





FAIR PLAY

Fair Play is the losing rugby team forming a guard of honour to applaud the winners off the pitch. Fair play is kicking the ball out for a throw-in so an injured opponent can receive treatment. Fair play is about being able to rise above the competition and remember that it's how you play the game that really matters.

For us, succeeding in business is about more than making money. It is about treating our employees, our suppliers and their workers fairly, being straight with our partners and supporting our local communities. It is about respecting the environment and making the best products we can for our customers.

We are not perfect and we do not always get it right. But as we go about our work, we aim to honour the spirit of fair play in everything we do.

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CEO STATEMENT



Dear all,

WELCOME TO THE WORLD OF SUSTAINABILITY AT THE ADIDAS GROUP.

As we have done each year since 2000, we have produced this report to give you open and factual information about our ambitions, projects and results in the area of social and environmental affairs. Our teams managing sustainability programmes within our Group, the brands and the markets together with many of the 50,000 employees at the adidas Group gave their best to ensure that we achieved our goals and continued to be rated an industry leader in this important field. And we are: in 2013, we won the RobecoSAM Sustainability Gold Class and Sector Leader Award, we were included in the Dow Jones Sustainability Indexes for the 14th time in a row and named industry leader for the tenth time. Furthermore, in January 2014, it was announced during the World Economic Forum in Davos that we are among the 'Global 100 Most Sustainable Corporations in the World' for the tenth consecutive time.

We are extremely proud of this external recognition. We are equally proud of the results of many of our projects in 2013. My personal highlights include the increased use of water-saving technologies for our products, such as DryDye; the opening of our daycare centre 'World of Kids' at our headquarters in Herzogenaurach, Germany; and our continued commitment to support human rights through our new third-party complaint mechanism.

While we had many successes to celebrate in 2013, we are aware that there is always more that we can do. For us, succeeding in business is about more than making money. It is about treating our employees, our suppliers and their workers fairly, being straight with our partners and supporting our local communities. It is about respecting the environment and making the best products we can for our customers. We are not perfect and we do not always get it right. But as we go about our work, we aim to honour the spirit of 'fair play' in everything we do. Therefore, let me assure you that we continue to take serious responsibility for our actions. And we continue to integrate sustainability into our business strategy.

In this 'FAIR PLAY' report, we use four pillars – people, product, planet and partnership – to explain our sustainability programme. The following article provides an insight into how we came up with this new approach and why we think it is beneficial for all of our stakeholders, including you.

"IN THIS 'FAIR PLAY' REPORT, WE USE FOUR PILLARS – PEOPLE, PRODUCT, PLANET AND PARTNERSHIP."

As always, we are interested in your feedback. We believe that a transparent, continuous and constructive dialogue with our stakeholders, our partners and our people is a pre-requisite for improving our work and the sustainability of our industry. Please follow our strategy and our activities via this report, our corporate website at www.adidas-group.com and our adidas Group Blog at <http://blog.adidas-group.com/>. Together they represent our reporting on sustainability. And now, enjoy reading.

Yours truly,

Herbert Hainer
Chief Executive Officer
adidas Group

OUR APPROACH



PEOPLE

We positively influence the lives of our employees, factory workers and people living in the communities where we have a business presence.

PRODUCT

We find better ways to create our products – mainly through efficiencies, increased use of more sustainable materials and innovation.

PLANET

We reduce the environmental footprint of both our own operations and our suppliers' factories.

PARTNERSHIP

We engage with critical stakeholders and collaborate with partners to improve our industry.

Those of you who have been following our sustainability journey may have noticed that this year's adidas Group Sustainability Progress Report differs from our previous publications, both in structure and in content.

Make no mistake. The adidas Group's commitment to sustainability has not changed. We continue to take serious responsibility for our employees, the people who produce our products, the environment and the communities we operate in. We continue to integrate sustainability into our business strategy.

But what does that mean, exactly? And how do we put sustainability thinking into practice every day?

This was the question we asked ourselves. To find a clear answer, we looked closely at our work, our Group and brand values, the company's heritage and the company mission. Through this process, we developed a framework that encompasses the full range of our sustainability programme. We named it the '4Ps' approach, for the four pillars on which it is based. These are outlined above.

In this year's report, we have used these four pillars to explain our sustainability programme for the first time. All content, including key stories and highlights from 2013, fits into one of these categories.

'Performance counts' in this new framework as well. Each section of the report includes information on our performance against the 2015 targets we established a few years ago.

We hope that you like the new structure of our report. We are confident that it better suits the needs of our target audience of sustainability experts, our own employees and consumers. We also believe that it allows us to better explain what sustainability is for the adidas Group.

To complement the report, our corporate website at www.adidas-Group.com as well as our adidas Group Blog at <http://blog.adidas-group.com/> include more details on our overall approach to sustainability. Together they represent our reporting on sustainability.

2015 TARGETS – OVERVIEW

After thoroughly reviewing our previously published 2015 targets, we have decided to restructure our targets and milestones. This readjustment will allow us to better track our progress to 2015.

In keeping with our overall sustainability programme, this section contains our targets and milestones organised by the 4Ps: People, Product, Planet and Partnership, though we do not set our own targets and milestones for our partnership work (see below).



PEOPLE

We have to show respect to the people we work with, whether that is treating our employees fairly, protecting the rights of workers in our suppliers' factories or making a contribution to the local communities where we operate.



PRODUCT

Consumers expect companies to make products that respect the environment. It is only right that we make every effort to reduce the resources we use, building this into the way we design and develop new products.



PLANET

As a business, we have a responsibility to be fair to future generations, and improve our systems and processes so we and our suppliers cause less harm to the planet.



PARTNERSHIP

Fair play means showing respect for the individuals and organisations we partner with, whether they are formal meetings with NGOs and trade unions to address their concerns, or initiatives with other brands to tackle industry-wide issues.

PEOPLE TARGETS

60% of all direct suppliers to meet 3C (good) or better.

80% of strategic suppliers to meet 3C or better.

25% of our strategic suppliers to be in a self-governance compliance model (4C or better).

Enhance the workers grievance system.

Establish a common, industry-wide monitoring platform, methodology and tools to check and measure fair, healthy and safe workplace conditions.

PRODUCT TARGETS

50% reduction in colours used within the adidas Sports Performance division (excluding colours required by clubs or otherwise outside the control of the Design team).

Virtualisation project to drive reduction in samples.

Optimise packaging solutions.

Establish full traceability of more sustainable materials (apparel products).

Ensure all footwear – and an increasing amount of apparel – is created with sustainable materials and/or more sustainable manufacturing processes.

PLANET TARGETS

Extend environmental assessments to selected supplier groups and achieve a 30% improvement in average KPI for selected suppliers based on 2011 baseline.

10-15% reduction of energy consumption by product output at strategic suppliers.

Drive solutions for sound chemical management in the global supply chain.

Implement Green Design requirements for new buildings at suppliers.

PARTNERSHIPS TARGETS

The adidas Group holds and maintains strong relationships within the sustainability area. These relationships range from bilateral engagements with individuals, non-governmental organisations and interest groups to close partnerships with industry alliances or multi-stakeholder organisations. Important partnerships which inform and influence the development of our sustainability strategy are listed on our corporate website at www.adidas-group.com/en/sustainability/partnerships/partnership-approach/

As active and formal participants in these alliances and initiatives we are committed to supporting the goals, targets and related work programmes as agreed by their members under the respective governance principles of these organisations.

PEOPLE TARGETS

Report cards for all eligible business entities managing our indirect suppliers to achieve an average performance rating of 70% or higher.

Raise the overall understanding and awareness of health and safety issues specific to the manufacturing process within the supply chain.

Activate and instil leadership excellence.

Systematically promote motivation and accountability through talent and performance management.

Create the foundation for open, innovative and collaborative learning solutions.

Actively contribute to the Route 2015 target of an 11% operating margin by creating centralised above-market service solutions.

For the stories behind these targets go to page 8.

PRODUCT TARGETS

Use of cotton: 40% Better Cotton by 2015, 100% 'sustainable cotton' by 2018.

100% of non-European leather volume to be sourced from tanneries that achieve Leather Working Group (LWG) Silver or above rating (based on the LWG audit protocol).

85% of non-European sourcing volume of leather should be certified at Gold level.

Support the Sustainable Apparel Coalition (SAC) to further develop the creation of the HIGG index.

For the stories behind these targets go to page 21.

PLANET TARGETS

Green Company Initiative (own operations):

- 20% relative reduction in energy consumption
- 30% relative reduction in carbon emissions
- 20% water savings/employee
- 25% waste reduction/employee
- 50% paper reduction/employee.

Reduce the environmental footprint of IT infrastructure by 20%:

- 80% of all PCs to have 'green' power management options
- 30% less energy consumption by PCs
- 100% of requests for proposals to evaluate 'green' performance of possible vendors
- Virtualisation of servers and data centre consolidation.

For the stories behind these targets go to page 28.



PEOPLE

We positively influence the lives of our employees, factory workers and people living in the communities where we have a business presence.





IMPROVING FIRE SAFETY IN FACTORIES

Following a spate of factory fires and the devastating collapse of the Rana Plaza in April 2013, we felt it was important to review the building safety of our suppliers in Bangladesh. We started by commissioning an independent structural engineering company to visit each of the eight factories making goods for the adidas Group. Even though all passed the safety assessments and our internal fire safety reviews, we decided to go a step further.

100+

brands committed to safety improvements in Bangladesh.

In October 2013 the adidas Group signed up to the Bangladesh Fire and Building Safety Accord. The Accord has more than 100 brands, local and international trade unions and non-governmental organisations (NGOs) as signatories. All are working together to improve fire and building safety in Bangladesh. With a multi-stakeholder format that allows for different viewpoints and inputs, the Accord supports and involves workers in addressing factory safety.

“WHAT MADE THE ACCORD ATTRACTIVE TO US IS THE WAY IT COMPLEMENTED WHAT WE ALREADY DO ON WORKER SAFETY.”

Harry Nurmansyah, Director Field Operations, Social & Environmental Affairs at the adidas Group

The Accord complements the work the adidas Group already does on worker safety through our technical fire and electric safety audits, training and worker outreach. We will be using our experience in working with the Accord in Bangladesh to test and strengthen our approach to building and fire safety in other parts of the world.

A BETTER SYSTEM FOR ADDRESSING COMPLAINTS ABOUT HUMAN RIGHTS

We need to know whenever we are having a negative impact on someone's human rights whether it relates to our employees, our customers, the workers in our suppliers' factories or the communities in which we operate. The adidas Group reinforced this commitment to respect human rights by launching our improved Third-Party Complaint Mechanism in November 2013.

“WE HAVE UPDATED OUR COMPLAINT MECHANISM. WHY? IT IS SIMPLE. WE WANT OUR STAKEHOLDERS TO KNOW THAT THERE IS A CLEAR CHANNEL THROUGH WHICH THEY CAN COMMUNICATE THEIR ISSUES AND SEEK REDRESS IF THEY HAVE BEEN ADVERSELY AFFECTED BY OUR BUSINESS.”

William Anderson, VP Social & Environmental Affairs at the adidas Group

We already had a good system for third-party complaints – that is, complaints from people and organisations who are outside of our company. This system was built on years of engagement with workers, trade unions and civil society groups but we wanted to strengthen it further. During the London 2012 Olympic Games, we worked closely with the London Organising Committee and were included in their complaint mechanism. We drew on this experience to modify our own approach.

Our new Third-Party Complaint Mechanism aims to investigate and resolve complaints more robustly and transparently. We hope to receive positive feedback from all those who use it to bring issues, including human rights concerns, to our attention.

To find out more about our Third-Party Complaint Mechanism, please go to www.adidas-group.com/en/sustainability/supply-chain/critical-issues/#!/human-rights/



THE JOURNEY TO BECOME A SELF-GOVERNING LICENSEE

It has not always been a smooth ride but with dedication and perseverance our licensee Warson Brands is now 'self-governing': it is taking responsibility for how well its suppliers meet our standards without the support of our compliance team.

As well as direct suppliers, the adidas Group has dozens of licensees that manufacture products on our behalf. We monitor the compliance performance of our licensees by developing individual strategic compliance plans that each licensee uses to ensure sound compliance practices in their factories. The plans also contain a report card to evaluate the licensee's own performance, with the goal that the licensee will be able to manage its suppliers without our help.

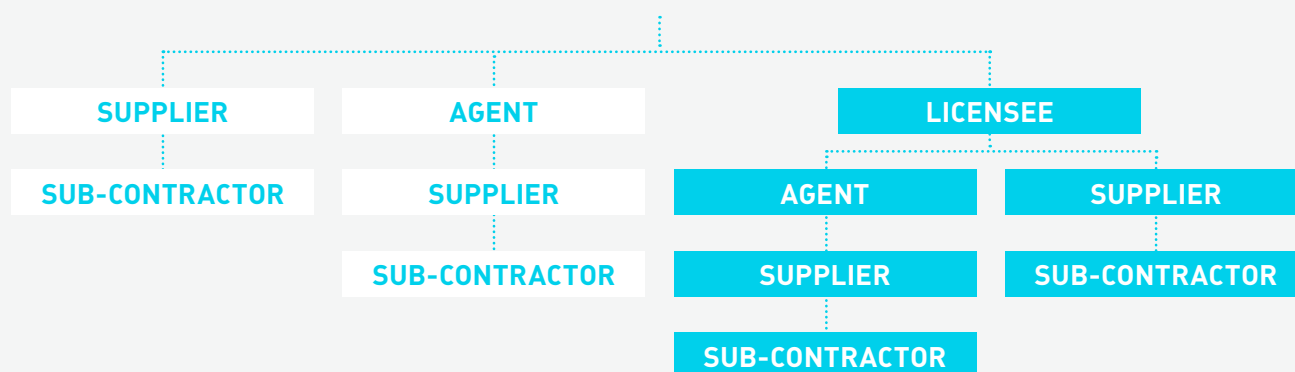
This is the journey that Warson has now completed. It began in 2008 when our brand Rockport entered into a business relationship with Warson Brands. This meant additional obligations for Warson around supplier compliance.

Initially Warson engaged an external firm to provide training to its factories in China and to monitor progress. But while audit results were positive, the rate of progress was slow. And there were inconsistencies between how the external firm conducted reviews and how we at the adidas Group interpreted the audit results. Faced with these challenges, Warson responded by assigning responsibility for sustainability at factory level to someone who reported directly to the CEO, which created the necessary consistency in goal setting, training and communication.

To take things to the next level, Warson based two compliance personnel permanently in their factories. After a year of training, conducting practice audits and achieving professional certification, one was appointed to the position of Lead Auditor by our compliance team, and can now conduct audits independently from the adidas Group.

It all comes down to good business principles: obtaining commitment from senior management, establishing a strong team that understands the company's goals, and allocating the necessary resources to carry out the work.

SUPPLY CHAIN STRUCTURE



“THE GOAL IS TO IMPROVE PERFORMANCE TO A LEVEL WHERE THE LICENSEE CAN BECOME SELF-GOVERNING.”

3

out of 57 licensees have achieved the self-governance level so far





FAIR PLAY FRAMEWORK

Fair play is the aspiration that a sport will be enjoyed for its own sake, with consideration for fairness, ethics and respect for one's competitors. It is one of the few cultural values that is universally embraced and it underpins everything the adidas Group stands for.

"OUR SYSTEM IS MORE THAN A WHISTLEBLOWER HOTLINE; IT IS THE CULTURE THAT UNDERPINS OUR GROUP'S COMMITMENT TO INTEGRITY AND FAIR PLAY."

Frank A. Dassler, General Counsel at the adidas Group

As a multinational company and a good corporate citizen, we are committed to establishing and maintaining systems to protect the company from harm. That is why, in 2012 we established the 'Fair Play Framework' – a new company-wide compliance management system. Introduced Group-wide in 2013, the framework consists of policies, regulations, tools and processes that help us to prevent, detect and respond to compliance violations. We have implemented the system across the company's 3,500 locations worldwide.

3,500

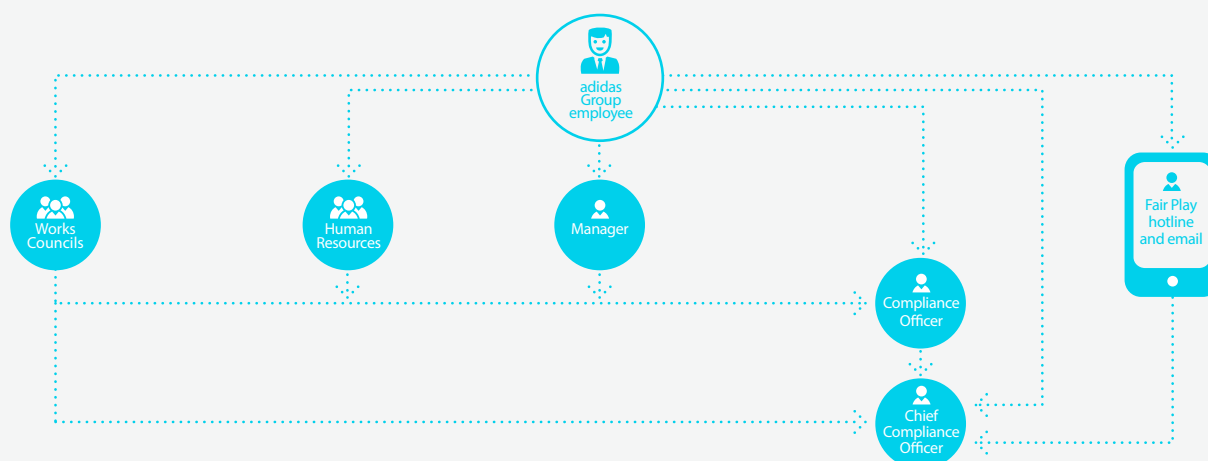
The system has been implemented across the company's 3,500 locations worldwide.

As part of the Fair Play Framework, we established a network of local compliance officers who act as independent contacts for any questions employees may have about compliance. Any employee who knows of, or suspects, wrongdoing is expected to promptly report it so that an investigation can be conducted and appropriate action taken.

One way to report compliance violations is through internal dedicated contact persons, such as the Works Council or Chief Compliance Officer. If they prefer, employees can make their report to an external company by calling the toll-free 'Fair Play Hotline' or by sending a 'Fair Play Email'. All information is treated in the strictest confidence and the calls and identities will only be disclosed with the employee's consent. The Fair Play hotline is available 24/7 in multiple languages and calls are not taped or recorded.

In 2014, we will launch a phone app to encourage younger workers and remote workers to report non-compliance issues, as well as having access to compliance-related information on the go.

HOW TO REPORT A COMPLIANCE VIOLATION





SUPPORTING DISPLACED WORKERS IN TANGERANG, INDONESIA AFTER AN UNETHICAL BUSINESS CLOSURE

In April 2013 the adidas Group announced that a settlement had been reached to give additional aid to workers in Indonesia who had been displaced by an unethical apparel factory closure. This support came on top of \$525,000 from the adidas Group in humanitarian aid as well as job placement services, and direct advocacy with the Indonesian government on the issue of workers' rights. The PT Kizone factory produced adidas products up until 2010. However, it was unethically closed and abandoned by its owner nearly six months after the business relationship between the adidas Group and PT Kizone ended, leaving hundreds of workers without severance payments.

