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We know that our people are crucial to our success. Becoming the global leader in the sporting goods industry depends on the potential, dedication, knowledge and performance of our employees and the excellence of our leaders. Therefore, we foster a corporate culture based on our values of performance, passion, integrity and diversity as we are convinced this is crucial to stimulate innovation, team spirit and engagement. We aim to continuously develop our employees and make opportunities for career progression transparent. Our performance culture is based on strong leadership where achievement gets rewarded.

We have a set of Labour Rights Principles we abide by as an employer and similarly we expect our more than 42,000 employees to adhere to the Employee Code of Conduct. We aim to make the workplace safe for our employees and we encourage them to share their views and participate in decision-making through our Works Councils.

AN EMPLOYER OF CHOICE

Our ambition is to be the employer of choice both for our current and future employees because this will lead to business success.

We need to evaluate our performance in achieving this goal which is why we introduced formal employee engagement surveys in 2008. We believe that employee satisfaction drives commitment, commitment drives engagement, and engagement drives business performance. Consequently, we have defined engagement as one of our Group's key performance indicators for measuring our efforts to sustain a 'performance culture'.

GROUP-WIDE ENGAGEMENT SURVEY

In 2010 we conducted the first Group-wide engagement survey. We achieved an outstanding participation rate of 90% and an engagement score which places us close to the upper quartile of highest performing organisations in respect to engagement. Compared to 2008 we were able to increase our engagement score significantly. This score was underpinned by a high level of confidence in our senior leaders, clarity of strategic direction as well as an open and constructive work climate. Areas for further improvement identified by employees included career development and opportunity support, availability of IT tools and performance recognition. Our senior leaders are responsible for and committed to increasing the engagement scores. As in previous years, based on the feedback received, 'Result-to-Action teams' will be established to drive initiatives to enhance the Group's performance in the respective areas of weakness.

INTERNAL COMMUNICATION ACTIVITIES TO DRIVE EMPLOYEE ENGAGEMENT

We believe that a robust internal communication platform is essential for driving employee engagement and fostering open collaboration within our organisation.

The Group's intranet has been transformed into blogs allowing teams to communicate quickly and enabling employees to comment and discuss current topics. Our new Group-wide 'Idea Forum' allows employees to make suggestions, gain recognition for doing so and contribute to their implementation.

We also have a web-based scheme - 'Ask the Management' - that allows employees to post questions to senior management. And more of our main locations are hosting 'All-employee meetings', where senior management address topics of interest and answer questions. There were more than ten such meetings organised across all brands, Group functions and regions in 2010.

We encourage employees to use any or all of these channels to voice their concerns, questions or suggestions. The more feedback we receive, the more we are able to improve our practices and be a better employer.

DEVELOPING EMPLOYEES

To reach their personal best, our Group's employees are offered training to build on their strengths, improve their skills and overcome their own challenges. In this process, joining individual aspirations to our organisational needs is the highest priority. Our 'Competency Model' defines a set of competencies to ensure consistent and transparent performance, talent and succession management. We focus our efforts on three key success drivers: Performance Management, Talent Management and Succession Management.

Performance Management: Our global PEP (Performance Evaluation and Planning) tool enables us to measure all our employees against the required competencies of their job level and their performance, but also to set individual business targets and plan appropriate training activities as necessary. We offer targeted training (behavioural and managerial training) for individuals at all levels of the organisation. PEP is used in all business units of the adidas Group and the online PEP has a coverage of 71%. The target for 2011 is to reach an online coverage of 97% Group-wide.

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Talent Management: With specifically designed talent management tools, we identify employees at all levels of our Group who have the potential to become future leaders in our organisation. In order to prepare employees for more complex future roles, they participate in targeted development programmes for various levels within the organisation:

- **Executive Development Programme:** A global adidas Group programme (cross-brand and cross-functional) for employees who show potential for the Executive level. The programme is centrally managed and executed.
- **Management Development Programme:** A global adidas Group programme which is executed regionally. This programme is tailored for employees from different functional areas and brands who show potential for management.
- **People Manager Development Programme:** A global adidas Group programme which is executed locally. The programme targets employees at a team leader level who show potential for their next career step.
- **Business Management Programme:** A two-year international cross-functional and cross-brand programme aiming at attracting professionals with MBA degrees and three to five years' work experience to prepare them for future management positions within our Group. At year-end 2010, six employees were participating in the BMP globally (2009: 5).
- **Functional Trainee Programme:** A 12- to 18-month programme giving graduates with international backgrounds and excellent educational credentials the opportunity to start a functional career with the adidas Group. The programme comprises six three-month assignments in varying departments. At least one of these assignments takes place abroad. At year-end 2010, we employed 36 participants in this global programme (2009: 39).

