



MAKE A
DIFFERENCE



CONCEPT STATEMENT

FURTHER, FASTER, HIGHER. THE BEST ATHLETES LEAD THEIR TEAM TO WORLD CUP VICTORY, THEY WIN MARATHONS IN LITTLE OVER TWO HOURS, THEY VAULT HIGHER THAN ANYONE ELSE. OUR ATHLETES ARE DRIVEN TO PERFORM. THEY MAKE A DIFFERENCE.

WE ARE ALSO DRIVEN TO PERFORM AT OUR BEST AND TO DO IT IN THE RIGHT WAY. THIS MEANS PROTECTING THE ENVIRONMENT WHEN OUR PRODUCTS ARE DESIGNED AND PRODUCED, AND PROMOTING FAIR, SAFE AND HEALTHY CONDITIONS FOR WORKERS IN OUR SUPPLIERS' FACTORIES. IT MEANS WORKING OPENLY WITH OUR BUSINESS PARTNERS AND PEERS, WHILE RESPECTING THE INVALUABLE CONTRIBUTION OUR EMPLOYEES MAKE TO OUR SUCCESS.

THIS IS HOW WE ARE MAKING A DIFFERENCE. IS IT ENOUGH? YOU DECIDE, AS YOU HAVE DONE FOR THE 15 YEARS THAT WE HAVE BEEN REPORTING.

WELCOME TO OUR SUSTAINABILITY REPORT FOR 2014.



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MAKE A DIFFERENCE:
CEO STATEMENT



Dear all,

It is my privilege to address you with this letter in the opening section of our sustainability report.

This year, we celebrate 15 years of social and environmental reporting.

We look back on a 15-year-long membership in the Fair Labor Association.

And we are proud about being included in the sustainability index family, Dow Jones Sustainability Indices, for 15 years now.

So 15 is the magic number and I am proud that we have led our industry in so many ways in sustainability over all these years. At the 2015 World Economic Forum in Davos, it was unveiled that we are in fact the most sustainable company in Europe and in our industry. This was researched by Corporate Knights, a Toronto-based media and investment advisory company. We have now even moved up five notches from our position last year and ended up on the podium as number three globally. This is a great testament to our work.

But let me assure you that we will not rest on our laurels for a single second. Not in 2015 and not for the next 15 years.



**PEOPLE, PRODUCT,
PLANET, PARTNERSHIP –**

Please remember these four ‘P’s as you go through our report. They build the framework for our sustainability efforts to tackle issues that are most material for our business operations.



After all, being true sports people we are always up for the next challenge. And hence we will not give up our ambitions to ‘make a difference’ in the future. Our overall goal is to make the best products for our athletes so that they can make a difference in their sports. We make a difference in many different aspects of sport, and do so in the area of sustainability, too.

More precisely, we make a difference

- For our **people**: In 2014, we significantly revised our Code of Conduct, the foundation of the adidas Group Fair Play Framework, for our employees. We further extended our innovative SMS worker hotline system, now reaching more than 160,000 workers in our global supply chain. And together with these actions we strengthened our complaint systems for stakeholders to keep our unconditional commitment in protecting Human Rights in our global business operations.
- With our **products**: In 2014, we sourced more than 30% of all our cotton as Better Cotton, exceeding our originally planned 25% target. This marks the highest volume in sustainable cotton used in the company’s history.
- For our **planet**: In 2014, we introduced and showcased the ‘green’ retail concept for the first time worldwide in the HomeCourt store in Nuremberg.
- With our **partnerships**: In 2014, while continuing many of our long-term relationships with governments, NGOs and the civil society, we also entered an exciting new partnership with bluesign technologies to advance our chemical management programme.

You will find more details about these initiatives in this report.

People, product, planet, partnership – please remember these four ‘P’s as you go through our report. They build the framework for our sustainability efforts to tackle issues that are most material for our business operations.