“THE UNION AND THE WORKERS ARE VERY PLEASED THAT ADIDAS HAS MADE THIS SETTLEMENT, WHICH WILL HAVE A REAL IMPACT ON THE WORKERS’ LIVES.”

Representative of the Indonesian district labour union

Following the settlement, the focus now turns to the Global Forum for Sustainable Supply Chains, which, along with the adidas Group and other industry, labour and workers' rights groups, will pursue sustainable solutions to address the complex issues surrounding unethical factory closures worldwide.





ASSESSING WHETHER WAGES ARE FAIR

What is a fair wage? How much should it be and how should it be paid? Since 2012, the adidas Group has conducted a series of Fair Wage Assessments, qualitative case studies, management self-assessments and workers' surveys in our supplier factories to help answer these questions. In 2013, initiatives took place in factories in the Philippines, Vietnam, Mexico, China and Thailand.

Many of the assessment findings were encouraging. Suppliers paid wages on time, complied with legal minimum wage rates, and the wage structure consisted of many non-monetary benefits. Different forms of communication to workers about their pay were noted, and there were no practices that allowed wage discrimination or wage disparity. Wage costs continued to rise as employers tried to meet increased costs of living.

Other findings were less positive. There were instances of under-payment of overtime, workers not being well informed of the current legal minimum wage, the piece-rate system

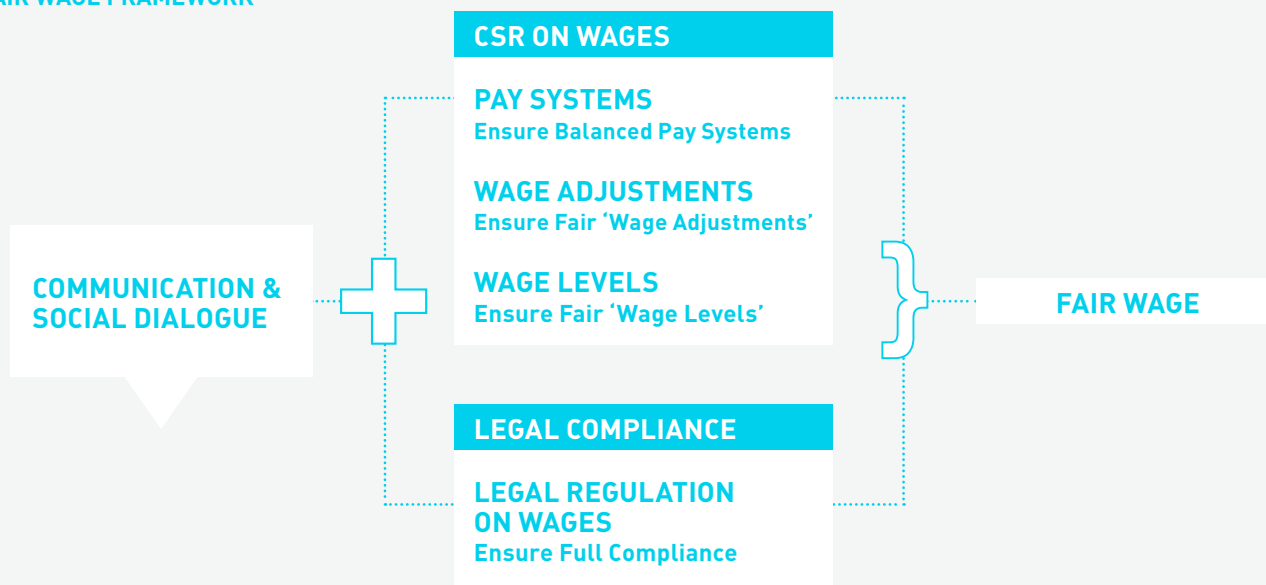
being the overly dominant method of calculating wages, and the lack of a direct link between the wages paid and the factory's economic performance. The qualitative case studies confirmed these findings, and offered insights into the possible root causes.

Mitigating these root causes will be a main focus for 2014. Furthermore, we plan to develop a roadmap to drive effective wage-setting mechanisms at our suppliers' sites. We also intend to integrate Fair Wage components into our own monitoring tools and suppliers' Key Performance Indicators.

1,817

Number of workers interviewed in 2013 as part of the Fair Wage Assessments in 12 factories in five countries.

FAIR WAGE FRAMEWORK



“WE PLAN TO EXTEND FAIR WAGE ASSESSMENTS TO OTHER SOURCING COUNTRIES SUCH AS CAMBODIA.”



GETTING CLOSER TO WORKERS

In 2012 the adidas Group piloted an SMS Hotline project at a supplier's factory in Indonesia. Following very positive feedback from management, workers and unions, we have now extended the service to four more factories and almost 35,000 workers in Indonesia are now covered by the SMS Hotline Service.

Lessons learned the first time round made rollout smoother. Once again, the process involved training management, installing appropriate devices, introducing the concept to workers and union representatives and conducting a short survey to gain worker feedback.

“THE SMS HOTLINE SERVICE IS A GOOD WAY TO IMPROVE ENGAGEMENT WITH WORKERS.”

The SMS Hotline generates many more grievances and suggestions from workers than 'traditional' systems such as suggestion boxes. And because the system allows for direct, personal and easy communication, management responds to workers' grievances more quickly.

Workers prefer the SMS system to other communication channels, as it is simple, accurate, avoids misunderstandings and makes them feel closer to management. From a management perspective, the SMS Hotline Service makes it easier to share information and obtain quick feedback from workers directly. Management also now feels more comfortable tracking and monitoring their communication with workers.

The continued success of the project has encouraged us to extend the programme further. In 2014 we plan to replicate the system in around 15 factories in Indonesia and Vietnam.

94%

Percentage of workers who see the SMS Hotline system as a great channel to express their aspirations and grievances.

RESPONDING TO EVOLVING HEALTH AND SAFETY RISKS

As our products and processes evolve, potential new risks to workers inevitably arise. One such example is Hand-Arm Vibration Syndrome (HAVS), a debilitating occupational disease brought on by repetitive action and exposure to vibration. This condition, which is also known as white-finger disease, has affected a number of workers at a supplier's golf manufacturing plant in Southern China. We are now working with an expert in this area to help our suppliers manage the risk of HAVS. And to ensure this issue is tackled collectively, we will be sharing this knowledge with others in the golf industry.

Factories vary in size and type, but all present potential risks to worker health and safety. We manage these risks by supporting our suppliers in adopting policies, developing systems, conducting training and following best practices to protect workers.

“OUR EFFORTS OVER THE YEARS HAVE REDUCED CONSIDERABLY THE POTENTIAL HARM THAT WORKERS CAN FACE WHEN MAKING OUR PRODUCTS.”

We believe that our efforts over the years have considerably reduced the potential harm that workers can face when making our products. The adidas Group was the first global brand to introduce a total ban on key hazardous chemicals in the workplace. We replaced hazardous glues with water-based chemicals in our athletic shoes and have led in the development of technical training to help build knowledge of health and safety in countries such as China and India.

The case of HAVS reminds us of the need to regularly review and update our guidance to suppliers on worker safety.

#1

We were the first global apparel and footwear brand to introduce a ban on key hazardous chemicals in the workplace.



SUPPORTING DIVERSITY AND EQUAL OPPORTUNITIES

The adidas Group offers its employees an inclusive working environment that respects any sexual orientation, skin colour, gender, age or looks. To us, diversity and equal opportunities are more than just following the rules. In 2013, we demonstrated this commitment both to our employees and the world at large.

Following interest from our employees, the adidas Group decided to get involved in the Sticks and Stones fair in Berlin – the largest career fair in Europe to actively address homosexual job seekers. The internal and external feedback we received following the event was overwhelming.



This initiative laid the foundation for setting up an internal LGBT network (lesbian, gay, bisexual, transgender) in 2014. It will be managed by our employees, and we are convinced it will contribute to employee satisfaction and engagement. To kick things off, the topic of LGBT was added to our annual Diversity Day at the adidas Group's headquarters. Find out more on the adidas Group Blog at <http://blog.adidas-group.com/2014/02/how-we-uncovered-our-lgbt-community/>

In the USA, adidas America demonstrated our commitment to diversity and inclusion by publicly supporting the campaign to legalise gay marriage in Oregon.

At the adidas Group, each and every employee should feel welcome and enjoy being part of a greater whole.

INCREASING WORKER REPRESENTATION AT SUPPLIER FACTORIES IN CHINA

Since 2010, the adidas Group has helped establish worker representation in our direct suppliers' factories in China. While the role of trade unions in China is often questioned, we were seeing a steady rise in the number of industrial disputes, and felt action was needed.

In 2010, we started a project with a Hong Kong based NGO to strengthen worker representation and improve communication channels and grievance systems in our supplier factories in South China. Initially working with only one supplier, by the end of 2013 the project covered 29 suppliers with 116 worker representatives. This represents almost 10% of the total number of direct suppliers we are working with in China.

"I FEEL REALLY LUCKY TO HAVE THIS OPPORTUNITY. WORKING IN PRODUCTION, IT'S THE FIRST TIME I'VE RECEIVED SUCH TRAINING. BESIDES LEARNING COMMUNICATION SKILLS, BEING A WORKER REPRESENTATIVE HAS CHANGED MY MINDSET ABOUT LIFE AND GIVEN ME MORE SELF-CONFIDENCE."

Worker representative

Factories were selected based on their experience and involvement in industrial disputes, the number of cases or worker complaints reported through the hotline, and business plan requirements for closer engagement with workers.

A key achievement of this project is the 'train the trainer' programme we have established. Six trainers were selected to deliver training sessions to worker representatives from other factories. We expect that this programme will build capacity in other factories and sustain the worker representation project.



NEW HEALTH MANAGEMENT SERVICE ESTABLISHED

In 2013 the adidas Group created a new Health Management department. Integrated into Human Resources, its goal is to create a sustainable, healthy community by providing employees with support and resources to help them achieve and maintain a healthy lifestyle.

To maximise their impact, the Health Management team integrates with other functions actively involved in creating a healthy adidas Group community, such as the Company Doctors, Health & Safety, Company Sports and Catering.

Employees have on-site access to medical services such as vaccinations, medical checks and ergonomic workplace adjustments. There is also a 24/7 SOS Crisis Hotline and a programme to manage employees' return to work after long-term sickness. The Company Sports department at our headquarters in Germany delivers an outstanding sports programme, offering more than 200 courses in 2013.

Health Week 2013 in Germany was a very successful and engaging event, promoting a healthy lifestyle and raising awareness of topics such as nutrition and mental health. More than 1,200 employees registered for the various tests, courses and talks.

Read more about this topic on the adidas Group Blog: <http://blog.adidas-group.com/2013/10/what%e2%80%99s-new-at-the-adidas-group-health-management-and-its-part-of-it/>

200

The Company Sports department at our headquarters in Germany offered more than 200 courses in 2013.



'WORLD OF KIDS' DAYCARE CENTRE LAUNCHED AT ADIDAS GROUP HEADQUARTERS

The adidas Group wants employees to maintain a sensible work-life balance to help ensure they stay healthy and motivated. To support this ambition, in September 2013 we launched our 'World of Kids' daycare centre at the adidas Group headquarters in Herzogenaurach, Germany.

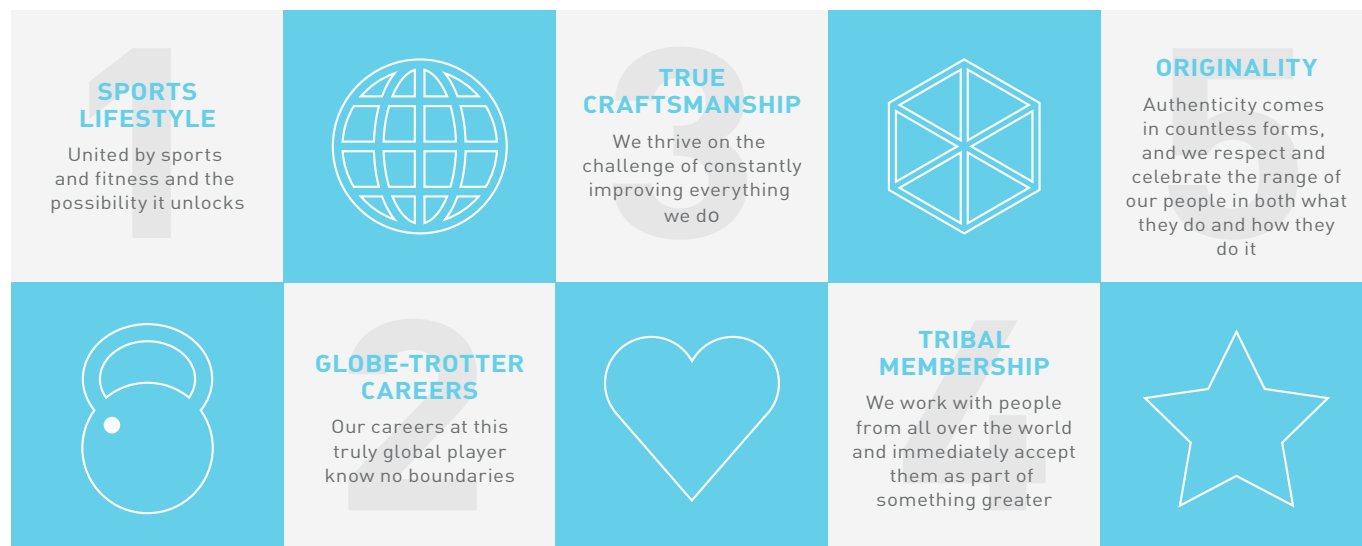
The centre provides 110 places for children from three months old to school age. Activities are focused around movement, music, art and natural sciences, and foster learning through collaboration. There is a large gym and indoor playground, and healthy food is prepared on site, using mainly organic and regional ingredients. The centre is run bilingual (German/English).

"ACTIVITIES ARE FOCUSED AROUND MOVEMENT, MUSIC, ART AND NATURAL SCIENCES, AND FOSTER LEARNING THROUGH COLLABORATION."

World of Kids is operated by a non-profit organisation that specialises in supporting companies to set up and run childcare centres. It employs a higher number of daycare teachers than required by law.

Demand for quality daycare is high, and World of Kids has been fully booked since it opened. Feedback so far has been entirely positive, and underscores the need for more daycare provision. "If I had the chance to meet Mr Hainer, I would tell him how amazing this facility is. No other daycare in Germany compares to it," said Alex B, mother of a two-year-old girl who attends World of Kids.

Find out more on our corporate website at www.adidas-group.com/en/sustainability/employees/work-life-integration/#!/family-and-work-no-conflict-at-the-adidas-group/



WHY EMPLOYER BRANDING MATTERS TO THE ADIDAS GROUP

Our employer brand is simply those unique qualities that set us apart from other companies. It's the reason employees join, stay and remain inspired. It is one of our greatest assets in attracting, engaging and retaining top talent as we shape the future of sport together. The adidas Group is rightfully proud of our employer brand and what it represents.

So how did we define what we have as an organisation? We did it by interviewing employees worldwide, asking them why they joined and what keeps them working for the adidas Group. Their responses have been distilled into five employer brand pillars that highlight the most powerful and consistent answers globally.

“WORKING WITH THE ADIDAS GROUP MEANS THAT INTERESTING, AMAZING AND INSPIRING AREN'T JUST IDEAS. THEY ARE THE CORE OF WHAT WE DO EVERY SINGLE DAY TO TRANSFORM THE FUTURE OF SPORT, STYLE, AND OURSELVES.”

From Youtube video page – unattributed

These five pillars (above) – Sports Lifestyle, Globetrotter Careers, True Craftsmanship, Tribal Membership and Originality – exemplify the answer to one simple question: “What’s it like to work at the adidas Group?” They enable us to speak consistently about who we are and thus authentically represent ourselves as one company. Find out more on our adidas Group Blog at <http://blog.adidas-group.com/2013/11/choosing-where-to-do-the-work-you-love-is-up-to-you/>

In November 2013 we published a video of real adidas Group employees showing what they are passionate about. Watch the video at <http://www.youtube.com/watch?v=AaX7Z1c9PwU>

50,000+

Number of adidas Group employees worldwide at the end of the year 2013.



PROGRESS AGAINST MILESTONES

2015 Target	Milestone 2013	Milestone 2014
60% of all direct suppliers to meet 3C (good) or better.	<ul style="list-style-type: none"> 65% of all direct suppliers to meet 3C (good) or better. <p>54% of our direct suppliers met 3C rating (or better). Despite our support through capacity building, we faced challenges driving improvement in newly accepted supplier factories, and in factories where the adidas Group has limited business leverage (i.e. small business volume).</p> <p>13% of our direct suppliers are in a self-governance compliance model (4C or better).</p> <p>● PARTLY ACHIEVED</p>	1C suppliers to go up a grade (2C) or exited by end of 2014.
80% of strategic suppliers to meet 3C or better.	<ul style="list-style-type: none"> 90% of strategic supplier factories to meet 3C (good) or better. <p>89% of our strategic suppliers met 3C rating (or better). Our capacity building initiatives proved effective and led to better results for long-term and strategic suppliers.</p> <p>● LARGELY ACHIEVED</p>	1C suppliers to go up a grade (2C) or exited by end of 2014.
25% of our strategic suppliers to be in a self-governance compliance model (4C or better).	<ul style="list-style-type: none"> 20% of our strategic suppliers to be in a self-governance compliance model (4C or better). <p>At the end of 2013, 43% of our strategic suppliers met 4C or better, which is a 6% increase compared to 2012. The improvement in KPI rating was achieved through providing intense capacity building to our suppliers. Overall, we exceeded not only our 2013 milestone, but also our 2015 target.</p> <p>● FULLY ACHIEVED</p>	1C suppliers to go up a grade (2C) or exited by end of 2014.
Enhance the workers grievance system.	<ul style="list-style-type: none"> Integrate the SMS hotline into worker grievance and communication systems by implementing it with four more suppliers in Indonesia and one pilot factory in Vietnam. <p>We introduced the SMS hotline system into four more supplier factories in Indonesia and one in Vietnam. The expansion went smoothly following the successful first pilot in Indonesia in 2012.</p> <p>● FULLY ACHIEVED</p>	Expand the SMS hotline system in Indonesia and Vietnam.
Establish a common, industry-wide monitoring platform, methodology and tools to check and measure fair, healthy and safe workplace conditions.	<ul style="list-style-type: none"> Integrate SCI methodology: support the development of the tool in the FFC; pilot the SCI core questions in the direct supply chain. Benchmark the adidas Group's sustainability performance and practices against industry peers using the Equivalence Process of the Global Social Compliance Programme (GSCP) and review findings. <p>The adidas Group played a key role in developing the SCI core questions tool in the FFC. The tool was piloted in selected factories in all regions.</p> <p>Self-assessments of our own policies and procedures against the GSCP reference tools were completed. These will be reviewed by an independent expert panel in 2014.</p> <p>● FULLY ACHIEVED</p>	Roll out the Social Compliance Initiative (SCI) core question set with six key suppliers to inform the plan of broader implementation in the direct supply chain.



