in 2022.**
- The worker's requests through the worker representative meetings indicate that it

would be considered for some issues – **The previous months issues are also going to be evaluated during next meeting.**

- January 2021 payslips to be provided to workers – **Completed during February 2021**
- Disciplinary committee notes indicate several punishments indicating ‘Punished per the upper management request’ – **We would discuss the issues during the committee meetings.**
- Working during the break hours – **The workers will be asked to leave the workspaces and 2 managers will control it.**
- Contract clauses regarding changing the workplace, discipline section, privacy, competition ban and agreeing some clauses in advance - **We would review the contracts and change them in March 2021.**

The factory has internal audit conducted on December 21, 2021; however, it is noted that the only issue except health & safety at the internal audit document is related to one worker’s receiving severance payment although Code 3 (worker’s resignation) is used at official documentation. The action plan mentions that the company lawyer would be notified and the future actions will be decided in accordance with his recommendation.

As there were also complaints of number of toilets and restriction in using the toilets, the number of toilets at the factory is also noted as below:

adidas building No: 18 (Sewing)

Female: 6, disabled female: 1, male: 5, disabled male: 1

Management: 1 female and 1 male

Middle factory (Printing, warehouse, cutting)

Female: 1, disabled female: 1, male: 3, disabled male: 1

Cafeteria:

Female: 4, disabled female: 1, male: 4, disabled male: 1

Recommendations:

- Overtime should not exceed the legal limits. 282 workers exceeded 270 overtime hours with max 376 overtime hours in 2021. (More than 11 hours per day, 60 hours per week and lack of 7th day rests are also noted)
- The terminated workers’ files should maintain all the necessary documentation such as defence letter.
- The factory has arranged a training on 28.3.2022 regarding the social rights including the overtime limits and union membership, however awareness appears

not to be sufficient.

- Disciplinary procedure dated 5.10.2021 does not indicate anything about the verbal warnings while the disciplinary notices indicate verbal warnings.
- Although FLA's Code and adidas Code indicates that the working hours should not exceed the country's overtime limits and the working hours cannot exceed 60 hours per week, the factory works beyond 270 overtime hours which is the overtime limit per year in accordance with two adidas exception letters towards the end of 2021.
- There is no termination policy and written factory rules in the factory. It is also noted that non-discrimination policy is not linked to freedom of association. Moreover, disciplinary committee procedure dated 5.10.2021 does not indicate any verbal warning procedure, however the workers are generally verbally warned if they agree with their mistakes as per the disciplinary records. Qualification procedure is available, however there is no written link with wages or wage increase rates. Procedure for performance system is missing.
- Supervisors should not interfere with union activities.
- There is no sufficient internal audit mechanism in the factory for social issues as there were not much social issues noted at the internal audit documents and the excessive overtime response for Action Plan of the independent audit conducted at the site on February 11, 2021 is 'Permission have been obtained from adidas'.
- Proper feedback should be provided to workers from WOVO complaints.
- One dismissed worker's file does not indicate the disciplinary defence letter as he was terminated for the complaints from the workers regarding his yelling, etc.
- As per the survey results, 64,41% of the workers indicate that overtime is conducted on mandatory basis (approximately 80% during interviews), 13,89% of the workers indicate that there is restriction in using the toilets (approximately 80% during interviews) and 32.4% of the workers indicate that they are not free to join or not to join a union (approximately 60% during interviews). Moreover, approximately 80% of interviewed workers reported restriction in leaving the factory due to production demands, approximately 90% of the interviewed workers reported not being effectively trained on CSR, approximately 70% of interviewed workers reported verbal abuse by supervisors, approximately 50% of interviewed workers reported worker representatives spreading rumour in favour of the

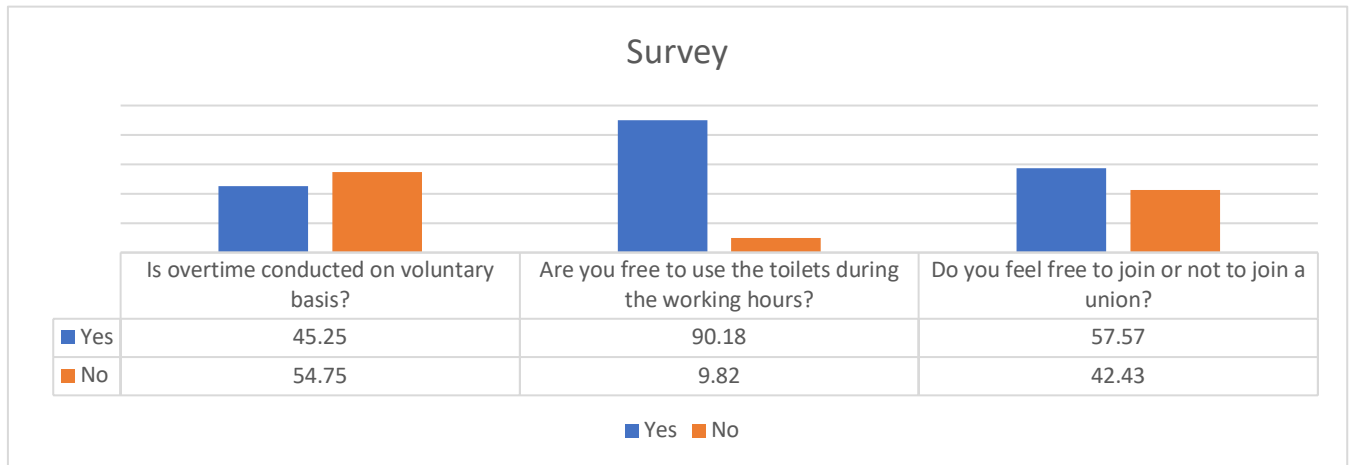
employer against union activities, approximately 35% of interviewed workers complained of wage levels, approximately 30% of interviewed workers reported that audits are not effective as nothing changes, approximately 20% of interviewed workers reported not being able to use annual leaves when they want.

- Band chiefs should be trained in effective communication skills.

