

GIVING **110%**

OUR EFFORTS TO BE A RESPONSIBLE BUSINESS IN 2007

BUILDING TRUST

Big business and sustainability

People want to buy from companies they trust to do business in the right way. Having a quality product is no longer enough.

PERFECTING TECHNIQUE

Major sporting events

In 2008 the Beijing Olympic Games and the UEFA European Football Championship™ take place. Just another busy year for the adidas Group.

ANALYSING THE DETAIL

Made in China

If China is 'the world's factory', then what challenges do we face in ensuring fair, safe and healthy conditions in this part of our supply chain?

DEDICATED TO PROGRESS

Climate change and other environmental issues

How can we curb greenhouse gas emissions? What other environmental impacts are we addressing?



OUR CORPORATE RESPONSIBILITY PUBLICATIONS

THIS REVIEW: GIVING 110%

This review reflects on the efforts the adidas Group made in 2007 to be a responsible business. It discusses the social and political context for our work, covering four main topics: big business and sustainability, preparing for major sporting events, 'Made in China' and climate change.

OUR ONLINE CORPORATE RESPONSIBILITY REPORT 2007: STRIVING TO IMPROVE PERFORMANCE

Going into more detail than the review, our online report looks at what we have achieved in 2007. So it includes performance data, a review of our progress against the targets we set ourselves for the year and more information on our approach to managing social and environmental issues. It also includes a 'GRI Index' so readers can see how we report against the international benchmark of the Global Reporting Initiative.



www.adidas-Group.com/sustainability

THE 'SUSTAINABILITY' SECTION OF OUR CORPORATE WEBSITE

In this section of our corporate website, we provide an overview of the standards we have put in place to manage the issues of labour rights, health, safety and the environment, in particular in our supply chain. Also here are our past seven years of social and environmental reports, statements clarifying our position on matters of public interest and historic case studies that illustrate how we have tackled workplace and environmental issues in the past.



www.adidas-Group.com/sustainability

WELCOME TO THIS REVIEW



We have made significant progress in addressing social and environmental issues as an integral part of our business, but as with our passion for sports, we continue to give 110%. Compared with ten years ago, we now have a clearer picture about how these issues influence our business.



Herbert Hainer

CEO and Chairman of the Executive Board of adidas AG

Building on earlier efforts to reduce the environmental footprint of our business, it was in 1997 that the adidas Group established the Social and Environmental Affairs department. So this year has marked a ten-year anniversary for us. In those ten years we have established an extensive programme for managing workplace issues in our supply chain, founded on the principle that although we have outsourced the manufacture of our products, we are still responsible for how our products are made.

Along with our efforts to act responsibly, we also recognise the need to report on our progress in a clear and engaging way. This has led us to produce this review, which sets our work in the context of today's big issues. And online we have a more detailed report of our efforts to improve our social and environmental performance in 2007.

If this review, together with our online report, does not cover everything you want to know, then please get in touch and tell us what you would like to see in our public reporting. Your views are important to us.

We hope you find this review engaging.

The adidas Group Social and Environmental Affairs Team
sustainability@adidas-Group.com

adidas
GROUP

 **adidas**

Reebok

 **taylorMade®**

CONTENTS

- 02
Building trust
- 04
Making a difference
in the community
- 05
The challenges we face
- 06
Perfecting technique
- 09
Employee talent and
performance management
- 10
Analysing the detail
- 13
Emerging markets and
Asian giants
- 14
Improving health education
- 14
Safeguarding worker rights
- 15
Stakeholder engagement
- 16
Dedicated to progress
- 18
Frequently asked questions
- 19
adidas Grün
- 20
Moving forward together

GIVING 110% IS ABOUT TRYING HARDER THAN YOU THOUGHT POSSIBLE

It is about passion, commitment and dedication. About having the drive to succeed whatever the conditions. It is the extra effort made to perfect technique. It is what makes an athlete the best they can be.

At the adidas Group we are also aiming to be the best. For us that includes acting responsibly towards the environment, our employees and the workers in our supply chain who make our products. We are dedicated to these goals. Committed to improving performance. We give 110%.

02

BUILDING TRUST

Big business and sustainability

People want to buy from companies they trust to do business in the right way. Having a quality product is no longer enough.



06

PERFECTING TECHNIQUE

Major sporting events

In 2008 the Beijing Olympic Games and the UEFA European Football Championship™ take place. Just another busy year for the adidas Group.



10

ANALYSING THE DETAIL

Made in China

If China is 'the world's factory', then what challenges does the adidas Group face in ensuring fair, safe and healthy conditions in this part of our supply chain?

16

DEDICATED TO PROGRESS

Climate change and environmental issues

How can the adidas Group curb greenhouse gas emissions? What other environmental impacts are we addressing?

20

MOVING FORWARD TOGETHER

Herbert Hainer

The adidas Group CEO on how both individual action and teamwork are needed for a sustainable future.

Buying from recognised brands gives you confidence that you can trust the quality of the product you are buying. But can you trust the company behind the brand?

The adidas Group is a world leader in the global sporting goods industry. We are many premier brands and businesses – adidas, Reebok and TaylorMade-adidas Golf – each with cherished histories, strong identities and complementary strategies.

But today, being a leading multinational demands we respond to global developments, to the big issues of the day. Experts say that this set of 'big issues' – broadly encompassed by the term 'sustainability' – affects all of us, and will have a growing importance on our lives and how business operates.

WHAT ARE TODAY'S BIG ISSUES?

Poverty Poverty persists. More than half the world's population still lives on less than \$2 a day. And with population growing in the developing world, there could be another two billion or more people living in poverty by 2050.

Health The world faces ongoing shortfalls in disease prevention and medical care. In 2005 there were 8.8 million new cases of tuberculosis, resulting in 1.6 million deaths, 99% of which were in the developing world. In 2005 there were 1.6 billion overweight adults with at least 400 million obese. The estimated number of adults with HIV has risen from around 10 million in 1990 to more than 40 million today; one third is in the 15–24 age range.

Climate change The threat of climate change is becoming ever more apparent as consensus grows on the need to stabilise greenhouse gas levels – primarily those of carbon dioxide – to prevent increasing global mean temperatures. The UN Intergovernmental Panel on Climate Change suggests carbon dioxide emissions could increase two and a half times by 2100. But we need to stabilise emissions at just one and a half times current levels if we are to avoid significant change to the planet. Reducing emissions growth requires greater energy efficiency and wider use of low-carbon technologies.

Resource depletion Resources are being depleted at an unprecedented rate, a problem that increases as poverty decreases. Projections from the International Energy Agency suggest that primary energy use could more than triple by 2050 in a more prosperous world. The 2005 Millennium Ecosystem Assessment showed that of the 'services' that humanity receives from the ecosystem – such as fuel, food, water and timber – two thirds were being used unsustainably. ▶

2007 KEY DATES

Listening to people's concerns, supporting them and being open with information. These are all ways we have built trust with people during 2007.

JANUARY The adidas Group issues new Workplace Standards to every factory making our products.

MARCH The adidas Group holds a series of workshops on energy efficiency in China and Vietnam with more than 100 suppliers attending.



MARCH–MAY Confidential reporting hotlines for worker complaints rolled out globally.

AUGUST Supporting the efforts of the NGO community, the adidas Group writes to the Secretary of Justice regarding violence directed against labour leaders and workers in the Philippines Municipal and Export Processing Zones.

