

01	ABOUT OUR PROGRAMME
17	ENVIRONMENT
41	SUPPLIERS
57	EMPLOYEES
64	COMMUNITY
72	PERFORMANCE
102	GRI INDEX

# PERFORMANCE

At the adidas Group we know that performance counts. Measuring our performance helps us assess our progress towards our goals and publishing our social and environmental performance here helps our stakeholders hold us to account.

Every year we make an effort to improve the way we report our performance. We ask ourselves what we can report that would be useful to stakeholders and how we can present it clearly.

This year we have once again strengthened our performance reporting. We have added more environmental data from more of our own sites, many of which are reporting for the first time this year – 67 sites are reporting this year, up from 24 last year. These include administration sites, our own production facilities and distribution centres.

The reporting of our suppliers' performance has been improved by providing more commentary and context for the numbers, for example about the KPI supplier ratings and the warning letters we have issued.

We have used a feature where readers can 'show/hide more detail' this year in our performance reporting. We hope this strikes a balance between providing a quick understanding of key figures while still offering the detail on individual datasets for those who want it. We are keen to hear what report users think about this and other elements of our performance data; please let us know by emailing [sustainability@adidas-Group.com](mailto:sustainability@adidas-Group.com).

## SUPPLY CHAIN

### NUMBER OF SUPPLIER FACTORIES

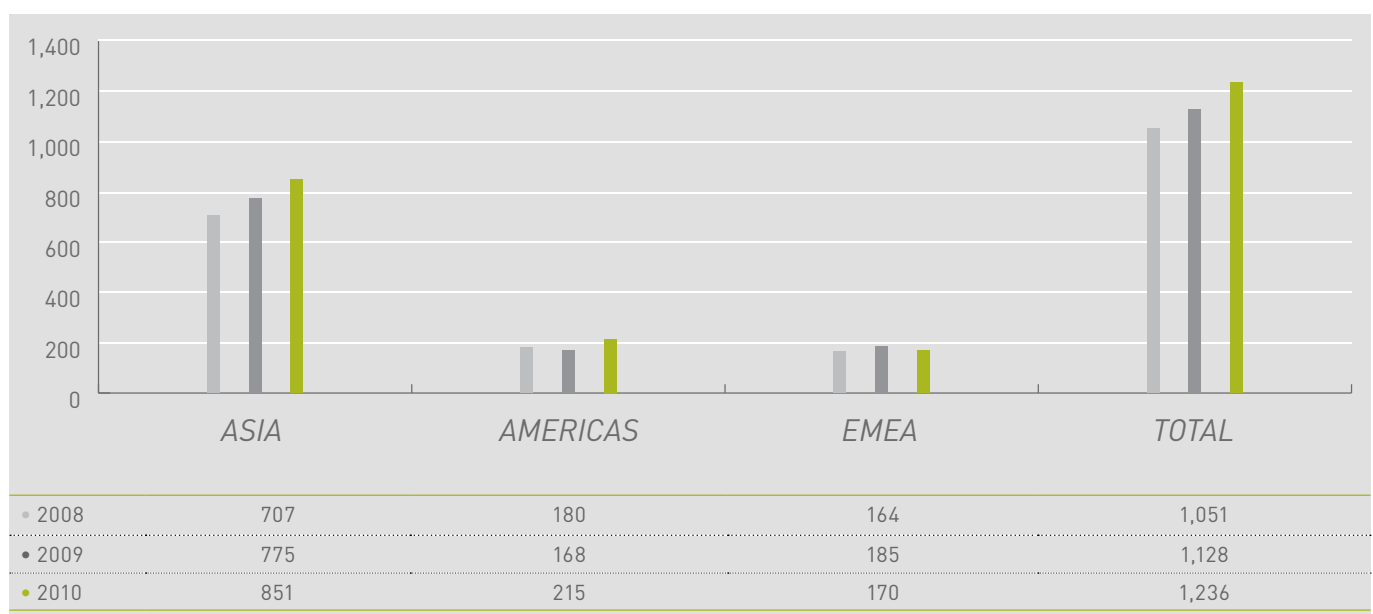
In the course of any calendar year there is a notable movement of factories, as suppliers are added or removed, because business entities are created, bought or sold by the adidas Group, or intermediaries, such as agents, are hired or their services are terminated. The data we are reporting here is a snapshot in time, a static point capturing the situation at the end of 12 months of these movements. Data is presented on a year-on-year basis, as at the 31st December.

In 2010, we worked with 1,236 independent factories (excluding factories of our licensees) who manufacture adidas Group products in 69 countries. 69% of the factories are located in the Asia Pacific region, 17% in the Americas and 14% in Europe, Middle East and Africa (EMEA). Over one quarter, or exactly 27%, of all these factories are in China.

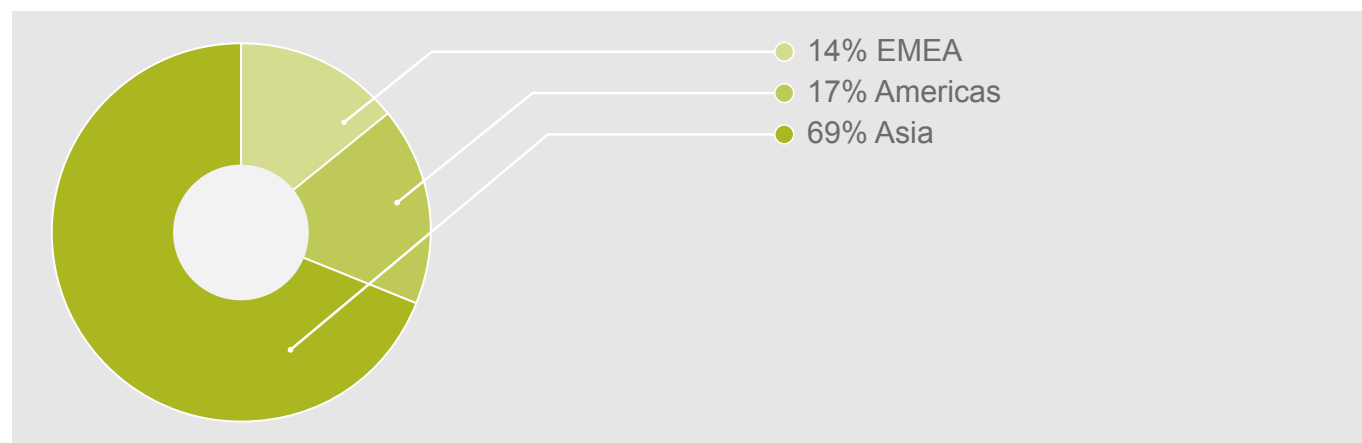
The total number of supplier factories is higher than the number reported in 2008 or in 2009. The reasons for this are:

1. Improved supply chain disclosure by business entities, such that suppliers that may have already been part of our supply chain have now been declared, registered and approved.
2. A change in the number of business entities within the adidas Group.
3. Increased use of secondary manufacturing locations by suppliers, especially in China.

### Number of supplier factories (excluding own factories and licensee factories)



Suppliers factories by region in 2010 (excluding own factories and licensee factories)



**FACTORIES BY COUNTRY**

Compared with year-on-year data for 2009, there was a notable increase in factory numbers in Brazil, Cambodia, China, India, Indonesia and Vietnam. The reasons for these increases are multi-various, as explained below.

The trend in Brazil is not the result of new factories being added to the supply chain, but improved compliance by business entities leading to fuller disclosure of manufacturing locations. In Asia, Cambodia, Indonesia and Vietnam have grown, partly in response to operating costs in China, but also due to trade restrictions forcing China based footwear suppliers to invest in other countries. In the case of India, improved transparency has added to the number of factories being disclosed and in China, additional factories have been added as suppliers have built secondary facilities to access labour in more remote locations, but they have also retained their existing coastal manufacturing facilities as development and management hubs.

There has also been a marked decline in the number of factories in certain countries around the world. Notable examples include Australia and New Zealand where there has been a consolidated sourcing approach with increased dependence on foreign imports and hence a reduced local supply chain. In South Africa the supply chain also shrank, post the 2010 FIFA World Cup South Africa™.

NUMBER OF SUPPLIER FACTORIES PER COUNTRY<sup>1</sup>

**Asia**

Country	Total number of factories		
	2008	2009	2010
Australia	9	10	3
Bangladesh	8	9	6
Cambodia	9	8	16
China	268	308	337
Hong Kong	3	2	3
India	59	77	99
Indonesia	50	64	79
Japan	62	63	59
Korea	61	52	44
Laos	-	-	1
Macao	1	2	1
Madagascar	1	2	2
Malaysia	10	7	6
Mauritius	-	1	1
New Zealand	4	5	1
Pakistan	7	8	13
Philippines	17	17	17
Singapore	1	1	1
Sri Lanka	11	8	7
Taiwan	28	27	35
Thailand	35	41	45
Vietnam	63	63	76
<b>Total Asia</b>	<b>707</b>	<b>775</b>	<b>851</b>

NUMBER OF SUPPLIER FACTORIES PER COUNTRY<sup>1</sup>

EMEA

Country	Total number of factories		
	2008	2009	2010
Albania	1	-	-
Belarus	1	1	1
Bosnia and Herzegovina	1	1	1
Bulgaria	1	1	1
Czech Republic	3	3	3
Denmark	-	1	1
Egypt	2	3	2
Finland	-	1	1
France	3	3	3
Germany	13	19	23
Greece	5	4	3
Hungary	-	-	1
Israel	1	2	1
Italy	23	24	18
Jordan	-	1	1
Latvia	1	-	-
Lesotho	1	2	3
Lithuania	1	2	2
Macedonia	1	1	1
Moldova	1	1	1
Poland	3	8	9
Portugal	8	9	9
Romania	1	3	1
Russia	10	7	4
Slovakia	1	-	1
Slovenia	1	3	4
South Africa	18	19	13
Spain	16	15	15
Swaziland	1	2	2
Sweden	5	7	7
Switzerland	1	1	2
Tunisia	3	3	1
Turkey	22	16	13
Ukraine	2	2	2
United Kingdom	13	19	20
Zimbabwe	-	1	-
<b>Total EMEA</b>	<b>164</b>	<b>185</b>	<b>170</b>

Americas

Country	Total number of factories		
	2008	2009	2010
Argentina	9	13	19
Brazil	27	27	50
Canada	38	32	29
Chile	1	1	1
Colombia	3	2	3
Costa Rica	2	2	-
Dominican Republic	1	1	1
El Salvador	8	3	4
Guatemala	3	3	4
Honduras	7	5	6
Mexico	17	12	19
Nicaragua	1	1	3
Paraguay	1	1	1
Peru	4	4	4
United States	58	61	71
<b>Total Americas</b>	<b>180</b>	<b>168</b>	<b>215</b>

Global

Country	Total number of factories		
	2008	2009	2010
Total Asia	707	775	851
Total Americas	180	168	215
Total EMEA	164	185	170
<b>Total Global</b>	<b>1,051</b>	<b>1,128</b>	<b>1,236</b>

<sup>1</sup> Independent supplier production sites of the adidas Group excluding licensee factories and own production sites.