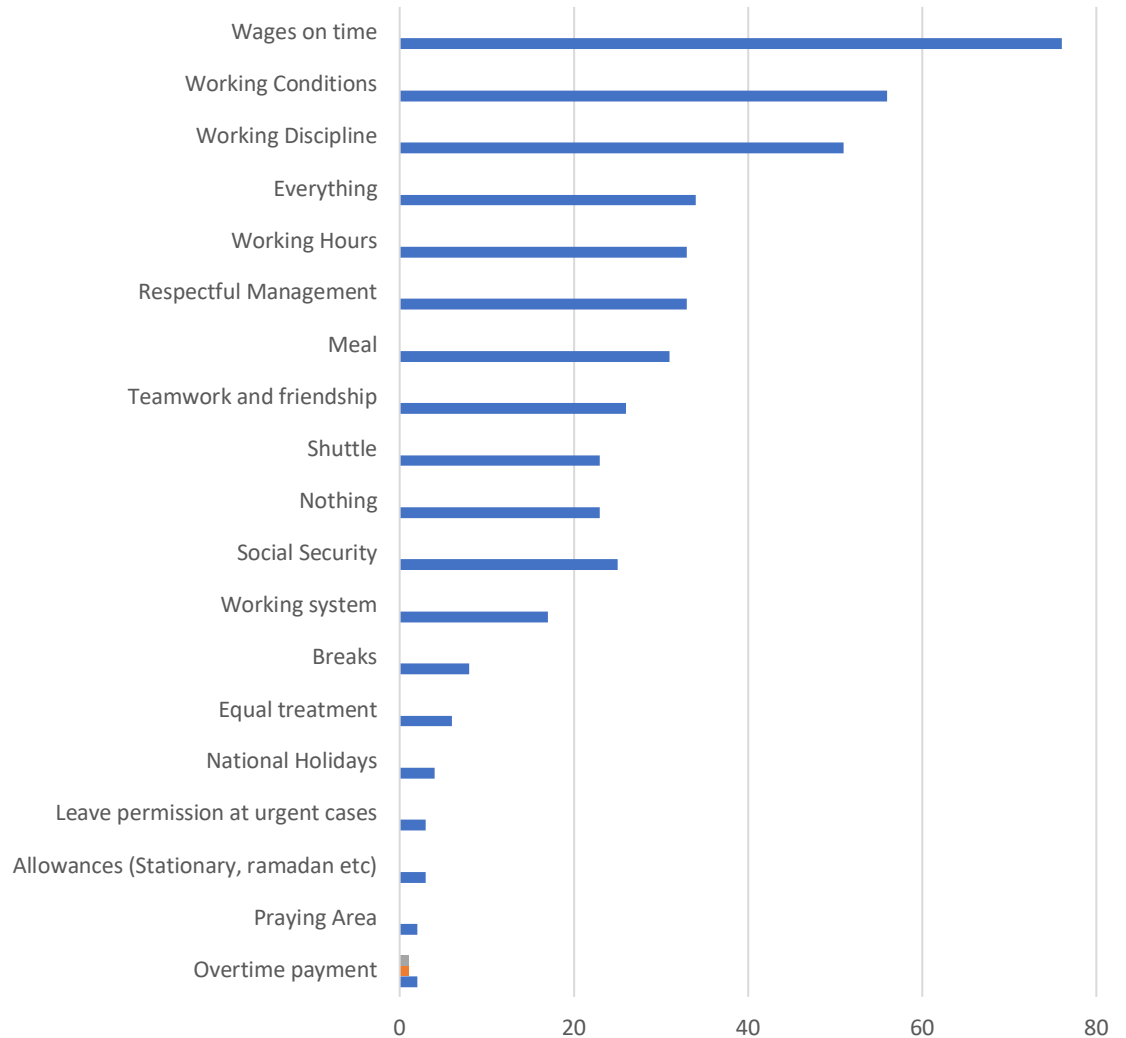
Arik Bey Tekstil Enerji ve Sinai Yatırımlar A.S. at Beysehir / Konya

The investigation team visited Arik Bey Tekstil Enerji ve Sinai Yatırımlar A.S. at Beysehir / Konya on June 2 & 3, 2022. Mr. H.D. from adidas also attended to this investigation work. Opening meeting was conducted with Social and Environment Affairs Responsible Ms. H.S., HR Manager Ms. N.S., Sewing section Manager Mr. H.O., Factory Manager Mr. V.A., Health & Safety experts Mr. O.M.D. and Ms. D.O, dyeing section supervisor Mr. M.G., Manufacturing Excellence Manager Mr. C.T., Technical manager Mr. Y.A., Knitting supervisor Mr. N.E., Yarn section supervisor Mr. H.I.Y., Client relations manager Ms. Y.A. and Group HR Manager Mr. V.C. The management team was informed of the scope of the investigation which is limited to the allegations and Freedom of Association issues. The management team was receptive and allowed the inspection immediately.

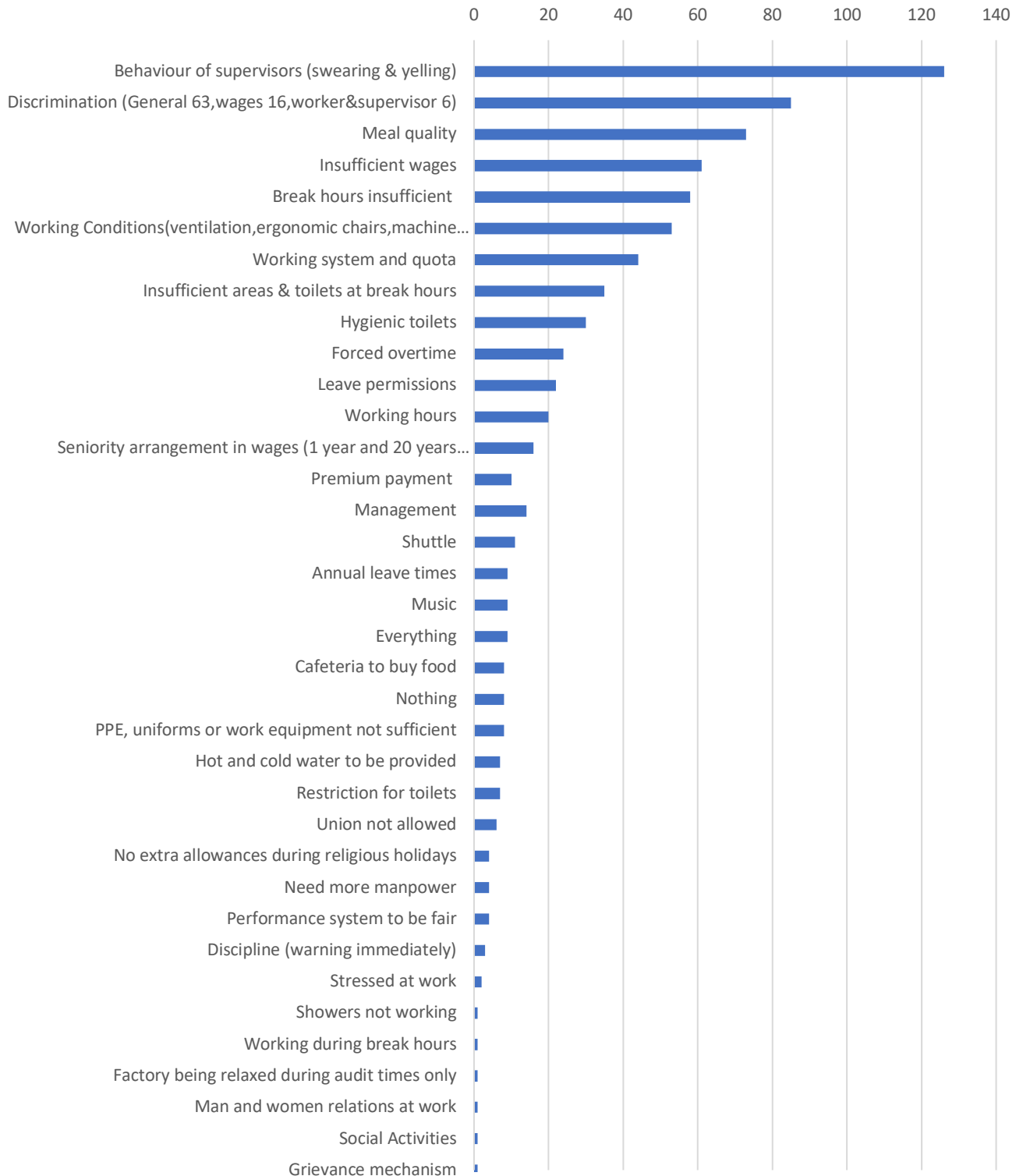
During the investigation, a survey with 3 closed and 2 open questions have been conducted in order to allow all workers indicate their point of view and 601 workers including all shifts have attended to this survey. The results of the survey are as follows:



What do you like most about working conditions?