2015 Target	Milestone 2013	Milestone 2014
Report cards for all eligible business entities managing our indirect suppliers to achieve an average performance rating of 70% or higher.	<ul style="list-style-type: none"> Report cards prepared for 92% of our eligible business entities; support them in achieving an average performance rating of 67% or higher. Complete the selection of a single service provider to manage the indirect suppliers and launch the programme. <p>We completed report cards for 100% of all eligible business entities with an average rating of 68%.</p> <p>Openview was selected as the single service provider. The programme was launched in Q4 covering the Asia/Pacific region.</p> <p>● FULLY ACHIEVED</p>	<ul style="list-style-type: none"> Report card average score for eligible business entities to reach 70%. Migrate two business entities to self-governance (>80%). Add guidance on 'responsible purchasing practices' to the strategic compliance plan for business entities.
Raise the overall understanding and awareness of health and safety issues specific to the manufacturing process within the supply chain.	<ul style="list-style-type: none"> Develop a comprehensive Occupational Health & Safety (OHS) strategy to address the incidence of vibration exposure in golf club production. <p>We developed an OHS strategy to address vibration exposure in golf club production. The implementation at factory level is still pending due to administrative reasons.</p> <p>In 2013 we provided our suppliers with advisory notes and guidance to address the incidence of vibration exposure in golf club production, and delivered best practice training. We organised supplier summits and commissioned a third-party to conduct occupational health assessments, including risks related to vibration exposure, in our supply chain.</p> <p>● FULLY ACHIEVED</p>	<ul style="list-style-type: none"> Develop and implement a comprehensive OHS plan to address the incidence of vibration exposure in golf club production, in partnership with other brands. Implement the Bangladesh Accord on Fire and Building Safety in our factories.
Activate and instil leadership excellence.	<ul style="list-style-type: none"> Launch and promote a new competency model – globally consistent mindsets and behaviours expected from all employees and leaders. Continue rolling out the Leadership Journey to further support our achievement of Route 2015 goals. <p>In 2013, we rolled out a model that defined the adidas Group's behaviours and mindsets we expect from all employees and leaders. Employees and leaders are evaluated not only on WHAT they accomplish, but HOW they accomplish it, via these behaviours.</p> <p>Additionally, 85 global leadership teams (700 leaders) have taken part in a 'Leadership Journey' during 2013. These journeys include intensive sessions of self-reflection of mindsets, and 360° feedback.</p> <p>● FULLY ACHIEVED</p>	<ul style="list-style-type: none"> Embed leadership mindsets and our 'Way of Working' in our daily life. Launch and promote our new people manager programme Fit2Lead.



2015 Target	Milestone 2013	Milestone 2014
Systematically promote motivation and accountability through talent and performance management.	<ul style="list-style-type: none"> Launch and implement a new performance management approach. Strengthen our succession management through internal and external talent pools. <p>The Score – our new performance management approach – was rolled out in 2013, with materials provided in nine languages through eight e-learning modules. Over 91% of eligible employees completed their year-end appraisals in this first year.</p> <p>In 2013, we also continued to refine our succession review framework and process across 700 positions globally, ensuring individual development plans are in place, and talent pool information is available to provide a clear picture of successor readiness.</p> <p>● FULLY ACHIEVED</p>	<ul style="list-style-type: none"> Proactively manage the readiness and availability of internal talent. Systematically increase the percentage of women in leadership positions. Bring our new performance management tool to life by facilitating open and honest feedback on performance and growth opportunities.
Create the foundation for open, innovative and collaborative learning solutions.	<ul style="list-style-type: none"> Further implement and roll out the Learning Management System (LMS) as the basis for future learning needs. Conceptualise a Corporate University to address future learning needs. <p>The adidas Group Learning Portal (LMS) was successfully launched in 2013, with 10,500 employees having access to the Learning Portal by end of 2013.</p> <p>The adidas Group Learning Campus (formerly Corporate University) was fully conceptualised in 2013 and will launch mid-2014 globally.</p> <p>● FULLY ACHIEVED</p>	<ul style="list-style-type: none"> Launch the adidas Group Learning Campus, the home of open, innovative and collaborative learning solutions. Broaden the application of commercial functional training.
Actively contribute to the Route 2015 target of an 11% operating margin by creating centralised above-market service solutions.	<ul style="list-style-type: none"> Implement globally consistent HR reporting. Implement a payroll system strategy in core countries. Implement above-market shared services for talent acquisition and training. <p>In 2013 the HR reporting tool's technical design and implementation was completed, and alignment across Finance and HR functional hierarchies was achieved. We also established global data model auditing routines and a global HR reporting network to ensure consistency worldwide.</p> <p>We defined a payroll system strategy in North America and Greater China, which will go live in 2014.</p> <p>In 2013 we developed the foundation for above-market shared services and will launch a Shared Service Centre in Germany in 2014. Upon further analysis, we determined that we needed to standardise our processes before implementing above-market shared services, and we will continue to define and standardise end-to-end HR processes in 2014.</p> <p>● LARGELY ACHIEVED</p>	<ul style="list-style-type: none"> Establish standardised, end-to-end, system-supported HR processes to reduce duplication of effort, create efficiencies and enforce discipline. Launch the first wave of the global payroll strategy – a consolidated payroll delivery system in North America and Greater China.



PRODUCT

We find better ways to create our products
– mainly through efficiencies, increased use
of more sustainable materials and innovation.





DRYDYE TEESHIRT WINS INDUSTRY AWARD

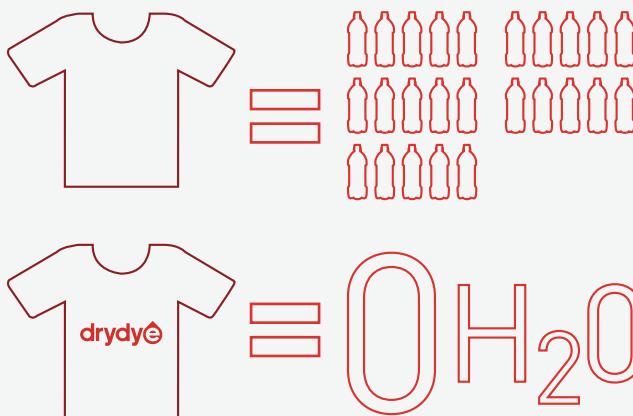
Our DryDye technology is winning plaudits from both industry and consumers. In 2013, adidas received the OutDoor industry award for its Spring/Summer 2014 Terrex Swift DryDye teeshirt. The award recognises 'products of high ecological and sustainable value'.

Since introducing the DryDye technology in our Fall/Winter 2012 collection, we have increasingly integrated it into our Sports Performance products. We have expanded the colours and fabrics available in DryDye, and use it in more sports categories. While it usually takes 25 litres of water to dye a teeshirt, the revolutionary DryDye technology eliminates the need for water in the dyeing process. By requiring no water, DryDye also uses 50% less energy and 50% fewer chemicals when compared to conventional fabric dyeing.

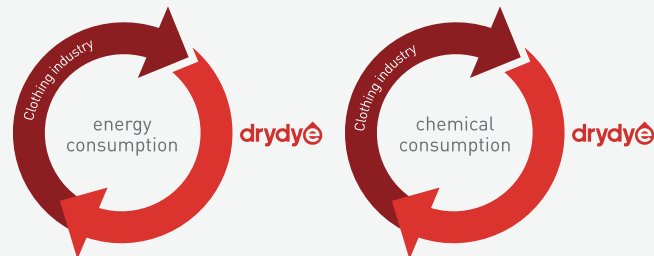
To date, we have used more than 2 million yards of DryDye fabric, saving 50 million litres of water, or 20 Olympic-sized swimming pools. As water shortages become more commonplace, we need to do what we can to responsibly manage this vital resource.

“THE REVOLUTIONARY DRYDYE TECHNOLOGY ELIMINATES THE NEED FOR WATER IN THE DYEING PROCESS.”

IT TAKES 25 LITRES OF WATER TO COLOUR 1 SHIRT



DRYDYE USES 50% LESS ENERGY AND 50% FEWER CHEMICALS



“THIS TEESHIRT IS ACTUALLY QUITE SPECIAL – MAXIMAL PERFORMANCE, WITH MINIMAL WATER USE.”

Martin Gottlob, Global Product Manager, adidas Outdoor

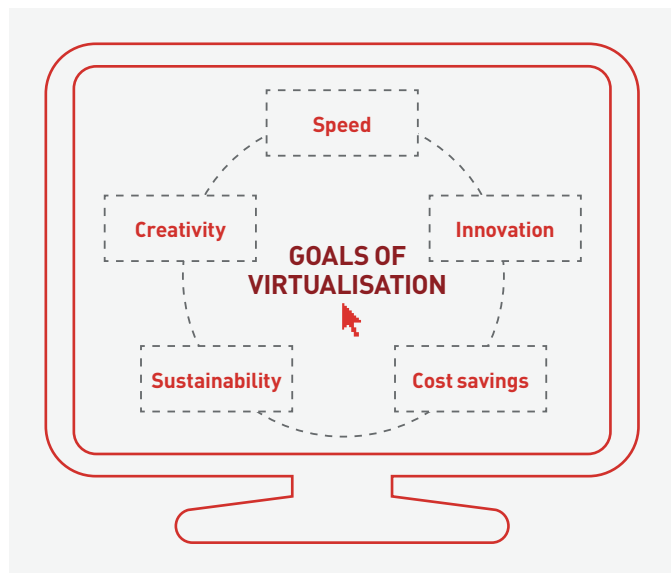


USING VIRTUAL IMAGES TO SAVE REAL RESOURCES

The adidas Group is reducing its environmental footprint by using virtual images to sell-in our products to our markets instead of creating physical samples. Between 2011-2013 we produced almost 1.5 million fewer physical samples.

“WE AIM TO INCREASE THE AMOUNT OF VIRTUAL SALES SAMPLES USED DURING THE SELL-IN PROCESS EVERY YEAR.”

Overall savings were achieved across all product ranges, with the apparel (more than 950,000 pieces) and footwear (415,000 pairs) categories contributing most. We aim to increase the amount of virtual sales samples used during the sell-in process every year.



1.5 million

Between 2011-2013 we produced almost 1.5 million fewer physical samples.

By reducing physical sample production, we not only save water, energy and greenhouse gas emissions in the production of samples, we also reduce our environmental footprint as fewer samples need to be transported globally.

We are also increasingly using virtual images instead of product pictures on our eCommerce website. At the end of 2013, we had approximately 500 virtual images on the site and we plan to gradually increase this number. By doing so, we are limiting the need for product photo shoots.

“WE HAVE ESTABLISHED AN INNOVATIVE WAY OF WORKING WITH OUR SUPPLIERS, PRODUCT CREATORS AND SALES DEPARTMENT TO UTILISE VIRTUALISATION TO ITS FULL EXTENT – IN A SUSTAINABLE WAY.”

Renate Eder, Global Operations/Creation Technologies at the adidas Group





MAXIMISING PERFORMANCE WHILE MINIMISING WASTE

The adidas low-waste initiative, which aims to maximise performance while minimising waste, made great progress in 2013. The programme focuses on producing footwear and sports apparel with fewer parts, recycled materials and maximum pattern efficiency. Pattern efficiency compares the amount of fabric in a piece of clothing to the amount of fabric from which it is cut, with the aim of wasting as little as possible.

FALL/WINTER 2013 COLLECTION

95%

We created a collection of men's and women's clothing with over 95% pattern efficiency.

We enjoyed some real successes in both apparel and footwear. One of our Fall/Winter 2013 clothing collections achieved more than 95% pattern efficiency. We used squares and rectangles in recycled polyester, paired with stretchy inserts to guarantee a high performance fit, while minimising environmental impact. Not only are we reducing material waste; we are also saving energy and water that would have gone into creating that fabric. The small amount of waste that was created went to a recycling factory to be converted into stuffing for teddy bears.

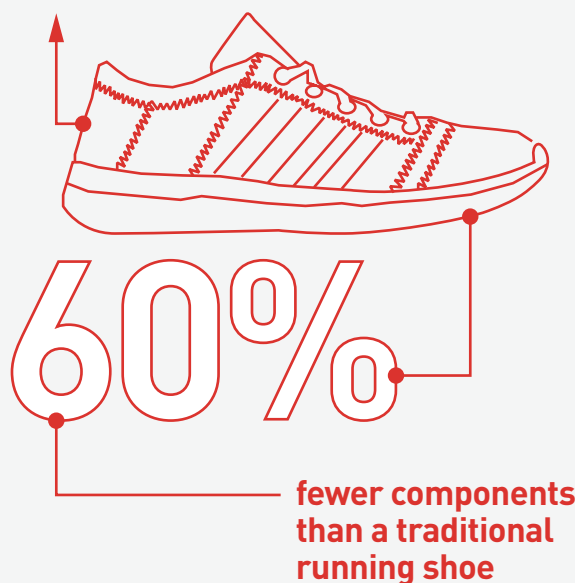
SAME PERFORMANCE, LESS WASTE



In footwear, we took on the challenge of creating a high performance shoe with the least amount of waste possible. The result was the Element Voyager, a streamlined, simplified running shoe that reached 95% pattern efficiency in the upper and contains 60% fewer components than a traditional running shoe. We also opted for environmentally preferred materials, such as recycled polyester in the upper and recycled rubber in the midsole and outsole.

Less fabric, fewer resources and same high performance makes low waste a real win-win: good for our consumers, our business and the planet.

SAME PERFORMANCE, LESS WASTE



“WE ARE CONSTANTLY STRIVING TO MAKE OUR PRODUCTS BETTER, NOT JUST BY INCREASING PERFORMANCE, BUT BY CONTINUING TO DEVELOP HOW PRODUCTS ARE MADE.”

**Craig Vanderoef, Business Unit Director,
Global Running at adidas**



© Better Cotton Initiative

ON TRACK FOR SUSTAINABLE COTTON

In 2013, the adidas Group sourced more than 23% of all our cotton as Better Cotton, clearly exceeding our milestone of 15%. This is a huge step towards our goal of using 40% Better Cotton by 2015. Our success is the result of clear target setting – both with suppliers and with internal teams who supported the sourcing of Better Cotton for our products.

By 2018 we have committed to source 100% of cotton in our products as sustainable cotton. Sustainable cotton in this sense means Better Cotton, certified organic cotton or any other form of sustainably produced cotton that is currently available or might be in future.

The Better Cotton Initiative (BCI) aims to reduce the use of pesticides, and promotes efficient water use, crop rotation and fair working conditions. A recent study by IDH (the Sustainable Trade Initiative) shows that the BCI is having a significant impact at the farm level. The study found a reduction in water use by up to 20%, a reduction in pesticide use of up to 67% as well as increased profitability for those farmers who have been licensed for Better Cotton*.

Through our commitment to the Better Cotton Fast Track Program (BCTFP), we are working with other leading brands and funders to help make sustainable cotton production mainstream. The BCFTP funds training for cotton farmers to help them adopt more sustainable practices, which encourages wider production of Better Cotton.

23%

Percentage of all cotton we used as Better Cotton in 2013.

“BY 2018 WE HAVE COMMITTED TO SOURCE 100% OF COTTON IN OUR PRODUCTS AS SUSTAINABLE COTTON.”

*Impact studies 2013: Sustainable market transformation in action: <http://eudevdays.eu/sites/default/files/Impactboek%202013.pdf>



PROGRESS AGAINST MILESTONES

2015 Target	Milestone 2013	Milestone 2014
50% reduction in colours used within the adidas Sports Performance division (excluding colours required by clubs or otherwise outside the control of the Design team).	<ul style="list-style-type: none"> Continue our efforts within the Design team to increase product sustainability. <p>From Spring/Summer 2012 to Spring/Summer 2014, the Sports Performance division reduced its overall colours by 50%, from 360 to 180. With this our 2015 target is already fully achieved.</p> <p>● FULLY ACHIEVED</p>	No new milestone was set because the 2015 target was already fully achieved.
Virtualisation project to drive reduction in samples.	<ul style="list-style-type: none"> Further virtualise the design process. <p>By continuing our virtualisation efforts, we were able to decrease our samples by 28% between 2010 and 2013. Additionally, we continued to use virtual samples instead of pictures from product photo shoots in areas such as our catalogues, eCommerce and brand marketing activities.</p> <p>● FULLY ACHIEVED</p>	Further expansion of the virtualisation process to reach a cumulated sample saving of 2.5 mio (pieces/pairs) by the end of 2014.
Optimise packaging solutions.	<ul style="list-style-type: none"> adidas China to trial the use of single wall cartons before rolling out to bulk orders. <p>In 2013, we successfully trialed the single walled cartons by adidas China. From October to December 2013, we saved a total of 6 tonnes of paper.</p> <p>● FULLY ACHIEVED</p>	Use single wall carton quality for standard adidas Group apparel carton sizes globally.
Establish full traceability of more sustainable materials (apparel products).	<ul style="list-style-type: none"> Continue to monitor process and suppliers' compliance. Set a clear strategy on implementing the software solution for product tracking based on the results of the benchmarking study. <p>In 2013, the existing data tracking systems were replaced by a new internal adidas Group database solution (SMTT Sustainable Material Tracking Tool). The project was launched in April and the programme rollout to adidas suppliers took place mid-November.</p> <p>● FULLY ACHIEVED</p>	<ul style="list-style-type: none"> Implement Phase 2 for database solution SMTT: IT enhancement of the programme, based on needs and learnings identified so far. Sustain database quality by on-time, in-full data entry.



2015 Target	Milestone 2013	Milestone 2014
Ensure all footwear – and an increasing amount of apparel – is created with sustainable materials and/or more sustainable manufacturing processes.	<ul style="list-style-type: none"> Ensure that relevant Sustainable Apparel Coalition topics are covered within internal Better Place tools. Design-led innovation to reduce the environmental impact of products within focus categories. <p>We further strengthened our systems to enhance the sustainability attributes of our products.</p> <p>We expanded the use of design-led innovations such as Low Waste and DryDye.</p> <p>● FULLY ACHIEVED</p>	<ul style="list-style-type: none"> Continue to expand sustainable materials and sustainable manufacturing processes used to create our products. Increase the number of No Dye (use of materials in their natural 'greige' colour) products across our ranges. Increase our cumulative DryDye offering to 4 million yards in total. Expand our sustainable materials library.
Use of cotton: 40% Better Cotton by 2015, 100% 'sustainable cotton' by 2018.	<ul style="list-style-type: none"> Use of 15% sustainable cotton in adidas Group apparel products. <p>By allocating more volume to suppliers within the Better Cotton supply chain, we significantly exceeded our 2013 target, using 23% Better Cotton.</p> <p>● FULLY ACHIEVED</p>	Use of 25% sustainable cotton in adidas Group apparel products.
100% of non-European leather volume to be sourced from tanneries that achieve Leather Working Group (LWG) Silver or above rating (based on the LWG audit protocol). 85% of non-European sourcing volume of leather should be certified at Gold level.	<ul style="list-style-type: none"> Work on further increasing our sourcing volume from suppliers who are Gold-rated. <p>In 2013, we sourced 96% of our non-European leather volume from tanneries that achieved a LWG Silver or Gold rating. Compared to 2012, we increased our sourcing from Gold-certified tanneries by 8% to 87%, and reaching our 2015 target.</p> <p>● FULLY ACHIEVED</p>	100% of non-European leather volume to be sourced from tanneries that achieve Leather Working Group (LWG) Silver or above rating (based on the LWG audit protocol).
Support the Sustainable Apparel Coalition (SAC) to further develop the creation of the HIGG index.	<ul style="list-style-type: none"> Participate in creating, testing, and launching of Higg Index 2.0. <p>We are a regular and an active participant in the task forces of the SAC. In 2013, the adidas Group supported the SAC with both content and technical expertise to ensure Higg 2.0 development, refinement, and completion.</p> <p>● FULLY ACHIEVED</p>	<ul style="list-style-type: none"> Higg Index: Support the SAC in creating a product module. 'Higg 2.0 Brand and Facility Modules' will be field-tested alongside existing adidas supply chain auditing systems.