01	ABOUT OUR PROGRAMME
17	ENVIRONMENT
41	SUPPLIERS
57	EMPLOYEES
64	COMMUNITY
72	PERFORMANCE
102	GRI INDEX

**ADIDAS GROUP LICENSEES**

In 2010, the adidas Group worked with 45 licensees whose suppliers manufactured products in 307 factories in 45 countries.

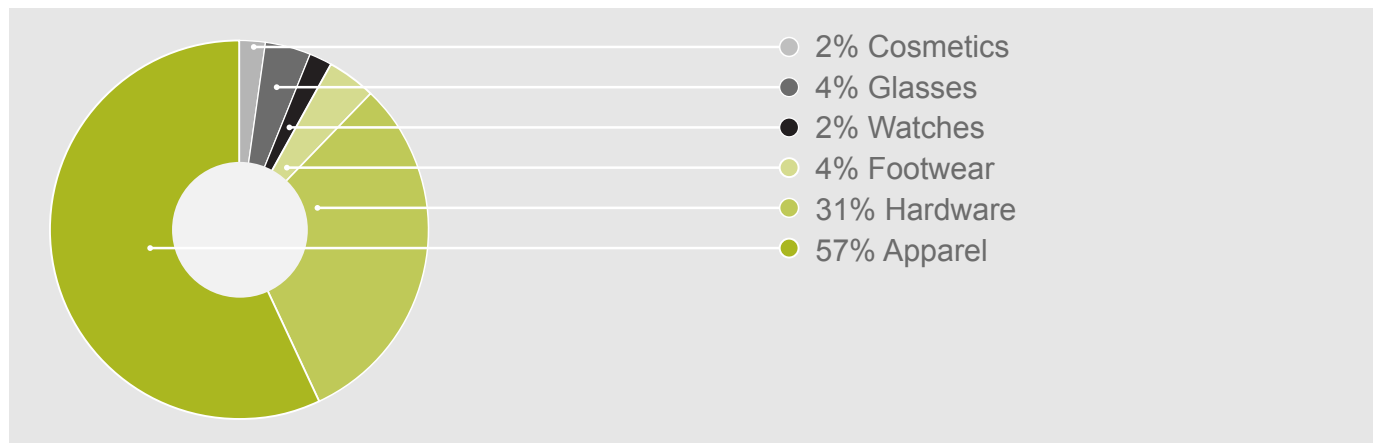
The total number of licensee factories is higher than the number reported in 2009 due to improved supply chain disclosure by licensees and the increased number of licensees. In some cases the factories producing for certain licensees, such as in the field of cosmetics, are very stable being highly capitalised and specialised manufacturing facilities. A large proportion of the licensees are however apparel producers and as with the adidas Group's own direct sourcing arrangements licensees see expansion and contraction of the numbers of factories throughout the course of a year. For this reason, the data we are reporting here is a snapshot in time, a static point capturing the situation at the end of 12 months of these movements.

**ADIDAS GROUP LICENSEES**

	2008	2009	2010
Licensees	40	41	<b>45</b>
Factories producing for licensees <sup>1</sup>	247	288	<b>307</b>
Production countries	42	44	<b>45</b>

<sup>1</sup> This might include factories which produce both, for the adidas Group directly as well as for licensees/agents.

**adidas and Reebok licensees divided by product range in 2010**

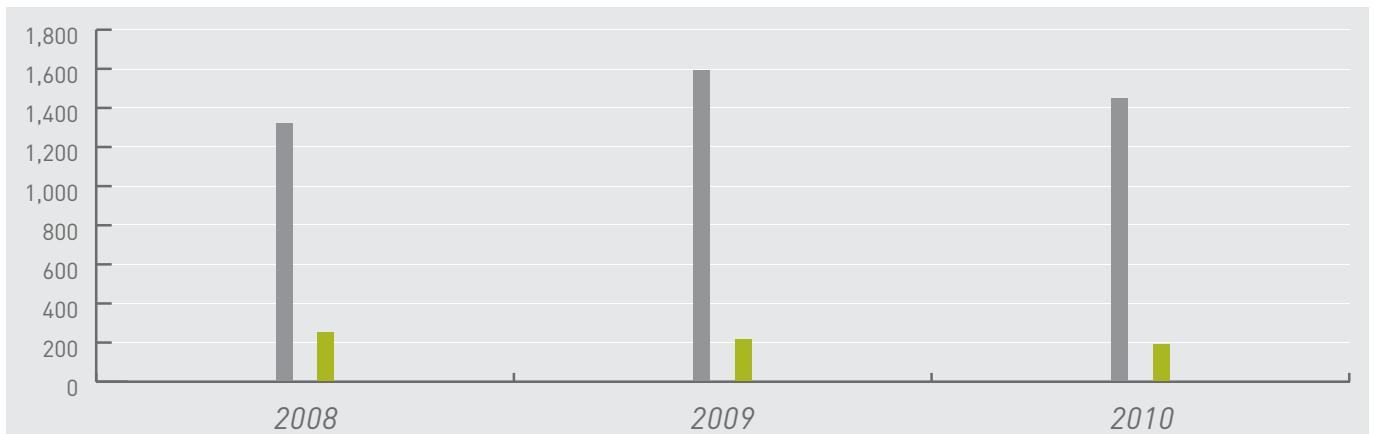


## AUDITS AND TRAINING

### NUMBER OF FACTORY AUDITS/VISITS AND TRAINING SESSIONS

During 2010, 1,451 factory visits (including 1,350 factory audits) involving management and worker interviews, document review, facility inspections and training sessions took place at different levels in our supply chain. The SEA team conducted 193 training sessions and workshops for suppliers, licensees, workers and adidas Group employees.

#### Number of factory audits/visits and trainings\*



• Factory audits/visits	1,323	1,592	1,451
• Trainings	251	216	193

\* Including multiple audits/visits in the same factory conducted by the adidas Group SEA team and external monitors, but excluding FLA audits. Including audits in licensee factories; visits involving management and worker interviews, document review, facility inspections and trainings on-site.

### NUMBER OF TRAINING SESSIONS DIVIDED BY REGION AND TYPE

For 2010, the total number of training sessions conducted by SEA was lower than in the previous two years. The number of fundamental and performance training sessions was reduced, whereas sustainability training sessions increased slightly. Although the total number is lower, the number of participants has remained almost the same.

Reasons for this were:

1. There were less individual but more group (ie. more than one supplier) training sessions undertaken that offer both higher efficiencies but also the added advantage of cross-learning and best practice sharing among suppliers.
2. Due to longer term and more mature business relationships, the need for more sophisticated and advanced trainings (sustainability training sessions) was achieved.

NUMBER OF TRAINING SESSIONS DIVIDED BY REGION AND TYPE<sup>1</sup>

Region	Type and number of training											
	Fundamental <sup>2</sup>			Performance <sup>3</sup>			Sustainability <sup>4</sup>			Total		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010 <sup>5</sup>
Asia	80	47	33	68	48	33	11	32	33	159	127	99
Americas	51	53	55	11	13	18	4	1	7	66	67	80
EMEA	24	19	12	0	0	0	2	3	2	26	22	14
<b>Total</b>	<b>155</b>	<b>119</b>	<b>100</b>	<b>79</b>	<b>61</b>	<b>51</b>	<b>17</b>	<b>36</b>	<b>42</b>	<b>251</b>	<b>216</b>	<b>193<sup>6</sup></b>

<sup>1</sup> Trainings conducted for suppliers, workers, licensees, agents and adidas Group employees.

<sup>2</sup> Fundamental training covers: Workplace Standards & SEA introduction; FFC training; SEA policies & SOPs.

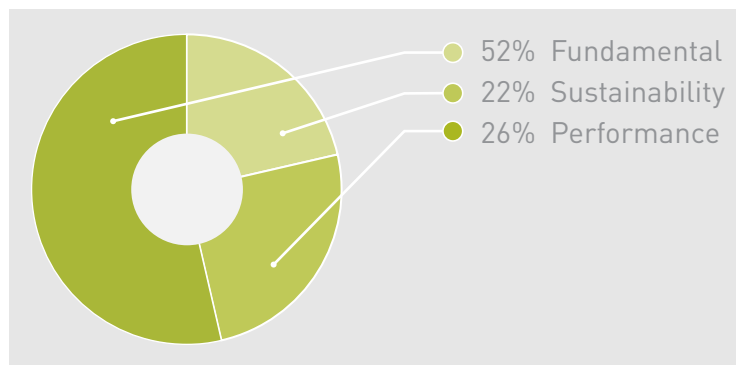
<sup>3</sup> Performance training covers: Specific labour, health, safety and environmental issues.

<sup>4</sup> Sustainability training covers: Sustainable compliance guideline & KPI improvement; Factory Self-Audits (factory internal audits).

<sup>5</sup> In 2010, more than 2,200 people participated in these trainings.

<sup>6</sup> Including 73 group training sessions, i.e. trainings with participation of more than one supplier, business entity or licensee.

Suppliers trainings by type in 2010



NUMBER OF AUDITS DIVIDED BY REGION AND TYPE

In 2010, the SEA team conducted 1,350 social compliance audits (including external monitoring audits). The total number of Initial Assessments – this first approval stage for new entry factories – and Performance Audits for our established suppliers was fewer than in 2009. In addition to these audits, suppliers’ sites were the subject of multiple other visits by compliance staff to discuss specific remedial issues, to follow up project work or conduct training sessions.

Completing a high volume of Initial Assessments remained a challenge in 2010, particularly in Asia where new factories were proposed in more remote locations and a wide range of countries. There was a total of 447 Initial Assessments, of which 79.4% were in Asia, with China accounting for 33.8% of all assessments conducted. Overall 20.8% of candidate factories were rejected either out rightly, or for failure to remediate threshold issues in a timely manner. See also data on Termination and Rejections.

Audits conducted by external monitors were commissioned by adidas Group entities, including licensees with indirect sourcing models.

In total, there was audit coverage of 58% of all active suppliers. The audit coverage of all active suppliers in region Asia was 74%, with countries like China, India, Indonesia, Thailand and Vietnam showing more than 80% audit coverage.