What are the things the factory should improve or correct?



As per the survey results, 54,75% of the workers indicate that overtime is conducted on mandatory basis, 9,82% of the workers indicate that there is restriction in using the toilets and 42.43% of the workers indicate that they are not free to join or not to join a union.

In addition to above survey, individual interviews were conducted with 5 supervisors and line chiefs, 3 worker representatives and 30 workers.

- Approximately 90% of the workers stated that OT work is mandatory.
- Approximately 70% of the workers feel fear due to the dismissal of workers because of their union membership (the perception is that a union member worker would lose their jobs).
- Approximately 15% of the workers stated that there is toilet restriction.
- Approximately 20% of the workers stated the verbal abuse by the supervisors.
- Approximately 85% of the workers stated that there is a big production pressure and there is a problem to take daily leaves.
- Approximately 70% of the workers stated that there is no CSR training.
- Approximately 90% of the workers seemed that the awareness was not accomplished for the CSR topics.
- There is a rumour that supervisors invited some of the production workers to their room and asked about if they are union member or not. There was no direct statement of 'do not be union member'.
- Approximately 90% of the workers were not completely aware of the disciplinary procedure. For the majority of the workers, there is a perception that if they get 3 written warning, they would be dismissed, and the workers stated that there is a big raise in the number of written warnings after the union issues start.
- Approximately 70% of the workers stated that they feel fear of losing their jobs as they have bank debts.
- Approximately 50% of the interviewed workers stated that they want a wage raise due to the economic conditions of the country.

- 1 interviewed worker stated that he/she talked with the union representatives directly and they stated that ‘your wage will be 6000 TL and you will never be dismissed if you become union member’.
- 1 interviewed supervisor stated that he/she talked with the union representatives directly and they stated that ‘your wage will be 10.000 TL and you will never be dismissed if you become union member. If the factory fires you, they have to pay 100.000 TL compensation fees.’
- 2 interviewed workers stated that 2 (out of 9) dismissed workers were showing the union leaflets during the break hours to the other workers.
- 3 interviewed workers stated that the union representatives are trying to find the ex-workers in the downtown area and trying to be organized with the ex-workers who have the connections with the current employees.
- Approximately 50% of the interviewed workers stated that they do not have any faith in the CSR audits. They stated that if there was an audit in the factory, everything was good, but once the auditors left the company, problems continued.
- All workers stated that there was no objective performance evaluation system at the facility.
- 2 supervisors reported that they are not aware of the workplace rules for discipline and have not received a training on that.
- Approximately 35% of the interviewed workers, stated that there is a big production pressure during the Covid-19 pandemic (especially first 1-2 years). Workers were not comfortable to get daily leave from work (even from overtime works).
- If the workers feel sick, supervisors make pressure on them to try to work a while more, and if they still feel bad afterwards, then they are sending them to the home / hospital. There is no clear quarantine protocol at the facility, and the supervisors make pressure to work after they get painkillers.
- 2 interviewed workers stated that once they go to the state hospital to get health leave report, doctors state that ‘we do not issue health leave report for people coming from Beytektstil (meaning Arik Bey Tekstil)’ without health examination.

- 2 interviewed workers reported that they were called by their supervisors to their office and have been asked for e-government numbers and passwords to verify that they are not union members, one of these workers reported being union member and the other one reported that he decided to be a member after this incident.
- 1 worker reported that he used to work at Akkanat Holding's Corlu location Beybo Corlu factory which had union in the past, however, the owner of the factory has combined another factory within the group which caused the Union Authorisation Letter to be cancelled which then caused the union to leave the premises.
- 1 interviewed worker reported that she felt sick during the working hours and were sent to hospital, however she could not get tested for Covid at that time. Then, she reported that she went to the factory on Monday and reported that she feels sick, however the hospital does not do Covid test and sends her back to factory as the doctors refuse to write reports for the workers from Beytektstil (Arik Bey Tekstil). She had to continue to work again, reported that she felt sick and was taken to clinic in the factory. The facility doctor gave her medicines and she waited until around 15:00 that day for a vehicle as there was another person to be sent to hospital. Finally, she was tested and reported to be Covid positive case and quarantined for 17 days. After a while, her sister felt sick and wanted to leave, however the supervisor did not let her leave as there were urgent work orders, and she had to sit to a sewing station of a Covid tested worker where she resulted positive afterwards, without any hygiene cleaning process of workstation due to Covid in the morning. In the afternoon, she was sent to hospital as she felt bad and resulted positive for Covid as well and she had rest between April 13 to 17, 2021. She was taken to intensive care on April 19, 2021. The worker requested her sister to stay with her in the hospital, however the supervisor indicated that no one had to stay with him when he had Covid, there were work orders that needs to be completed and he would send her to her Covid positive resulted sister to the hospital when he finds someone else for her sewing station instead of her. Her brother called the factory and then she was allowed to go to hospital to stay with her sister, however she passed away on May 6, 2021. The sister of the deceased worker requested to use annual leave for funeral issues, however a manager told her to resume work as per her statement.

For the above case, the management team reported that although Covid deaths are not counted as workplace injury, the owner of the factory has decided to provide scholarship to two children of this worker. The investigation team requested to review the scholarship, however the management team stated that they only could provide scholarship to one of her sons as there had already been a divorce lawsuit and the children's guardianship decision has not been given by the court. After the investigation, Ms. H.S. provided a pay slip indicating that the

scholarship of the other child is also covered, and the owner of the factory has guaranteed to provide scholarship to this worker's children. It is noted that root cause analysis has not been conducted for one Covid case death incident.

In the chart below, the work orders sent to Arik Bey factory from Akkanat Group for adidas production is listed along with the average salary, overtime & allowance payments, Covid Cases, lost days due to Covid and overtime hours.