Our development programmes are complemented by apprenticeship and internship programmes. The adidas Group apprenticeship offers young people who want to join our Group straight out of school the opportunity to gain business experience in a three-year rotation programme. The programme includes vocational training in retail, industrial management and IT as well as integrated study programmes. At the end of 2010, we employed 55 apprentices in Germany (2009: 58).

Our global internship programme gives students three to six months work experience within the adidas Group. For 'best-of-class' interns, we continued our 'ReBounce' programme to foster potential future employment. At the end of 2010, we employed 320 interns in Germany (2009: 331).

Succession Management: We have a Group-wide succession management process in place that helps us identify succession risks as well as develop designated or potential successors for future management positions. All positions from Director level are discussed regularly by senior management. The succession management process is supported by a system which stores position and employee data related to performance, potential, career aspirations, mobility, etc. This system is applied in 71% of the adidas Group business units. The target for 2011 is to reach a Group-wide online coverage of 94%.

REWARDING EMPLOYEES

PERFORMANCE-DRIVEN REMUNERATION SYSTEM

We are committed to rewarding our employees with compensation and benefit programmes that are competitive in the marketplace. The cornerstone of our rewards programme is our Global Salary Management System which is used as a basis to set the value of employees' positions and salaries in a market-driven and performance-oriented way.

In addition to a fixed base salary, we also offer our employees various variable compensation components.

Bonus programme: In order to allow our employees to participate in the Group's success and to reward them for their target achievement, we have implemented a global bonus programme under the name 'aim 2 score'. This programme combines individual performance (measured in the Performance Evaluation and Planning process) and corporate performance (actual financial results measured against Group, brand, channel, division and/or business unit targets).

Profit sharing: For employees at our Group headquarters and our other locations in Germany who do not participate in the bonus programme, we have introduced a profit sharing programme called 'Champions Bonus'.

Additional compensation components: For senior management and Executive Board members we offer Long-Term Incentive Programmes (LTIP). Other benefits include our 401-K pension plans in the USA and the adidas Group pension plan for our employees in Germany. In 2010, 2,060 employees participated in the latter, which represents 58% of all eligible employees.

Other Group subsidiaries also grant a variety of additional benefits to employees depending on locally defined practices and country-specific norms.

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CREATING AN ATTRACTIVE WORK ENVIRONMENT

We aim to harmonise the commercial interests of the adidas Group with the private and family needs of our employees. Our work-life balance programme includes family-oriented services, flexible work time and place, people development and leadership competence related to work-life balance.

In addition, we offer our employees a wide range of sports activities at our major sites. Employees in Herzogenaurach, Portland and Canton and at other subsidiaries have access to a company gym.

Our Company Sports department in Herzogenaurach also organises various sports activities such as mountain biking, kayaking or ski tours. Special events such as a one-week sports camp for employees' children, trans-alpine mountain bike tours and the annual Berlin Marathon weekend (with a suitable training programme prior to the event) are also available. In 2010, the Company Sports department in Germany offered about 225 courses and more than 40 events which were attended by more than 3,600 participants (2009: more than 3,000).

HEALTH AND SAFETY

Every employee must have a safe working environment. Nothing less is acceptable. This is valid for every kind of workplace, including machine workplaces in production areas, home office workplaces for administration functions and workplaces in our stores. As a global Group, our operations have to comply with a wide range of different legal and cultural imperatives. Naturally, practices and procedures will vary from one facility to another depending on the structure of the facility, but the core requirements remain the same.