NUMBER OF AUDITS DIVIDED BY REGION AND TYPE

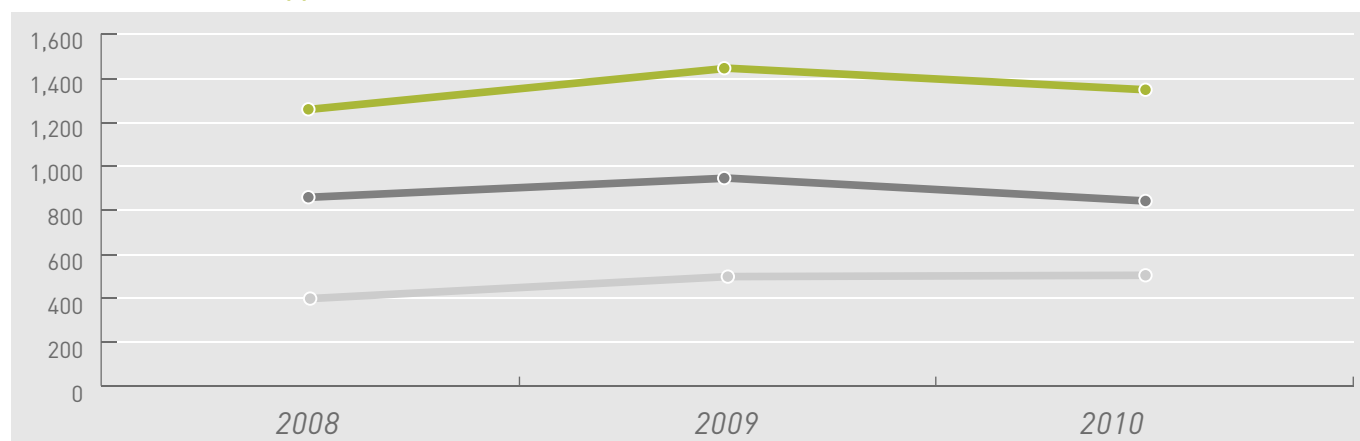
Region	Type and number of audit								
	Initial Assessment <sup>1</sup>			Performance Audit <sup>2</sup>			Total		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Asia	515	406	354	496	853	788	1,050	1,261	1,142
Americas	70	49	59	65	63	78	141	112	137
EMEA	41	28	34	28	47	37	70	75	71
<b>Total<sup>3</sup></b>	<b>626</b>	<b>483</b>	<b>447</b>	<b>589</b>	<b>963</b>	<b>903</b>	<b>1,261</b>	<b>1,448</b>	<b>1,350</b>

<sup>1</sup> Every new supplier factory has to pass an Initial Assessment to prove compliance with the Workplace Standards prior to order placement.

<sup>2</sup> Audits conducted in approved supplier factories.

<sup>3</sup> Includes audits done in licensee factories. In addition, there was a considerable number of full environmental assessments conducted for selected suppliers in Asia.

Number of audits in supplier factories



• SEA Team	861	948	844
• External Monitor	400	500	506
• Total	1,261	1,448	1,350



INITIAL ASSESSMENTS BY COUNTRY

**Asia**

Bangladesh	7
Cambodia	15
China	151
India	68
Indonesia	23
Japan	1
Korea	15
Laos	1
Madagascar	1
Malaysia	1
Pakistan	13
Philippines	6
Sri Lanka	5
Taiwan	8
Thailand	10
Vietnam	30
<b>Asia Total</b>	<b>355</b>

**EMEA**

Belarus	3
Egypt	7
Israel	1
Jordan	2
Kenya	1
Russia	6
South Africa	4
Turkey	8
Ukraine	1
<b>EMEA Total</b>	<b>33</b>

**Americas**

Argentina	6
Brazil	10
Colombia	1
Costa Rica	3
Dominican Republic	5
El Salvador	3
Guatemala	6
Honduras	1
Mexico	18
Nicaragua	5
Peru	1
<b>Americas Total</b>	<b>59</b>

## NUMBER OF AUDITS CONDUCTED IN LICENSEE FACTORIES

The progress increase in audits from 181 in 2008 to 276 in 2010 reflects the increased participation of licensees in the SEA approved external monitoring system as well as an increased level of audit uploads to the FFC platform and subsequent audit maintenance.

The lower number of Initial Assessments and higher level of Performance Audits indicates a fewer number of new entries to the supply chain, and more in-depth compliance work being undertaken with existing suppliers.

### NUMBER OF AUDITS CONDUCTED IN LICENSEE FACTORIES<sup>1</sup>

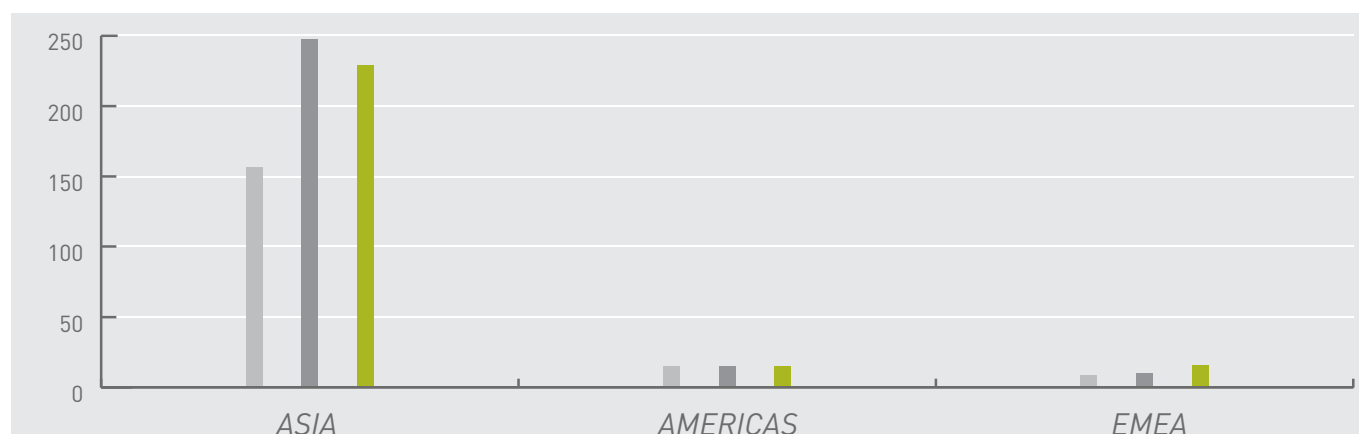
Region	Type and number of audit								
	Initial Assessment <sup>2</sup>			Performance Audit <sup>3</sup>			Total		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Asia	106	97	58	44	151	171	157	248	229
Americas	13	7	13	2	8	18	15	15	31
EMEA	3	5	6	6	5	10	9	10	16
<b>Total</b>	<b>122</b>	<b>109</b>	<b>77</b>	<b>52</b>	<b>164</b>	<b>199</b>	<b>181</b>	<b>273</b>	<b>276</b>

<sup>1</sup> This might include factories which produce both, for the adidas Group directly as well as for licensees/agents. In addition, there was a considerable number of full environmental assessments conducted for selected suppliers in Asia.

<sup>2</sup> Every new factory has to pass an Initial Assessment to prove compliance with the Workplace Standards prior to order placement.

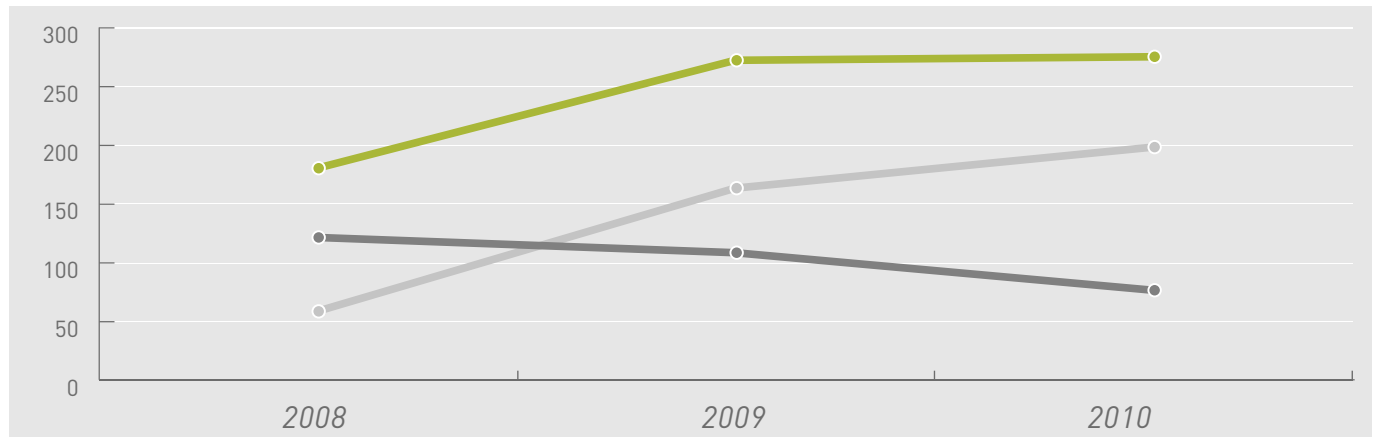
<sup>3</sup> Audits conducted in approved factories.

### Number of audits in licensee factories by region



• 2008	157	15	9
• 2009	248	15	10
• 2010	229	31	16

Number of audits in licensee factories by audit type



• IA	122	109	77
• PA	59	164	199
• Total	181	273	276

KEY PERFORMANCE INDICATOR (KPI) ASSESSMENT AND C-RATING

We audit our suppliers against our Standards and rate them according to their performance. We use an innovative way to rate the supplier on its ability to deliver fair, healthy and environmentally sound workplace conditions in an effective manner. The following table shows the average audit score by unit of measure for those active core suppliers that were rated against the six units of measure in the KPI to date. Each unit of measure is scored out of 100 percent.

In general, new factories that become part of our supply chain get low KPI scores which negatively affect the overall average KPI score. Relatively stable scores indicate that existing suppliers received higher KPI scores in 2010 compared to the previous years.

KPI ASSESSMENT AND C-RATING

KPI Unit of Measure – Average score in %	2008	2009	2010
Management commitment and responsiveness	40.12	43.43	<b>43.61</b>
Management systems	48.74	47.59	<b>48.81</b>
Worker-management communication and industrial relations	65.44	64.04	<b>64.86</b>
Compliance training for workers and management	58.80	59.25	<b>58.49</b>
Transparency in communication and reporting	71.79	70.46	<b>70.29</b>
Compliance performance	59.04	57.63	<b>58.17</b>
KPI Cumulative Score	47.79	47.41	<b>47.28</b>

In 2010, we have adjusted our C-Rating system for factory assessment raising the bar for factory performance and increasing the 2C threshold to an average score of 30 percent or more. The revised clustering for our C-ratings is shown below.