PLANET

We reduce the environmental footprint of both our own operations and our suppliers' factories.





A SUPPLIER INTEGRATING ENVIRONMENTAL THINKING INTO THEIR BUSINESS

Not only do we try to reduce the environmental footprint from our own sites, we encourage our suppliers to do the same. We want them to tackle the environmental impacts from the manufacturing process and be smart in their use of materials – while still meeting our quality standards. One supplier that has successfully risen to this challenge is our footwear component supplier 'framap'.

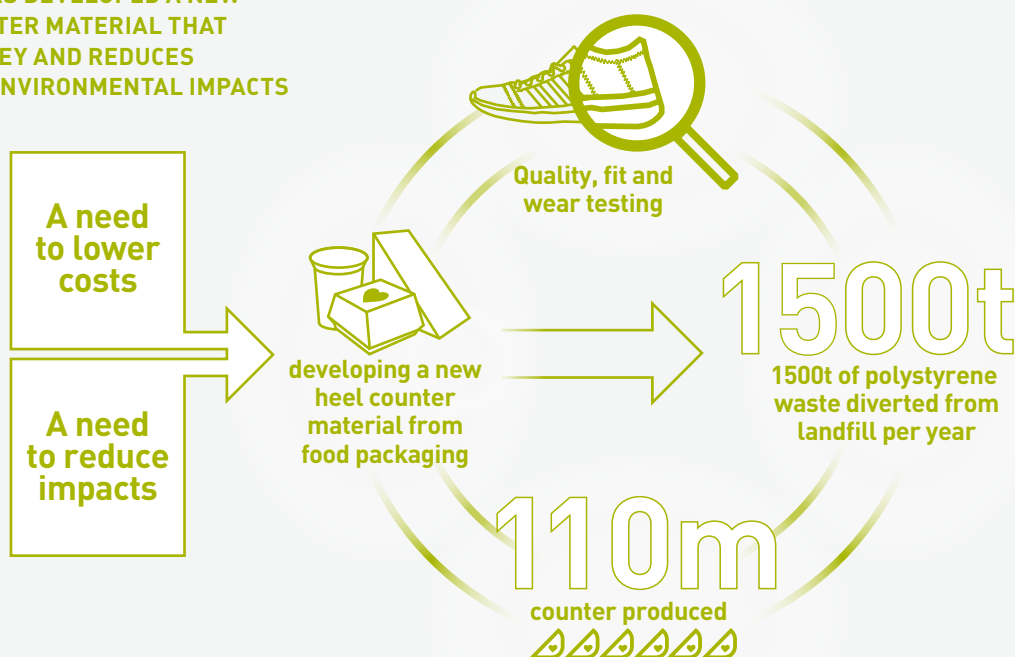


We have had a long and fruitful business relationship with 'framap'. In the last couple of years they have been facing rising prices for the thermoplastic rubber and polystyrene raw materials they use in the heel counter they make for us. These counter stabilise the heel and are present in almost every shoe. To address this, 'framap' developed a new heel counter material, replacing the virgin polystyrene component of the compound with recycled polystyrene from food packaging.

The Framaprene® ECO heel counter material passes the strict adidas quality, fit and wear tests. Most of the shoes in the spring/summer 2014 ranges will now contain them – with a total of 110 million pairs of heel counter delivered per year. This will divert 1,500 tonnes a year of polystyrene waste from landfill sites.

The Framaprene® ECO heel counter compound has helped 'framap' manage its costs and develop its business while being good for the planet too. Exactly the kind of innovation we love to see from our suppliers.

FRAMAS HAS DEVELOPED A NEW HEEL COUNTER MATERIAL THAT SAVES MONEY AND REDUCES NEGATIVE ENVIRONMENTAL IMPACTS





INVESTING IN GREEN COMPANY TO REDUCE OUR ENVIRONMENTAL FOOTPRINT

We are always looking for ways to reduce the environmental footprint of our own sites. In 2013 we drove forward our Green Company programme by extending our global shared environmental management system to more of our sites and by funding innovative carbon reduction projects through our sustainability venture capital fund.

Launched in 2008, Green Company draws together all our environmental initiatives across the world into one coherent programme to improve the environmental performance of our administration offices, manufacturing sites and distribution centres. Key to the success of Green Company has been the shared environmental management system for our sites, which has been certified to the international standard ISO 14001. In 2013, four more sites received certification – one administrative office and three distribution centres – bringing the total number of certified sites to twelve. We plan to extend certification to additional sites in 2014.



Fuel cell in Carlsbad, USA

12

Number of adidas Group sites with ISO 14001 certified environmental management systems.

As we always strive to find new ways to make a difference, 2013 saw the continued development of our greenENERGY Fund. The first of its kind in the footwear and apparel industry when it was launched in 2012, this sustainability venture capital fund aims to accelerate investment in cost-effective energy and carbon-reduction projects – and make a profit. In 2013, the fund financed new lighting systems at five of our main distribution centres in Europe, North America and Asia as well as the retrofit of 118 retail stores with LED lighting. It also invested in a new solid oxide fuel cell at the TaylorMade-adidas Golf facility in Carlsbad, California. This alternate energy supply will reduce the facility's carbon emissions by 28% and bring in net energy savings of almost USD 1.2 million over the next 10 years.

“THIS IS A GREAT EXAMPLE OF A PROJECT THAT DELIVERS BOTH BUSINESS AND ENVIRONMENTAL VALUE. IT IS A REAL WIN FOR TMAG AND THE BROADER GROUP.”

Melissa Claassen, CFO TaylorMade-adidas Golf, Carlsbad



A BETTER WAY TO MAKE PRODUCTS WATER-REPELLENT

In 2013 we successfully developed a better way to make our products water-repellent, one that avoids using a particular group of chemicals that have been linked with potential risks to health and the environment.

The majority of water-repellent chemistry is based on fluorocarbons. Some long-chain fluorocarbons – known as C8 – can break down to chemicals that are known to be persistent, bioaccumulative and toxic. This is why in early 2013 the adidas Group decided to phase out all long-chain fluorocarbons from our products by January 2015.

“A GREAT EXAMPLE OF HOW A STRONG COLLABORATION ALONG THE SUPPLY CHAIN CAN HAVE A SIGNIFICANT IMPACT.”

The first step was to research the different possible alternatives to the C8 chemistry. In this screening process we worked with not only our strategic textile supplier but also several chemical manufacturers. By bringing them together, we were able to come up with a solution.

“AS WELL AS IMPROVING THE PERFORMANCE OF THE FINAL PRODUCT, WE ARE ALSO COMMITTED TO DEVELOPING MORE SUSTAINABLE PRODUCTION METHODS AND MATERIALS.”

Jan Neckermann, Project Manager Strategy, Global Operations, adidas Group

By the end of 2013 we had already changed a large part of our production to the alternative water-repellent chemistry, without changing the aesthetics, the quality or the performance of the final product.

We had met our target for 2013. A great example of how a strong collaboration along the supply chain can have a significant impact.

OUTDOOR JACKET





THREE-QUARTERS OF AUDITED MATERIAL SUPPLIERS IMPROVING THEIR ENVIRONMENTAL PERFORMANCE

While environmental aspects have been part of our factory audits since we launched our sustainability programme in 1998, it was in 2008 that we began dedicated environmental audits with an initial focus on how chemicals were managed. In 2010 we broadened our monitoring scope and audited material suppliers (fabric mills and dyehouses) for the first time. These audits cover a broad range of environmental topics. As well as reviewing the management systems and overall environmental controls in place, the audits look at waste, how waste water is treated and groundwater is protected, as well as health and safety issues and fire protection.

“OUR ENVIRONMENTAL AUDITS INFORM DECISIONS ABOUT PLACING FUTURE WORK, WHICH HELPS TO FOCUS SUPPLIERS ON THEIR PERFORMANCE.”

Results from dedicated audits with 24 material suppliers in 2013 showed that more than 75% of them improved their overall environmental performance within a year. Comparing results to the previous year, the score is also derived from assessing each supplier's business plans and their commitment to setting targets to limit their waste, energy and water use.

“THE RIGOROUS AUDIT PROTOCOL WE USE HELPS SUPPLIERS UNDERSTAND WHAT THEY NEED TO DO TO ADDRESS THEIR MOST SIGNIFICANT ENVIRONMENTAL IMPACTS.”

Lyn Ip, Senior Manager Environment, Health & Safety for Global Supply Chain at the adidas Group

These audits continue to be an important mechanism for both the Group and the supplier to understand and evaluate the supplier's performance. We can identify the strengths and areas of weaknesses within the different facilities, develop specific corrective action plans, and work with the factories on improving performance. As with all our sustainability assessments, our environmental audits inform decisions about placing future work, which helps to focus suppliers on their performance.

75%

More than three-quarters of the audited material suppliers improved their environmental performance within a year.



PROGRESS AGAINST MILESTONES

2015 Target	Milestone 2013	Milestone 2014
Extend environmental assessments to selected supplier groups and achieve a 30% improvement in average KPI for selected suppliers based on 2011 baseline.	<ul style="list-style-type: none"> Environmental KPI score to be increased by 10% for strategic suppliers that are rated 3E or above. Environmental KPI score to be increased by 20% for strategic suppliers that are rated below 3E. Collect and share learnings from detailed environmental audits conducted at suppliers operating high-risk processes. <p>For a number of factories, the 2013 E-KPI scores had to be readjusted due to data inconsistencies reported into our environmental data system in previous years. In addition, some factories failed to implement actions required by their Strategic Compliance Plan to improve the E-KPI score.</p> <p>⊕ PARTLY ACHIEVED</p> <p>A consolidated document with best practice initiatives has been developed and shared with our Global Sourcing Organisation.</p> <p>● FULLY ACHIEVED</p>	1E facilities to move up by one level.
10-15% reduction of energy consumption by product output at strategic suppliers.	<ul style="list-style-type: none"> Finalise and verify supplier data, complete benchmark and report on progress in reduced energy consumption per unit of production. Redefine target for energy savings for 2014 based on the results. <p>Supplier data was finalised and verified, and progress in energy reduction reported.</p> <p>● FULLY ACHIEVED</p>	1E facilities to move up by one level.
Drive solutions for sound chemical management in the global supply chain.	<ul style="list-style-type: none"> Align and integrate our ZDHC work with our overall Environmental Strategy 2015 priorities, as well as with our strong engagement within the Sustainable Apparel Coalition. Further build and strengthen the internal structures to support and drive the ZDHC work. <p>In collaboration with the other member brands in the ZDHC group, we have developed an industry-wide environmental audit protocol.</p> <p>We have been successfully phasing out the majority of our long-chain water fluorocarbon water-repellent chemistry.</p> <p>● FULLY ACHIEVED</p>	<ul style="list-style-type: none"> Continue our phase-out plan for long-chain fluorinated chemicals across all divisions by the beginning of 2015. Engage with ZDHC, SAC and other industry partners to strengthen our input chemical management.
Implement Green Design requirements for new buildings at suppliers.	<ul style="list-style-type: none"> Develop case studies to highlight the adoption of successful green building design practices and share these with other factories in the supply chain. <p>Case studies about successful green building design practices were incorporated into a document showcasing best practices.</p> <p>● FULLY ACHIEVED</p>	No new milestone was set because the 2015 target was already fully achieved.



2015 Target	Milestone 2013	Milestone 2014
Green Company Initiative (own operations): <ul style="list-style-type: none"> • 20% relative reduction in energy consumption • 30% relative reduction in carbon emissions • 20% water savings/employee • 25% waste reduction/employee • 50% paper reduction/employee. 	<ul style="list-style-type: none"> • Further develop the best practice sharing programme. • Further expand the ISO 14001 system through certification of additional sites (over the next two years). • Survey organic solvents used at our own sites (excluding laboratories). <p>In 2013 the internal best practice library was expanded with different examples from our own sites.</p> <p>● FULLY ACHIEVED</p> <p>In 2013 our ISO 14001 system successfully achieved re-certification. The system was expanded to four new European sites in Germany and the UK. We plan to certify additional sites in 2014.</p> <p>● FULLY ACHIEVED</p> <p>The few sites that still use organic solvents were asked to provide details on their plan to reach the 2015 target of phasing-out organic solvents (excluding laboratories). This is still an ongoing task in 2014.</p> <p>⊕ PARTLY ACHIEVED</p> <p><i>Details on the progress against our Green Company targets can be found in our Green Company Performance Analysis available on our corporate website.</i></p>	<ul style="list-style-type: none"> • Further expand the best practice library and drive best practice sharing between our own sites. • Further expand the ISO 14001 system through certification of additional sites. • Continue to drive and support energy reduction projects at our sites through the greenENERGY Fund.



2015 Target	Milestone 2013	Milestone 2014
<p>Reduce the environmental footprint of IT infrastructure by 20%:</p> <ul style="list-style-type: none"> 80% of all PCs to have 'green' power management options 30% less energy consumption by PCs 100% of requests for proposals to evaluate 'green' performance of possible vendors Virtualisation of servers and data centre consolidation. 	<p>Workplace:</p> <ul style="list-style-type: none"> Use game-like experiences to encourage employees to reduce their carbon footprint. Ensure workplace Green IT best practices are applied. Explore the use of paperless processes. Introduce green printing settings by default and printer energy management. Identify energy consumption and carbon footprint related to emails and employee data storage. <p>Data centre:</p> <ul style="list-style-type: none"> Introduce storage on demand at headquarters. Identify the carbon footprint of applications. Decommission physical servers (track percentage of decommissioned servers in regions EMEA, Asia Pacific and Americas). Improve virtual server ratio by 5%. <p>Communication, awareness:</p> <ul style="list-style-type: none"> Run awareness campaigns including posters, tips and media assets. Continue employee communication to raise awareness on how to save energy. <p>Cloud computing and 'data as a service':</p> <ul style="list-style-type: none"> Evaluate the potential of cloud computing and 'data as a service' to further reduce carbon footprint, energy and paper consumption. <p>In 2013, we worked on all milestones and assessed the overall environmental impact of the different initiatives. We decided to focus our future efforts on those initiatives with the most significant environmental impact.</p> <p>Major achievements in 2013:</p> <ul style="list-style-type: none"> Cloud storage: Storage efficiency was improved which will result in major energy savings from 2014 onwards. Printer: Due to a more efficient and smaller fleet of printers as well as new default printer settings, we achieved significant paper and energy savings at our headquarters in Germany. Communication: We continued communicating with employees around saving energy throughout the year. <p>● FULLY ACHIEVED</p>	<ul style="list-style-type: none"> Explore the use of unused PC capacity to render 3D images for design and marketing processes. Reduce Power Usage Effectiveness (PUE) factor by 10-15% at our headquarters data centre in Germany. Explore the use of carbon neutral printing for our headquarters in Germany and other locations. Continue server consolidation in the Americas. Continue rollout of new printer concept.



PARTNERSHIP

We engage with critical stakeholders and collaborate with partners to improve our industry.





CREATING AN INDUSTRY-WIDE AUDIT TOOL TOGETHER WITH OTHER BRANDS

Brands may compete in the marketplace but there are areas where we can and should collaborate. One such area is in the way we audit our suppliers. Brands share suppliers, but historically we have used similar methodologies but unique and different audit tools. As we are all aiming for compliance with labour, health, safety and environmental standards, there is clearly an opportunity to harmonise our efforts. For some years now, we have been collaborating on creating an audit tool that is used by and shared with other companies. We worked closely with colleagues from two major brands, and towards the end of 2013 the tool was ready to pilot.

“ALL THE BRANDS HAD SOMETHING VALUABLE TO CONTRIBUTE, AND THROUGH A PROCESS OF INTENSIVE KNOWLEDGE-SHARING WITH EACH OTHER, WE HAVE NOW CREATED A POWERFUL TOOL WE CAN ALL COMMIT TO USING.”

Selcuk Buyukozer, Global Programme Operations, Social & Environmental Affairs at the adidas Group

The project began in 2008 when the adidas Group, seven other brands and the Fair Labor Association (FLA) – a not-for-profit organisation dedicated to promoting safe and fair workplaces – started working on the Sustainable Compliance Initiative (SCI). The ultimate goal of the SCI was to replace the brands’ individual monitoring tools with one that was commonly used and globally accepted. This SCI audit tool was finalised and released by the FLA in 2012.

To make the new SCI tool even more efficient and convenient for any factory and audit type, we worked with two major brands to fine-tune it. We have now developed a core question set covering all minimum requirements. It can be used in every audit and clearly identifies the root causes of problems.

As a next step, the SCI audit tool will be integrated into the Fair Factories Clearinghouse (FFC), an industry-leading compliance data-sharing online platform. Piloting this in 2014 moves us one step closer to the goal of a universally accepted monitoring tool embraced by many other companies and brands.

DRIVING STANDARDS TOGETHER



“THE FFC IS PLEASED TO BE ABLE TO OFFER THIS SMART AUDIT CAPABILITY TO ITS MEMBERS, AND WE ARE EXPECTING THIS NEW TOOL WILL SEE RAPID ADOPTION AMONG INDUSTRY LEADERS.”

Peter Borrow, Executive Director of the Fair Factories Clearinghouse



ADIDAS EMPLOYEES 'RUN AROUND THE GLOBE' FOR A GOOD CAUSE

When the adidas Group designated 2013 as 'The Year of Running', employees responded by organising a range of activities, including an ambitious 'Run around the Globe'. This worldwide run across continents involved staff at 36 locations, and proved once again that our employees are united by their true passion for sports. Find out more on the adidas Group Blog at <http://blog.adidas-group.com/2013/10/and-we-keep-running-and-running-and-running-adidas-locations-worldwide-celebrate-the-%E2%80%99Crun-around-the-globe%E2%80%99D/>

36

'Run around the Globe' involved staff at 36 locations worldwide.



Employees were not only running for fun, but also to raise money for good causes. For example, at our headquarters in Herzogenaurach, Germany, around 400 employees raised more than 2,800 Euro to support the African based non-profit organisation SCORE. A long-term partner of the adidas Fund, SCORE empowers individuals through community development programmes involving sport and recreation. Together with the adidas Group, SCORE organises running camps and enables runners to participate in the Two Oceans Marathon in Cape Town.