The adidas Group's health and safety management focuses on the following core areas:

- Workplace health and safety at the sites
- Travel security
- Major incident response including precautionary measures related to communicable diseases
- HIV/AIDS Policy.

WORKPLACE HEALTH AND SAFETY AT SITES

Corporate Guidelines for Health and Safety are in place which are used by our administrative offices, distribution centres and production sites. They include core standards for workplace health and safety which complement local legal regulatory requirements. In addition, our larger administration facilities and the Group's small number of production sites have comprehensive risk, health, safety and environmental management systems coordinated by local facility management.

Read more about the Group's environmental management systems and programmes on page 36.

MANAGING WORKPLACE HEALTH AND SAFETY AT MAJOR SITES IN GERMANY

Under German labour safety law, employees at our headquarters in Herzogenaurach and other locations in Germany must receive annual training on workplace health hazards and safety measures. The adidas Group intranet offers mandatory online courses on emergency procedures and fire safety measures as well as guidelines for office and computer ergonomics.

There is regular health and safety training at our production sites in Germany in collaboration with the Textile and Clothing Trade Association.

Every two years, a Safety Day takes place at all German locations. The day is organised by the Labour Safety Committee together with the police, the trade association, the health insurance and local businesses.

To respond appropriately to the number of reported accidents on the way to or from work, further training courses were offered to adidas Group employees in 2010. Training was conducted by an expert in the safe use of motor vehicles. The main parts of this instruction covered a visual check of the vehicle before setting off, dangers when driving in traffic, defensive driving, correct behaviour on the road and how to secure loads safely.

FIRST AID TRAINING

During the past year, much time was invested into first aid training. At the Scheinfeld location, the company paramedics from Herzogenaurach, Scheinfeld and Uffenheim underwent further training and were challenged with an exercise involving a realistic accident scenario.

Technological progress is also taken into consideration. The adidas Group ensures that security and industrial safety staff in Herzogenaurach, Scheinfeld and Uffenheim are trained on defibrillators and that such equipment is also made available at various locations. The employees who were already trained in the use of defibrillators received further important training in the safe use of an Automated External Defibrillator in 2010.

CHECKING WORKPLACE HEALTH AND SAFETY IN RETAIL STORES

With the increasing number of retail stores run by the adidas Group, workplace health and safety in stores plays an important role. Industrial experts conducted store inspections and checked ladders, shelves and lighting. They also checked to see that the emergency escape route plan was prominently displayed along with information about fire protection regulations as well as other workplace safety matters.

Statistics about workplace health and safety can be found in the Performance section on page 72.

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TRAVEL SECURITY

The adidas Group is a global business and people are constantly travelling between various places around the world. To ensure utmost travel security the adidas Group runs a Medical and Security Assistance Programme with a third party to service expatriates and adidas Group employees on business-related travel.

The purpose of the Medical and Security Assistance Programme is to make business travel easier and safer and to help when medical, health or security related problems arise while people are travelling, either in or out of their home country. Employees obtain pre-travel services including information regarding immunisation recommendations, travel medicine clinics, passports and visas, local medical facilities, and special security precautions about their destination. Destination services include telephone medical and security advice, worldwide medical and dental referrals, medication replacement, prescription transfer and medical and security evacuation.

The service provider has 24-hour Alarm Centres which are staffed with security advisors and physicians who are trained in emergency and travel medicine. They also have a network of medical clinics globally that provide an international standard of care.

MAJOR INCIDENT RESPONSE

The Group-wide Major Incident Response Policy sets out procedures as well as clear definitions, responsibilities, actions and the internal and external communications needed to handle such incidents effectively. With the policy's help under the lead of Group Human Resources, the Group's Incident Response Team takes the appropriate action to minimise risks for our employees and our business at any time anywhere in the world.

HIV/AIDS POLICY

The adidas Group runs a Group-wide HIV/AIDS policy which is available to all employees via the company's intranet site. The policy is based on guidance from the International Labour Organization (ILO) and contains:

- General guidance on HIV/AIDS
- An employee guide
- Guidelines for HR managers on workplace care and support.

RIGHTS AND RULES

As a company managing more than 42,000 employees, the adidas Group has established standards and rules that specify the Group's responsibilities towards its global workforce. These are defined in the adidas Group Labour Rights Principles. In turn, employees must comply with the Employee Code of Conduct, which explains their duty to ensure ethical business behaviour.