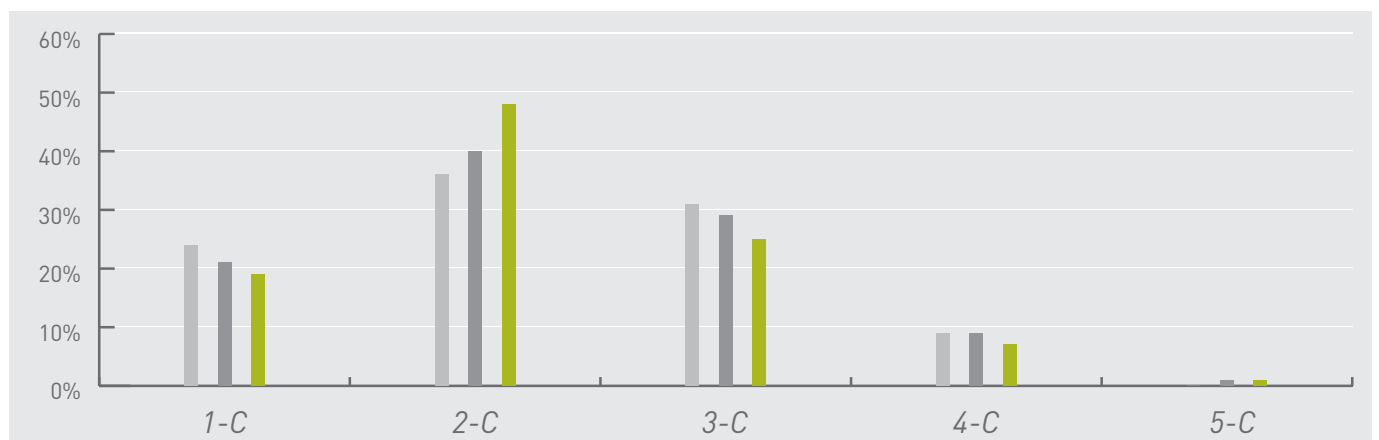
KPI score (%)	New C-rating
0-29	1C
30-59	2C
60-79	3C
80-89	4C
90-100	5C

The bar graph shows comparable data for the past three years using the new rating classification. The number of factories that were subject of KPI assessments in each specific year is indicated in the footnote.

In 2010, SEA increased the issuance of warning letters to non-performing suppliers, where serious and ongoing issues were not resolved despite close engagement. A warning letter immediately downgrades a factory's KPI score, hence the increased number of 2C suppliers overall. There was some improvement of poorly performing 1C suppliers, which also contributed to an increase in the number of factories graded 2C, as did new entry suppliers that are normally rated 2C after the close out of threshold issues.

The total number of 3C and 4C factories increased, but in percentage terms this is masked by the number of new factories that received an initial KPI score in the 2C range.

**Percentage of KPI-assessed factories by C-rating\***



• 2008	24%	36%	31%	9%	0%
• 2009	21%	40%	29%	9%	1%
• 2010	19%	48%	25%	7%	1%

\* Number of factories which were subject of KPI assessments: 2008 (128), 2009 (347) and 2010 (547).

## INDEPENDENT FLA AUDITS

Since joining the FLA in 1999, more than 250 Independent External Monitoring (IEM) audits and verification visits have been conducted at adidas Group suppliers. The number of conventional independent monitoring visits conducted by FLA accredited monitors has gone down because more of the conventional IEM requirements of the FLA have been redirected to an engagement in value-added FLA projects focused on reducing and eliminating chronic non-compliance issues or improving monitoring methodologies.

In 2010, FLA activities included four independent external monitoring visits. Four factories participated in FLA 3.0 exercises and one factory received an external verification visit. Seven factories participated in FLA special projects in Asia, EMEA and Central America. These so-called re-directed audits are FLA participating company engagements in specific project work that addresses resolution of chronic compliance issues in the global workplace and the development of new auditing tools and methodologies, such as the Sustainable Compliance Initiative, which will standardise labour, health and safety monitoring across a number of participating brands. Re-directs are substituted for independent external monitoring visits to factories. This substitution option is only available to FLA-accredited programmes. The term derives from the 're-direction' of IEM fees to financially support specific project work by the FLA to address chronic compliance issues.

### INDEPENDENT FLA AUDITS<sup>1</sup>

FLA Year	Period	No. of audits
4th <sup>2</sup>	Jan – Dec 2005	30
5th	Jan – Dec 2006	43
6th	Jan – Dec 2007	15
7th	Jan – Dec 2008	19
8th	Jan – Dec 2009	16
<b>9th</b>	<b>Jan – Dec 2010</b>	<b>16</b>

<sup>1</sup> As part of the FLA membership; the numbers include Independent External Verification audits.

<sup>2</sup> Including audits conducted for Reebok before it was acquired by the adidas Group in 2006.

## ENFORCEMENT

### WARNING LETTERS

Warning letters are an essential part of our enforcement efforts and are triggered when we find ongoing serious non-compliance issues that need to be addressed by our suppliers. In 2010, we issued a total of 50 warning letters across twelve countries.

The largest number of warning letters continued to be issued in Asia, where nearly 70% of all supplier factories are located. Compared to the previous two years, the number of first warning letters has increased considerably which automatically results in a higher number of total warning letters issued to suppliers. The increased number of first warning letters reflects SEA's overall efforts in 2010 at raising the bar on supplier performance, with reduced tolerance for ongoing non-compliances. It also reflects pressures within the supply chain, due to capacity constraints that resulted in a higher frequency of excessive working hours' cases across Asia. It is difficult to generalise as to the grounds for a warning letter, as this may be issued based on a single non-conformance which is unresolved, or multiple breaches of our Standards. The range of issues that resulted in warning letters in 2010 included poor management commitment, excessive working hours, falsified time and payment records, underpayment of wages, non-payment of back-wages, inadequate social security, medical insurances or other benefits, poor electrical, fire or chemical safety, insufficient training to workers, supervisors and managers, poor communication and transparency problems.

The reduction in warning letters 2 and 3 shows that suppliers are reacting to the first warning letter and correcting the identified threshold, non-compliant issues more expediently.

NUMBER OF WARNING LETTERS ISSUED TO ADIDAS GROUP SUPPLIERS\*

Country	1st warning			2nd warning			3rd and final warning -> recommended termination			Total warning letters		
	2008	2009	2010	2008	2009	2010	2008	2009	2010	2008	2009	2010
Argentina	-	1	-	-	-	-	-	-	-	-	1	-
Bangladesh	1	1	1	-	-	-	-	-	-	1	1	1
Brazil	1	-	-	-	-	-	-	-	-	1	-	-
Cambodia	1	1	2	-	-	-	-	-	-	1	1	2
China	11	10	18	1	2	-	-	-	1	12	12	19
Guatemala	-	1	-	-	-	-	-	-	-	-	1	-
India	3	7	9	1	2	1	-	-	-	4	9	10
Indonesia	1	2	4	1	-	1	-	-	-	2	2	5
Korea	1	-	1	-	-	-	-	-	-	1	-	1
Mexico	1	-	2	-	-	-	1	-	-	2	-	2
Pakistan	-	-	1	-	-	-	-	-	-	-	-	1
Peru	-	1	1	-	-	-	-	-	-	-	1	1
Philippines	2	4	-	-	-	-	-	-	-	2	4	-
Sri Lanka	-	-	1	-	-	-	-	-	-	-	-	1
Syrian Arab Republic	-	-	1	-	-	-	-	-	-	-	-	1
Thailand	2	1	-	1	-	-	-	-	-	3	1	-
Turkey	1	-	-	1	-	-	-	-	-	2	-	-
Vietnam	6	5	6	-	-	-	-	-	-	6	5	6
<b>Total</b>	<b>31</b>	<b>34</b>	<b>47</b>	<b>5</b>	<b>4</b>	<b>2</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>37</b>	<b>38</b>	<b>50</b>

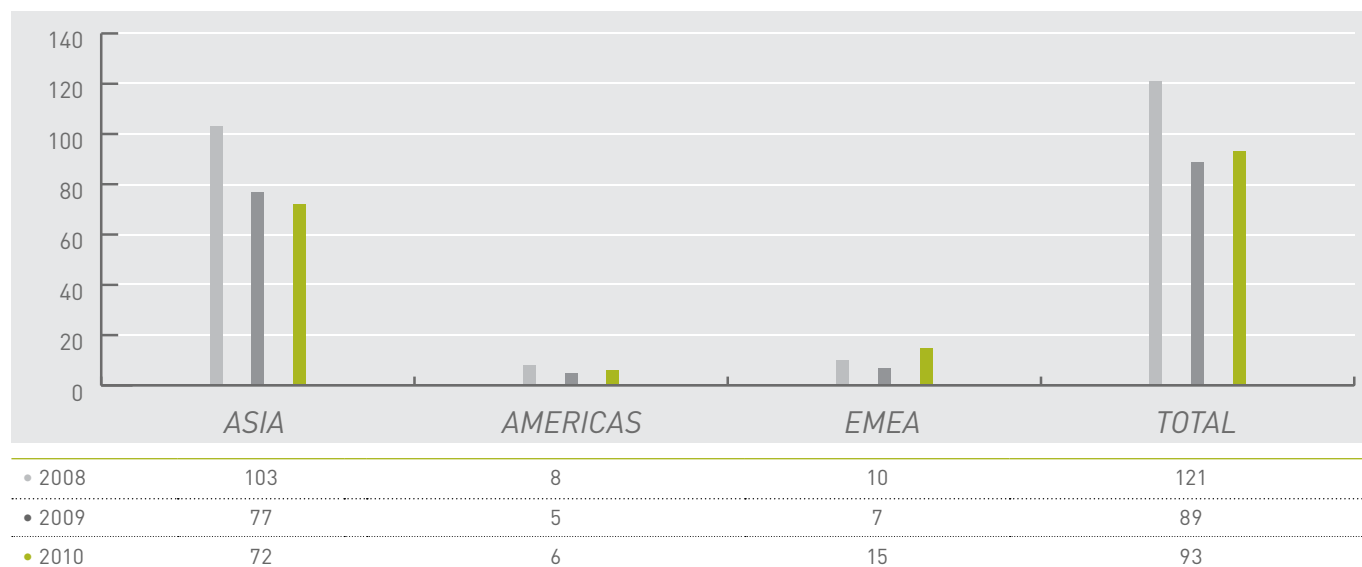
\* Including warning letters issued by licensees and agents. But excluding warnings to main suppliers for the non-disclosure of subcontractors, which is issued either directly through business entities, or by the adidas Group legal department where there is a breach of contract obligations under a manufacturing agreement.

**TERMINATIONS AND REJECTIONS**

We work closely with our suppliers to help them improve their performance. However, in the past where we have faced situations of severe or repeat non-compliance we have terminated our business relationship with suppliers. In 2010, we did not terminate agreements with any supplier for compliance reasons.

