



Mr. ChunHong Teh  
Pesticide Action Network Asia and the Pacific (PAN AP)  
Malaysia

**Your letter dated May 13 , 2008**

14.07.2008

Dear Mr. Teh,

Thank you for your email which outlined your concerns related to tribal people living near the Apache Chennai footwear factory, which is located in Andhra Pradesh. We can confirm that Apache Chennai is an independent contractor and a supplier of footwear product to the adidas Group.

adidas Group firmly believes that the Special Economic Zone ('SEZ') should be planned and developed in a way that minimizes adverse impacts on local people. During the initial stages of the SEZ establishment and the construction of the factory, Apache was in very close communications with the State Government and the SEZ authorities to ensure that the land provided for the SEZ was suitable had minimal impact on local people and or resettlement of local people. In their response, the State authorities confirmed that the land provided to Apache was government property and that it was barren, i.e. uncultivated.

We understand that in the north west corner of the Apache SEZ there is an area of approximately 25 acres, occupied by some 20 local villagers or tribal people. The State Government has informed Apache that the relocation of these villagers is still pending; it has been delayed due to an issue over the acquisition of land at a new resettlement location. Given this situation, Apache fixed it's boundary wall away from the village, thereby allowing the villagers to continue to have access to their existing land. Apache will refrain from taking any further steps until they received confirmation from the State government that the pending issues with villagers have been resolved properly.

Last year, the adidas Group's Head of Social & Environmental Affairs for Asia met with the Secretary to the Chief Minister for Andhra Pradesh to highlight our concerns and to seek assurances that full and proper compensation would be made to villagers if they were asked to be relocated or otherwise affected by the government's SEZ development.

In your letter you state that the livelihood of the tribal people has been affected, but we understand that the Apache development occupies uncultivated land, that was barren. There are no water bodies within this area, say for fishing. The nearest natural lake is located about 3 km from the Apache SEZ and it is open for public use. We appreciate if you could clarify further to us in what specific ways people's livelihoods have been impacted . We also welcome if you'd like to have phone call to discuss this matter directly.

Sincerely,

A handwritten signature in black ink, appearing to read 'Fitri Purba', with a horizontal line underneath.

Fitri Purba  
Area Manager - West Asia Region  
Group SEA