LABOUR RIGHTS PRINCIPLES

The Labour Rights Principles demonstrate the Group's commitment to the United Nations Universal Declaration of Human Rights and are the guiding framework for several Group level policies that put our commitment into day-to-day practice. These policies are related to issues such as employee recruitment, development, equal opportunities and compensation and benefits.

Read more at <http://www.adidas-group.com/en/sustainability/employees/default.aspx>

ADIDAS GROUP EMPLOYEE CODE OF CONDUCT

Integrity is one of the core values of the adidas Group. All employees are expected to act with fairness and responsibility as well as in compliance with relevant laws and regulations while carrying out their tasks. In order to maintain good corporate governance, we therefore adopted a Code of Conduct as part of our internal Global Policy Manual.

The Code is the cornerstone of ethical work behaviour for our employees. It defines binding rules with respect to legally compliant and ethical behaviour towards other employees, business partners and third parties, for handling information – in particular insider information – as well as for dealing with financial matters.

See the full text of the Employee Code of Conduct at http://www.adidas-group.com/en/investorrelations/corporate_governance/codeofconduct/default.aspx

The Code of Conduct is supported with mandatory online training available in ten languages. This ongoing training is aimed at raising awareness of ethical and social behaviour as well as promoting compliance with data protection requirements and other policies.

COMPLAINTS AND NON-COMPLIANCES

To track complaints or cases of non-compliances, we have established a network of compliance managers worldwide, and the Works Council at our headquarters is also involved. In 2010 we installed a new hotline for our business operations in China and have further expanded the number of compliance managers from 10 to 30.

A whistle-blowing system assures that employees can submit complaints anonymously.

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Analysing the number and nature of entries submitted in 2010, nearly 80% of all cases related to general complaints about employee-manager relations. The Human Resources department is used to addressing these issues. In all other cases employees were seeking advice on dealing with specific issues.

ENSURING DATA PROTECTION

Ensuring privacy around data is also an important aspect of the Group's compliance programme. Our data protection system aims to ensure personal information is handled, stored and processed according to applicable laws and internal policies globally. Online training on the 'Do's and Don'ts' is provided to all employees and special training is given to departments that manage sensitive data, such as marketing departments.

EMPLOYEE INVOLVEMENT

Employee empowerment and participation play an important role in managing employee relations within the adidas Group. Our employees are free to join organisations of their choice to represent them, consistent with local organising laws. These organisations may, if recognised as the appropriate agent, engage in collective bargaining according to the applicable legal regulations.

EMPLOYEE REPRESENTATIVES AT SUPERVISORY BOARD

The Group has established Works Councils at adidas in Germany and other European subsidiaries. The members of the Works Councils are elected by the workforce.

Currently, three representatives of the German Works Council are also members of the Supervisory Board. The Supervisory Board advises and supervises the Executive Board in the management of the adidas Group. It is involved in all decisions of fundamental importance to the Group and is responsible for appointing and dismissing members of the Executive Board. This so-called 'co-determination' structure is mandatory under German law.

WORKS COUNCIL GERMANY

In 2010, elections took place for the local Works Councils at all German locations: Scheinfeld (production and warehouse), Uffenheim (warehouse) and Herzogenaurach (headquarters and German subsidiary). Two out of those three Works Councils increased the number of their members in keeping with the growing number of employees.

The Works Council offers an intranet platform to post questions anonymously. Questions addressed in 2010 mainly referred to HR tools, remuneration, equal treatment of employees and basic information on the elections.

CENTRAL WORKS COUNCIL

This Works Council represents all our sites in Germany, including our headquarters in Herzogenaurach. Elections for this Council took place based on the results of the elections of the local Works Councils.

In 2010, the Central Works Council was actively involved in a range of staff-related projects. Depending on the type and subject, the Works Council played a critical role in exercising its development, support, feedback, consultation and approval function. The Works Council paid special attention to the following initiatives:

- Implementation and alignment of revised remuneration structures
- Revision of bonus schemes for management levels and implementation of bonus schemes for professional levels
- Implementation of work-life accounts (long-term accounts) to optimise life-time working hour flexibility.