OCTOBER The adidas Group publishes an open letter in El Salvadoran newspapers regarding the Government's weak enforcement of labour laws at the Hermosa factory.

OCTOBER The adidas Group hosts a stakeholder dialogue with 60 suppliers in Asia to obtain feedback on environment, community affairs and labour rights programmes.

NOVEMBER Together with 150 other businesses, the adidas Group signs the Bali Communiqué, calling for a comprehensive, legally-binding United Nations framework to tackle climate change.

NOVEMBER We publish our global supplier list on our corporate website.

DECEMBER The adidas Group writes to the Minister of Home Affairs to raise concern over arrest warrants issued against labour rights NGOs in Southern India.

BUILD TRUST



NG



► **Demographic shifts** The world population is projected to grow from around 6.5 billion today to more than eight billion by 2030 and more than nine billion by 2050. This will be driven by people living longer, as well as by more people being born. The proportion of the population aged over 60 is projected to rise from around 10% in 2000 to around 22% in 2050, creating growing health and social care needs.

Globalisation and global visibility

Globalisation is creating a world economy that is more complex and interlinked, with new challenges for previously stable industries and economies. Cross border travel has risen sharply, with weekly flights between Asia and Europe for example expected to rise from around 400 in 2003 to around 1,700 in 2023. The internet has galvanised global communications and e-commerce.

In this ever more interconnected world, it is easier for companies to gain visibility, but scrutiny of how businesses operate has also increased.

WHERE DO THESE ISSUES TAKE US?

These big issues lead to questions such as:

- 'You are a publicly listed company that is committed to increasing shareholder value. How do you manage the risks to your business of global developments?'
- 'Does the manufacturing of your products harm the environment? What are you doing about climate change?'
- 'How can we trust that your company is contributing towards solving the world's problems rather than making them worse?'

In short, what is the adidas Group's approach to tackling sustainability?

OUR APPROACH TO SUSTAINABILITY

We look to sport for the answer. Sport is the soul of the adidas Group. It is what links our past and present – and what points our way towards the future. Our Group's philosophy is rooted in helping athletes to perform at their best. For us as a business, performing means:

- developing an in-depth understanding of how global issues affect our business
- searching for effective and innovative solutions to address them
- developing core business strategies and ethical practices to deliver the solutions we have identified
- setting clear targets to measure progress and success
- never giving up and always improving our technique.

On the following pages we explain how we apply this philosophy of striving to improve performance to tackle the global challenges of sustainability. ■

MAKING A DIFFERENCE IN THE COMMUNITY

Complementing our Group programme, each of our three brands supports initiatives that derive from their individual identities and values.

ADIDAS

The adidas brand's Adi Dassler Fund supports organisations that connect children with coaches and programmes that teach life values in addition to sport. These organisations use sport to teach self-confidence, respect and teamwork to break down barriers and allow people to live healthier, happier lives. The Fund receives assistance from the adidas brand and its employees around the world.

The Adi Dassler Fund experienced great success in 2007, its first year of existence. Partnering with international humanitarian organisation Right To Play, the adidas brand and its employees were able to make a real impact and show that sport can truly make the world a better place. In 2008, the Fund will be looking to expand on local programmes, focusing on employee involvement.



Football workshop, Manila, Philippines

TAYLORMADE

In response to more than 3,000 annual requests for donations, TaylorMade-adidas Golf (TMaG) created its Charitable Contributions Program. As well as donating products, the charity department offers the sale of TMaG products to charities at a significant discount.

With more than 600 charitable events in 2007 alone, TaylorMade-adidas Golf is proud of the considerable impact the company has made in assisting hundreds of non-profit organisations in communities throughout the United States.



Sports camp, Herzogenaurach, Germany

REEBOK

In 2007, Reebok introduced its Global Corporate Citizenship platform, a series of programmes designed to support underserved communities and groups. They provide underprivileged youth with the tools they need to fulfil their potential and lead healthy, happy and active lives. The platform currently consists of Reebok 4 Real, Reach, The Reebok Foundation and Community Relations.

Reebok also encourages its US employees to make charitable contributions through the Foundation's Matching Gift Program, which doubles an employee's gift, up to \$1,500 annually.



Sports camp, Herzogenaurach, Germany

THE CHALLENGES WE FACE

Performing at our best means rising to the challenges we find in today's world.

1 BEING A GLOBAL BUSINESS

Our brands are visible all over the world but that visibility creates its own challenges. For example, our presence at the 2008 Beijing Olympics means millions of people will see our brands in action. However, our presence in China – where we have many suppliers and retail outlets – means we are also in the spotlight when China's economic growth is cited in discussions about the impacts of globalisation on people and the environment.



adidas Group HQ, Herzogenaurach, Germany

2 BEING COMPETITIVE

Being competitive requires we respond to consumer demands for a broad range of products. This in turn means we need a wide variety of suppliers. Ensuring consistent compliance with our social and environmental standards across this broader and more complex supply chain is a challenge.



Copa Mundial, football boots

3 MANAGING AN EXTERNAL SUPPLY CHAIN

Most of our products are manufactured by suppliers under contract to the adidas Group. Outsourced production is not without its risks. We have less control over how our suppliers operate and the conditions at their factories than we do at company-owned sites.



Apparel factory, Portugal

4 BUILDING CREDIBILITY AND TRUST

The adidas Group has its own internal team for assessing how well our suppliers are complying with our supply chain code of conduct, our Workplace Standards. Some people question how impartial an internal team can be, and they call for us to publish the results of our assessments and to involve independent third parties in investigating and verifying supplier performance.

To increase transparency, in 1999 the adidas Group joined the Fair Labor Association, a non-profit organisation which assesses and verifies the compliance programmes of brands and publishes the results.

5 MANAGING CHANGE

As a company we do not act in isolation: we have to react to economic and social developments in the countries where our products are made. In the past year we have had to adapt our programme in the face of worker strikes in Vietnam, factory closures in Indonesia and new legislation in China.



Footwear factory, Thailand

6 BEING ENVIRONMENTALLY RESPONSIBLE

Our products must be competitive in function and price but also safe. Manufacturing products must be done with the least environmental impact without compromising function and quality. And we have to be efficient in our use of resources but also fully support our global business. The challenge is to balance these various demands.



adidas Grün

7 DEVELOPING OUR PEOPLE

We operate all over the world, and have to mirror the global marketplace with a multinational workforce. Our challenge is to recruit, retain and develop this diverse group of employees so they achieve their full potential.



Social event, Hong Kong



Workout, Portland, USA

8 SUPPORTING LOCAL COMMUNITIES

Our business has an impact on communities around the world. We need to understand local needs and design programmes that are core to our business strategy and make a real difference to people's lives.



Sports workshop, Siem Reap, Cambodia

Great athletes know that natural talent is not enough. They know they need to work hard in training, perfecting their technique for the next event. At the adidas Group, we too work hard preparing for our involvement in major sporting events, leagues and tours all around the world.

a didas has long been a major partner of the Olympic movement. The first Olympic athlete to wear shoes made by Adi Dassler competed in 1928. Eighty years on, adidas is the Official Sportswear Partner of the Beijing 2008 Olympic Games, and the only branded sportswear licensee.

adidas is also a principal sponsor of the UEFA EURO 2008™. Our track record in promoting international football events is unique, supplying the match ball of the FIFA World Cup™ since 1970 and having more than 90 teams participate in the FIFA World Cup™ outfitted in adidas apparel since 1974.