We also work closely with Global Operations and other business entities to pre-screen potential new suppliers. Our so-called Initial Assessments are uncovering threshold or zero tolerance issues. A total of 447 Initial Assessments (pre production audits) were conducted in 2010, and 93 of them resulted in a rejection. This means 20.8% of potential new supplier factories were rejected for threshold or zero-tolerance non-compliance issues. The number of factories rejected on the first visit was greater still, but suppliers who have threshold issues (that is, serious but remediable non-compliances) are given three months to remediate those issues prior to re-auditing for final SEA acceptance. As in previous years, China dominates the number of new supplier Initial Assessments and corresponding rejection rates are high. In India, newly disclosed or proposed suppliers were also subject to rigorous assessments and due to weak remedial efforts resulting in a high rejection rate.

Rejections by region after IA due to compliance problems



NUMBER OF BUSINESS RELATIONSHIP TERMINATIONS/REJECTIONS AFTER INITIAL ASSESSMENT DUE TO COMPLIANCE PROBLEMS

Asia

Country	No. of terminations			No. of rejections after IA		
	2008	2009	2010	2008	2009	2010
Bangladesh	-	1	-	4	6	3
Cambodia	-	-	-	5	3	5
China	-	7	-	54	49	43
India	-	-	-	12	1	13
Indonesia	-	-	-	2	4	1
Korea	-	-	-	1	2	-
Laos	-	-	-	1	-	-
Malaysia	-	-	-	-	1	-
Pakistan	-	-	-	5	-	2
Sri Lanka	-	-	-	-	2	-
Taiwan	-	-	-	1	-	-
Thailand	-	-	-	3	1	2
Vietnam	1	-	-	15	8	3

## Americas

Country	No. of terminations			No. of rejections after IA		
	2008	2009	2010	2008	2009	2010
Brazil	-	1	-	-	1	1
Canada	-	-	-	1	2	-
Dominican Republic	-	-	-	-	-	1
El Salvador	-	-	-	-	1	-
Guatemala	-	-	-	-	-	4
Mexico	1	-	-	6	1	-
Peru	-	-	-	1	-	-

## EMEA

Country	No. of terminations			No. of rejections after IA		
	2008	2009	2010	2008	2009	2010
Albania	-	-	-	1	-	-
Belarus	-	-	-	-	-	1
Egypt	-	-	-	1	3	3
Israel	-	-	-	1	-	-
Jordan	-	-	-	1	1	2
Russia	-	-	-	-	-	3
South Africa	-	-	-	2	2	-
Turkey	-	-	-	3	-	5
Ukraine	-	-	-	-	-	1
Zimbabwe	-	-	-	1	1	-

## Global

	No. of terminations			No. of rejections after IA		
	2008	2009	2010	2008	2009	2010
Global	2	9	0	121	89	93

## ENVIRONMENT

### CERTIFICATIONS OBTAINED BY ATHLETIC FOOTWEAR SUPPLIER SITES PRODUCING FOR THE INTERNATIONAL MARKET

We have limited control over the direct environmental impacts of the manufacturing process and how our suppliers act. The best way to influence the environmental impacts at our suppliers' factories is to encourage the introduction of environmental management systems, and we have made implementing such a system mandatory for all our core suppliers. Achieving certification to a management system requires factory managers to plan, manage and review their own environmental performance.

In 2010, we worked with 24 athletic footwear suppliers who are certified in accordance with the international environmental management standard ISO 14001 and the workplace health and safety management standard OHSAS 18001. These suppliers produced around 83% of the adidas Group's global athletic footwear sourcing volume.



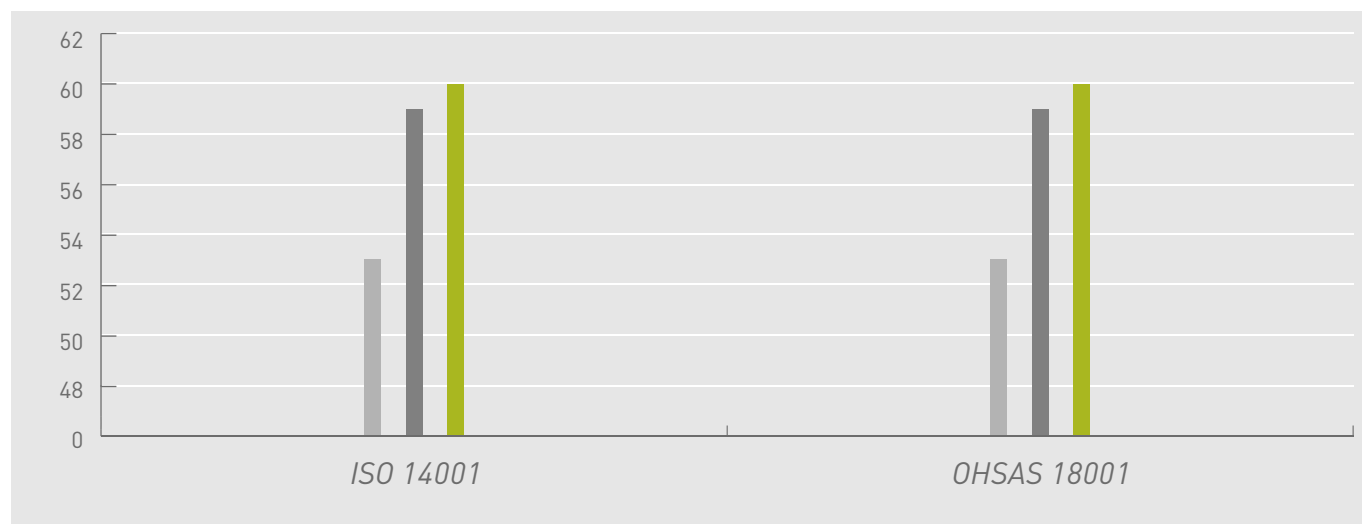
Certifications obtained by athletic footwear supplier sites producing for the international market<sup>1</sup>

Country	Number of FW suppliers			ISO 14001			OHSAS 18001		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
Argentina	1	2	1	-	-	-	-	-	-
Brazil	2	2	2	-	-	-	-	-	-
Cambodia	-	-	1	-	-	-	-	-	-
China	11	7	14	9	7	10	9	7	10
Germany	1	1	1	1	1	1	1	1	1
India	1	1	1	-	1	1	-	1	1
Indonesia	8	6	9	4	3	4	4	3	4
Italy <sup>2</sup>	1	1	1	-	-	-	-	-	-
Philippines	1	1	-	-	-	-	-	-	-
Thailand	1	1	-	-	-	-	-	-	-
Vietnam	11	10	10	6	7	8	6	7	8
<b>TOTAL</b>	<b>38</b>	<b>32</b>	<b>40</b>	<b>20</b>	<b>19</b>	<b>24</b>	<b>20</b>	<b>19</b>	<b>24</b>

<sup>1</sup> Excluding factories from the Rockport business segment and licensee factories.

<sup>2</sup> Health and Safety Management System in place that is regularly inspected by local authorities.

CERTIFICATION OF ATHLETIC FOOTWEAR SUPPLIERS PRODUCING FOR THE INTERNATIONAL EXPORT MARKET IN %



• 2008	53%	53%
• 2009	59%	59%
• 2010	60%	60%

## FREIGHT TYPES USED TO SHIP ADIDAS PRODUCTS

In 2010, we saw a considerable increase in air freight shipment for apparel products from 4% to 8%. Air freight transport was driven and heavily influenced by a major global sports event, the 2010 FIFA World Cup South Africa™. Selected time sensitive products had to be transported via air freight to meet customer requests.

### FREIGHT TYPES USED TO SHIP ADIDAS PRODUCTS<sup>1</sup>

% of products shipped		2008	2009	2010
Apparel	Truck	17	14	15
	Sea freight	77	81	76
	Air freight	6	4	8
	Sea and air freight	1	1	1
Hardware <sup>2</sup>	Truck	2	1	2
	Sea freight	96	97	95
	Air freight	2	2	3
	Sea and air freight	0	0	0
Footwear	Truck	2	2	1
	Sea freight	96	97	97
	Air freight	2	1	2
	Sea and air freight	0	0	0

<sup>1</sup> Figures expressed as a percentage of the total number of products transported

<sup>2</sup> Accessories and gear

## GREEN COMPANY DATA

The adidas Group operates more than 300 offices, manufacturing sites and distribution centres worldwide; they vary in size and structure. Some of the sites are owned by the Group, others are leased or rented.

In the first phase of the Green Company Initiative roll-out in 2008 and 2009, 24 major sites were included and reported environmental key data.

These sites included Group and brand headquarters, our own production facilities and some distribution centres, representing a significant proportion of the total environmental footprint of the Group's own operations.

In 2010, a significantly higher number of locations (67) was included in the Green Company reporting, aiming at covering around 80% of the Group's total emissions. Those locations were included in the reporting and account for approximately 80% of the total occupied and built-upon area. The actual selection of reporting entities was based upon the inclusion of all main headquarter locations with more than 2,000 square metres, all manufacturing entities, as well as all distribution centres with more than 3,000 square metres.

In order to facilitate the reporting of all these sites - nearly 2/3 of them are new reporters in 2010 - new web-based data recording and reporting tool was developed that provides automatic plausibility and comment controls, as well as statistical analysis and reporting functions.

### DATA REPORTING - ALL SITES

The table on the next page shows a consolidated overview of data reported by all locations for the calendar year of 2010. Since the majority of these locations are first time reporters in 2010, a trend analysis for this group is not possible. Many of the locations that reported their data for the first time in 2010 have not yet analysed their savings potential. Therefore they will be informed regularly about the targets and implementation guidelines, as well as supported in defining their programmes for 2011. All locations will also be updated regularly and briefed about best practice examples.