"EMPLOYEES WERE NOT ONLY RUNNING FOR FUN, BUT ALSO TO RAISE MONEY FOR A GOOD CAUSE."

Running is one of the adidas Group's main product categories and important for the growth of the business, as set out in our strategic business plan 'Route 2015'.

"BEING PART OF 'RUN AROUND THE GLOBE' WAS SO MUCH FUN AND THE AIM OF GETTING FUNDS FOR CHARITY IS ENOUGH REASON TO MAKE THE RUNNERS SWEAT AND, ABOVE ALL, HAVE A GOOD TIME WITH ALL THE COLLEAGUES."

**Daniel Juan Serna, Merchandising Specialist
Global Sales at the adidas Group**



DETAILED INFORMATION PUBLISHED ABOUT SUPPLIERS MANUFACTURING PRODUCTS FOR THE 2014 FIFA WORLD CUP BRAZIL™

In December 2013 the adidas Group published a complete list of the factories manufacturing adidas products for the 2014 FIFA World Cup Brazil™. As official sponsor, licensee and outfitter for the World Cup, we believe this demonstrates the importance we attach to sharing information around events of major global interest and our continuing commitment to transparency in general. The list contains names and addresses of each factory, and also shows the status of worker or trade union representation at the individual facility.

“SHARING INFORMATION ABOUT OUR BUSINESS PRACTICES GIVES STAKEHOLDERS A REAL PICTURE OF WHERE WE STAND IN OUR SUSTAINABILITY PROGRAMMES. THIS BUILDS CREDIBILITY AND TRUST.”

Frank Henke, Global Director Social & Environmental Affairs at the adidas Group

We accept the adidas Group is a global company with highly visible brands and so faces ongoing public scrutiny. Stakeholders have a legitimate right to information about where our products are made, and we believe that sharing that information openly enhances our credibility and also drives improvement in our global supply chain.

“WE HAVE BEEN DISCLOSING DETAILS OF AUTHORISED SUPPLIERS FOR MAJOR SPORTING EVENTS SINCE THE 2006 FIFA WORLD CUP GERMANY™.”

In addition to regularly publishing all our supplier and licensee factories on our website since 2007, we specifically have been disclosing details of authorised suppliers for major sporting events since the 2006 FIFA World Cup Germany™. Overall, this complements our annual reporting on our suppliers' performance in meeting our workplace standards – a procedure we established in the year 2000. For more than a decade, we have practiced full disclosure to those stakeholders who have an interest in our supply chain information. Furthermore, we submit our programme to the Fair Labor Association for external evaluation and accreditation.

The list of 2014 FIFA World Cup Brazil™ suppliers can be downloaded here: www.adidas-group.com/en/sustainability/supply-chain/supply-chain-structure/

2000

The adidas Group has published an annual Sustainability Report since the year 2000.



GINGA SOCIAL – SPORT FOR SOCIAL CHANGE

In 2011, adidas Brazil partnered with the Brazilian NGO Gol de Letra to create 'Ginga Social', a sport-based after-school programme now attended by more than 1,500 children in five Brazilian cities. Sports offered range from futsal and athletics to capoeira and judo. In 2013, the sports fields in Belo Horizonte, São Paulo and Porto Alegre were refurbished, making it possible to offer activities into the evening, which improved access for families and the local community.

Gol de Letra helps local organisations implement the programme and trains them to use sport as a tool for social change, making an ongoing positive difference to the lives of young people in vulnerable neighbourhoods.

Drawing on values in sport such as respect for others and hard work gets results, the programme encourages self-confidence and personal motivation in the children. In an independent evaluation carried out in 2013, partner organisations all stated that Ginga Social positively impacts their work, attracting underserved children, and bringing parents closer. While the effect of the programme on the children attending will be further evaluated in 2014, the words of one of the programme participants speak for themselves.

"Nobody is born a winner, what makes the difference is our attitude. Judo means fighting even though you are losing, it means believing in your own capabilities, it means to fall and to stand up, but to never give up. With love and patience the Ginga Social team made us see what we want for our future. We believe that through sport this project can change our lives. Now it is up to us to make our choices." Israele Rodrigues, 16 years.

More information about Ginga Social, including a video, is available on our corporate website at www.adidas-group.com/en/sustainability/community-engagement/projects/



GINGA SOCIAL IN BRAZIL



"WE BELIEVE THAT THROUGH SPORT THIS PROJECT CAN CHANGE OUR LIVES. NOW IT IS UP TO US TO MAKE OUR CHOICES."

Israele Rodrigues (16), Ginga Social participant

PERFORMANCE DATA

At the adidas Group we know that performance counts. Measuring, assessing and publishing social and environmental data strengthens the credibility and trust in our company.



2013 FAST FACTS

On December 31, 2013,
the adidas Group had

50,728 employees

versus 46,306 in the previous year,
which represents an increase of



10%

At the end
of 2013, we
worked with
1,214
independent
factories
(excluding
our own
factories and
those of
our licensees) in



The total number of licensees grew by

16%

and their supplier factories by

46%

to reach 401 facilities



**Manufacturing
agreements
were
terminated
with nine suppliers for
compliance reasons**



For suppliers covered
by our environmental
compliance
programme, a steady
improvement has
been seen of the
environmental key
performance
indicators from



**2011
—
2013**

The total number of factories
subject to our social compliance
ratings in 2013 grew by

8.5%

compared to the previous year

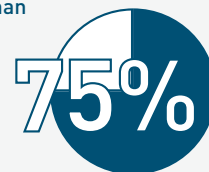
66

warning letters
across 14
countries were
issued to
suppliers

1,489

factory visits were undertaken at
different levels in our supply chain,
and 148 training sessions were
conducted with almost 3,000
participants attending

The audit coverage of our supply base
in higher risk countries such as China,
India, Indonesia, Thailand and Vietnam
was greater than



32 athletic footwear suppliers,
producing around

96%

of our global athletic footwear
sourcing volume, are certified
in accordance with ISO 14001
and/or OHSAS 18001.



Our athletic
footwear suppliers
reduced the use
of VOCs from well
above 100 grams
per pair of shoes
to below 20 grams.
In 2013, we achieved
an all-time low
of 18.8 grams of
VOCs per pair.

The adidas Group
holds an ISO 14001
matrix certification
for twelve of
our sites.



SUPPLY CHAIN

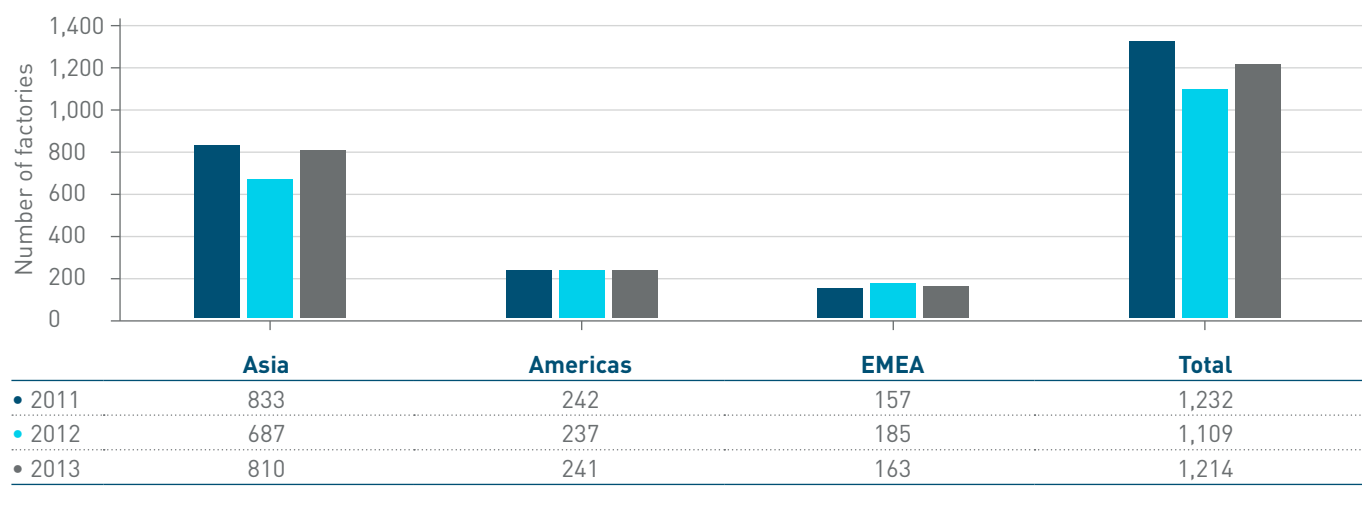
1. NUMBER OF SUPPLIER FACTORIES

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 31 December.

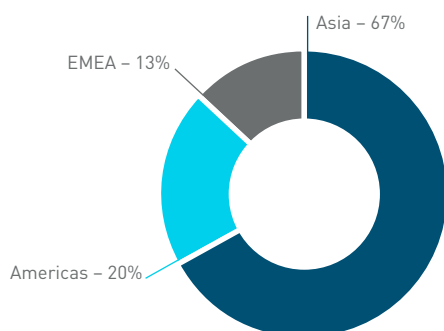
At the end of 2013, we worked with 1,214 independent factories (excluding own factories and factories of our licensees) who manufacture adidas Group products in 65 countries. 67% of the factories are located in the Asia Pacific region, 20% in the Americas and 13% in Europe, Middle East and Africa (EMEA).

The total number of supplier factories has increased by 9% compared to 2012.

NUMBER OF SUPPLIER FACTORIES (EXCLUDING OWN FACTORIES AND LICENSEE FACTORIES)



SUPPLIER FACTORIES BY REGION IN 2013 (EXCLUDING OWN FACTORIES AND LICENSEE FACTORIES)



2. FACTORIES BY COUNTRY

In 2013, a total of 1,214 factories made goods for the adidas Group worldwide, an increase of 9% compared with 2012, but slightly less than the total number of manufacturing facilities reported at the end of 2011. New supplier factories were added in China and Vietnam, which are already major sourcing locations. Factories were also added in Cambodia, where trade benefits support the garment export industry. Following an earlier period of consolidation, the supply chain in India also expanded. Due to improved disclosure of sub-contractor factories, the number of factories in South Korea almost doubled. For many other countries there was no significant change in the number of factories making products for the adidas Group. A decline in the number of factories in Thailand was offset, in part, by our Thai garment producers opening new production facilities across the border in Laos. The factory numbers in the regions Americas and EMEA remained relatively stable in 2013.

NUMBER OF SUPPLIER FACTORIES PER COUNTRY¹

Asia	Total number of factories			Americas	Total number of factories		
	2011	2012	2013		2011	2012	2013
Australia	4	4	3	Argentina	22	27	23
Bangladesh	7	3	4	Brazil	63	56	49
Cambodia	13	16	25	Canada	33	33	34
China	349	289	339	Chile	1	2	2
Hong Kong	1	1	0	Colombia	4	3	3
India	84	33	55	Costa Rica	0	0	1
Indonesia	80	61	58	Dom. Republic	2	0	0
Japan	60	63	66	El Salvador	4	3	4
Korea	37	42	80	Guatemala	4	3	4
Laos	1	0	2	Haiti	4	0	0
Malaysia	9	5	6	Honduras	5	3	5
New Zealand	1	1	0	Mexico	20	17	15
Pakistan	16	9	11	Nicaragua	6	4	4
Philippines	18	17	17	Paraguay	2	2	2
Singapore	1	1	1	United States	72	84	95
Sri Lanka	8	4	6	Total Americas	242	237	241
Taiwan	27	34	31				
Thailand	38	31	23				
Vietnam	77	73	83				
Total Asia	831²	687	810				

¹ Independent supplier production sites of the adidas Group, excluding licensee factories and own production sites.

² Restated numbers for regions Asia and EMEA. This is because in 2012 Mauritius moved from region Asia to region EMEA.

EMEA	Total number of factories			Global	Total number of factories		
	2011	2012	2013		2011	2012	2013
Belgium	1	2	2	Total Asia	831 ²	687	810
Bosnia and Herzegovina	1	3	3	Total Americas	242	237	241
Bulgaria	1	3	1	Total EMEA	159 ²	185	163
Czech Republic	3	6	4	Total Global	1,232	1,109	1,214
Egypt	2	2	3				
Estonia	0	0	1				
Finland	1	1	1				
France	2	2	2				
Georgia	1	0	0				
Germany	27	31	25				
Greece	0	0	3				
Hungary	1	1	1				
Ireland	0	1	1				
Israel	1	1	1				
Italy	20	20	18				
Jordan	1	1	1				
Lesotho	1	1	1				
Lithuania	3	3	3				
Macedonia	1	1	1				
Mauritius	2	2	2				
Moldova	1	1	1				
Netherlands	0	1	1				
Poland	8	9	3				
Portugal	7	11	6				
Romania	2	3	2				
Russia	0	0	1				
Slovakia	2	3	2				
Slovenia	3	3	3				
South Africa	10	6	7				
Spain	11	12	9				
Sweden	5	5	5				
Switzerland	3	3	3				
Tunisia	2	2	2				
Turkey	17	13	16				
Ukraine	0	2	2				
United Kingdom	19	30	26				
Total EMEA	158²	185	163				

1 Independent supplier production sites of the adidas Group, excluding licensee factories and own production sites.

2 Restated numbers for regions Asia and EMEA. This is because in 2012 Mauritius moved from region Asia to region EMEA.

3. ADIDAS GROUP LICENSEES

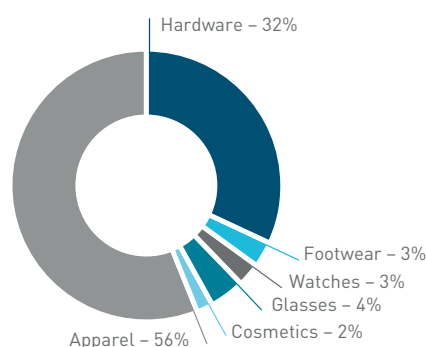
At the end of 2013, the adidas Group worked with 57 licensees whose suppliers manufactured products in 401 factories across 50 countries. As shown in the table below, there was a significant increase in adidas Group's external licensing footprint compared to the previous year. The total number of licensees grew by 16% and their supplier factories by 46%.

ADIDAS GROUP LICENSEES

	2011	2012	2013
Licensees	44	49	57
Factories producing for licensees ¹	269	275	401
Production countries	45	44	50

¹ This may include factories that produce for both, the adidas Group directly and for licensees/agents.

ADIDAS AND REEBOK LICENSEES DIVIDED BY PRODUCT RANGE IN 2013

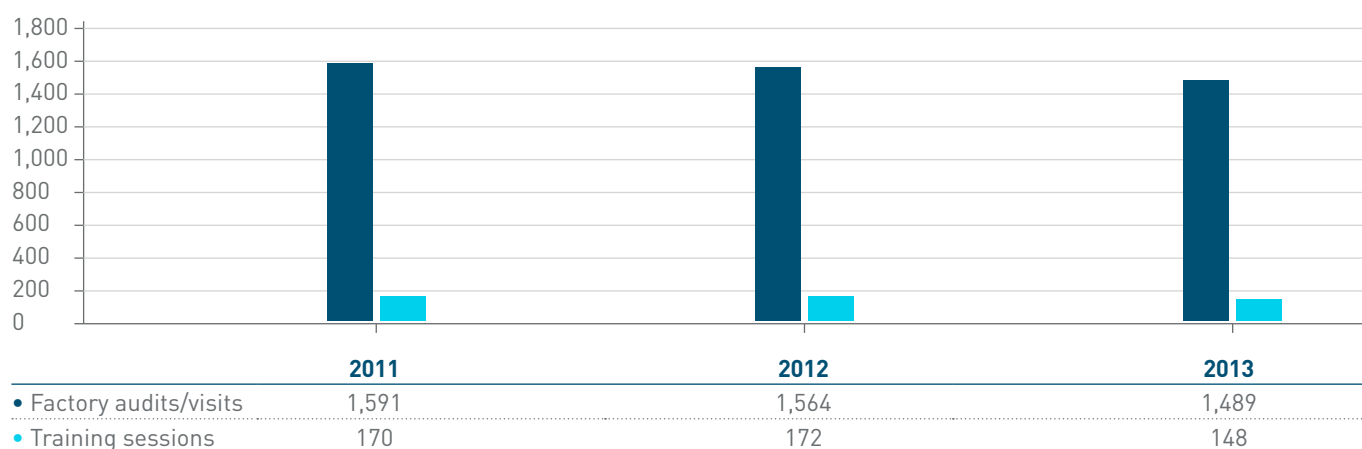


AUDITS AND TRAINING

4. NUMBER OF FACTORY AUDITS/VISITS AND TRAINING SESSIONS

During 2013, 1,489 factory visits (including 1,346 factory audits) were undertaken. These involved management and worker interviews; reviews of factory policies, practices and documents; facility inspections and training sessions at different levels in our supply chain. The SEA team conducted 148 training sessions and workshops for suppliers, licensees, workers and adidas Group employees.

NUMBER OF FACTORY AUDITS/VISITS AND TRAINING SESSIONS*



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

5. NUMBER OF TRAINING SESSIONS DIVIDED BY REGION AND TYPE

Overall, the number of training sessions conducted in 2013 declined compared to the previous year, but the total number of participants remained constant, with some 3,000 people attending the training sessions. The training offered in each region covered basic, as well as long-term, strategic topics.

The reasons for the drop in the total number of training sessions were:

1. There were less individual but more group (i.e. more than one supplier) training sessions undertaken. This offers both higher efficiencies and opportunities for cross-learning and best practice sharing among suppliers.
2. Sustainability training is based on needs assessments. Specifically in Asia, the number of sustainability training events declined and more systematic and advanced group training sessions provided instead.

NUMBER OF TRAINING SESSIONS DIVIDED BY REGION AND TYPE¹

Region	Type and number of training sessions											
	Fundamental ²			Performance ³			Sustainability ⁴			Total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013 ⁵
Asia	34	34	35	31	32	18	53	62	38	118	128	91
Americas	32	34	42	4	1	1	5	7	7	41	42	50
EMEA	10	2	5	0	0	2	1	0	0	11	2	7
Total	76	70	82	35	33	21	59	69	45	170	172	148

¹ Training sessions conducted for suppliers, workers, licensees, agents and adidas Group employees.

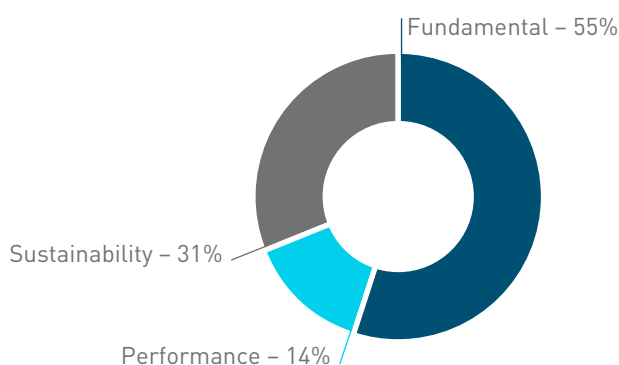
² Fundamental training covers: Workplace Standards and SEA introduction; FFC training; SEA policies and SOPs.