Reebok perfectly complements the Group's reach through long-term exclusive licensee agreements with the National Football League (NFL) and National Hockey League (NHL).

CHALLENGES FACED

Showcasing our brands through sports events or leagues is not without challenges:

Increased visibility Global events attract attention from millions of people, and are increasingly used by campaigning organisations to raise awareness about social or environmental issues. We know that reputations are vulnerable and we take people's concerns seriously.

Flexibility and speed Through sports events we showcase our new products and technologies. Our commercial success depends on meeting consumer needs in terms of performance, value, quality, speed and flexibility.

Responding to market needs can have impacts on social and environmental issues, such as:

- unexpected surges in demand may lead to excessive working hours for workers in supplier factories
- on-time delivery of unplanned orders may require air freight shipments that increase our carbon footprint. ▶

OUR BRANDS AND SPORT

ADIDAS

2008

Summer Olympic and Paralympic Games 2008 in Beijing, China

UEFA EURO 2008™ in Austria and Switzerland



2010

FIFA World Cup South Africa™

2011

FIFA Women's World Cup in Germany

Rugby World Cup in New Zealand

2012

Summer Olympic Games in London, England



REEBOK

National Football League (NFL)

National Hockey League (NHL)

Major League Baseball (MLB)



TAYLORMADE-ADIDAS GOLF
PGA Tour

European PGA Tour

Japan Tour

Ladies PGA Tour





CTING IQUE

OUR EMPLOYEES AND SPORT

FOOTBALL TOURNAMENTS

At all our locations people are passionate about football



BERLIN MARATHON

More than 150 employees run and skate in this major marathon event every year



TENNIS

State-of-the-art courts are available at several locations around the world



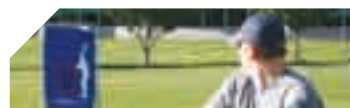
SKIING

Winter sports enthusiasts love to spend time on the slopes



BASEBALL

The pitch, the hit, the run – all the excitement of the ballpark



GOLF

An extensive programme for beginners and those who want to play with the pros



OUTDOOR WEEKENDS

The adventurous spirit can truly run wild in outdoor activities



BEACH VOLLEYBALL

Beach volleyball courts beckon with white sand, sun, fun and regular tournaments



▶ SETTING STANDARDS

We need rules – or standards – to apply at our own sites and our suppliers' factories to cover health and safety, labour rights and environmental protection. These 'rules' are defined by our own corporate values of performance, passion, integrity and diversity as well as by what society expects of global businesses. Based on international legal precedents, we have condensed our rules into a supplier code of conduct we call the Workplace Standards.



Safety week, Germany

SOCIAL AND ENVIRONMENTAL AFFAIRS TEAM

The Social and Environmental Affairs (SEA) Team ensures compliance with our Workplace Standards within the supply chain and manages the Group's environmental and community affairs programme.

Our team of experts – who are located around the world – monitor compliance with the Standards by inspecting factories and advising our business partners on implementing the Standards.



Health and safety, footwear factory, Thailand

MANAGING THE ISSUES: 10 YEARS AT A GLANCE

1997

Building on existing initiatives, the adidas Group develops its initial supplier code of conduct (Standards of Engagement) and establishes a Compliance Team.

1998

The adidas-owned factory in Scheinfeld receives EMAS environmental management system certification – the first in our industry.

1999

The adidas Group and Reebok both join the Fair Labor Association as founding members; independent monitoring of suppliers begins.

2000

The adidas Group listed in the Dow Jones Sustainability Index.

The adidas Group begins to switch to water-based glues in its shoes to reduce harmful emissions.

The adidas Group becomes the first sportswear company to commit to phasing out PVC.

2001

The adidas Group included in the FTSE4Good index.

The adidas Group published its year 2000 Social & Environmental Report; the first company in the sportswear industry to do so.

2002

The adidas Group publishes its Guide to Environmental Best Practice.

2003

The adidas Group Social & Environmental Report 2002 awarded best sustainability report by German Chamber of Chartered Accountants.

2004

The adidas Group wins award as a family-friendly employer from the Hertie Foundation for its work-life balance programme.

2005

The FLA accredits the adidas Group's SEA programme and Reebok's apparel programme.

2006

Reebok joins the adidas Group and a revised code of conduct, the 'Workplace Standards' is introduced (replacing the adidas Standards of Engagement and the Reebok Human Rights Production Standards, which dated back to 1988).

The adidas Group joins the Fair Factories Clearinghouse, a compliance data-sharing platform, which Reebok had co-founded. All monitoring information is now recorded in one central database.

2007

The adidas Group receives Germany's B.A.U.M. Environmental Award for the achievements of the Group's social and environmental programme.

The adidas Group listed by Dow Jones Sustainability Index for the eighth consecutive year. Rated the industry leader since 2004.

HOW WE WORK WITH SUPPLIERS



Beginning with the foundation of our programme – our Workplace Standards – these are the steps we go through to manage our supply chain and improve conditions for workers.

Over the past ten years, we have continually refined our methods, tools and techniques to promote compliance in our supply chain. The principal cornerstones of our management approach are described below.

Standards and guidelines We have had a supplier code of conduct for ten years – the latest version is our Workplace Standards. Based on extensive experience of applying the Standards, we have produced guidelines for our suppliers which help us to work together to find solutions to problems in the workplace.

Capacity building and outreach We train our suppliers so they understand the importance of establishing and maintaining management systems and open lines of communication with those concerned about how they operate, such as government officials, local communities or the workers themselves.

Monitoring and verification We have a dedicated team of auditors which monitors suppliers' performance against our Standards.

We also value independent monitoring by third parties because it helps us to improve how we work and adds credibility to our programme. So in 1999 we joined the Fair Labor Association (FLA) in the United States, which is a non-profit organisation dedicated to improving working conditions in factories around the world.

By working cooperatively with companies, NGOs and universities, the FLA developed a workplace code of conduct based on International Labour Organization standards, and appoints accredited inspectors to conduct unannounced factory visits and check if suppliers are meeting the standards.

Rating We audit our suppliers against our Standards and rate them according to their performance. We use an innovative way to rate the supplier on its ability to deliver fair, healthy and environmentally sound workplace conditions in an effective manner.

Sourcing decision Rating results are incorporated in the overall supplier rating that informs our decision of which suppliers to use. ■

EMPLOYEE TALENT AND PERFORMANCE MANAGEMENT

Interview with Matthias Malessa, Chief Human Resources Officer of adidas AG

Q Matthias, what are the key challenges for HR management in the adidas Group? And how do you and your team address them?

A Like any good sports team we must recruit talented players, managers and coaches. We need to develop them into a team that trains hard, plays hard and draws on its passion for the game to win. And we need to achieve this in every team, division, function, region... and brand!

To address these challenges our strategy has three pillars:

- create a working environment that stimulates team spirit, passion and engagement
- instil a performance culture based upon strong leadership, setting the ground for winners
- be the employer of choice.

In summary, it's about having the right people with the skills and passion to win in a responsible and fair way.

Q Is there a particular challenge in harmonising the cultures of the adidas Group's brands?

A Employees have a lot of pride in 'their' brand! And this is a positive driver in our business, but it is also important that we build respect and support between brands.

We are addressing this through 'collaboration workshops' – the second one took place in Asia in 2007. Also, moving people between brands and designing cross-brand leadership programmes helps to nurture mutual respect and promote best practice exchange.