Environmental data 2010 for all locations reporting Group-wide:  
administration offices, production sites and distribution centres

	Total energy consumption (MWh)	Total carbon emissions (tonne)	Total water consumption (m³)	Total household waste (tonne)	Total paper consumption (tonne)
<b>Administration offices</b>					
Region EMEA (total)	44,000	12,500	56,500	320	110
Region AMERICAS (total)	37,800	16,400	93,200	950	150
Region ASIA (total)	8,100	4,300	15,500	90	80
<b>Administration offices (total)</b>	<b>89,900</b>	<b>33,200</b>	<b>165,200</b>	<b>1,360</b>	<b>340</b>
<b>Own production sites</b>					
Region EMEA (total)	11,100	900	4,700	150	20
Region AMERICAS (total)	33,500	10,400	40,600	660	320
Region ASIA (total)	700	400	2,400	3	3
<b>Own production sites (total)</b>	<b>45,300</b>	<b>11,700</b>	<b>47,700</b>	<b>810</b>	<b>340</b>
<b>Distribution centres</b>					
Region EMEA (total)	23,100	8,100	24,600	230	470
Region AMERICAS (total)	62,800	22,100	71,600	860	200
Region ASIA (total)	6,000	3,700	46,600	150	40
<b>Distribution centres (total)</b>	<b>91,900</b>	<b>33,900</b>	<b>142,800</b>	<b>1,240</b>	<b>710</b>
<b>TOTAL</b>	<b>227,100</b>	<b>78,800</b>	<b>355,700</b>	<b>3,410</b>	<b>1,390</b>

	Total organic solvents (kg)	Total waste water (m³)	Number of employees	Number of workplace accidents	Number of lost days due to accidents
<b>Administration offices</b>					
Region EMEA (total)	190	32,200	6,353	30	353
Region AMERICAS (total)	8,430	n.r.	3,216	10	870
Region ASIA (total)	n.r.	n.r.	2,195	2	65
<b>Administration offices (total)</b>	<b>8,620</b>	<b>32,200</b>	<b>11,764</b>	<b>42</b>	<b>1,288</b>
<b>Own production sites</b>					
Region EMEA (total)	16,050	4,700	370	12	94
Region AMERICAS (total)	12,060	n.r.	1,767	73	834
Region ASIA (total)	n.r.	n.r.	270	0	0
<b>Own production sites (total)</b>	<b>28,110</b>	<b>4,700</b>	<b>2,407</b>	<b>85</b>	<b>928</b>
<b>Distribution centres</b>					
Region EMEA (total)	100	9,500	1,216	26	306
Region AMERICAS (total)	120	32,000	2,454	84	2,557
Region ASIA (total)	n.r.	1,600	1,390	4	17
<b>Distribution centres (total)</b>	<b>220</b>	<b>43,100</b>	<b>5,060</b>	<b>114</b>	<b>2,880</b>
<b>TOTAL</b>	<b>36,950</b>	<b>80,000</b>	<b>19,231</b>	<b>241</b>	<b>5,096</b>

n.r. - not reported

#### CORE TARGET FOLLOW-UP FOR SITES REPORTING FOR 2008-2010

The table below shows the aggregated target results for the locations that have been reporting Green Company data since 2008. It aims to provide an overview regarding target achievements compared to specific quantified saving targets, the so-called core targets. The table depicts the target 2015, the linear (or pre-defined) annual target and the actual performance result of the reporting entities. Locations that have achieved the targets are marked in green. Furthermore, the table shows the total result for all these reporters and the results per facility type: administration office, own production site and distribution centre.

The following key trends were identified:

- Energy consumption stayed stable, both in terms of energy and carbon per square metre. Several locations have been conducting energy audits and developing detailed action plans that will be implemented throughout 2011. The results of these plans will be seen only in 2011 and 2012.
- Targeted linear reduction for water consumption should have been 5.7%; in reality, 11.8% reduction was achieved, twice as much as anticipated.
- For household waste, the targeted linear decrease towards the 2015 target should have been 7% and we achieved a substantial saving of 16.7% per employee.
- The paper consumption target per employee, set to 20% for 2010, has not been achieved. However, the reduction of paper consumption by 17.7% shows that we are on track towards our linear target for 2015.

#### CORE TARGET FOLLOW-UP FOR ALL SITES REPORTING FOR 2008-2010

	Energy savings MWh/m <sup>2</sup>			Carbon savings t/m <sup>2</sup>			Water savings m <sup>3</sup> /person		
	Target 2015	Target linear	Result 2010	Target 2015	Target linear	Result 2010	Target 2015	Target linear	Result 2010
Administration offices	-20%	-5.7%	0.5%	-30%	-8.6%	5.3%	-20%	-5.7%	-23.1%
Own production sites	-20%	-5.7%	6.5%	-30%	-8.6%	-5.4%	-20%	-5.7%	9.0%
Distribution centres	-20%	-5.7%	-15.9%	-30%	-8.6%	-10.2%	-20%	-5.7%	10.6%
<b>Total</b>	<b>-20%</b>	<b>-5.7%</b>	<b>-0.4%</b>	<b>-30%</b>	<b>-8.6%</b>	<b>0.7%</b>	<b>-20%</b>	<b>-5.7%</b>	<b>-11.8%</b>

	Household waste reduction t/person			Paper savings t/person		
	Target 2015	Target linear	Result 2010	Target 2015	Target linear	Result 2010
Administration offices	-25%	-7.1%	-23.3%	-50%	-20.0%	-24.5%
Own production sites	-25%	-7.1%	-5.1%	-50%	-20.0%	-12.4%
Distribution centres	-25%	-7.1%	-9.8%	-50%	-20.0%	12.7%
<b>Total</b>	<b>-25%</b>	<b>-7.1%</b>	<b>-16.7%</b>	<b>-50%</b>	<b>-20.0%</b>	<b>-17.7%</b>

- achieved
- not achieved

While the total results for all locations and types of facilities showed a positive development, there remain areas where individual facility sites will need to improve over the next few years.

A more detailed and comprehensive report that analyses the results and performance of Green Company data is posted on our corporate website [http://www.adidas-group.com/en/sustainability/Environment/green\\_company/default.aspx](http://www.adidas-group.com/en/sustainability/Environment/green_company/default.aspx)

01	ABOUT OUR PROGRAMME
17	ENVIRONMENT
41	SUPPLIERS
57	EMPLOYEES
64	COMMUNITY
72	PERFORMANCE
102	GRI INDEX

## EMPLOYEES

### EMPLOYEE STATISTICS

#### GLOBAL EMPLOYEE BASE CONTINUES TO GROW

On December 31, 2010, the Group had 42,541 employees, which represents an increase of 7% versus 39,596 in the previous year. This development is primarily related to new employees in the Retail segment, mainly on a part-time basis. On a full-time equivalent basis, our Group had 36,444 employees on December 31, 2010 (2009: 34,437). Due to the high share of employees working on a part-time basis in the Retail segment, this figure is lower than the figure reported on a headcount basis.

#### OWN-RETAIL ACTIVITIES IN EMERGING MARKETS DRIVE EMPLOYEE GROWTH

The number of employees working in the Wholesale segment decreased 8% to 4,329 at the end of 2010 (2009: 4,723), mainly due to reorganisation measures following the implementation of the joint operating model in 2009. Staff in our Retail segment increased 14%, primarily as a result of the expansion of own-retail activities in emerging markets. The Retail segment comprised 22,286 employees at year-end (2009: 19,576). In Other Businesses, the number of employees decreased by 4% to 1,676 (2009: 1,750), primarily due to reorganisation initiatives at TaylorMade-adidas Golf and Reebok-CCM Hockey. The number of employees working in our headquarter functions increased by 5% to 14,250 (2009: 13,547). This development reflects the changes in the organisation structure.

At the end of 2010, 23% of our Group's staff were employed in Western Europe (2009: 23%), 34% in European Emerging Markets (2009: 31%), 24% in North America (2009: 25%), 4% in Greater China (2009: 8%), 9% in Other Asian Markets (2009: 6%) and 6% in Latin America (2009: 7%).

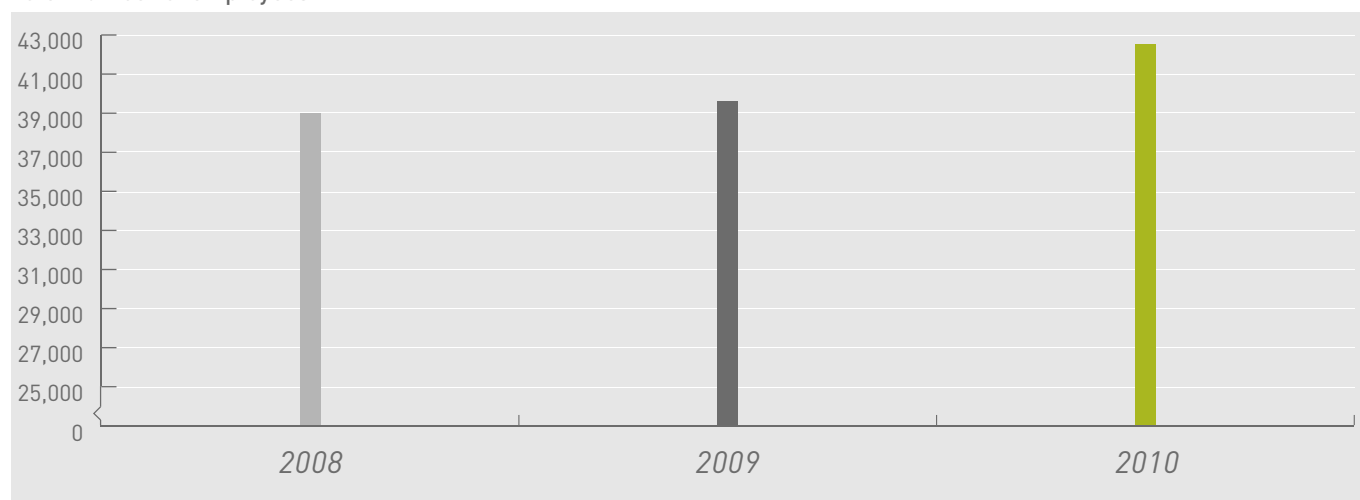
KEY EMPLOYEE STATISTICS

Index/reporting unit		2008	2009	2010
Total number of employees		38,982	39,596	42,541
Total employees (in %)	Male	51%	50%	52%
	Female	49%	50%	48%
Management positions held by (in %)	Male	72%	69%	72%
	Female	28%	31%	28%
Average age of employees (in years) <sup>1</sup>		29	31	33
Employee turnover (in %) <sup>2</sup>		14.7	14.7	22
Average tenure per employee (in years)		3.9	4.1	4
Annual training hours by employee (in hours)		10.8	7.3	13

<sup>1</sup> At year-end.

<sup>2</sup> For 2007-2009 excluding the retail sector; the 2010 number reflects the complete adidas Group.