Month	Average Wage	Overtime Wage	Allowances	Covid Cases	Lost days	adidas Work orders	Weekly Hours & Overtime
January 2021	3,244,101 TL / 847 workers = 3,830 TL	635,812 TL / 847 workers = 750 TL	8,639 TL total	4	38	465437	46 to 60 Hours: 23% 61 to 72 Hours: 0,1% (1 worker) Exceeding daily limit: 7 cases
February 2021	3,126,232 TL / 848 workers = 3686 TL	581,384 TL / 848 workers = 685 TL	9,444 TL total	1	3	444706	46 to 60 Hours: 64,80 61 to 72 Hours: 0,3% (9 workers) Exceeding daily limit: 7 cases
March 2021	3,231,791 TL / 872 workers = 3,706 TL	342,252 TL / 872 workers = 392 TL	26,617 TL total	36	292	469207	46 to 60 Hours: 43,1% 61 to 72 Hours: 0,1% (1 worker) Exceeding daily limit: 15 cases
April 2021	3,006,823 TL / 851 workers = 3,533 TL	193,742 TL / 823 workers = 235 TL	18,633 TL total	94	732	402232	46 to 60 Hours: 25,5%
May 2021	3,211,100 TL / 842 workers = 3,813 TL	363,633 TL / 842 workers = 431 TL	23,371 TL total	32	197	327676	46 to 60 Hours: 30,9% 61 to 72 Hours: 0,1%

							(2 workers) Exceeding daily limit: 2 cases
June 2021	3,072,685 TL / 832 workers = 3,693 TL	328,114 TL / 832 workers = 394 TL	14,269 TL total	7	79	317501	46 to 60 Hours: 48,5% Exceeding daily limit: 23 cases
July 2021	3,092,427 TL / 809 workers = 3,799 TL	159,066 TL / 809 workers = 196 TL	6,551 TL total	2	8	206136	46 to 60 Hours: 27,6% Exceeding daily limit: 6 cases
August 2021	3,072,721 TL / 814 workers = 3,774 TL	34,529 TL / 814 workers = 42 TL	17,617 TL total	11	105	180333	46 to 60 Hours: 6,1%
September 2021	2,961,087 TL / 822 workers = 3,602 TL	91,485 TL / 822 workers = 111 TL	11,782 TL total	22	238	287727	46 to 60 Hours: 16,3% 61 to 72 Hours: 0,1% (4 workers) Exceeding daily limit: 17 cases
October 2021	3,081,518 TL / 828 workers = 3,721 TL	486,369 TL / 828 workers = 587 TL	8,354 TL total	17	185	270061	46 to 60 Hours: 62,7% 61 to 72 Hours: 0,1% (3 workers) Exceeding daily limit: 4 cases
November 2021	3,036,642 TL / 834 workers = 3,641 TL	460,489 TL / 834 workers = 552 TL	10,504 TL total	6	56	337119	46 to 60 Hours: 61,4% 61 to 72 Hours: 0,1% (1 workers) Exceeding daily limit: 2 cases
December 2022	3,228,042 TL / 851 workers = 3,793 TL	368,100 TL / 851 workers =	1,236,715 TL total	2	11	303689	46 to 60 Hours: 67,3% 61 to 72

		432 TL					Hours: 0,1% (1 workers) Exceeding daily limit: 5 cases
January 2022	4,826,046 TL / 884 workers = 5,459 TL	703,423 TL / 884 workers = 795 TL	20,681 TL total	3	16	284188	46 to 60 Hours: 28,3% 61 to 72 Hours: 0,1% (2 workers) Exceeding daily limit: 26 cases 7 th day rest not provided: 1 case once
February 2022	4,626,459 TL / 881 workers = 5,251 TL	760,087 TL / 881 workers = 862 TL	20,379 TL total	51	344	252620	46 to 60 Hours: 59,6% Exceeding daily limit: 24 workers
March 2022	4,789,463 TL / 866 workers = 5,530 TL	320,238 TL / 866 workers = 369 TL	1,086,137 TL total	12	56	352437	46 to 60 Hours: 44,2% 61 to 72 Hours: 0,1% (5 workers) Exceeding daily limit: 12 cases 7 th day rest not provided: 1 case once
April 2022	4,594,732 TL / 851 workers = 5,399 TL	48,699 TL / 851 workers = 57 TL	9,487 TL total	2	10	322559	46 to 60 Hours: 7%

The factory has increased the wages around 54% both for management and the production workers in 2022 while the minimum wage has increased %50,51 from 2021 to 2022.

It is noted that the wage levels of the workers are 4,253 to 4,749 TL. The supervisors receive between 6,398 TL to 9,965 TL and the management receive up to 24,374 TL. The factory has provided Ramadan food supplies, education allowance for primary and middle school for 600 TL per year per child (408 students), scholarship for each worker for their high school and university students for 9 months (for 360 TL for high school and 600 TL for university (232

students)). The health expenses of the workers are covered while they start working in the factory. The management team also reported that the workers who does not have absences for one year received 1 gold.

The management team stated that there are 59 workers that have contacted to external service provider Avita System which provides personal assistance service, psychological support, general health service, social services, health or ergonomic consultancy and 10 psychological sessions between March 1 to 31, 2022. There were also posters of Avita system on the work floors, however awareness of such system was not effective as notified during the private worker interviews. The factory also has Arik Bey ethics hotline and 4 issues have been reported since January 2021. 36 supervisors were trained on leadership, communication ways, effective feedback, personality, motivation on December 27 & 28, 2021.

The workers have received $\frac{1}{4}$ of the wages for first quarter as premium. The management team stated that they decided to cancel this premium payment for Q2 as union claims that the premiums are being paid due to their existence and they would work on the inflation rates to assess increase in wages in the future. Communication with adidas does not appear to be effective as adidas was not aware of this decision.

During the analysis of the overtime hours, it is noted that there were 161 workers who exceeded 270 hours limit within 2021. Although there are excessive overtime practices, it is noted that adidas have provided exemption permission to the factory for 100 additional hours after 270 overtime hours yearly limit between October 1 to December 31, 2021 according to the document dated September 30, 2021. Moreover, the factory is provided with an additional 60 hours of overtime hours above the legal limits of 270 overtime per year for December 3 to 31, 2021 according to the document dated December 2, 2021. (Please refer to the documents in page 28)

The policies and procedures of Arik Bey factory are also reviewed, and the factory has the following procedures:

- Social compliance procedure
- Arik Bey Code of Conduct (Including Freedom of Association and linked with Non-Discrimination)
- Industrial relations procedure dated 28.9.2017 (Including the right for strike, freedom of association)
- Annual leave procedure dated 25.6.2013
- Worker representative procedure dated 25.6.2022
- Disciplinary Committee Procedure dated 23.1.2015
- Suggestion and complaint procedure dated 6.11.2017
- Annual leave procedure dated 12.1.2019
- Re-compensation work procedure dated 10.9.2019
- Hiring procedure dated 22.11.2013
- Termination procedure dated 22.11.2013

- Wage procedures dated 22.11.2013
- Working hours and overtime procedures dated 22.11.2013
- Orientation Procedures dated 22.11.2013
- Clothing procedures dated 22.11.2013
- Leave procedures dated 7.5.2015
- Internal transfer and assignments procedure dated 22.11.2013
- Travelling procedures dated 22.11.2013