Q What about other challenges such as sustainability, diversity, the ageing work force, the war for talent, or achieving work-life balance? They don't seem to be explicitly mentioned in your strategy.

A Those words may not appear in our three pillars, but we are aware of the issues and they are embedded in our strategy.

In terms of diversity, our corporate HQ in Herzogenaurach, Germany employs about 2,400 people, of which around 500 are from 50 different countries. It's perhaps not surprising that we consider diversity to be a key success factor.

Looking at gender diversity, 48% of the Group's employees are female and 52% male. However, our senior management is only 30% female. As an equal opportunity employer, we aim to improve on this and develop and promote more women to senior positions.

We aim to win the so-called 'war for talent' with our quest 'to become a world-class recruiter' and 'the employer of choice'. In 2006, we established an additional Competence Centre in Group HR with a 100% focus on employer branding, talent scouting and e-recruiting. And since its launch, more than 30,000 applicants have registered on our global e-recruiting platform. Our Group-wide Talent and Succession Management programmes help us to develop and retain our people so they keep learning, performing well and contributing to the ongoing success of the Group.

Q So Matthias, coming back to HR's three strategic pillars – how do you measure success?

A One key measurement concept for the adidas Group is 'employee engagement'. Simply put: Satisfied employees are committed. Committed employees are engaged. Engagement drives performance. And companies with high employee engagement levels outperform their markets.

So if we manage the critical engagement factors such as career opportunities, recognition, leadership, rewards or work-life balance, we can measure our progress in a particular division, brand or country.

And of course we also track the classic 'global indicators' such as gender distribution, staff turnover, training hours per employee, sales per employee and so on.

Q You say employee engagement is critical to business success. How can employees express their views?

A We are conducting online engagement surveys so employees can give anonymous feedback to management, be it appreciative or critical. In 2007 we covered Europe and Asia and two worldwide Group functions.

We also have a web-based scheme – 'Ask the Management' – which allows employees to post questions to senior management. And more of our main locations are hosting 'All-employee meetings', where senior management address topics of interest and answer questions.

We encourage employees to use these channels to voice their concerns, questions or suggestions. Getting this feedback really helps us to become a better company and therefore a better employer. ■

EMPLOYEE ENGAGEMENT

50–60

Number of questions per month submitted globally to the 'Ask the Management' forum

10+

Number of 'All-employee meetings' across all brands, Group functions and regions

ANALYSING THE DETAIL

Check the label or the underside of just about any consumer product, it seems, and you will see the words 'Made in China'. That goes for various adidas Group products, too. Plus China is a rapidly growing market for consumer goods. So in this section we look at how the adidas Group operates responsibly in China and in other countries where our products are made.

China has become the 'world's factory', consuming vast quantities of raw materials to satisfy our consumer desires. But in the last couple of years there has been some bad news for the Made in China 'brand' with western companies having to issue product recalls. The Chinese government is beginning to understand that rampant economic growth on its own has its downsides when production methods take shortcuts and put consumers, workers and communities at risk.

China's fast-growing economy is taking 330 million people out of poverty, with disposable income of city-dwellers growing by 20% in the last year. But this growth has come at a cost and it is up to the combined actions of governments and companies to react to this risk and grow responsibly.

COSTS OF ECONOMIC GROWTH

Extensive investment in capital and energy intensive industries, and with coal responsible for roughly 70% of the country's energy needs, China is now the biggest global emitter of greenhouse gases – but its economy is still only roughly 20% of the size of the US economy.

The World Bank estimates 750,000 people die prematurely every year in China from pollution in large cities. This is in part due to the rise in car ownership in the major urban centres. For example in Beijing, more than 10,000 new vehicles are registered every month.

Only 19% of the population has access to tap water and state drinking water standards are met in only six of the largest 27 cities. Hepatitis B and tuberculosis are considered endemic by the UN's World Health Organization. In Guangdong

province by October 2007, the total number of reported HIV cases was 21,966, although estimates of actual cases exceed 49,000. From January to October 2007, reported new infections numbered 3,795, but the estimate of actual cases is three times that figure.

Workplace safety and basic labour rights present a major challenge. Mining and construction accidents are the highest in the world and labour unrest over working conditions has become a daily occurrence. Various officially reported cases of strikes happened in Guangdong province, where many of the suppliers to multinational companies are based. There are legislative moves to address these issues, but the scale of them is vast.



WHAT IS CHINA'S NEW CONTRACT LABOUR LAW ALL ABOUT?

China's new Contract Labour Law came into force on 1 January 2008 and introduced new rights for workers, particularly around long-term job security.

NEW RIGHTS:

- employees with ten consecutive years at a company are entitled to a contract without a fixed end date
- employees are entitled to severance pay of one month's salary per year of employment
- companies must communicate with workers on all the rules and regulations of their employment. This can be in the form of an employee handbook. Any changes to the rules must also be communicated.

CONCERNS:

- some reports of workers being pressurised to sign their first-ever labour contract for less pay than they were previously getting
- questions over how well the law is promoted and enforced.

WHAT WE ARE DOING

We recognise that China's economy benefits the adidas Group. China is one of our major sourcing countries and a growing market for our products, too. Over the past decade we have closely analysed the social conditions we find on the ground and have worked hard to improve the working and environmental conditions in our suppliers' factories.

Industrial relations training continues to be a priority, with a clear focus on China's new Contract Labour Law that came into effect at the start of 2008. In 2007 we held briefing sessions for adidas Group staff and factory managers to prepare them for its implementation.

We think Human Resources Management Systems (HRMS) can go a long way to resolve problems with basic labour law compliance and workforce development. ▶

330 million

people in China are being brought out of poverty by its fast growing economy; *The Guardian*, 14 November 2007

750,000+

people die prematurely each year from pollution in China's cities, according to World Bank estimates

49,000

cases of HIV in Guangdong province, according to estimates from the Xinhua news agency; official estimates are lower

IN THE NEWS



All the world must tackle the fallout of China's growth
The Guardian, 14 November 2007

Legal aid network to help migrants
South China Morning Post, 5 July 2007

China passes a sweeping labor law
New York Times, 30 June 2007

Analysts hail draft regulation on annual paid leave
South China Morning Post, 7 November 2007



► Working with other brands since 2004 we have successfully run an HRMS pilot project, which we will now be expanding across the whole China supply chain. We are collaborating with government, international donor agencies and other brands to establish how we can support migrant workers. We established hotlines so we can respond directly to worker complaints.

We ran a series of training sessions on energy efficiency to help suppliers improve environmental performance in factories.

Building on our successful programme in Vietnam, we continued our work with Marie Stopes International and have designed a new HIV-AIDS and reproductive health programme to be launched in Guangdong province in 2008.

