



FAIR LABOR
ASSOCIATION

Robert van der Merwe
President and CEO
Paxar Corporate
105 Corporate Park Drive
White Plains NY 10604
USA

Geneva, 29 June 2006

Dear Mr. van der Merwe,

I am writing to you on behalf of the Fair Labor Association (FLA) and our affiliated companies adidas, Asics, H&M, Nike and Puma regarding a labor dispute at Paxar Turkey. These companies source from Paxar Turkey. The FLA has a Workplace Code of Conduct which requires respect for the Conventions of the International Labour Organization regarding freedom of association and collective bargaining. In addition, the aforementioned companies have codes of conduct that require compliance with any national labor law provisions relating to the right of workers and employers to associate. Those rights appear to have been breached by Paxar Turkey's failure to recognize the Teksif union as a bargaining agent and to enter into good faith negotiations with them.

The issue revolves around the fact that on 17 November 2005 the Turkish labour courts certified the Teksif union to be the official bargaining agent on behalf of 267 workers at Paxar, based on a review of signed membership application forms. Shortly thereafter, Teksif presented a draft collective agreement to Paxar Turkey management to open negotiations. To date – more than six months later --management has not made any counter-offer or started to negotiate. There are additional allegations of antiunion activity on the part of management, designed in particular to get workers to resign from the union.

As a result Teksif lodged a Third Party Complaint with the FLA alleging serious and persistent violations of our Workplace Code of Conduct at Paxar Turkey. Our approach in such cases is always to give FLA-affiliated companies time to determine if such violations have indeed taken place and to remedy them if they have. If our affiliates conclude that violations have occurred but that they are unable to rectify the situation, the FLA works with all the parties to find a solution, often through mediation. We asked Vic Thorpe, an independent consultant, to document the facts of the case but we have not taken further action because we (and other interested parties) received a number of assurances from Paxar management in Turkey that collective bargaining would begin, most recently on Monday 19 June. However, no such good faith bargaining has commenced.

I would therefore appeal to you to ensure that Paxar Turkey respects the court decision according bargaining status to Teksif and enters into negotiations with the union with a view to concluding an agreement. It is also imperative that workers at the facility be able to exercise their right to form or join an organization of their choosing without fear of reprisal and it may be necessary to take active measures to establish such an environment in the factory. We at the FLA would gladly help in any way we can to facilitate negotiations and to provide training to both management and workers on how to respect freedom of association in practice.

The international attention directed at this case has been heightened by the fact that the World Cup is presently being played in Germany. This increases the urgency of the matter and I trust that you will move expeditiously to resolve this dispute. I am traveling at the moment but would like to suggest that we talk by phone at your convenience next week. In addition, I will be in Turkey on other business next Thursday and Friday (July 6-7) and would gladly meet with any of your local management team to discuss the matter further.

I know that the Ethical Trading Initiative and other labor rights organizations have similar concerns and will be writing to you as well.

Auret van Heerden
President and CEO Fair
Labor Association