There was an independent audit conducted in the factory on February 15&16, 2022 and the following issues & action plans are noted (except health & safety):

- Several worker's termination not in compliance with law – **This issue has been solved by agreeing on March 21, 2022.**
- Due to unrealistic high daily quotas, the workers are pressured to work during the break hours. – **Quota issue is not worker's concern; it is management team's concern.**
- Toilet restriction of 30 minutes before or after the break hours. – **The auditor has obtained wrong information.**
- There are annual leave days accumulated from previous years. – **I will change the Personnel Managers in case it continues. 15.6.2022**
- Regular overtime for 3 days per week is conducted on mandatory basis and the workers cannot leave their workplaces freely. There are workers exceeded 270 overtime hours per year. Daily working hours exceeding 11 hours per day, 7th day rest, more than 60 hours per week and work more than 7,5 hours at night hours. – **A note has been posted on announcement boards and I would terminate the manager in case I see that again. 23.3.2022**
- January 2022 pay slips were not provided – **It will be provided to the workers in an envelope with detailed overtime information.**
- Toilet numbers not being sufficient at sewing section due to increase at workforce – **It is not needed as we will reduce the worker number in 2022.**
- Contracts having clauses like overtime is agreed in advance, worker agrees with any location change, worker agrees to be searched while entering and leaving the site etc. – **They will be corrected and will be placed at the files until 30.4.2022.**

The factory also has internal audit process in place, and it was conducted on January 11 to 13, 2021 and June 8 to 10, 2021 by factory staff. It is noted that nearly all the issues noted are related to health & safety.

As there were complaints raised regarding the number of toilets, the following toilet numbers are also obtained:

Yarn section: 12 male, 7 female

Knitting section: 1 male

Dyeing section: 4 male, 1 female
Cafeteria: 7 male and 7 female
Clinic: 1 male and 1 female
Discharge section: 1 female
Boiler room: 1 male
Sewing: 7 male and 8 female
Management: 6 female and 6 male
Sewing management: 1 female and 1 male
Total: 72

The terminated worker's files are reviewed from November 2021 to May 2022.

November 2021: It is noted that 11 workers have resigned (Code 3), 3 workers were terminated at probation period (Code 1)

- As an example, one worker resigned according to the provided documentation dated 5.11.2021 and opened a court case on 8.11.2021 requesting severance payment indicating that she was yelled by her manager to work overtime, asked to leave the factory if she did not work accordingly and has been forced to resign.

December 2021: 12 workers resigned (Code 3), 1 worker was terminated due to absence (Code 48), 1 worker quitted the job due to mandatory military service (Code 12), 2 workers were terminated at the probation period (Code 1)

January 2022: 11 workers resigned (Code 3), 1 worker quitted due to marriage (Code 13), 1 worker quitted the job due to mandatory military service (Code 12), 4 workers were terminated by the factory (Code 4)

February 2022: 1 worker quitted due to retirement (Code 8), 11 workers resigned (Code 3), 4 workers were terminated during the probation period (Code 1), 1 worker quitted due to marriage (Code 13), 6 workers were terminated by the factory (Code 4), 1 worker was terminated due to absence (Code 48)

March 2022: 13 workers resigned (Code 3), 2 workers were terminated due to absence (Code 48), 1 worker quitted due to retirement (Code 8)

April 2022: 11 workers resigned (Code 3), 2 workers quitted due to retirement (Code 8)

May 2022: 17 workers resigned (Code 3), 3 workers quitted due to retirement (Code 8), 1 worker were terminated due to absence (Code 48), 1 worker quit the quitted job due to mandatory military service (Code 12), 1 worker were terminated due to marriage (Code 13)

The workers who are terminated by the factory are claimed to be terminated for poor motivation and performances as per the letters at dismissed worker's files. It is noted that the factory does not have a proper performance system and do not have any motivation

measurement system, therefore the reason for termination appears to be wrong.⁵

A sample of dismissed worker's file is reviewed, and the following is noted:

Mr. A.B. has been working in the factory as disabled worker (40%) since 20.10.2020. He had an incident at his workplace accessory warehouse on 26.1.2022. Ms. H.B. has entered the warehouse to get accessories, asked the worker to use his fingerprint to be able to leave the section and he verbally insulted her according to the documentation provided. On 28.1.2022, the sewing section manager Mr. H.O. has reported upper management that he did not work productive and damaged the workplace. Also, his behaviors are disrespectful to female workers. As his working style and discipline do not match with the company rules, he requested the termination of that worker. On January 31, 2022, Mr. A.B. provided a defense letter indicating that he has not insulted the worker, Ms. H.B. told him that she would destroy the cards, he opposed destroying these cards as he was instructed not to destroy any cards and she did throw the cards to him saying that it was not his concern, he said something, but she misunderstood and requested disciplinary action.

He was provided with a document dated 31.1.2022 indicating that his severance and notification periods would be covered through the intermediary process. Then, Mr. A.B. has sent a notification by notary indicating that he was forced to sign some documents without being allowed to read them, he was terminated due to being union member, do not agree with the termination and the factory cannot dismiss the worker due to absence during this period.

The factory sent a response through notary on February 1, 2022 indicating that his employment has been terminated due to poor motivation and poor performance based on Turkish Labor Law, 4857, articles 17 & 18⁶, his severance and notification period would be

⁵ As per the Supreme Court decisions, the following should be noted in case the workers are dismissed due to poor performances:

- There should be written and objective 'Performance Measurement and Assessment System'.
- The worker should be informed of the evaluation criteria and timeline in written format before the evaluation period.
- Low performance shall be verified through objective information and records in written format.
- Absences cannot be considered at low performances.
- The verification of the low performances should be disclosed to the worker in written format and defence statement should be obtained.
- Evaluation should be conducted after the defence statement and the worker should be warned in written format or additional trainings should be arranged if the reason is lack of knowledge.
- In case low performances continue, the worker should again be warned in written format and defence statement should be obtained again.
- After the evaluation, if the worker cannot go on doing the same task, rotation within the company should be considered.
- If rotation within the company is not possible, the worker can be terminated after informing the exact reasons in written formats.
- As per the Equal Treatment rules, same procedures should be used for all workers.