As the Official Sportswear Partner for the Beijing Olympics, the 70,000 Olympics volunteers will be provided with uniforms, made in China, by the adidas Group supply chain. As with all our products, those uniforms are being made with due regard for workers' rights, safety and the environment. ■



Energy workshop, China



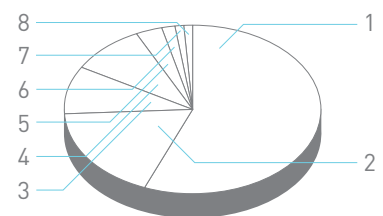
Footwear factory, Thailand

CHANGING BUSINESS

With the rise of globalisation, the adidas Group has become global, too – in marketing, manufacturing and distribution. In the past most of our products had been manufactured in factories the Group owned in Germany and other European countries. By the 1970s the company had begun to outsource most of its manufacturing to reduce costs and remain competitive. Today the Group manages a global network of more than 1,000 factories which make our products, that are available in virtually every country in the world. ▼

NON-COMPLIANCES IN OUR SUPPLY CHAIN

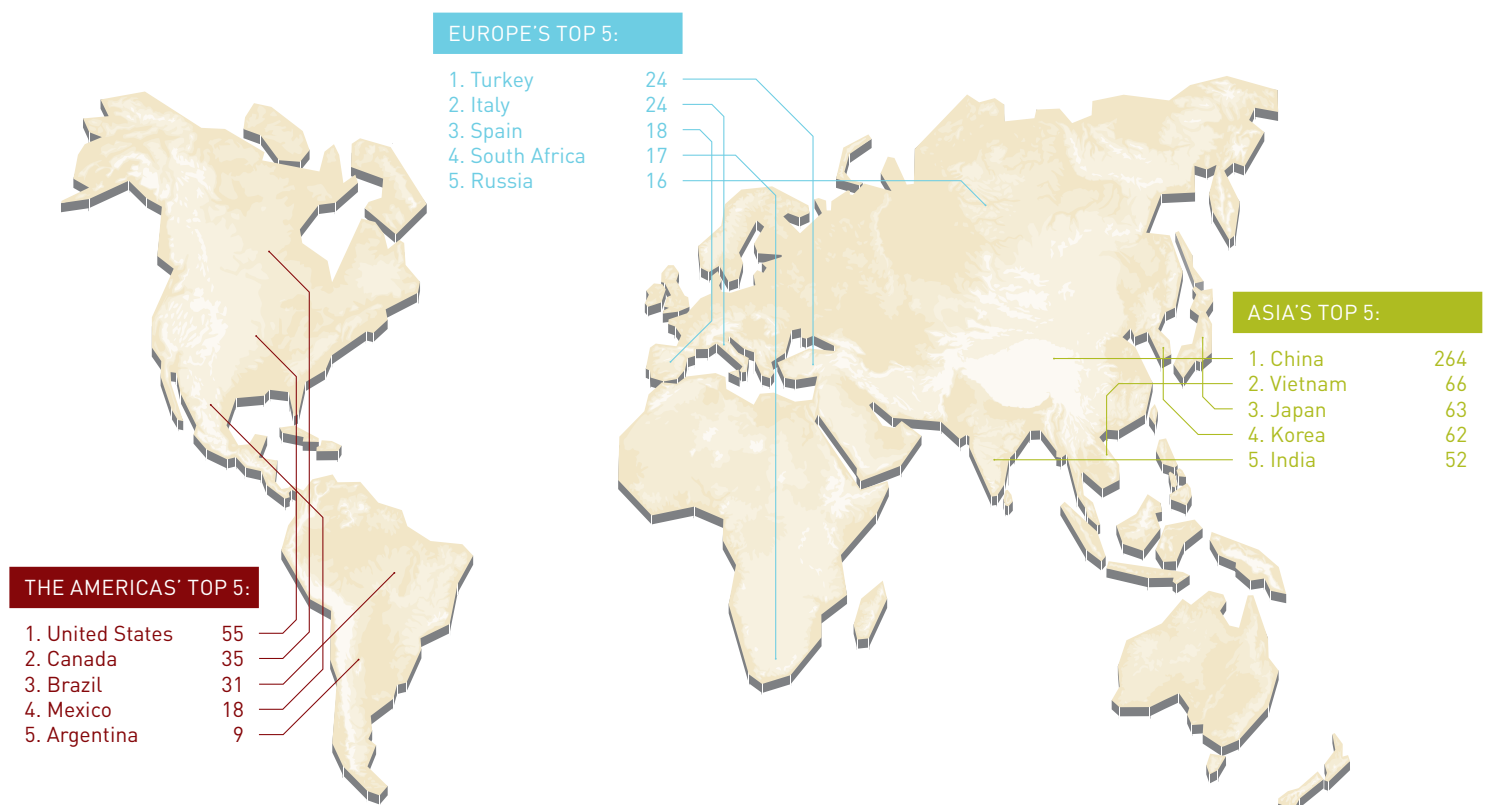
The pie-chart below illustrates the relative frequency of breaches of the adidas Group Workplace Standards. We discovered these non-compliances during in-depth assessments of our active supply chain in 2007. Once we identify a non-compliance, we work with factory management to develop a remediation plan. If the factory management lacks commitment to implementing that plan, we take enforcement action. For more on the Workplace Standards, see www.adidas-Group.com/sustainability



1. Health and safety	56.2%
2. Wages and benefits	18.0%
3. Disciplinary practices	9.4%
4. Hours of work	9.4%
5. Freedom of association	3.3%
6. Forced labour	1.5%
7. Child labour	1.3%
8. Discrimination	0.9%

NUMBER OF SUPPLIER PRODUCTION SITES

(excluding licensee factories and own production sites)



EMERGING MARKETS AND ASIAN GIANTS



Sports Performance Store, Beijing, China

By 2030, the combined purchasing power of China's and India's consumers will be five times greater than that of today's United States. The adidas Group has recognised the enormous potential of these two emerging economies and has ambitious plans to expand its presence in these countries through own retail operations. By the end of 2007 the adidas Group operated more than 4,000 stores via own retail and franchise partners in China and close to 1,000 stores in India. The Group will continue to open brand adidas and brand Reebok stores in 2008.

Such rapid growth of our own retail operations has presented the business with a new and unique set of social and environmental challenges, including how to safeguard employee rights in franchised stores and minimise the

environmental footprint within the retail environment. To manage these issues, the Group's Workplace Standards have been extended to cover franchisees and the manufacturers of store fixtures and fittings have been included within the scope of SEA monitoring.

In 2007 the adidas Group commissioned energy audits of our own flagship stores in Hong Kong and Shanghai. The results of these audits are being used to improve in-store safety and inform the retail design process – with the objective of reducing energy use and waste. In 2007 Corporate and Social Responsibility (CSR) concepts were also added to the teaching curriculum at the Group's Retail Academy in Singapore.



CHINA

Population

1.31 billion (2006)

The World Bank

Of the 22 provinces and five autonomous regions, three have a population greater than Germany:

Sichuan	107,000,000	Shandong	84,000,000
Henan	85,000,000	Germany	82,000,000

Columbia University

Economics

Increase in GDP in 2007 – 10.5%.

Financial Times, special report on China, 9 October 2007

More than 400 million people were lifted above the \$1 a day poverty level in the last 20 years.

The World Bank

Consumer spending

Urban consumer spending is set to increase five-fold over the next 20 years.

'From Made in China to Sold in China', McKinsey

China Mobile is the world's largest mobile phone operator with more subscribers than the population of the USA.

Wikipedia



INDIA

Population

1.11 billion (2006)

The World Bank

Economics

Increase in GDP in 2006–07 – 9.4%

MarketWatch, 31 May 2007

Per capita income has nearly doubled in four years to just under US\$800 in 2006–07 (from around US\$450 in 2002–03).

India Brand Equity Foundation

Consumer spending

Aggregate consumer spending is likely to more than quadruple in the 20 years from 2005 to 2025.

India Brand Equity Foundation

The market for microwave ovens was growing at a rate of 75% in the first six months of the 2007–08 financial year.