³ Performance training covers: Specific labour, health, safety and environmental issues.

⁴ Sustainability training covers: Sustainable compliance guideline and KPI improvement; Factory Self-Audits (factory internal audits).

⁵ In 2013, nearly 3,000 people participated in these training sessions.

SUPPLIER TRAINING SESSIONS BY TYPE IN 2013



6. NUMBER OF AUDITS DIVIDED BY REGION AND TYPE

In 2013, the SEA team conducted 1,345 social compliance and environmental audits, using in-house technical staff as well as external third party monitors, commissioned by adidas Group business entities and licensees.

The total number of initial assessments – the first approval stage for new entry factories – increased by a little over 9% when compared to the 2012 calendar year, while performance audits for our established suppliers showed a marginal decline. In contrast, the total number of environmental audits fell by 23 percent compared to the previous year. This was due to the realignment of supplier partners in the supply chain.

In addition to these audits, suppliers' sites were visited multiple times by compliance staff to discuss specific remedial issues, to follow up project work or to conduct training sessions.

Meeting the demand for initial assessments remained a challenge in 2013, particularly in Asia Pacific where new factories were proposed in more remote locations and across a wide range of countries. There were a total of 370 initial assessments (including initial assessment follow-ups), 80% of which were undertaken in Asia, with China accounting for 37% of all assessments conducted. India was the country with the next largest number of initial assessments, representing 10% of all assessments. There was also a significant increase in new factory approval requests and the corresponding need for initial assessments in new Brazilian footwear assembly factory sites, in the lead-up to the 2014 World Cup.

Overall, 42% of all candidate factories were either rejected outright, or rejected but given the chance to remediate threshold issues in a timely manner. See also data on termination and rejections.

A total of 51% of all active suppliers were audited in 2013, which is the same figure as in 2012. Since suppliers in low-risk countries are generally excluded from monitoring activities, audit coverage would have been even higher if only mid- to high-risk countries were taken into consideration.

The audit coverage of all active suppliers in region Asia was 65%, down 6% from the coverage achieved in the previous year. However, higher risk countries like China, India, Indonesia, Thailand and Vietnam were subjected to more extensive monitoring and achieved greater than 75% audit coverage.

Our monitoring programme is characterised by a risk management approach – this means that we do not envisage 100% audit coverage in every country where our factories are located. Although there has been a decline in audit coverage in some countries, the intensity of engagement with factories has increased, particularly in those suppliers with problematic or open threshold issues, or those in need of support to improve their management systems.

NUMBER OF AUDITS DIVIDED BY REGION AND TYPE

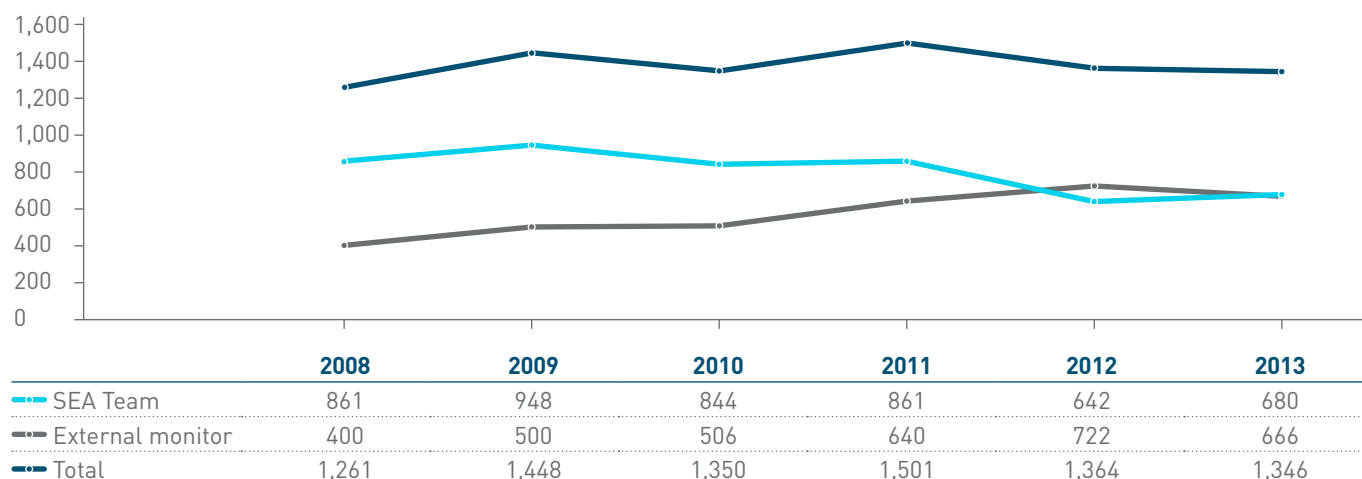
Region	Initial Assessments ¹			Performance Audits ²			Environmental Audits			Total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Asia	379	270	296	790	712	699	114	190	142	1,283	1,172	1,137
Americas	50	38	38	75	73	76	0	0	2	125	111	116
EMEA	47	30	36	46	47	52	0	4	5	93	81	93
Total³	476	338	370	911	832	827	114	194	149	1,501	1,364	1,346

¹ Every new supplier factory has to pass an initial assessment to prove compliance with the Workplace Standards before an order is placed. The data includes both 'initial assessments' and 'initial assessment follow-ups'.

² Audits conducted in approved supplier factories.

³ Includes audits done in licensee factories.

NUMBER OF AUDITS IN SUPPLIER FACTORIES



INITIAL ASSESSMENTS BY COUNTRY¹

Asia	2011	2012	2013
Bangladesh	14	2	3
Cambodia	7	12	31
China	234	152	137
Hong Kong	0	0	1
India	19	21	38
Indonesia	27	21	13
Japan	2	0	1
Korea	8	9	0
Laos	0	1	0
Malaysia	4	0	0
Pakistan	7	9	20
Philippines	9	3	3
Sri Lanka	2	5	4
Taiwan	9	7	0
Thailand	7	5	7
Vietnam	39	23	38
Asia Total	379²	270	296

Americas	2011	2012	2013
Argentina	7	5	4
Brazil	5	4	13
Canada	2	0	1
Colombia	0	2	1
Costa Rica	1	0	1
Dom. Republic	2	1	0
El Salvador	3	5	4
Guatemala	4	5	2
Honduras	2	1	4
Mexico	12	10	7
Nicaragua	5	4	0
Paraguay	5	0	1
United States	2	1	0
Americas Total	50	38	38

EMEA	2011	2012	2013
Belarus	2	0	0
Bosnia and Herzegovina	1	2	0
Bulgaria	0	2	0
Egypt	9	3	5
Georgia	1	2	1
Italy	0	1	0
Jordan	1	2	0
Kenya	1	0	4
Lesotho	0	1	2
Mauritius	2	1	2
Portugal	0	0	1
Romania	0	0	1
Russia	1	0	0
South Africa	1	2	4
Tunisia	1	2	2
Turkey	10	12	13
Ukraine	1	0	1
United Kingdom	16	0	0
EMEA Total	47²	30	36

¹ Including initial assessment follow-ups.

² Restated numbers for regions Asia and EMEA. This is because in 2012 Mauritius was moved to region EMEA from region Asia.

7. NUMBER OF AUDITS CONDUCTED IN LICENSEE FACTORIES

The number of factories manufacturing goods for licensees has increased steadily, as shown in Section 3. There was substantial growth in the past year, especially in Asia, as illustrated by the number of initial assessments conducted in that region. The number of performance audits has expanded significantly in all regions, with 51% more audits completed in licensee supplier factories compared to the same period in 2012.

NUMBER OF AUDITS CONDUCTED IN LICENSEE FACTORIES¹

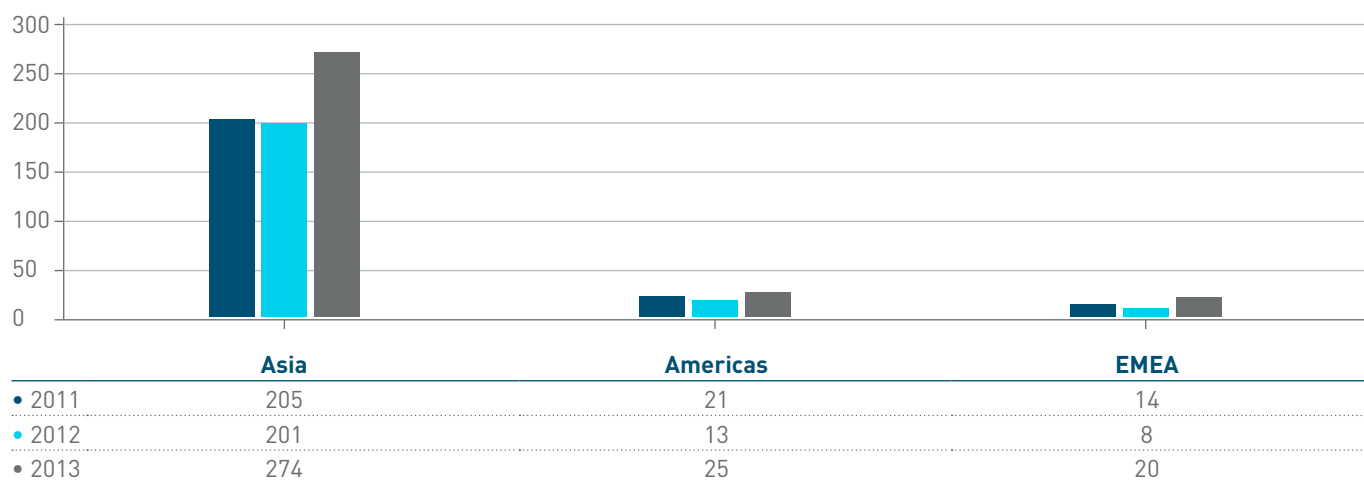
Region	Initial Assessments ²			Performance Audits ³			Environmental Audits			Total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Asia	54	59	73	142	127	187	9	15	14	205	201	274
Americas	6	3	9	15	10	16	0	0	0	21	13	25
EMEA	5	1	4	9	7	15	0	0	1	14	8	20
Total	65	63	86	166	144	218	9	15	15	240	222	319

¹ This may include factories that produce both for the adidas Group directly and for licensees/agents.

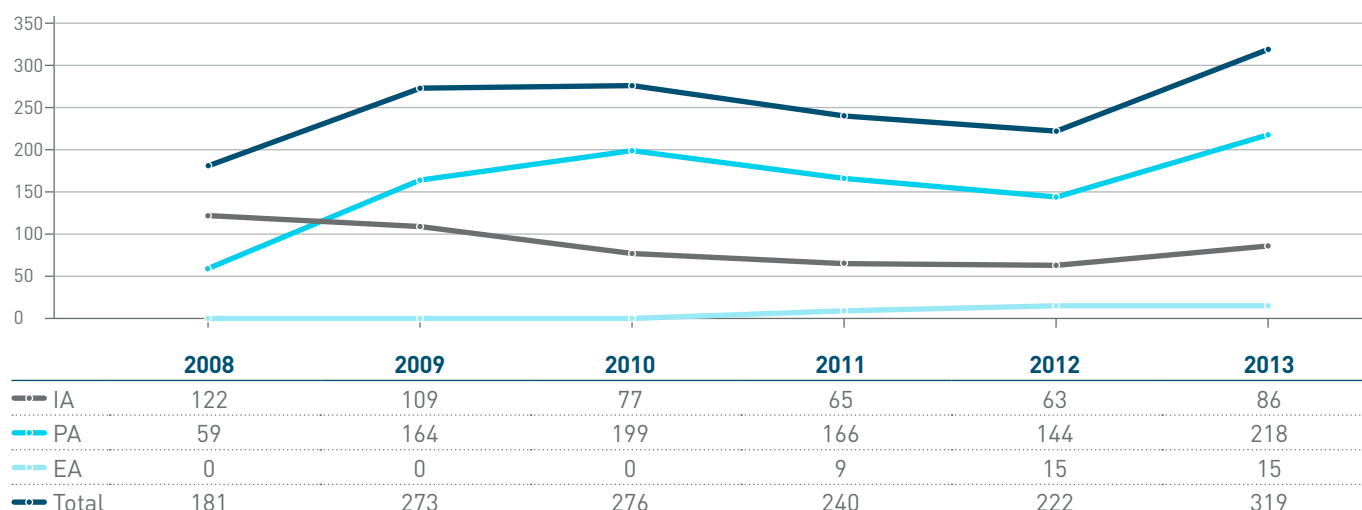
² Every new factory has to pass an initial assessment to prove compliance with the Workplace Standards before an order is placed.

³ Audits conducted in approved factories.

NUMBER OF AUDITS IN LICENSEE FACTORIES BY REGION



NUMBER OF AUDITS IN LICENSEE FACTORIES BY AUDIT TYPE



8. NON-COMPLIANCES IDENTIFIED AT SUPPLIER FACTORIES

The charts in this section illustrate the non-compliance findings identified during initial assessments and initial assessment follow-up visits at new factories in our supply chain in 2013. Suppliers are evaluated against a number of critical compliance issues. Zero tolerance issues – such as forced labour practices – immediately disqualify a factory from further consideration, while threshold issues can be addressed in a specified timeframe.

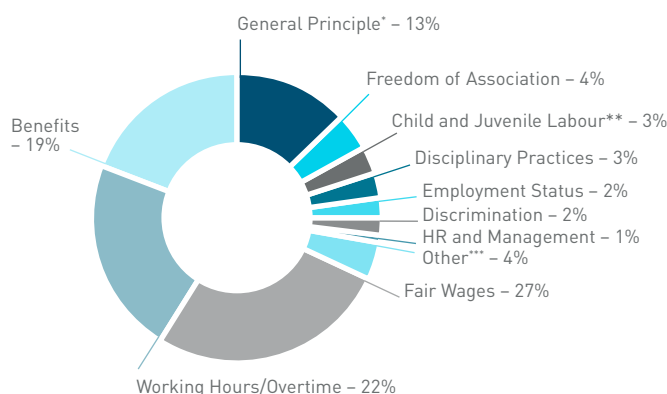
The first chart presents the labour-related non-compliances identified in supplier factories. Two-thirds of the labour-related findings belong to the top three issues: 'Wages', 'Benefits' and 'Working Hours/Overtime'.

'Wages' covers – among other things – policies and practices in the factory for the timely and full payment of wages, overtime payments and deductions. 'Benefits' relates mainly to policies and practices for benefits, social and medical insurances, leave and public holidays. 'Working hours/Overtime' covers management systems for working hours, policies and practices, excessive working hours, regular and overtime working hours as well as rest days.

Besides identifying non-compliances with our Workplace Standards at factories, the adidas Group compliance team particularly focuses on the existence and implementation of management systems on the supplier's side. The team identifies any gaps in policies and procedures related to specific non-compliance areas such as forced labour, child labour, freedom of association or discrimination. As a result, these findings must be seen as broad categories. The percentages shown indicate the systemic shortcomings of newly proposed suppliers, rather than the confirmed presence of specific non-compliances, such as child labour, forced labour, or discrimination (see also the footnote on page 52).

Overall, the top four categories remain the same as in 2012, namely 'Fair Wages', 'Working Hours/Overtime', 'Benefits' and 'General Principle'. Percentage changes compared to the previous year are only marginal. However, 'Freedom of Association' replaced 'Disciplinary Practices' as the fifth most common area of non-compliance.

TOP 10 LABOUR NON-COMPLIANCE FINDINGS IDENTIFIED IN FACTORIES DURING INITIAL ASSESSMENTS AND INITIAL ASSESSMENT FOLLOW-UPS IN 2013



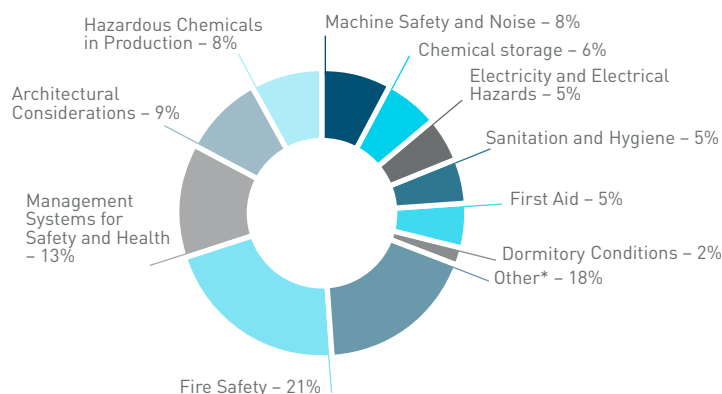
* 'General Principle' covers company policies, employee handbook, management attitude and transparency, employment contracts and filing systems.

** 'Child and Juvenile Labour' covers management systems, policies and practices to prevent the employment of child labour and the necessary protections for juvenile workers, if they are of a legal age to work. The 3% shown here mainly points to the lack of effective management systems to prevent child labour or effectively manage juvenile labour.

*** For example, forced/compulsory labour and privacy issues.

The second chart shows the health and safety non-compliances identified in supplier factories. Building, fire and electrical safety are critical areas for any potential new supplier and together accounted for 35% of the non-compliances identified in 2013. The way chemicals were stored and used, including the presence of banned chemicals, accounted for 14% of non-conformances reported. The third largest group of findings related to management systems, policies and procedures. 13% of the findings showed a lack of conformance with our Workplace Standards and expectation for effective health & safety systems, including the recruitment and retention of qualified safety staff.

TOP 10 HEALTH AND SAFETY NON-COMPLIANCE FINDINGS IDENTIFIED IN FACTORIES DURING INITIAL ASSESSMENTS AND INITIAL ASSESSMENT FOLLOW-UPS IN 2013



* For example, occupational hazards risks, personal protective equipment, ergonomics and housekeeping.

9. KEY PERFORMANCE INDICATOR (KPI) ASSESSMENT AND C-RATING

We audit our suppliers against our Workplace Standards and rate them according to their performance. We have an innovative way to rate suppliers on their ability to deliver fair, healthy and environmentally sound workplace conditions. The following table shows the average assessment score by unit of measure for those active core suppliers that were rated against the six units of measure in the social compliance or C-KPI. Each unit of measure is scored out of 100%. We use a parallel system to measure environmental performance, which is described later.

Social Compliance Rating

Compared to 2012, the average score of all C-KPI units of measure remained relatively stable in 2013. And overall, more factories were subject to a C-KPI assessment than in the previous year.

Generally, newly assessed factories start with a relatively low KPI score, and build and improve their management systems and compliance performance over a period of years. In 2013, this had an adverse impact on the overall KPI improvement of existing factories. We also noticed that it is more challenging for factories to continuously improve their rating score once they achieve 3C. We will address this issue in our ongoing factory monitoring and capacity-building programme for suppliers from 2014 onwards.