⁶ Termed termination

ARTICLE 17. – The situation has to be notified to the other party prior to the termination of indefinite-termed labour contracts. Labour contracts are considered to be terminated; a. Two weeks after the notification of the other party for workers who have worked less than six months, b. Four weeks after the notification of the other party for workers who have worked between six months and one and a half year, c. Six weeks after the notification of the other party for workers who have worked between one and a half year and three years, d. Eight weeks after the notification of the other party for workers who have worked more than three years. These periods are minimum periods and can be extended through contracts. The party that does not observe the condition of notification is obliged to pay an indemnity equal to the wage pertaining to the notification period. The employer may terminate the labour contract by paying the wage pertaining to the notification period in advance. Non-compliance with the condition of notification or termination of the contract through advance payment of the wage pertaining to the notification period by the employer does not preclude the application of provisions of articles 18, 19, 20 and 21 of this Law. Pursuant to first paragraph of article 18, the worker is paid an indemnity equal to three times of the notification period in case the labour

covered by conciliator. On February 18, 2022, the worker sent a notification to the factory indicating that he was terminated due to union membership, requested at least 1 year of union severance payment, 4 months of wages for unemployment during this period and other benefits if he was not accepted to be rehired by the factory. The factory did not agree with the accusations and rejected to pay requested payment. Then, a court case has been filed by the worker indicating he was terminated due to his union membership. He then agreed to be compensated of 4 months of gross wage along with the severance and notification compensation according to the documentation dated 21.3.2022. It is noted that the document indicates that he also takes back the accusation to FLA as well.

The warning letters are being used as reason for termination as per the allegations. The disciplinary cases have been reviewed and it is noted that:

May 2022: 1 worker was warned for smoking at toilet

March 2022: 2 workers were transferred to disciplinary committee for absence (25.3.2022), 1 worker is terminated due to absence, 28 workers received warnings for defects at the production

February 2022: 7 warnings

January 2022: 3 warnings

December 2021: 1 termination due to absenteeism

October 2021: 3 warnings

August 2021: 1 warning for absenteeism

June 2021: 1 termination due to absenteeism

April 2021: 1 written warning

March 2021: 1 termination due to absenteeism

February 2021: 1 termination due to absenteeism

Worker representative elections for disciplinary committee, annual leave committee, health & safety committee and social issues have not been conducted since 30.1.2020 as there were 6 candidates after the announcement on 4.2.2022 although there should have been 7 representatives as per the worker representative procedure dated 25.6.2013. The 6 candidates

contracts of workers not covered by articles 18, 19, 20 and 21 of this Law are terminated through misuse of the right of termination. Non-conformity with the condition of notification for termination also requires the payment of an indemnity under the fourth paragraph. In the calculation of the indemnities payable under this article and the wage payable in advance for notification periods, the benefits of the worker arising out of the contract and the Law that are in cash or can be measured in cash are considered in addition to the wage indicated in the first paragraph of article 32.

Grounding termination on valid reasons

ARTICLE 18. – Any employer who terminates the indefinite-termed labour contract of a worker with at least six months of service at a workplace employing thirty or more 8 workers has to ground the termination on a valid reason arising out of the qualification or behaviors of the worker or the requirements of the enterprise, workplace or work. The periods given in article 66 of this Law are taken into consideration for the calculation of the six-month service. Particularly the following issues do not constitute a valid reason for termination: a. Membership in a trade union or participation in union activities out of work hours or within work hours with the consent of employer. b. Being the trade union representative of the workplace. c. Application to administrative or judicial authorities against the employer for seeking the rights arising out of laws or the contract or participation in a proceeding already instituted on this issue. d. Race, color, sex, marital status, family obligations, pregnancy, birth, religion, political opinion and similar reasons. e. Not coming to work during the periods set forth in article 74 and when it is prohibited to employ woman workers. f. Temporary absence from the workplace during the waiting period set forth in indent (I), sub-indent (b) of article 25 due to illness or accident. The six-month seniority of the worker is calculated by merging the periods elapsed in one or various workplaces of the same employer. In case the employer has more than one workplace in the same line, the number of workers employed at the workplace is determined by the total number of workers employed at these workplaces. This article, articles 19 and 21 and the last paragraph of article 25 do not apply for the employer's representative who manages the complete enterprise and his/her assistants and the employer's representatives who manage the complete enterprise and are authorized for worker admission and dismissal.

have been assigned to be worker representatives although the procedure does not indicate this. 3 worker representatives were interviewed, and they reported that they are only responsible for food quality, water and toilets. It is noted that work tasks have not been prepared for the worker representative duties.

The worker representatives meet regularly and discuss the issues shared with them directly or through complaint boxes. The following issues have been discussed and the factory responses are mentioned in bold font below:

Worker representatives meeting on 29.12.2021

- Information on severance payments – **The severances are calculated and paid in accordance with law.**
- Warehouse section to be cold – **There is a plan to improve ventilation and heating.**
- Cafeteria to be provided to allow workers buy alternative food – **Cannot be done as opening a canteen has additional legal and financial procedures.**
- Complain on cafeteria worker – **The worker has been warned.**

Complaint box:

Yarn – Knitting: From 1 male and 2 female changing rooms complaint boxes

Dyeing: From 3 male changing room and 4 male toilets complaint boxes

Sewing: From 5 male changing room, 6 male toilets, 7 female changing room, 8 female toilets complaint boxes

- The turnstile to be removed (1) – **Cannot be done due to CTPAT requirement.**
- Quality control section complaints on behaviours of supervisors (1) – **They are warned.**
- Meals to be same consecutively (18) – **The cafeteria chief is informed to increase the meal courses and the calories are calculated and the doctor confirms the food.**
- The cabinets at the security section not being able to be used to keep meals (9) – **It is not agreed due to risk of spoilage of meals.**
- Not being able to smoke freely (2) – **smoking at closed area is forbidden and the workers can smoke at open air.**
- Complain regarding the big shuttle bus (1) – **The drivers have been warned.**
- The meal not being provided properly on 16:00 to 24:00 shift (1) – **The cafeteria responsible has been warned.**
- Yarn section worker requesting to rest – **The case has been transferred to supervisor.**
- Hot water not being provided (1) – **Technical manager has been informed. Hot water can also be obtained from the cafeteria.**
- Yarn section complains for pens and machinery (4) – **The responsible people has**

been warned.

Worker representatives meeting on 11.5.2022

- Information request on severance payments – **The severances are calculated as per legal regulations.**
- Clothing requests – **Will be addressed.**
- Annual leaves – **Depending on the work orders.**
- Any change at working hours – **Not considered.**
- Breakfast to be provided in case soup is not liked – **It is already in place as per the cafeteria chief.**
- Shuttles being crowded (2) – **The controls would be done.**

Complaint box:

Yarn – Knitting section: 1 From male changing room

Sewing: 4 From male toilets, 2 from female changing room

- Complain regarding one yarn section worker (1) – **The case will be investigated.**
- Complain regarding one supervisor behaviour at sewing (2) – **The case will be investigated.**
- Shadirvan to be provided to praying area (3) – **A toilet to be added would be considered.**
- The Ramadan vacation to be extended – **It is not suitable considering the work orders.**

Worker representatives meeting on 4.4.2022

- Severance payment option – **The severances are calculated as per legal requirements.**
- Request to work 7:30 to 17:30 during Ramadan – **It is rejected as it does not fit with the childcare centre times.**
- Request to have a break on Fridays before praying break – **It is not accepted and the legal breaks are provided already after Friday pray.**

Complaint box:

No issues noted

Worker representatives meeting on 28.2.2022

- Request to arrange the wages in accordance with the workload and the risks at work – **The wages are calculated considering the workload and risks.**
- The shuttles to arrive early – **It will be investigated.**
- Breakfast courses to increase – **The cafeteria chief is informed.**
- Scarfs to be in different color – **Not suitable as the scarfs provided are part of**

uniform.