Total number of employees



Total number of employees	38,982	39,596	42,541
---------------------------	--------	--------	--------

HEALTH & SAFETY STATISTICS FOR OUR MAIN ADMINISTRATION OFFICES, PRODUCTION SITES AND DISTRIBUTION CENTRES

Name of the site	Number of employees			Number of workplace accidents			Number of lost days due to accidents		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
<b>Administration offices</b>									
adidas Group Headquarters – WOS Herzogenaurach, Germany	1,903 <sup>8</sup>	1,681 <sup>8</sup>	<b>1,903<sup>8</sup></b>	18	20	<b>9</b>	79	136	<b>52</b>
adidas Group Headquarters – ADP Herzogenaurach, Germany	1,122 <sup>8</sup>	1,146 <sup>8</sup>	<b>1,146<sup>8</sup></b>	3	10	<b>3</b>	14	25	<b>37</b>
adidas Group Headquarters – WOGIT Herzogenaurach, Germany	563 <sup>8</sup>	575 <sup>8</sup>	<b>575<sup>8</sup></b>	1	2	<b>0</b>	5	4	<b>0</b>
adidas Factory Outlet, Herzogenaurach, Germany	150 <sup>8</sup>	150 <sup>8</sup>	<b>150<sup>8</sup></b>	3	3	<b>4</b>	21	11	<b>24</b>
adidas Office, Portland, America <sup>1</sup>	850	850	<b>850</b>	0	10	<b>0</b>	0	112	<b>0</b>
Reebok Headquarters, Canton, USA	1,061	1,120	<b>1,153</b>	0	0	<b>2</b>	0	0	<b>12</b>
TaylorMade-adidas Golf Headquarters, Carlsbad, USA <sup>2</sup>	848	725	<b>870</b>	4	4	<b>4</b>	17	58	<b>47</b>
TaylorMade-adidas Golf Office, Koto-ku, Japan <sup>3</sup>	190	145	<b>157</b>	0	1	<b>0</b>	0	27	<b>0</b>
adidas Group, Administrative Service Building 3, Spartanburg, USA	180	180	<b>192</b>	0	0	<b>0</b>	0	0	<b>0</b>
adidas Group, Office, Shanghai, China	600	600	<b>490</b>	0	0	<b>0</b>	0	0	<b>0</b>
<b>Administration offices (total)</b>	<b>7,467</b>	<b>7,172</b>	<b>7,486</b>	<b>29</b>	<b>50</b>	<b>22</b>	<b>136</b>	<b>373</b>	<b>172</b>
<b>Own production sites</b>									
adidas Footwear Factory, Scheinfeld 1, Germany <sup>4</sup>	155 <sup>8</sup>	134 <sup>8</sup>	<b>155<sup>8</sup></b>	3	2	<b>5</b>	<b>7</b>	<b>18</b>	<b>43</b>
adidas Footwear Factory, Scheinfeld 2, Germany <sup>4</sup>	67 <sup>8</sup>	67 <sup>8</sup>	<b>67<sup>8</sup></b>	4	9	<b>5</b>	27	57	<b>44</b>
adidas Apparel Factory, Suzhou, China	260	264	<b>243</b>	0	0	<b>0</b>	0	0	<b>0</b>
adidas Canada Assembly Factory, Brantford, Canada	61	64	<b>76</b>	0	2	<b>1</b>	0	8	<b>7</b>
Reebok-CCM Hockey Factory, St. Hyacinthe, Canada	152	150	<b>140</b>	1	2	<b>8</b>	18	23	<b>10</b>
Reebok-CCM Hockey Factory, St. Jean, Canada	140	127	<b>127</b>	3	12	<b>10</b>	117	449	<b>773</b>
Reebok-CCM Hockey Factory, Tammela, Finland	99	64	<b>72</b>	2	2	<b>1</b>	10	7	<b>3</b>
Reebok-CCM Hockey Factory, Malung, Sweden	141	110	<b>76</b>	1	0	<b>1</b>	10	0	<b>4</b>
Sports Licensed Division, Factory, Indianapolis, USA	950	823	<b>1,204</b>	0	12	<b>52</b>	0	181	<b>23</b>
Sports Licensed Division, Factory, Mattapoisett, USA	109	106	<b>108</b>	1	0	<b>0</b>	2	0	<b>2</b>
Sports Licensed Division, Factory, Cedar Rapids, USA	173	108	<b>112</b>	3	2	<b>2</b>	6	141	<b>19</b>
TaylorMade Assembly Factory, Togane-Shi, Japan <sup>7</sup>	147	147	<b>27</b>	0	0	<b>0</b>	0	0	<b>0</b>
<b>Own production sites (total)</b>	<b>2,454</b>	<b>2,164</b>	<b>2,407</b>	<b>18</b>	<b>43</b>	<b>85</b>	197	884	<b>928</b>

Name of the site	Number of employees			Number of workplace accidents			Number of lost days due to accidents		
	2008	2009	2010	2008	2009	2010	2008	2009	2010
<b>Distribution centres</b>									
adidas Distribution Centre, Uffenheim, Germany	250 <sup>8</sup>	250 <sup>8</sup>	250 <sup>8</sup>	n.r.	n.r.	16	n.r.	n.r.	147
adidas Group, Distribution Centre 1 (Apparel), Spartanburg, USA	815	725	808	0	1	4	0	2	64
adidas Group, Distribution Centre 2 (Footwear), Spartanburg, USA <sup>5</sup>	n.a.	50	808	n.a.	0	5	n.a.	0	175
adidas America, Office/Distribution Centre 4 (Footwear), Spartanburg, USA <sup>6</sup>	475	400	8	0	0	0	0	0	0
Reebok-CCM Hockey, Headquarters and Distribution Centre, Montreal, Canada	500	440	179	54	39	22	982	1,283	1,612
adidas Group Distribution Centre, Suzhou, China	590	485	575	14	8	3	172	54	9
<b>Distribution centres (total)</b>	<b>2,630</b>	<b>2,399</b>	<b>2,603</b>	<b>68</b>	<b>48</b>	<b>50</b>	<b>1,154</b>	<b>1,339</b>	<b>2,007</b>
<b>TOTAL</b>	<b>12,551</b>	<b>11,735</b>	<b>12,496</b>	<b>115</b>	<b>141</b>	<b>157</b>	<b>1,487</b>	<b>2,596</b>	<b>3,107</b>

<sup>1</sup> Site was named 'adidas America Inc., Portland, USA' in previous report

<sup>2</sup> Figures cover TaylorMade Headquarters and assembly factory

<sup>3</sup> Site was named 'TaylorMade-adidas Golf Office, Japan' in previous report

<sup>4</sup> Site was named 'adidas Footwear Factory, Scheinfeld, Germany' in previous report, now split into Scheinfeld 1 and Scheinfeld 2

<sup>5</sup> Site started operating in 2009

<sup>6</sup> Site was closed in 2010

<sup>7</sup> Production in factory was stopped

<sup>8</sup> Number of workplaces at site

n.a. = not applicable

n.r. = not reported

This table includes all sites that started reporting in 2008 and 2009



## COMMUNITY AFFAIRS

### COMMUNITY AFFAIRS STATISTICS\*

In 2010, we saw a further increase of donation requests compared to the previous year and 2008. Donation requests significantly varied in nature and purpose. All requests were carefully reviewed on the basis of the adidas Group Corporate Giving Guidelines. In particular, we supported those requests which were in line with our policies and guidelines.

Compared to 2009, the number of supported projects increased by 12%. The amount of product donations increased in 2010, in particular to support requests from aid organisations for product shipments that were used for relief efforts. The amount of volunteer hours increased significantly which primarily resulted from the restructuring and the associated rising activities of the Adi Dassler Fund in the year 2010.

Region	Donation requests received			Total number of projects supported		
	2008	2009	2010	2008	2009	2010
EMEA	1,424	1,564	1,792	215	208	191
Latin America	46	150	131	7	3	3
North America	3,504	5,784	6,429	1,238	569	733
Asia Pacific	106	108	69	101	78	38
Total	5,080	7,606	8,421	1,561	858	965

Region	Units of products donated			Volunteer hours		
	2008	2009	2010	2008	2009	2010
EMEA	94,695	17,246	53,545	5,250	4,213	5,234
Latin America	549	29,000	2,800	400	1,020	700
North America	57,838	143,201	133,500	3,123	1,838	3,514
Asia Pacific	12,281	38,112	79,664	4,652	3,737	7,020
Total	165,363	227,559	269,509	13,425	10,808	16,468

\* Numbers include: brand activities, corporate activities, Reebok Foundation, Adi Dassler Fund

## PROGRESS AGAINST 2010 TARGETS

- 100% Target achieved
- 75% Target largely achieved
- 50% Target half achieved
- 25% Target partly achieved
- 0% Target not achieved

Key Targets 2010	Comments	Target Achievement
<b>ENVIRONMENTAL SUSTAINABILITY</b>		
Develop a Group Environmental Strategy 2015.	The Group Environmental Strategy was finalised and launched. The Strategy encompasses all business functions and brands and sets several quantitative and qualitative targets through to 2015.	100%
Map and roughly calculate the environmental footprint of our whole value chain.	Project scope and boundaries were defined for the mapping exercise; calculation to be carried out in early 2011.	25%
Launch the environmental supply chain programme.	The programme was launched at the beginning of 2010 and includes Environmental Guidelines, audit tools and audit coverage. The tools include audit checklists and remediation guidelines.	100%
Achieve ISO 14001 <sup>1</sup> certification for Group and brand headquarters' sites.	Environmental management systems (EMS) of major sites in North America (Portland, Canton, Carlsbad, Spartanburg, Montreal) and at the adidas Group level obtained ISO 14001 certification (certification scope: the planning, operation and maintenance of buildings). Certification audit of the EMS of adidas Group facilities in Herzogenaurach, Germany, is scheduled to take place in 2011.	75%
Meet annual Green Company milestones for own sites.	Reporting data for 2009 was completed, reported and evaluated to fulfil this target.	100%
Expand Green Team network globally.	Nine Green Teams were in place in 2010. Green Teams organised events on Earth Day, April 22, 2010.	50%
<b>SOCIAL COMPLIANCE IN THE SUPPLY CHAIN</b>		
<b>Systems and Guidelines</b>		
Enable a seamless transition to using the tools developed by the multi-brand Sustainable Compliance Initiative (SCI).	SCI data management platform is being developed by the Fair Labor Association (FLA), but IT execution is experiencing delays.	25%
Complete and launch revised social compliance key performance indicator (KPI).	The KPI template and its function have been upgraded and several indicators were added. In addition, the tool has a link to the Global Sourcing organisation's supplier performance evaluation to bring about higher consistency. The revised tool has been launched and is being used.	100%
Drive forward partnership and collaboration with brands and other stakeholders.	Maturing strongly with other brands and FLA participating companies and suppliers. It includes the harmonisation of remediation plans and joint field activities.	75%
<b>Direct Sourcing Model</b>		
Direct monitoring efforts to drive better supplier performance.	Self-governance concept has been launched for the higher performing suppliers (4C and 5C-rated suppliers), and Standard Operating Procedures (SOP) as well as briefing materials have been developed. Briefing to suppliers was completed by end of 2010. Full implementation will take place in 2011.	75%
Drive efficiencies in monitoring coverage.	Programme activities were redefined based on suppliers' KPI scores. Suppliers were notified of the need to upgrade the performance of 1C factories. Focus was on risk management of 2C factories and performance assessment of 3C factories. The services of external monitors were used for audits where internal resources were lacking. A capacity building programme is being developed for 2C and 3C factories to improve their performance.	75%

01	ABOUT OUR PROGRAMME
17	ENVIRONMENT
41	SUPPLIERS
57	EMPLOYEES
64	COMMUNITY
72	PERFORMANCE
102	GRI INDEX

Key Targets 2010	Comments	Target Achievement
<b>Indirect Sourcing Model</b>		
Extend the range of service capabilities (action plan development, KPI assessments) of external monitoring providers.	All external monitoring companies are now developing corrective action plans. Only two external monitoring companies are qualified to complete KPI assessments.	50%
Drive business entities' accountability for compliance through the expanded use of report cards.	This area of work is maturing well. Report cards have been developed for 55 business entities.	100%
<b>ENGAGEMENTS</b>		
Continue dialogue with critical stakeholders and use the results to improve our programme.	There has been extensive and ongoing engagement with key stakeholders, in particular over employment concerns, minimum wages, trade union rights, supply chain transparency and other systemic issues. In some cases these drove programmatic changes.	100%

<sup>1</sup> ISO 14001 is an international standard for environmental management systems, which commits a company to seeking continuous improvements in its environmental performance. To become certified, a company's environmental management system needs to be checked by accredited auditors.