EUROPEAN WORKS COUNCIL

The European Works Council (EWC) currently consists of eight delegates from six European countries. Germany, as the country with the largest number of employees, has three delegates on the Council. The fruitful collaboration between the European and headquarters Works Council and the Group Social and Environmental Affairs (SEA) team continued in 2010.

In 2010, at the annual EWC summit, the main topics discussed included:

- HR tools implemented and HR projects run at European locations
- Updates on risk management and data protection
- Review of updates provided by Group SEA on 2009/10 social and environmental programmes and initiatives
- Update on the Code of Conduct and review of cases of non-compliance
- Revision of the Company Agreement on the Establishment of the European Works Council, according to the new EU guidelines
- Concepts to facilitate EWC participation of non-EU locations.

WORKS COUNCIL ENGAGEMENTS IN 2010

Works Council representatives participated in various local and international stakeholder meetings as well as in several conferences and seminars where the general topic was Corporate Social Responsibility (CSR).

Works Council members also regularly meet representatives of the Hans-Böckler Foundation (affiliated to the German Trade Union Federation) to discuss general CSR-related topics, exchange information and experiences and share best practice.

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VIEW FROM THE WORKS COUNCIL

Here Sabine Bauer, Chairwoman of both the Central Works Council in Germany and the European Works Council, gives her views on the social and environmental programme at the adidas Group and how the issues affect employees.

Q: First of all, do you think it is important to have a social and environmental programme?

A: I would say it is **essential** to have this programme. Employees are more and more aware about these issues all the time – they want to know what kind of social and environmental engagement the company has. They don't want to work for a company where something fishy is going on.

Q: One part of the Environmental Strategy is the Green Teams programme. Is that a good way to engage employees?

A: In my opinion, it is a good start. I think if people can focus on what matters to them then they have an emotional attachment to that issue, and they can be authentic ambassadors for tackling that issue and motivating others to take action.

Q: The HR team's watchword is 'engagement drives performance'. How successfully does the company engage and manage its employees?

A: The company has a very good framework and tools. When it comes to implementing those or living it in a sustainable way, we have some areas where it works well and others where there is still room for improvement.

Q: Employees seem very dedicated to the adidas Group. But is there a risk that this can be exploited?

A: In theory, dedication and enthusiasm of the individual can always be exploited, either by managers or by the individuals themselves. Therefore, it is indispensable to have regulations and the appropriate tools in place, and to create and keep working conditions and recognition tools that grant a healthy, sustainable working environment.

Q: We have a multinational business. Does the company deal with that well?

A: The areas and departments that are the most successful are the ones that think about the other person's culture, respect it and learn from it. This is visible to a large extent and serves as a role model. Of course, this is an area of continuous improvement activities. Our diversity is a tremendous strength.

Q: What about gender issues? Are there still pay discrepancies for example?

A: There are still some areas where women have not reached the same level of respect and grade as their male colleagues. And there is certainly also room for improvement regarding the top management positions, meaning a better balance. Related topics are part-time working and parental leave; both deserve more recognition as something valuable. We do have some women working part-time in senior positions but we could have more. People should be valued for what they contribute to the business and not the hours they put in. That would be a huge step forward.

Q: Turning to community involvement, do you see lots of opportunities for employees to participate?

A: We do have a good base but we should promote it a little better. You need a variety of ways that people can get involved. Education and helping children may not be an area that suits everyone. But everybody has something to offer, I'm sure, so diversity plays an important role here also.

Q: How much attention is paid to corporate responsibility at the Supervisory Board?

A: There have always been regular updates on initiatives, projects and results. Going forward, I would encourage an even deeper involvement to keep track with the ever-changing and growing demands.

Q: How would you enhance the corporate responsibility programme at the adidas Group?

A: First of all, I would like to see employee representation at a global level – a Global Works Council – which would be a platform for employees everywhere to exchange information and best practice.

Secondly, if there were more people doing CR as their daily job, then it would have a higher profile internally. If the issue got more attention, that would drive more engagement. And with more engagement you usually get better input and better results. Everything follows from there.