India Brand Equity Foundation

THE ADIDAS GROUP IN CHINA AND INDIA

ca. 400

adidas brand stores due to open in China in 2008

ca. 250

Reebok brand stores due to open in China in 2008

ca. 100

adidas brand stores due to open in India in 2008

ca. 150

Reebok brand stores due to open in India in 2008

GDP INCREASE (2007)

10.5%

China

9.4%

India

CONSUMER SPENDING

x5

China's spending set to increase five-fold in the next 20 years

x4

India's spending set to quadruple in the next 20 years

IMPROVING HEALTH EDUCATION

Our partnership with Marie Stopes International in Vietnam and China

In 2003 we partnered with health care services provider Marie Stopes International and implemented a broad-scale project aimed at addressing the fundamental sexual and reproductive health of factory workers in Vietnam.

As a result, a permanent reproductive health clinic to serve workers and the surrounding communities has been established with a mobile team travelling out from the clinic to the factories. Both are operating to their full capacity.

We interviewed Nguyen Bich Hang, Country Representative of Marie Stopes International Vietnam, who gives us her view of the project:

Q What is the clinic's direct impact on the community?

A There are not many health care facilities in Binh Duong, so workers and the general population still have limited access to Family Planning and Reproductive Health services. With its focus on education and training, clients visiting the MSI Binh Duong clinic receive information about sensitive subjects

such as HIV/AIDS. So the clinic's innovative approach is really making a difference.

Q Do you feel the adidas Group supports this project with real engagement or is it just trying to improve its image?

A We have witnessed a strategic approach to corporate responsibility on the part of the adidas Group's project team and a sense of deep empathy to the life and health of the workers in general, not just those who work for adidas Group supplier factories.

Q What was the learning for you through the collaboration with the adidas Group?

A We have learnt a lot. We now have a better understanding of how leading companies see their social responsibilities and how powerful it is – for the workforce and the community in general – when they partner with the right civil society partner to tackle important social issues such as health.

Q What is your ideal future scenario with this project?

A For the factories to have ongoing capacity to disseminate sexual and reproductive health information and services to the workers, right at the factories, in a respectful, non-judgmental manner.

Most of the workers are very young, dynamic and dedicated. Once they see their organisations really care about them, they will take responsibility for their own lives and for the success of their organisations. ■

Read the full interview in our online report.

 www.adidas-Group.com/sustainability



MSI static clinic, Ho Chi Minh City, Vietnam

SAFEGUARDING WORKER RIGHTS

When it comes to safeguarding worker rights, our field auditors troubleshoot issues every day. Here, one of our auditors recounts a recent issue in Southern China.

“The hotline rang shortly after 8am. It was a factory worker in Southern China telling us that he and his colleagues were on strike. They had just learnt that the factory intended to relocate to a region with a lower minimum wage – the following week.

Taking a call on the hotline about such a serious grievance is actually unusual. Since the hotlines were launched and communicated in July 2007 through an open letter to all workers in the adidas Group supply chain, most calls have been suggestions or more general complaints about employment conditions. For example, an individual worker wants to quit but his superior, mindful of labour

shortages, is refusing to let the worker resign. Or perhaps a factory is insisting that workers eat their lunch indoors and the workers want the choice to go outside on their break.

In general we expect a factory to follow its own grievance procedures and sort things out, but in cases when workers contact us directly we treat this as a priority and follow up with the factory ourselves.

This particular factory has a government-sanctioned union, and workers had gone to the union officials to try to find out what was going on. One week was nowhere near sufficient notice to relocate. Some of the workers had family with them, and those that did not want to, or could not, leave, wanted to know what the mandatory compensation package was going to be. This requirement was soon to become binding on employers, given the introduction of a new labour law. At this point the factory had made no mention of compensation.

In negotiations with factory management that day, our auditor highlighted examples of other factories that had relocated and followed best practice in terms of communication and compensation. He encouraged them to plan well: to run a survey of staff so they could assess who intended to terminate their contract and therefore how much compensation they needed to put aside.

By the end of the day, our auditor, together with the worker representatives, had convinced factory management to delay the relocation by eight months. This would give ample time to review results of a worker survey and plan accordingly. The factory also committed to creating a compensation budget. And those workers that did relocate were assured that they would keep their higher salary.

All this was communicated to workers by management, and shortly after 8am on the following day, the strike was over.

STAKEHOLDER ENGAGEMENT

Addressing concerns about the production of adidas-branded clothes for university students led to discussions in both the USA and El Salvador.

In the field of corporate responsibility companies talk a lot about 'engaging stakeholders'. This means listening and responding to any people or organisations affected by the company. For us at the adidas Group, our stakeholders include government agencies, pressure groups, our employees, our customers and the media.

Here we give a flavour of this dialogue with stakeholders by looking at our discussions during 2007 on the subject of adidas-branded clothes produced under licence for students at US universities.

ENGAGING WITH COLLEGES IN THE USA

More than 300 US universities have licensing agreements with the adidas Group. They all contain obligations spelling out the conditions under which the licensed products are produced.

In 2007 we engaged with university licensing and labour committees, administrators and student groups at the universities of Wisconsin, Michigan, Notre Dame and UCLA. While many of these engagements were to brief the university communities on our activities, others addressed concerns of student activism. Several licensor universities requested and were given access to the auditing records of factories making their products.



If adidas' system requires this long to resolve even such an obvious case of labor rights violations as Hermosa, that system is obviously broken.



Jan Van Tol, SLAC member, University of Wisconsin, in the university newspaper, the Badger Herald, 29 October 2007

The University of Wisconsin challenged us over our effectiveness in resolving the Hermosa factory case in El Salvador. The Hermosa factory shut suddenly in 2005 owing pay and overtime to 250 workers, and for more than two years has failed to fulfil its legal obligations. Weak enforcement of national labour laws by the El Salvador government has compounded the situation. Although the adidas Group had not placed orders at the factory since 2002, the University of Wisconsin expected us to help resolve the situation.

ENGAGING WITH THE GOVERNMENT IN EL SALVADOR

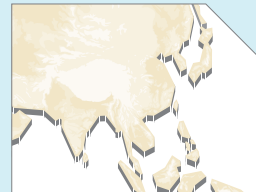
So what were we doing in El Salvador to try to resolve the situation? Seven months of discussions with government officials had come to an abrupt end in mid-2006. Several emails and phone calls had failed to elicit a response. Our main point of contact in the government was reassigned. And in the meantime, the workers' economic situation was getting worse. Their rights to receive precedence in bankruptcy settlements had been ignored. And the government was not making good on promises to provide the unemployed workers with the health care coverage they were entitled to.

So in late October 2007 we took the unusual step of publishing an open letter to the El Salvador government in two national newspapers. In the letter we asked the government to re-open discussions about the Hermosa factory case and to address its failure to enforce its own labour code and indeed the national constitution.

The letter had the desired effect. Our discussions with the El Salvador Ministries of Labor and Economy started up again in December 2007 after a hiatus of more than 12 months. We are hopeful that the ex-employees of Hermosa will finally receive what is rightfully theirs.

In an open letter published in two national newspapers, we asked the El Salvador government to re-open discussions about the Hermosa factory case and to address its failure to enforce its own labour code and indeed the national constitution.