01	ABOUT OUR PROGRAMME
17	ENVIRONMENT
41	SUPPLIERS
57	EMPLOYEES
64	COMMUNITY
72	PERFORMANCE
102	GRI INDEX

## TARGETS

### ENVIRONMENT

Target area	2015 Targets	2011 Milestones
<b>MANAGEMENT PROCESSES</b>		
	Overall target – develop a management system that ensures a successful strategy implementation as well as an effective management of environmental impacts, risks and opportunities.	Develop a format for guidelines and tools.
<b>BUSINESS PROCESSES</b>		
Innovation	All future innovation projects to contain some environmental elements.	Develop partnerships with suppliers.
Design	50% reduction in used colours within the adidas Sports Performance division (excluding colours required by clubs or otherwise outside the control of Design).	Consolidate colours by 20% in apparel and 40% in footwear.
Marketing	<ul style="list-style-type: none"> <li>100% of footwear and an increasing amount of apparel to have 'more sustainable content' (by 2012), i.e. to be included into the Better Place product range (applicable to the adidas Sports Performance division).</li> <li>Reduce number of ranges as a whole by 20% (adidas Sports Performance division).</li> <li>Virtualisation project to drive reduction in samples.</li> </ul>	Revise Better Place Guidelines to ensure alignment with the Eco Index and the Index developed by the Apparel Coalition.
Development	<ul style="list-style-type: none"> <li>20% reduction in colour-material combinations.</li> <li>Optimise packaging solutions.</li> </ul>	<ul style="list-style-type: none"> <li>Establish baseline measurements and KPIs.</li> <li>Increase number of more sustainable materials in toolboxes for apparel and footwear.</li> <li>Review packaging status and define 2015 targets.</li> </ul>
Sourcing	<p>A detailed Environmental Sourcing Strategy has been developed that builds on the following three steps:</p> <ol style="list-style-type: none"> <li>Risk mitigation</li> <li>Performance improvement</li> <li>Collaboration</li> </ol> <ul style="list-style-type: none"> <li>'Better Cotton' ('Sustainable Cotton') use: 40% by 2015, 100% by 2018 of all cotton used.</li> <li>Establish full traceability of more sustainable materials (apparel products) by 2014.</li> <li>Extend environmental assessments to selected supplier groups.</li> <li>Establish an industry-wide recognised audit protocol and certification scheme for dye house facilities in collaboration with other brands and associations.</li> <li>10-15% cut in energy emissions by product output at core suppliers.</li> <li>Leather tanneries: 100% of non-Europe tanneries to achieve Leather Working Group (LWG) Silver or above rating (based on the LWG audit protocol).</li> <li>Implement Green Design requirements for new buildings at suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>Introduce 'Better Cotton' into the adidas Group supply chain.</li> <li>Conduct environmental assessments of high-risk suppliers.</li> <li>Review environmental audit tools in the light of external initiatives.</li> <li>At least 80% of the value of leather sourced from non-Europe tanneries to be from Gold Standard tanneries (based on the LWG audit protocol).</li> <li>Review design and construction reports prior to approval.</li> </ul>

01	ABOUT OUR PROGRAMME
17	ENVIRONMENT
41	SUPPLIERS
57	EMPLOYEES
64	COMMUNITY
72	PERFORMANCE
102	GRI INDEX

Own Operations	<ul style="list-style-type: none"> <li>• 20% relative reduction in energy consumption</li> <li>• 30% relative reduction in carbon emissions</li> <li>• 20% water savings/employee</li> <li>• 25% waste reduction/employee.</li> </ul> <p>See a full list of Green Company targets at <a href="http://www.adidas-group.com/en/sustainability/assets/progress_targets/Green_Company_targets.pdf">http://www.adidas-group.com/en/sustainability/assets/progress_targets/Green_Company_targets.pdf</a></p>	<ul style="list-style-type: none"> <li>• Strengthen implementation plan to meet annual saving targets.</li> <li>• Refine ISO 14001 environmental management system.</li> <li>• Strengthen and expand engagement with Green Teams.</li> <li>• Certify the adidas Group headquarters site 'World of Sports' to the ISO 14001 standard.</li> <li>• Develop a Group 'Green car' policy.</li> </ul>
Sales	<ul style="list-style-type: none"> <li>• Develop strategic sustainability alliances with key customers in all key markets.</li> <li>• Own retail stores: 5-15% savings of resources [applicable to Western Europe market].</li> </ul>	<ul style="list-style-type: none"> <li>• Pilot partnership with one key account.</li> <li>• Develop toolbox of different approaches for strategic partnerships with wholesalers.</li> <li>• Develop global saving targets for retail outlets.</li> <li>• Develop new lighting concepts for retail stores.</li> <li>• Pilot greener energy sources.</li> <li>• Pilot paper-saving options.</li> </ul>

**SUPPORT PROCESSES**

Communication	Create awareness and engage employees by driving messaging through internal communication channels.	
Human Resources	<p>Integrate environmental sustainability into global HR programmes:</p> <ul style="list-style-type: none"> <li>• Drive awareness and activation of Environmental Strategy.</li> <li>• Develop ambassadors for environmentally responsible behaviour.</li> <li>• Drive Group-wide awareness and top management involvement.</li> </ul>	<ul style="list-style-type: none"> <li>• Develop training and e-Learning courses.</li> <li>• Set HR-relevant targets for environmental achievements by management functions.</li> <li>• Run employee events supported by senior management.</li> </ul>
IT	<p>Reduce the environmental footprint of IT infrastructure 20% through the following initiatives:</p> <ul style="list-style-type: none"> <li>• 80% of all PCs to have 'green' power management options.</li> <li>• 30% less energy consumption of PCs.</li> <li>• 100% of requests for proposals to evaluate 'green' performance of possible vendors.</li> <li>• Virtualisation of servers/data centre consolidation.</li> </ul>	<ul style="list-style-type: none"> <li>• Decommission more than 40 physical systems and/or virtualise them.</li> <li>• Improve the physical-to-virtual ratio by at least 11%.</li> <li>• Focus on energy efficient infrastructure solutions.</li> </ul>

01	ABOUT OUR PROGRAMME
17	ENVIRONMENT
41	SUPPLIERS
57	EMPLOYEES
64	COMMUNITY
72	PERFORMANCE
102	GRI INDEX

SOCIAL COMPLIANCE IN THE SUPPLY CHAIN (LABOUR, HEALTH & SAFETY)

2015 Targets	2011 Milestones
<ul style="list-style-type: none"> <li>80% of direct supplier factories to meet '3C' (good) or better under our social compliance KPI rating.</li> <li>25% of direct suppliers to be in a self-governance compliance model (where they take responsibility for their own performance) that includes reporting of key social and health and safety indicators.</li> <li>Common industry-wide monitoring platform used to check workplace conditions.</li> <li>Strategic suppliers to have transparent reporting practices about their sustainability performance in place.</li> <li>Scorecards for business units and intermediaries managing our indirect suppliers to achieve an average performance rating of 70% or higher.</li> </ul>	<ul style="list-style-type: none"> <li>Tackle the lowest performers by improving 1C-rated suppliers to a minimum rating of 2C and exit those suppliers that do not meet this grade.</li> <li>Promote the mainstreaming of the FFC as an industry-wide tool for compliance collaboration and harmonised activities.</li> <li>Integrate the next generation of monitoring tools by benchmarking our tools and practices against those of other brands in key industry alliances, such as the FLA and GSFCP.</li> <li>Address external requirements for transparency and disclosure:               <ul style="list-style-type: none"> <li>Fulfil LOCOG requirements and contract obligations on supplier disclosure and SEDEX uploads.</li> <li>Publicly disclose Olympic supplier list from mid-2011 and update quarterly to ensure it is current and accurate.</li> </ul> </li> <li>Drive efficiencies and effectiveness in the monitoring and improvement of workplace conditions by leveraging our partnerships and collaborations with selected brands, multi-stakeholder initiatives and other stakeholders by:               <ul style="list-style-type: none"> <li>Promoting the harmonisation of Corrective Action Plans at a factory level through brand collaborations and engagement with key suppliers.</li> <li>Completing a Fair Wage pilot in collaboration with FLA and ILO by prototyping in the Philippines and Central America.</li> </ul> </li> <li>Drive business entities' accountability for their supply chains' compliance performance by:               <ul style="list-style-type: none"> <li>Expanding the number of Strategic Compliance Plans (SCP) and Report Card assessments.</li> <li>Launching an environmental component to the SCP.</li> </ul> </li> </ul>

EMPLOYEES

2015 Targets	2011 Milestones
<ul style="list-style-type: none"> <li>Leadership Excellence – Our leadership culture is recognised as best-in-class by our employees and the external business world.</li> <li>Talent acquisition – We become a world-class talent acquisition organisation that utilises branding, strategic search and internal recruiting excellence to ensure the continuous pipeline of top talent required to achieve business objectives.</li> <li>Learning Organisation – Our learning strategy and opportunities support our employees to help them achieve their targets, deliver high performance and set the basis for efficiency and innovation. Learning is a key performance driver within the adidas Group and ensures the fitness of our employees.</li> </ul>	<ul style="list-style-type: none"> <li>Based on the findings of the global employee survey, drive the engagement R2A ("Results To Actions") process in all business areas to further improve employee engagement.</li> <li>Focus on the activation of our concepts and tools that constitute our HR foundation and help us to become the employer of choice.</li> </ul>