- Shuttle to be provided to a Suludere area – **It will be investigated.**
- Sewing section workers requesting tea except breakfast hours – **It will be investigated.**
- Technical improvement request at yarn section – **Being addressed.**
- When the draw would be conducted – **Waiting info from management.**

Complaint box:

Yarn – Knitting section: 3 From male changing room

Sewing: 4 From male toilets, 2 from female changing room

- Defects at the quality at yarn section (2) – **Improvements are planned.**
- Complain regarding one yarn section worker – **This would be investigated.**
- Complaint regarding one sewing section worker – **This would be investigated.**
- How to assess wage increase rates – **Wage increases are conducted by performance evaluation.**

Conclusions of the Investigation:

Investigator had a chance to meet with all parties involved in this case and visited both production facilities and accessed all relevant documentation and information through document reviews and management interviews.

Investigator also had a chance to reach out to significant number of workers through worker interviews (both those currently working and those dismissed) and conducted large-scale worker surveys in both facilities.

Therefore, this investigator believes that he has reached sufficient information to arrive at firm conclusions.

Investigator's assessment of allegations are as follows:

1. Dismissal of nine pioneer TEKSIF union members from Arik Bey Tekstil Beysehir factory due to their union membership status:

After reviewing relevant termination documents and interviewing union officials, management representatives, dismissed workers and workers currently working in the factory, investigator concluded that those dismissals were based on union membership status of the workers due to following reasons:

- Although factory management declared that they are being neutral and not mounting any pressure on workers about their union membership status, dismissal of three pioneer union members and following dismissals of six more union members created an anti-union environment within the factory.
- Factory management claimed that there is no way for them to know which workers are registered with union unless they promote union very openly in the workplace. On the other hand, some interviewed workers declared that they participated union meetings and shared information about union activities with some managerial staff.
- There is not an established and objective performance evaluation system in the factory and files of the terminated workers are missing any documentation or evidence which indicates that the workers were working with poor performance and/or motivation. Although factory management claimed that they have used "talent matrix" approach as a form of performance evaluation for those dismissals, it was observed that there was not any involvement of worker representatives on this talent matrix process to make sure that the evaluation is objective. Furthermore, existing performance evaluation was relying on data collected from production lines and capturing the performance of the whole production line but not individual data on performance figures.
- Management did not follow the local legislation requirement that termination should be the last resort and did not take necessary steps should be taken such as issuing official warnings about low performance, offering trainings for improving performance or offering some other jobs/tasks within the factory.

Factory kept recruiting new workers to several different departments while dismissing those nine workers and instead of evaluating their eligibility for working at other departments/tasks and/or hiring them back.

- It was not clear why those workers were notified and dismissed in such a short timeframe. All workers were notified about the termination around the end of the workday and all documentation related with the termination was prepared in a haste.
- In addition to that, many other workers who were dismissed due to similar or same reasons were given a proper notification period and kept working during this notification period, which was not implemented for these workers without a proper reason/cause.
- In Arik Bey Beysehir factory, arbitrary implementation of existing workplace rules and disciplinary procedures against union members to discourage union membership was interpreted as a form of anti-union practice by many workers. Especially in the absence of elected worker representatives in disciplinary committee, this matter has become a more pressing issue.
- Management's declaration on terminations of first three union member workers (31.1.2022) were planned long ago but not implemented because of "termination ban" implemented by the government found to be unrealistic as termination ban was lifted back in July 2021 which was 6 months before those dismissals.
- It was observed that factory's lawyer asked from workers who withdrawn their legal cases to sign an agreement to waive their right to file a complaint to Fair Labor Association (FLA) about their dismissal which is highly unusual as most of the workers were not even aware of FLA's complaint mechanism.
- Anonymous worker survey conducted in the factory showed that approximately 42.43% of the workers believe that they are not feeling free to join or not to join a union.
- Worker interviews indicated that approximately 70% of the workers being interviewed feel fear due the dismissal of workers due to their union membership status (the perception is that a union member worker would lose his/her job)

2. Union members being subject to discriminatory treatment and factory management conveying the message to workers in the factories in opposition to the presence of the TEKSIF:

Although the management of both factories declared that they respect freedom of association rights of the workers and have not been involved in any activities limiting this right of the workers, both worker surveys and interviews revealed that a significant portion of workforce in both factories believes that they would lose their jobs in case they register with any union. Many workers declared that some managers and supervisors actively worked against ongoing organizing efforts in both factories by asking the union membership status of the workers and/or advising workers not to join

union - as the factory would be closed if there will be a union and collective bargaining agreement (CBA) in the factory.

Most of the workers and managerial staff do not know the basics of universal norms on freedom of association and collective bargaining despite the fact that both factories are long time adidas suppliers and subjected to adidas' code and benchmark requirements. Involvement of external parties such as the local municipality and other employers doing business with those two factories made things even more complicated for the workers as their relatives and friends became at risk of being harassed and/or dismissed at their workplaces and/or in their social circle.

3. Claims about harassment and abuse of union members and their relatives working in other workplaces in the area through the owners' influence in the locations where the two factories are located.

As explained in detail in the report, the owners of both factories are prominent figures in Beysehir and Seydisehir and representing a major portion of the existing employment opportunities in these districts. There is a number of other companies currently supplying materials and services to these two factories. In addition to that, the owners are well respected by local authorities due to their contributions and donations to different endeavours aiming to improve living conditions in Beysehir and Seydisehir.

Despite the fact that the investigator did not find any direct involvement of the factory owners into such practices, several union members declared that their relatives have been threatened by their employers and some lost their jobs because the members refused to resign from union. Some other cases are covered in the report such as the Mayor's involvement in the press release of TEKSIF union in front of the factory building. There is further information also showing that some third parties and/or factory managers could use owners' influence with their own volition but not necessarily under the direction or supervision of the owners of the factories.

4. The refusal by factory management to start a social dialogue with the union in good faith despite the attempts made by the union to discuss the issues related to the dismissals and the other alleged anti-union practices.

The TEKSIF union made several attempts to meet with the employer and start a social dialogue, but it appears that all these efforts became fruitless. The adidas SEA team's recommendations on starting social dialogue with the union were also refused by Arik Bey management as they used local legislative background as an excuse, since there is no legal obligation on employers to start dialogue with any union unless they register most of the workforce.

Being selective on implementation of universal norms of workers' rights described in adidas's and FLA's Code and benchmarks for a supplier is not acceptable. As a general

rule, when local law and brand requirements conflict with each other, the stricter norm should be followed therefore, here social dialogue should be the norm to be followed.

Recommendations for the parties involved

Management of both facilities have rendered the process of unionization, to some extent, unsuccessful, which might have provided a temporary relief for the management. However, unions play an important role in the settlement of workplace disputes. In both factories, there are still many unionized workers and both worker interviews and surveys showed discontent of the workers on several different persistent issues.