REGIONAL ENGAGEMENTS WITH STAKEHOLDERS – HIGHLIGHTS FROM 2007



ASIA

Global Business Coalition on HIV/AIDS China Working Group regarding programmes being implemented with Marie Stopes International

International Labour Organization (ILO) Cambodia Better Factories Initiative

Multi-brand meeting with Pakistan ball suppliers to discuss labour practices in Sialkot



AMERICAS

Dialogue with Worker Rights Consortium (WRC), United Students Against Sweatshops (USAS) and the Designated Supplier Programme applicable to US collegiate licensed product

Discussions with the Multi Fibre Arrangement (MFA) Forum in Mexico and Maquila Solidarity Network in El Salvador

Dialogue with the US Department of Labor and the US State Department over legal and trade issues in El Salvador



EUROPE, MIDDLE EAST, AFRICA

Multi-stakeholder initiative pilot project in Turkey about workplace standards (Jo-In Project)

Engagement with London Organising Committee of the Olympic Games (LOCOG) on supply chain management for the 2012 Summer Olympics

Continued engagement with the Carbon Disclosure Project (CDP), on the implications of climate change



The scientific consensus is that human activity is warming the planet in ways that might have ‘abrupt and irreversible’ consequences. At the Bali conference on climate change in December 2007, the world’s governments pledged their support to the idea of setting emission reduction targets. We too are dedicated to making progress to reduce our contribution to climate change and minimise our other impacts on the environment.

What’s causing the problem? As we all strive to improve our standard of living, the choices we are making are having unforeseen consequences. The main problem is the increase in the amount of carbon dioxide and other greenhouse gases in the atmosphere. And this comes largely from us burning fossil fuels for energy and clearing forest land for development.

WHAT MIGHT HAPPEN?

Fresh water may be scarcer and there may be food shortages. Rising sea levels threaten some island states in the Pacific Ocean. Hurricanes and floods may become more common, threatening people’s lives and damaging property.

SO WHAT CAN BE DONE?

All of us can try to use less energy. As the generation of electricity is the major source



OTHER KEY ENVIRONMENTAL ISSUES WE ARE ADDRESSING

Issue: Volatile organic compounds (VOCs) are found in solvents used in the manufacturing process and can cause breathing difficulties and other health complaints.

Response: Since 2000, we have been reducing emissions of VOCs from our footwear factories in Asia. By innovating with different bonding systems, we have cut VOC emissions on average from 140 grams/pair in 2000 to 20.3 grams/pair in 2007 for our athletic footwear products.

Issue: How can we best help our suppliers to improve their long-term environmental performance?

Response: Our approach is to encourage them to introduce and operate environmental management systems which demand a commitment to continuous improvement. We train our suppliers in how to measure and manage their water use and waste and emissions. Our primary footwear suppliers in China have certified environmental management systems.

Issue: How can we help our footwear suppliers to evaluate and analyse the environmental impact of their operations?

Response: We developed an environmental indicator system that we have shared with our suppliers. The metrics generated provide a detailed look at the average consumption of major resources per pair of shoes produced. They also show where there is potential to be more efficient with resources. The participating suppliers account for more than 95% of athletic footwear produced for the adidas Group.

of emissions, we have taken steps to measure and reduce our energy use as a business. At the adidas Group we have environmental management systems (EMS) in place at our major sites, and our core suppliers must implement one too. An EMS calls for continuous improvement. Such improvement can be seen, for example, at our German factory in Scheinfeld, which has reduced its energy consumption for all its operations in each of the past three years. The total saving is equivalent to a 13.5% reduction in the average energy used to make a pair of sports shoes.

One of our key climate change impacts comes from the fuel used to transport our goods to market. Air freight creates the most carbon dioxide emissions so we try to keep this to a minimum. However, when time-sensitive products need to be rushed to market, air freight is used.

As a global business operating with more than 150 locations worldwide, air travel is used widely by adidas Group employees. We are now quantifying what the carbon dioxide emissions are from our air travel, and we are exploring options to further reduce air travel through more rigid travel planning and extended use of telecommunication systems such as video conferencing. ■

AVERAGE RESOURCE CONSUMPTION/PAIR OF SPORTS SHOES

	2007*	2006	2005
Energy use (KWh/pair)	2.93	2.36	2.93
Waste water (m ³ /pair)	0.034	0.045	0.057
Average VOC (g/pair)	20.3	19.3	20.5

*Reebok footwear factories included for the first time

FREQUENTLY ASKED QUESTIONS

Here we have put together some answers to the typical questions we get asked.

People ask us all sorts of questions. Sometimes these questions are general requests for information, other times there is a specific concern. Some people seem to have lots of knowledge in this area while others may be new to it.

Q Are products and materials checked for harmful or hazardous substances?

A Chemical substances that may cause harm to human health or the environment are covered by our policy for the control and monitoring of hazardous substances.

Suppliers must not intentionally use restricted substances, and must ensure that materials are non-toxic in use and disposal and that they meet the standards set by retailers and consumer organisations.

Suppliers must prove that materials comply with our standards by providing regular test reports from independent external test institutes. Materials that do not meet standards and specifications are not used in our products.

Q Does the adidas Group use PVC in its products?

A We have had a policy in place to eliminate PVC materials from our products since 2000. Nearly all our product lines are now PVC-free, though for a few applications technically feasible substitutions for PVC are still not available. Since this is an industry-wide challenge, we have developed a three-year plan to work with our suppliers and factories on solutions that also meet our quality standards.

Q Does the adidas Group have a policy on animal welfare and animal testing?

A It is adidas Group policy to not source raw materials from threatened or endangered species as defined by the World Conservation Union (IUCN). Nor do we use leathers from animals that have been inhumanely treated, whether these animals are wild or farmed.

It is also our policy to not conduct any animal testing in developing our sports goods products. The adidas Group is

committed to sustainable business practices and we apply these to selecting materials.

Q Does the adidas Group plan to use organic cotton in its products?

A The adidas Group already uses organic cotton for some products and will be adding more in 2008. It is our goal to secure more sustainable cotton sources, but we recognise that the use of certified organic cotton is not without challenges as it does not address the most critical environmental impact of cotton farming – excessive water consumption. Supported by international companies and NGOs, our approach is to provide training and capacity building to farmers in sustainable cotton farming methods without causing big price premiums.

Q How do you ensure that products sourced from external suppliers are safe?

A The adidas Group has rigorous procedures in place to ensure that products do not harm people and the environment. In 2006, we unified our policies and standards on restricted substances and product safety to ensure they are executed consistently across all brands.

In 2007, we intensified our engagement with internationally-recognised standard bodies, testing houses and consultancies on best practice standards, third-party testing and verification mechanisms.

Q Why does the adidas Group not use synthetic material instead of leather in all its products?

A Considering the entire lifecycle of product materials, using only synthetic materials in our products would not comply with the principle of sustainability as most synthetic materials are made of non-renewable resources and are not biodegradable. Using only natural materials is not feasible either, as these materials are still too expensive and cannot meet our requirements for performance and consumer safety.

Q 'Made in China' – does outsourcing affect product quality?

A Product quality is crucial for our business, no matter where the product is manufactured. To match and exceed consumer expectations, we aim to continuously improve the quality, look, feel and image of our products. All materials and product samples are tested in accordance with standardised material and product testing specifications and procedures.

We strive to ensure the consistent global application of physical and chemical product safety and conformity standards across all brands of the adidas Group wherever they are made. ■

For those who want to know more please visit:

 www.adidas-Group.com/sustainability



adidas Grün at a glance

- In store worldwide from Spring 2008
- Men's and women's apparel and footwear
- Designed and produced to have a low environmental impact
- Information on the label explains the materials used and the item's environmental credentials

Outsole contains recycled rice husks and cork



ADIDAS ORIGINALS COLLECTION: ADIDAS GRÜN

Treading softly on the planet: a new environmentally conscious footwear and apparel product range.