SOCIAL COMPLIANCE KPI ASSESSMENT AND C-RATING

KPI Unit of Measure – Average score in %	2011	2012 ¹	2013
Management commitment and responsiveness	48.51	59.02	58.76
Management systems	52.09	60.27	61.01
Worker-management communication and industrial relations	67.38	73.55	72.80
Compliance training for workers and management	61.55	69.24	70.82
Transparency in communication and reporting	72.29	77.57	78.24
Compliance performance	59.50	63.43	62.39
KPI Cumulative Score	50.37	57.74	58.28

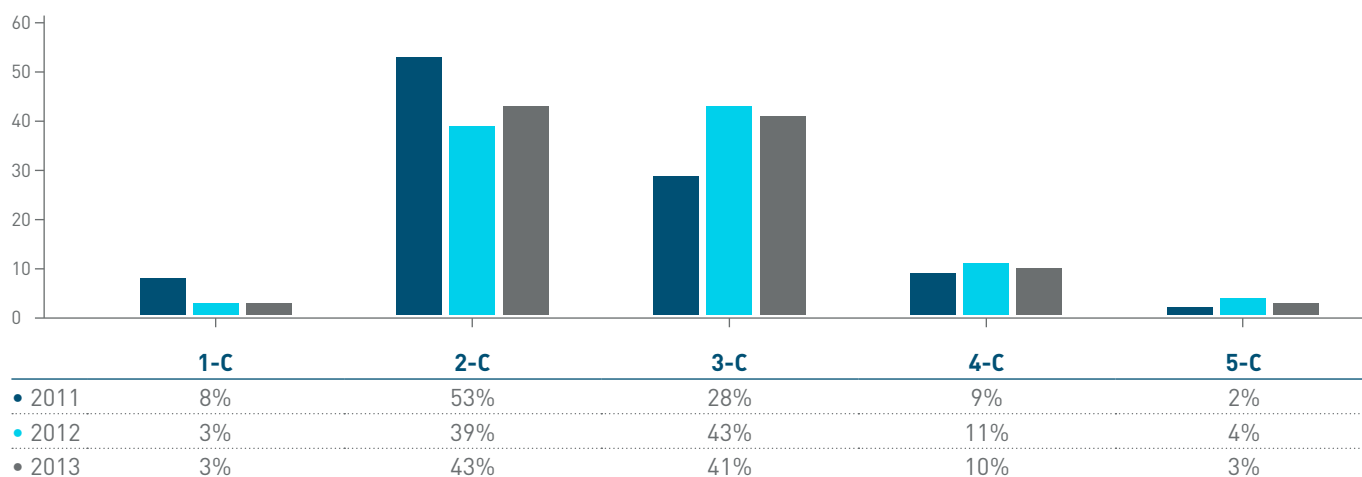
¹ The calculation method was changed in 2012 to better reflect actual supplier performance. Numbers are calculated using the latest KPI assessment rating of each active supplier.

The following bar graph shows comparable data for the past three years using the rating classification.

Between 2012 and 2013, the number of 1C category suppliers, which represents the lowest performing factories with serious issues and very weak commitment to compliance, has remained static at 3% of the KPI-assessed factories.

We continue to see a solid core of good performing suppliers with 3C ratings, and although this category shrank by 2% compared to 2012, the total number of factories in this category actually grew. With the influx of many new suppliers the 2C category expanded significantly, growing both in numerical and percentage terms. The 2C category accounted for 43% of the assessment pool in 2013, compared with 39% of the suppliers assessed the previous year. At the end of 2013, 54% of our direct suppliers had ratings of 3C or better, down 4% on 2012. This means that we have seen some slippage in meeting our 2015 mid-term goal of having 60% of our direct suppliers with scores of 3C or better. It is worth noting that the total number of factories subject to C-KPI ratings in 2013 grew by 8.5% when compared to those rated in 2012.

PERCENTAGE OF KPI-ASSESSED FACTORIES BY C-RATING*



*The clustering for our C-ratings is as follows:

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

Environmental Compliance Rating

We adopt a risk-based approach to identify those suppliers that need to be enrolled into the adidas Group's environmental programme. While we do not cover 100% of the supply chain, we focus our efforts on those suppliers that have potentially high environmental risk issues and those that represent a significant production volume for the Group.

To evaluate these suppliers' environmental performance, we have developed the E-KPI rating, which uses the same approach and methodology as the C-KPI rating for labour compliance. The following table presents the E-KPI performance results from 2011–2013.

ENVIRONMENTAL KPI ASSESSMENT AND E-RATING*

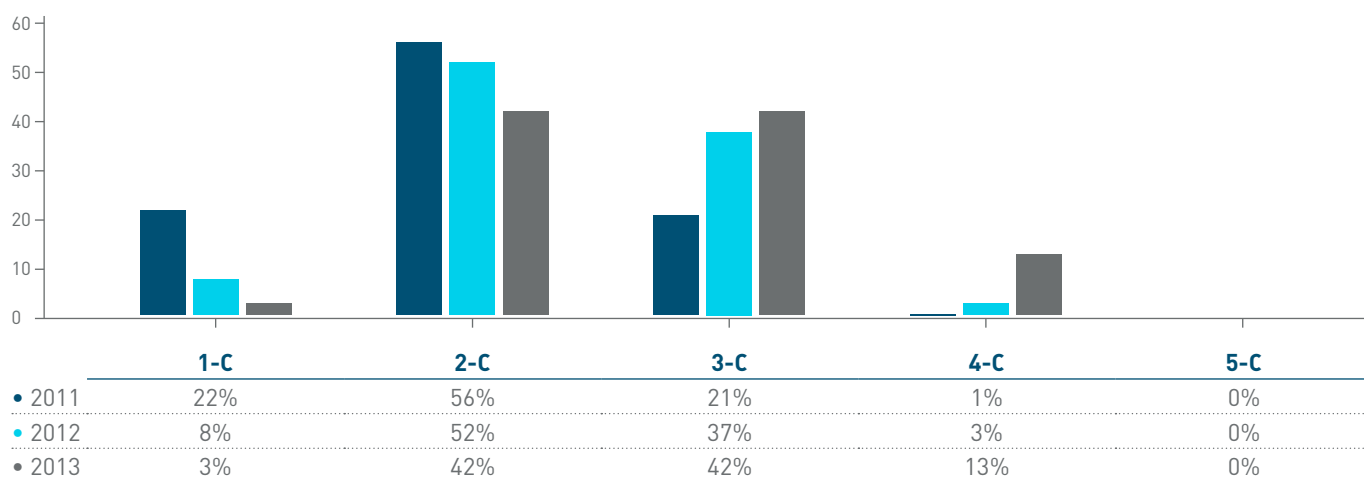
KPI Unit of Measure – Average score in %	2011	2012	2013
Management systems	41.87	49.97	51.05
Risk compliance	50.35	55.76	61.43
Performance against targets	23.07	27.61	32.64
KPI Cumulative Score	38.11	44.93	48.60

* Numbers are calculated by using the latest E-KPI assessment rating of each active supplier.

There has been steady improvement across all sub-sections of the E-KPI and an increase in the cumulative E-KPI score from 2011 to 2013. This reflects the effort that has been put into working alongside all of the suppliers under coverage to drive continuous improvement in their environmental performance.

While there was a slight reduction in the total number of factories audited, overall there has been an upward trend in the E-KPI scores, with the greatest movement from 1E-scored factories to higher E-ratings, and an increase in the number of factories achieving a 4E score.

PERCENTAGE OF ENVIRONMENTAL KPI-ASSESSED FACTORIES BY E-RATING



10. INDEPENDENT FLA AUDITS

Since joining the FLA in 1999, more than 300 independent external 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 over the years. This is because of a shift from conventional monitoring activities to engaging in value-added FLA projects that focus on reducing and eliminating chronic non-compliance issues or improving monitoring methodologies.

As of 2012, the FLA is no longer conducting conventional Independent External Monitoring (IEM) audits and verification visits (IEV). Instead, alongside other types of monitoring methodologies, the FLA began conducting factory assessments using the methodology from the Sustainable Compliance Initiative (SCI).

In May 2013, the FLA's independent audit firm discovered cost overruns. Following this discovery, the FLA Board of Directors immediately conducted a broad review of the organisation's finances with three goals: to ascertain the nature of the 2012 overruns, to identify and take intermediate actions to ensure that the FLA ended 2013 in balance, and to begin a process of identifying strategic and sustainable actions to ensure the FLA's long-term capacity to achieve its 2014 mission and beyond.

The FLA continues to have a strong revenue base to support its mission, and it benefits greatly from the work of skilled and dedicated staff, an actively involved Board, and a broad range of affiliates and stakeholders who are deeply committed. Upon learning about the financial situation, the Board quickly and unanimously approved a revised 2013 budget to reduce costs and end the year with a balanced budget. This included a reduced assessment plan for 2013, with assessments carried out only on the supply chains of non-accredited participating companies and participating suppliers, and focusing mainly on those countries and regions where the FLA has existing capacity to conduct assessments. The FLA expects to return to customary levels of due diligence in 2014.

To help restore financial stability in 2014, a Board-level Management Committee was also established. It will work closely with the FLA staff to develop a strategic business plan that ensures the FLA has the greatest possible impact in promoting the rights and wellbeing of workers around the world. This plan was approved by the Board in October 2013, and is currently being implemented.

INDEPENDENT FLA AUDITS*

FLA Year	Period	No. of audits
7th	Jan – Dec 2008	19
8th	Jan – Dec 2009	16
9th	Jan – Dec 2010	16
10th	Jan – Dec 2011	12
11th	Jan – Dec 2012	16
12th	Jan – Dec 2013	n/a

* As part of the FLA membership; the numbers include Independent External Verification audits.

ENFORCEMENT

11. 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 2013, we issued a total of 66 warning letters across 14 countries.

The largest number of warning letters continue to be issued in Asia, where more than 60% of all supplier factories are located. Compared to the previous year, the overall number of first warning letters increased by a fifth, with region EMEA issuing significantly more letters to non-compliant suppliers. The total number of second warnings also grew substantially in 2013, with 15 letters being issued. Suppliers who receive second warning letters are only one step away from being notified of possible termination of the manufacturing agreement and receive focused monitoring by the SEA team. The number of third warning letters issued to business partners (which result in factory terminations) fell by half in 2013, compared to 2012.

It is difficult to generalise about the grounds for a warning letter, as it may be issued for a single unresolved non-conformance, or for multiple breaches of our Standards. The range of issues that resulted in warning letters in 2013 included poor management commitment; excessive working hours; non-payment of wages and benefits; poor electrical, fire or chemical safety; poor communication and transparency problems.

NUMBER OF WARNING LETTERS ISSUED TO ADIDAS GROUP SUPPLIERS BY REGION*

Region	1st Warning			2nd Warning			3rd and final Warning => recommended termination			Total Warning Letters		
	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
Asia	39	34	36	7	9	12	0	8	4	46	51	52
Americas	2	4	5	0	1	2	0	0	0	2	5	7
EMEA	0	1	6	0	0	1	0	0	0	0	1	7
Total	41	39	47	7	10	15	0	8	4	48	57	66

* 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.

12. TERMINATIONS AND REJECTIONS

We work closely with our suppliers to help them improve their performance. However, where we face situations of severe or repeat non-compliance we can and do terminate business relationship with suppliers. In 2013, we terminated agreements with nine suppliers for compliance reasons.

We also work closely with our Global Sourcing Organisation and other business entities to pre-screen potential new suppliers. Our so-called initial assessments also uncover threshold or zero tolerance issues, which can lead to the rejection of suppliers.

In 2013, initial assessments were conducted in 283 factories. During 2013, 119 factories were either rejected directly after an initial assessment due to the identification of zero tolerance issues, or were 'rejected with a second visit', which means they were rejected but given the chance to remediate non-compliance issues in a specific timeframe. Overall, this so-called 'first time rejection rate' was 42% of all new factories visited at the end of 2013.

In addition to the 'first time rejection rate', we also capture the 'final rejection rate'. This covers factories directly rejected after the first visit that have no chance of a second visit, as well as factories rejected after being visited a second time. At the end of 2013 we had a 'final rejection rate' of 7%. This shows the importance and impact that pre-approval screening achieves, and the effort taken by the suppliers to close out issues and come into conformance with our Workplace Standards. The remediation of factory issues is beneficial for workers; it raises the bar in terms of better and more timely pay, improved benefits, reduced hours and the legal protection of formal employment contracts, as well as significant improvements in basic health and safety within the workplace.

Suppliers who have threshold issues (that is, serious but remediable non-compliances) are given three months to remediate those issues before being reaudited for final SEA acceptance. As in previous years, China dominates the number of new supplier initial assessments, and corresponding rejection rates were high.

NUMBER OF BUSINESS RELATIONSHIP TERMINATIONS DUE TO COMPLIANCE PROBLEMS

Region	2011	2012	2013
Asia	9	10	6
Americas	1	0	2
EMEA	3	0	1
Global	13	10	9

WORLDWIDE REJECTIONS AFTER INITIAL ASSESSMENT DUE TO COMPLIANCE PROBLEMS

	2011	2012	2013
Total number of first time rejections ¹	171	113	119
First time rejection rate	48%	44%	42%
Total number of final rejections ²	34	21	20
Final rejection rate	7%	6%	7%

1 Factories that were directly rejected after first visit, i.e. with no chance being visited a second time, and factories that were rejected after initial assessments but which were given a chance for a second visit.

2 Factories that were directly rejected after first visit, i.e. with no chance being visited a second time, and factories that were rejected after being visited a second time.

ENVIRONMENT

13. 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 2013, we worked with 32 athletic footwear suppliers who are certified in accordance with the international environmental management standard ISO 14001 and/or the workplace health and safety management standard OHSAS 18001. These suppliers produced around 96% of the adidas Group's global athletic footwear sourcing volume.

CERTIFICATIONS OBTAINED BY ATHLETIC FOOTWEAR SUPPLIER SITES PRODUCING FOR THE INTERNATIONAL MARKET¹

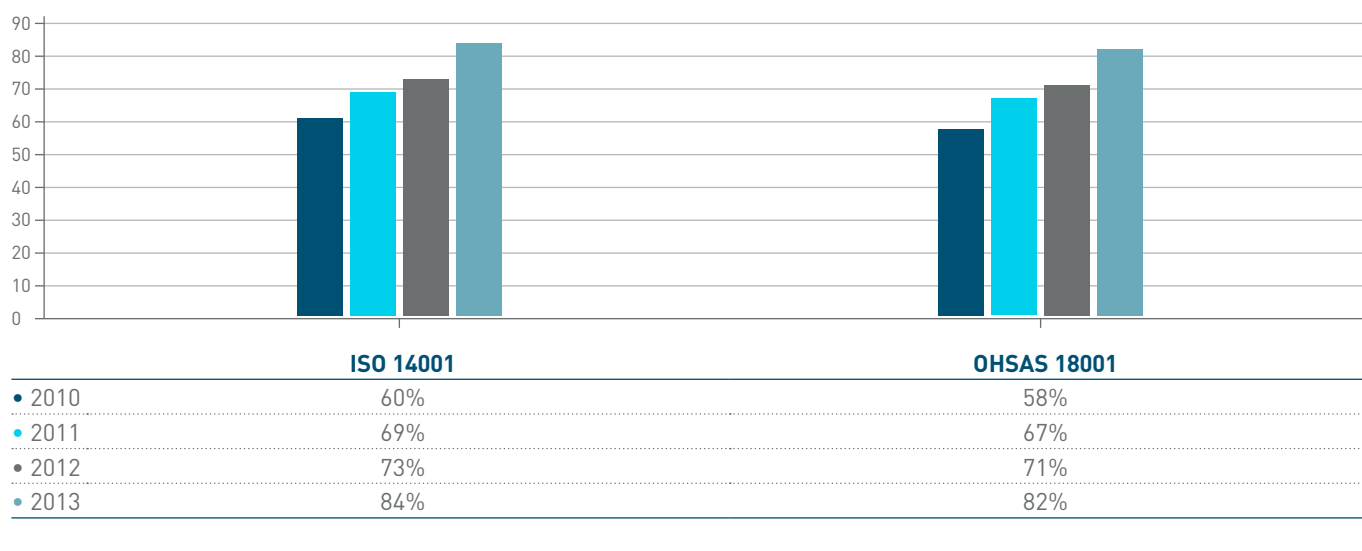
Country	Number of FW suppliers			ISO 14001			OHSAS 18001		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
Argentina	1	1	1	–	–	–	–	–	–
Brazil	2	1	1	–	–	–	–	–	–
Cambodia	1	1	1	–	1	1	–	1	1
China	13	10	10	10	10	10	10	10	10
Germany ²	1	1	1	1	1	1	–	–	–
India	1	2	1	1	–	1	1	–	1
Indonesia	8	11	8	6	8	8	6	8	8
Italy ³	1	1	1	–	–	–	–	–	–
Vietnam	11	13	14	9	10	11	9	10	11
TOTAL	39	41	38	27	30	32	26	29	31

1 Excluding factories from the Rockport business segment and licensee factories.

2 The site is subject to regular occupational health & safety inspections by authorities, although it does not hold a formal OHSAS 18001 certification.

3 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 %



14. FREIGHT TYPES USED TO SHIP ADIDAS AND REEBOK PRODUCTS

In 2013, we again tracked the environmental impact of transporting our goods. Compared to previous years, the modal split remained quite stable. All in all, the vast majority of our shipments are by sea freight, and we continue our work to further reduce the percentage of air freight.

FREIGHT TYPES USED TO SHIP ADIDAS AND REEBOK PRODUCTS¹

% of product shipped		2011	2012	2013
Apparel	Truck	13	15	12
	Sea freight	80	80	81
	Air freight	7	5	7
	Sea and air freight	0	0	0
Hardware ²	Truck	2	2	2
	Sea freight	96	96	97
	Air freight	2	2	1
	Sea and air freight	0	0	0
Footwear	Truck	1	1	2
	Sea freight	96	97	96
	Air freight	3	2	2
	Sea and air freight	0	0	0

¹ Figures are expressed as a percentage of the total number of products transported. Data covers products sourced through Global Operations, excluding local sourcing.

² Accessories and gear.

15. REDUCING VOLATILE ORGANIC COMPOUNDS (VOC)

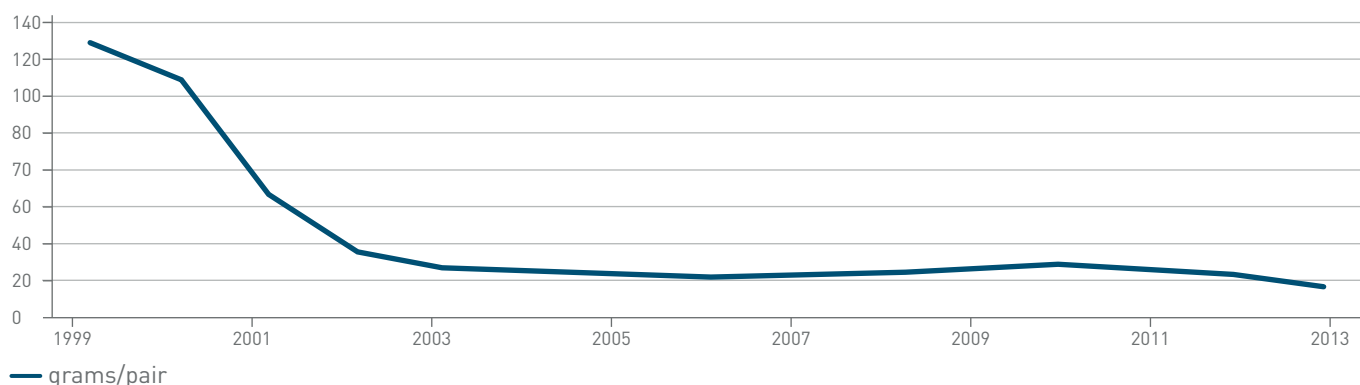
The Volatile Organic Compounds (VOCs) typically found in solvents used in our manufacturing process can – in high concentrations – cause breathing difficulties and other health problems for production workers. Therefore, for more than a decade, we have requested that our footwear suppliers significantly reduce the use of VOCs in their manufacturing.