Investigator believe it is important to find amicable and participatory means to resolving workplace conflicts through social dialogue and therefore suggests:

Recommendations for Factories -Arik Bey and Beybo-

- Managements of both factories, including their lawyers, are recommended to realize that they are a part of long-time strategic business partner of adidas and bound to follow adidas Workplace Code of Conduct and benchmark requirements on workers' key rights areas including freedom of association and collective bargaining rights of the workers. Therefore, refusing social dialogue by using the norms of local legislation is unacceptable and both factories should be open to having meetings to discuss any matters related with the members of the union. This is even a more pressing issue for the Arik Bey Beysehir factory where several union members were dismissed and there are at least three ongoing lawsuits about this issue. Investigator recommends Arik Bey management and TEKSIF union to organize a meeting under the supervision of adidas to resolve all pressing issues, including concerning dismissed union members and freedom of association issues reported by the union.
- As explained in detail in this report, the owners of these factories are very prominent and influential figures in those districts where the factories are located at, therefore, many other workplaces and even local municipalities are involved into this issue with or without the knowledge and consent of the factory owners. In order to address such issues in future, the owners of the factories are recommended to share a written declaration that they are respecting the freedom of association and collective bargaining rights of their workers and this declaration should be posted in prominent places in both factories. It is also recommended that owners of the factories to get in touch with the other business owners and local authorities and inform them about not to involve in any matters related with their factories and workers - such as dismissing

or threatening with dismissal of the relatives of their workers, organizing efforts to block any press briefing of the union and/or harassment of the union officials or the union members.

- It was observed that Arik Bey Beysehir factory has continued recruitment of new workers after the dismissal of union members which shows that there are employment opportunities arising at this factory from time to time. Therefore, it is recommended to factory management to consider the union member workers who were dismissed and signed a settlement with the factory previously, for such job openings.
- In order to address the lack of knowledge about basics of freedom of association and collective bargaining rights of the workers, a series of training sessions should be prepared for workers and managerial staff (including supervisors and line chiefs) for both factories. These training sessions should be prepared and delivered by a credible and respected individual selected by adidas SEA team instead of the factory management. Content of the training should cover both local laws and adidas Code/Benchmark requirements.
- Absence of an objective and well-established performance evaluation system in both factories is making personal performance evaluation a highly contested issue. Both factories should establish an objective, clear and understandable system for performance evaluation. Such a system must be established in coordination and with the feedbacks of workers, and all workers should be informed about such a system before it is launched.
- As explained in detail in earlier sections of this report, the wage policy of both factories is simply following minimum wage requirements without taking into consideration several other factors such as living wage/fair compensation concepts, seniority and individual performance of the workers. It is recommended that managements of both factories to work on this issue by getting help from the adidas SEA department.
- Freedom of movement limitations implemented by Arik Bey Beysehir factory since February 2022 should be lifted. Currently, workers are not allowed to leave factory premises during the break hours and for Friday prayers – following the TEKIF union’s press statement in front of the factory building.
- Although there is a social compliance department in company headquarters in Istanbul and the internal audits are taking place on a periodical basis, the quality and

impartiality of those audits are highly contested by workers. Structuring and the reporting line of this department should be evaluated to ensure independence and impartiality.

- A number of issues were reported by the workers of both factories during the interviews and surveys (see relevant sections for details), it is important for management of both factories to prioritize and address the issues listed below:
 - Freedom of Association
 - Limitations on restroom use during working hours
 - Excessive and mandatory overtime (as per the allegations, the factory does not arrange shuttle buses for workers who do not want to stay for overtime)
 - Wages and benefits
 - Harassment and Abuse
- Investigator found some of Arik Bey Beysehir management's some of the responses to the corrective action plan (CAP) shared by adidas to be insufficient -see relevant section of this report for details-. Considering the fact that this factory is a part of long-time adidas strategic supplier, it is expected that the factory's remediation plan should be a time bounded and solution oriented.

Recommendations for adidas:

- It was observed that one of the root causes of excessive and mandatory overtime in factories is adidas's internal procedure on the compliance override through Country Manager approval. Although this document is still referring to local law limits, factories are seeing this as a permit for exceeding all overtime related limitations and rules, which is a very problematic approach and has created several overtime violations.
- Better collaboration and partnership are needed between compliance and sourcing departments as its obvious to see in this case that chronic and systematic excessive overtime issue is brought forward by adidas' SEA department several times, but sourcing department took the responsibility and issued an approval for more overtime work.
- adidas' SEA department is recommended to organize townhall meetings to convey messages on the basics of universal workers' rights to the workforce -including FOA and CBA rights of the workers- in both factories.

- Better communication between suppliers and the SEA team is needed; a very recent and important example is that bonus pay promised by the employer and communicated with SEA team seems to have been withdrawn by the employer recently without consulting with the SEA team. Such arbitrary actions are not good for the credibility of both the factory management and adidas SEA team, as the workers were informed and expecting this bonus payment. Another similar issue observed for scholarship provided for the children of the deceased workers as the investigator found at least one case where factory management claimed that they provided scholarship, but then it turned out that it was not the case due to the bureaucratic issues.
- Quality inspectors of adidas can be trained on CSR topics and better utilized to gain on-time information from suppliers as they are visiting factories more often. Such information sharing could be useful for SEA team.
- A timely and full implementation of corrective action plan (CAP) items is crucial for addressing issues being identified during this investigation.
- It is recommended to have a stricter and more effective system for CAP implementation follow up from adidas side as many persistent and pressing issues remained pending for a longtime which eventually resulted discontent among the workers.
- adidas SEA department is recommended to encourage the factory to work on wage levels and increase the living standards of the workers.

Recommendations for TEKSIF union:

- Union is recommended to be careful about bringing cases of dismissed union members who registered with union on the same day of termination as it is almost impossible to understand if this worker registered before or after termination notice. (Investigator found only one such case which was later withdrawn from the complaint by the union.)

Recommendations for FLA:

- There was not any mention of “Country Manager Approval for Work Outside the SEA Limits” form in adidas’s last re-accreditation report which is publicly available. It is recommended FLA to look into such compliance override procedures which exist within its affiliates’ social compliance systems and evaluate them during the accreditation process.

- FLA should work together with its affiliated brand adidas and oversee the implementation of the recommendations listed in this report.
- FLA should work with adidas' SEA department to increase the wage levels and the living standards of the workers⁷.

⁷ **FLA Workplace Code / Compensation:** Every worker has a right to compensation for a regular work week that is sufficient to meet the workers' basic needs and provide some discretionary income. Employers shall pay at least the minimum wage or the appropriate prevailing wage, whichever is higher, comply with all legal requirements on wages, and provide any fringe benefits required by law or contract. Where compensation does not meet workers' basic needs and provide some discretionary income, each employer shall work with the FLA to take appropriate actions that seek to progressively realize a level of compensation that does.