WHAT IS THE ADIDAS GRÜN COLLECTION ABOUT?

adidas Grün ('green') is a collection of footwear and apparel for men and women that minimises its environmental impact by using the natural resources involved in its production and packaging as efficiently as possible. The collection builds on extensive research and analysis of the environmental qualities of materials used in our products.

WHY INTRODUCE A LOW ENVIRONMENTAL IMPACT PRODUCT RANGE?

adidas Grün was created in response to increasing consumer awareness of the importance of sustainability. adidas Grün is distinguished from other 'eco' collections by its clear labeling system that explains the environmental credentials of each part of the collection.

DEVELOPMENT CHALLENGES

The adidas Grün concept challenged our development teams to review previous construction and design principles, and align them with environmentally friendly approaches.

The teams worked closely with in-house environmental experts, material suppliers and manufacturing partners to select environmentally-acceptable material solutions, such as using recycled fabrics and natural materials like hemp, bamboo and cork.

There were challenges in working with materials that had not been used for footwear before. Extensive quality testing ensured we got it right. What we learnt about material selection in this project has been captured so that other adidas Group teams can apply it to their product ranges.

MARKETING THE RANGE

adidas Grün updates traditional adidas silhouettes with a new, natural look and feel. Aesthetically, the earthy colour palette teamed with Originals styling strikes a balance between streetwear and environmental sensibilities.

The adidas Grün range consists of three product categories:

The Reground line of products is made of environmentally friendly materials such

as hemp, jute, bamboo, crepe rubber, chrome-free leather and recycled rice husks. A highlight from the women's collection is a shirt made from a mix of soybean and organic cotton fabric that features a neckline inlaid with sunflower seeds.

The Recycled line consists of summery apparel and footwear made from recycled and re-used materials. Key pieces include a dress made from recycled cotton scraps and a hooded track top that uses recycled polyester.

The Made From line presents original adidas silhouettes made from environmentally friendly fibres in more colourful tones.

FUTURE POTENTIAL

A 2007 survey in the UK and US found that most consumers feel that everyone must take more responsibility for their personal contribution to global warming.

Consumers believe that corporations need to take global warming more seriously. They would like more information about the environmental impact of the products they buy, and want independent verification of the climate change claims businesses make about their products.

With its informative labels, the adidas Grün range meets the consumer's need for better information. But this is just the beginning. There seems to be a growing appetite for environmentally friendly products, and we will be applying the lessons learnt in developing the adidas Grün range to other products in the near future. ■



Upper includes chrome-free leather, cotton and jute

Midsole has cork detailing



Men's graphic tee – made with recycled cotton



Women's graphic tee – 100% organic cotton

MOVING FORWARD TOGETHER

I am very proud of what we achieved in managing our social and environmental affairs during 2007. We have made great progress rolling out the new standards, guidelines and procedures across a far larger and more diverse supply chain. But I am also aware that there is more we need to do.



Sport teaches us many things, not least that things that are worth achieving take effort. We are fully committed to becoming a sustainable business and we recognise that this will not be easy, that we will face many challenges along the way. But the dedication athletes show can inspire us to keep going, always striving to improve our performance. Through teamwork, we can achieve great things.

In this review we have tried to give you a sense of our efforts in 2007 to be a responsible and sustainable business. Sustainability can seem like a huge and complex subject. But it is also fundamentally a simple idea: that we should live in a way that allows everyone to enjoy a good quality of life, now and in the future. It is about respect for each other and for the natural environment.

The stark facts are that there are significant social and environmental issues that stand in our way on the road to sustainability. Poverty, resource depletion and climate change are global issues that require global solutions. But the scale of the problems should not blind us to the fact that each of us can make a difference – in our lives and in our work.

Building on an extensive research effort, our new range of footwear and apparel – adidas Grün – is one example of the adidas

Group striving to make a difference. Made with natural and recycled materials, we have minimised the environmental impact of its manufacture at every stage of the process. Our team – drawn from across the business – rose admirably to the design and production challenges we faced in developing this exciting new range.

We have of course been preparing for the Beijing Olympics, working closely with our suppliers in China, providing training in industrial relations and promoting the use of HR management systems. We are confident that these steps will further improve compliance with our standards and labour law.

As well as the Beijing Olympics, we also sponsor the UEFA EURO 2008™ taking place in Austria and Switzerland. So it is another busy year for the adidas Group. Through great teamwork and with passion for our goals, we will do our best to improve our performance, and move closer to being a sustainable business in 2008. ■

A stylized, handwritten signature in black ink, reading 'H. Hainer'.

Herbert Hainer
CEO and Chairman of the Executive Board
of adidas AG

TOP 3 KEY TARGETS

01

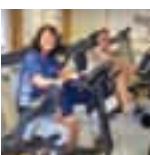
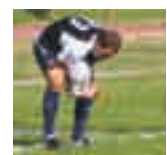
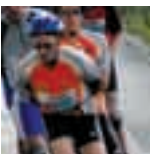
To build strategic partnerships with international agencies, governments and civil society, with the objective of improving social and environmental conditions in the garment industry in China, El Salvador, Honduras, India, Mexico and Vietnam.

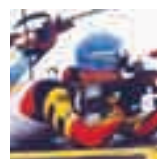
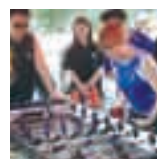
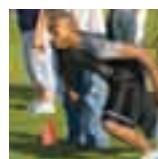
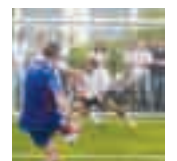
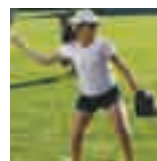
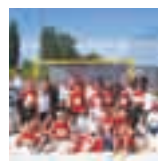
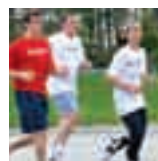
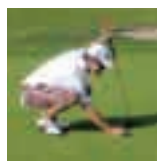
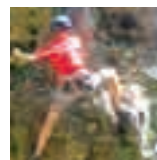
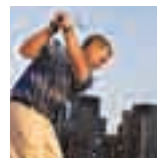
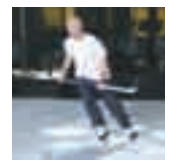
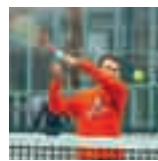
02

To mature and strengthen the efficiency of the external monitoring model of our indirect supply chain.

03

To commission external verification of the tools and processes developed for selecting the organic and recycled materials used in our products.







Mixed Sources

Product group from well-managed forests, controlled sources and recycled wood or fiber
www.fsc.org Cert no. TF-COC-2142
© 1996 Forest Stewardship Council

Brand X FSC paper contains FSC certified virgin pulp from well managed forests and is bleached using ECF (Elemental Chlorine Free) process. It also contains recycled post-consumer waste and this is produced without using any secondary bleaching.

Credits:

This report has been prepared by the adidas Group SEA Team and Corporate Communications.

Consultancy and writing:

Adam Garfunkel adamgarfunkel@yahoo.co.uk

Design: salterbaxter www.salterbaxter.com

Print: CTD

© 2008 adidas AG. adidas is a registered trademark of the adidas Group.