By applying innovative and environmentally sound bonding and priming technologies and following the adidas Group guidelines on the use of chemicals, it has been possible for our athletic footwear suppliers to reduce the use of VOCs from well above 100 grams per pair to below 20 grams.

2013 sees our biggest success so far: we achieved an all-time low of 18.8 grams of VOCs per pair. The fact that performance improved in every single country compared to 2012 shows that this is the result of hard work and a true commitment across our entire manufacturing base.

In 2014, we plan to continue our success story by further expanding the technologies that lead to VOC emissions reductions, e.g. water-based primers and reactive hot-melt adhesives.

REDUCTION OF VOC EXPOSURE IN GRAMS/PAIR OF ATHLETIC SPORTS SHOES



16. GREEN COMPANY DATA

The Green Company Initiative is the environmental programme for our own corporate facilities and plays an important role in the adidas Group's Sustainability Strategy. In 2009, we defined ambitious targets that now drive the implementation of projects to reduce the environmental impact of our business operations. Our sites report on their progress towards these targets each year.

The adidas Group occupies more than 300 offices, own production sites and distribution centres worldwide. Some of these are owned by the adidas Group, while some are leased or rented. The majority of these are quite small and don't cause significant emissions. In 2008, we started with a group of 24 sites that were asked to report on their environmental performance. In 2010, the reporting scope was increased significantly to cover around 80% of our total global emissions. However, due to relocations and openings of new sites, this reporting group continues to evolve slightly from year to year, especially as we have included not only owned buildings but also leased and rented sites in the scope. In 2013, we included 47 sites in the Green Company reporting. See a list of all sites that have reported for 2013 in the Green Company Performance Analysis 2013 available on our corporate website at www.adidas-group.com/en/sustainability/reporting-policies-and-data/performance-data/

The performance analysis of the 2013 data reported by our sites shows that we continue to improve our environmental footprint and have achieved considerable savings in our energy, water, paper consumption and reductions of waste and carbon emissions. The engagement and support of the brands and local teams has strengthened in recent years. And a closer look at progress towards our Green Company 2015 targets reveals that we already achieved our water and household waste reduction targets in 2013. Furthermore we are on track when it comes to paper consumption. In the areas of energy consumption and carbon emissions, we are progressing well, but must further intensify our efforts in order to reach our 2015 targets.

We have achieved these savings by implementing tools and methods such as the ISO 14001 Environmental Management System, which is in effect at twelve of our sites so far. We also benefit from the greenENERGY Fund, a sustainability venture capital fund for energy efficiency and renewable energy projects that supported 25 projects in 2012/2013. In addition, local Green Teams are actively working towards the targets we have set for the adidas Group and sharing best practice across our sites. More details about the Green Company achievements and 2013 results can be found in the Green Company Performance Analysis 2013 available on our corporate website at www.adidas-group.com/en/sustainability/reporting-policies-and-data/performance-data/

Summary Report for 2013

The following table shows the 2013 results for energy consumption, carbon emissions, water consumption, reduction of household waste and paper consumption for the different administration offices, own production sites and distribution centres.

ENVIRONMENTAL DATA 2013 GROUP-WIDE FOR ALL LOCATIONS REPORTING

Type of site/Region	Total energy consumption (MWh)	Total carbon emissions (tonne)	Total water consumption (m³)	Total household waste (tonne)	Total paper consumption (tonne)
Administration offices					
Region EMEA	54,129	11,112	66,701	419	102
Region AMERICAS	44,927	15,791	130,086	781	81
Region APAC	5,963	3,692	7,085	not reported	32
Administration offices (total)	105,019	30,595	203,872	1,200	215
Own production sites					
Region EMEA	5,200	591	1,998	40	1
Region AMERICAS	27,737	10,246	40,600	523	66
Own production sites (total)	32,937	10,837	42,598	563	68
Distribution centres					
Region EMEA	20,131	5,548	26,947	262	44
Region AMERICAS	43,496	13,473	28,416	742	75
Region APAC	2,041	1,159	23,422	4	7
Distribution centres (total)	65,668	20,179	78,785	1,008	126
TOTAL	203,624	61,611	325,255	2,772	409

Note: All values in this table are shown as rounded values. Total values can differ from the actual sum due to the decimal place of individual values.

AGGREGATED TARGET RESULTS 2008-2013

Target follow-up per type of site	Energy savings MWh/m²		Carbon savings t/m²		Water savings m³/person		Household waste reduction t/person		Paper savings t/person	
	Target 2015: -20%		Target 2015: -30%		Target 2015: -20%		Target 2015: -25%		Target 2015: -50%	
	Target linear	Result 2013	Target linear	Result 2013	Target linear	Result 2013	Target linear	Result 2013	Target linear	Result 2013
Administration offices	-12.3%	-5.8%	-18.5%	-15.6%	-12.2%	-29.8%	-16.1%	-40.7%	-30.4%	-46.0%
Own production sites	-14.3%	-21.9%	-21.4%	-28.2%	-14.3%	12.5%	-17.9%	-26.7%	-35.7%	-6.5%
Distribution centres	-10.4%	-7.0%	-15.6%	-9.5%	-10.4%	-22.0%	-12.1%	-27.2%	-25.7%	-16.0%
Total	-11.6%	-7.7%	-17.4%	-15.0%	-11.9%	-23.8%	-15.3%	-35.2%	-29.8%	-35.1%

Grey: annual linear target achieved
 Blue: annual linear target not achieved

Environmental Management Systems

One goal of the Green Company Initiative was to implement and certify an Environmental Management System (EMS) according to the ISO 14001 standard at our main headquarters of our brands. To accomplish this goal, one common system framework was implemented. Today, the adidas Group holds an ISO 14001 matrix certification for twelve of our sites. The certified facilities are located in Europe, Canada and the US. In addition, the central management of the EMS is certified and located in the adidas Group headquarters in Herzogenaurach, Germany.

In 2013, the ISO 14001 team succeeded in adding four European sites to the system. Furthermore, the entire EMS achieved a re-certification for another three years. We plan to continue with the further rollout of the certified ISO 14001 system and to include additional sites within the next years. A list of all certified sites is given in the table below.

IN-HOUSE EMAS AND ISO 14001 CERTIFIED SITES

Name of site	Region	EMS standard	Certified since
adidas Group Central Management for Green Company, Herzogenaurach, Germany	GLOBAL	ISO 14001	2010
adidas Office, Portland, USA	AMERICAS	ISO 14001	2010
Reebok Headquarters, Canton, USA	AMERICAS	ISO 14001	2010
TaylorMade-adidas Golf Headquarters, Carlsbad, USA	AMERICAS	ISO 14001	2010
adidas Group Distribution Centre, Spartanburg, USA	AMERICAS	ISO 14001	2010
Reebok-CCM Hockey Headquarters and Distribution Centre, Montreal, Canada	AMERICAS	ISO 14001	2010
adidas Group Headquarters, Herzogenaurach, Germany	EMEA	ISO 14001	2011
Sports Licensed Division Factory, Indianapolis, USA	AMERICAS	ISO 14001	2011
adidas Footwear Factory, Scheinfeld 1, Germany	EMEA	EMAS; ISO 14001	1998; 2012
European Distribution Centre, Scheinfeld, Germany	EMEA	ISO 14001	2013
Distribution Centre, Uffenheim, Germany	EMEA	ISO 14001	2013
adidas Office, Stockport, United Kingdom	EMEA	ISO 14001	2013
adidas Distribution Centre, Manchester, United Kingdom	EMEA	ISO 14001	2013

EMPLOYEES

17. EMPLOYEE STATISTICS

Global employee base increases strongly

On December 31, 2013, the adidas Group had 50,728 employees, which represents an increase of 10% on our 46,306 employees the previous year. This development is primarily related to the expansion of the Group's own-retail store base, particularly in European Emerging Markets.

On a full-time equivalent basis, our Group had 43,537 employees on December 31, 2013 (2012: 40,168). 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.

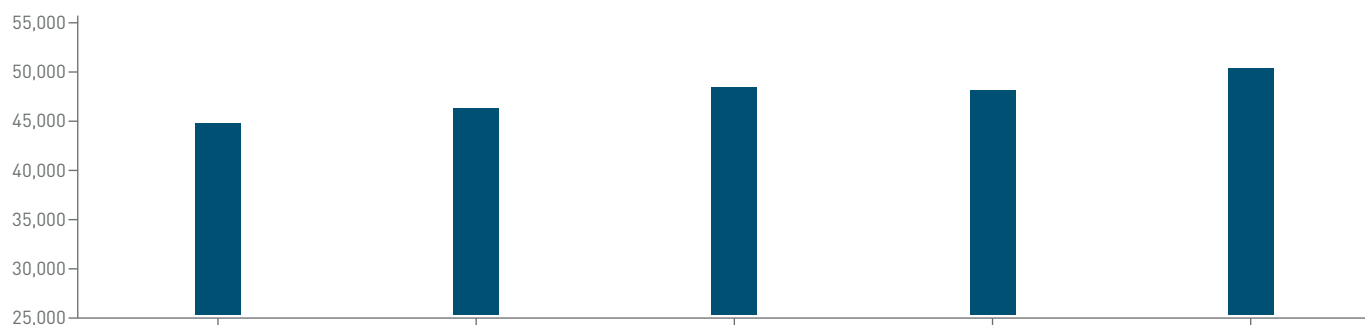
At the end of 2013, 23% of our Group's staff were employed in Western Europe (2012: 24%), 33% in European Emerging Markets (2012: 30%), 25% in North America (2012: 25%), 3% in Greater China (2012: 4%), 9% in Other Asian Markets (2012: 10%) and 7% in Latin America (2012: 7%). As a global company with less than 11% of our employees located in Germany, we actively encourage global mobility and offer our employees the opportunity to experience international assignments. To support adidas Group professionals and their families moving to new living and working environments, we provide, among other services, relevant language and cultural training as well as relocation assistance.

KEY EMPLOYEE STATISTICS

Index/reporting unit		2011	2012	2013
Total number of employees		46,824	46,306	50,728
Total employees (in %)	Male	50%	50%	51%
	Female	50%	50%	49%
Management positions held by (in %)	Male	73%	72%	72%
	Female	27%	28%	28%
Average age of employees (in years)*		30	31	30
Average length of service per employee (in years)		4	5	4
Annual training hours by employee (in hours)		17	18	18

* At year-end.

TOTAL NUMBER OF EMPLOYEES



	2009	2010	2011	2012	2013
Total number of employees	39,596	42,541	46,824	46,306	50,728

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

	2011			2012			2013		
	Injuries with >1 lost day	Lost days due to injury	Number of employees	Injuries with >1 lost day	Lost days due to injury	Number of employees	Injuries with >1 lost day	Lost days due to injury	Number of employees
Administration offices									
adidas Group Headquarters – WOS Herzogenaurach, Germany	18	108	2,354*	22	142	2,919*	18	69	3,522*
adidas Group Headquarters – ADP Herzogenaurach, Germany	9	11	907*	3	19	874*	7	12	825*
adidas Group Headquarters – WOGIT Herzogenaurach, Germany	3	11	801*	0	0	862*	2	9	861*
adidas Factory Outlet, Herzogenaurach, Germany	1	18	150	3	14	180	3	14	96
adidas Office, Amsterdam, Netherlands	2	3	427	2	3	420	0	0	475
adidas Office, Stockport, United Kingdom	0	0	479	0	0	437	0	0	476
adidas Office, Landersheim, France	4	187	355	0	0	334	0	0	331
adidas Office, Monza, Italy	13	72	287	8	232	562	4	74	368
adidas Office, Zaragoza, Spain	1	33	230	2	65	237	1	10	215
adidas Office, Moscow, Russia	5	75	741	5	153	844	5	84	967
adidas Office, Portland, USA	0	0	781	0	0	798	0	0	786
Reebok Headquarters, Canton, USA	1	4	1,168	1	155	1,100	1	5	1,175
TaylorMade-adidas Golf Headquarters, Carlsbad, USA	13	7	948	23	118	1,014	26	760	1014
adidas Group Administrative Service Bldg. 3, Spartanburg, USA	1	0	189	0	0	193	0	0	200
adidas Office, Woodbridge, Canada	0	0	192	1	1	223	0	0	240
adidas Office Baueri, Brazil	5	64	221	0	0	245	1	85	288
adidas Office, Shanghai, China	0	0	580	0	0	680	1	1	779
adidas Office, Taikoo Shing, Hong Kong	0	0	397	3	3	339	1	2	325
adidas Hong Kong Ltd. Office, Kwun Tong, Hong Kong	0	0	135	0	0	140	0	0	149
adidas Office, Gurgaon, India	0	0	250	0	0	438	0	0	380
adidas Office, Seoul, South Korea	0	0	280	0	0	290	0	0	290
adidas Office, Taipei, Taiwan	0	0	128	0	0	150	n.r.	n.r.	n.r.
adidas Office, Singapore, Singapore	0	0	207	0	0	215	0	0	225
Administration offices (total)	76	593	12,207	73	905	13,494	70	1,125	13,987

* number of workplaces, as actual number of employees is not available
n.r. = not reported

	2011			2012			2013		
	Injuries with >1 lost day	Lost days due to injury	Number of employees	Injuries with >1 lost day	Lost days due to injury	Number of employees	Injuries with >1 lost day	Lost days due to injury	Number of employees
Own production sites									
adidas Footwear Factory, Scheinfeld 1, Germany	1	1	190	5	25	209	9	86	204
Sports Licensed Division Factory, Indianapolis, USA	26	565	1,210	28	1,718	1,244	20	809	985
Sports Licensed Division Factory, Mattapoisett, USA	1	120	104	3	25	109	2	36	108
Sports Licensed Division Factory, Cedar Rapids, USA	1	6	150	1	7	152	2	33	142
Reebok-CCM Hockey Factory, St.Jean, Canada	5	709	138	1	1	56	0	0	56
Reebok-CCM Hockey Factory, St.Hyacinthe, Canada	0	0	154	0	0	154	1	2	152
adidas Canada Assembly Factory, Brantford, Canada	0	0	63	0	0	69	0	0	68
Own production sites (total)	34	1,401	2,009	38	1,776	1,993	34	966	1,715

	2011			2012			2013		
	Injuries with >1 lost day	Lost days due to injury	Number of employees	Injuries with >1 lost day	Lost days due to injury	Number of employees	Injuries with >1 lost day	Lost days due to injury	Number of employees
Distribution centres									
adidas Distribution Centre, Scheinfeld 2, Germany	7	29	89	19	120	186	13	68	200
adidas Distribution Centre, Uffenheim, Germany	12	73	190	13	177	300	12	113	308
adidas Distribution Centre, Caspe, Spain	2	26	220	5	61	220	7	248	155
adidas Distribution Centre, Dettwiller, France	0	0	20	1	26	19	0	0	20
adidas Distribution Centre, Manchester, United Kingdom	1	2	157	2	7	172	1	14	159
TMaG Distribution Centre, Basingstoke, United Kingdom	n.r.	n.r.	n.r.	2	3	195	n.r.	n.r.	n.r.
adidas Distribution Centre, Obukhiv, Ukraine	0	0	44	n.r.	n.r.	n.r.	0	0	35
adidas Distribution Centre, Canot, Israel	0	0	40	0	0	35	0	0	45
adidas Distribution Centre 1 (Apparel), Spartanburg, USA	1	27	38	0	0	42	0	0	39
adidas Distribution Centre 2 (Footwear), Spartanburg, USA	0	0	45	0	0	45	0	0	42
Reebok-CCM Hockey Headquarters and Distribution Centre, Montreal, Canada	22	1,053	179	17	489	93	30	435	475
adidas Distribution Centre, Adams Boulevard, Brantford, Canada	3	18	104	3	202	98	3	32	98
adidas Distribution Centre, Embu, Brazil	1	1	135	n.r.	n.r.	n.r.	0	0	135
adidas Distribution Centre, Pudahuel, Chile	18	105	128	21	106	150	22	138	170
adidas Distribution Centre, Suzhou, China	9	65	125	3	8	140	6	16	133
adidas Distribution Centre Tultitlan-Blokk, Mexico	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3	190	241
adidas Hong Kong Ltd., Distribution Centre, Shatin, Hong Kong	2	46	41	0	0	46	4	142	50
Distribution centres (total)	78	1,445	1,555	86	1,199	1,741	101	1,396	2,270
TOTAL	188	3,439	15,771	197	3,880	17,228	205	3,487	17,972

n.r. = not reported
n.a. = not applicable

COMMUNITY AFFAIRS

19. COMMUNITY AFFAIRS STATISTICS

In 2013, we saw an increase in donation requests compared to the previous two years. Donation requests varied significantly in nature and purpose. All requests were carefully reviewed against the adidas Group Corporate Giving Guidelines to ensure that we supported those requests that aligned with our policies, guidelines and budget framework.

Compared to 2012, the number of supported projects decreased slightly, as did the amount of product donations. This reflects our developing approach of focusing our support on fewer but more impactful organisations.

With our data tracking system we aim to fully cover activities from all subsidiaries worldwide. We are constantly reviewing our approach and the system to improve data quality.

COMMUNITY AFFAIRS STATISTICS*

Region	Donation requests received			Total number of projects supported		
	2011	2012	2013	2011	2012	2013
EMEA	1,748	2,103	4,855	206	232	237
Latin America	69	97	87	11	52	12
North America	7,763	7,961	6,591	983	802	700
Asia Pacific	112	639	187	38	99	65
TOTAL	9,692	10,800	11,720	1,238	1,185	1,014

Region	Units of products donated			Volunteer hours		
	2011	2012	2013	2011	2012	2013
EMEA	67,240	77,236	85,120	3,911	13,838	16,862
Latin America	3,639	185,000	6,825	920	200	858
North America	362,007	307,441	460,804	2,718	2,927	2,352
Asia Pacific	15,448	100,198	43,534	5,489	4,319**	2,284
TOTAL	448,334	669,875	596,283	13,038	21,284**	22,356

* Numbers include: brand activities, corporate activities, Reebok Foundation as well as worldwide adidas Fund activities.

** Restatement: Due to a system error, the 2012 volunteer hours for region Asia Pacific had to be corrected.

CONTACT

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