- **People**: We positively influence the lives of our employees and factory workers as well as those people living in the communities in which we have a business presence.
- **Product**: We find better ways to create our products, mainly through innovation, increased use of more sustainable materials and efficiencies.
- **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.

Are we perfect? No, far from.

We face constantly new, industry-wide challenges due to changes in society, key sourcing and sales markets or new technologies and manufacturing trends. But we tackle these challenges and try to improve. And while we will always acknowledge appropriate criticism, we value positive external recognition for our work. To me, both are equally important to remain on the right path. So now enjoy reading our report and do not hesitate to give us your feedback via sustainability@adidas-Group.com.

Yours sincerely,

Herbert Hainer
Chief Executive Officer,
adidas Group



MAKE A DIFFERENCE:

OUR APPROACH

Frank Henke, VP Global Social and Environmental Affairs (SEA), gives insights into the sustainability programme of the adidas Group, talks about successes, future challenges and how it feels to look back on 15 years of sustainability reporting.

LOOKING BACK

This report marks a significant milestone in the history of sustainability at the adidas Group: you are celebrating 15 years of sustainability reporting. Looking back to the very first report, how would you describe the development of reporting at the adidas Group?

It was in a spirit of transparency and responsiveness towards its stakeholders that the company published its first sustainability report. Back then, there was not much guidance out there. In fact, it was just the opposite of today, considering the availability of multiple reporting frameworks and an ever-growing number of companies now issuing sustainability reports. Still today, the adidas Group is the only company in the sporting goods industry that has published an annual sustainability report since 2000.

ADIDAS GROUP SUSTAINABILITY REPORTING

How would you describe the DNA of the adidas Group's sustainability reporting? What sets it apart from others?

We definitely benefit from lessons learned throughout our long history of reporting. Our reporting is heavily influenced by our stakeholders' feedback, for example, the level of transparency about our supply chain programmes and how we measure progress. Most importantly, however, our reporting DNA reveals itself in how we constantly strive to communicate the Group's programmatic work in the most authentic and pragmatic way, so that it provides maximum value for all those who may have an interest in the adidas Group.

In a nutshell, our reporting focuses on what is most material for us and for our stakeholders. It provides news about developments or changes in our programmes in a storytelling format, combined with facts and figures about the four pillars of our programme. We also disclose information about how we put our sustainability strategy into practice through pragmatic guidelines, operating procedures and corporate policies. Some of the elements in our reporting have also been adopted as industry guidelines for best practice as provided by the GRI sector supplement for footwear. However, at this point it is important to mention that while we recognise and use international benchmarks for sustainability reporting to guide our sustainability communication we are not limiting ourselves to adhering to certain frameworks. That way, we believe we can talk most appropriately about those issues that enable the adidas Group to make a difference.

SUSTAINABILITY COMMUNICATION NO LONGER EQUALS AN ANNUAL REPORT ONLY

Sustainability reporting can be very challenging in today's communication landscape, with new communication channels emerging, and more and more information being requested by various stakeholder groups, at an ever-increasing pace. How do you ensure that you're fully equipped to respond to these challenges?

Indeed, we need to respond to diverse stakeholder requests on a regular basis. While some of them expect us to be focused on their specific areas of concern, others wish to obtain a broad overview of our work. In addition to that, the rapid growth in the digital domain and the rise in new communication channels have led us to adapt our sustainability communication. While we will remain committed to publishing a sustainability report, we also know that updating our stakeholders once a year is not enough. As a consequence, we publish information throughout the year on additional channels such as our corporate website, which offers a comprehensive news archive with press releases and also archives data from previous years that allows readers to track our sustainability record and history. To complement our reporting, we offer personal insights from our colleagues on our corporate blog where they share their experiences and lessons learned from their sustainability work at the adidas Group.



Read more [on our Website](#)
Read more [on our Blog](#)

**OUR GLOBAL SUSTAINABILITY TEAM,
CONSISTING OF ALMOST 70 HIGHLY EXPERIENCED
PEOPLE LOCATED IN KEY COUNTRIES,
UNDERSTANDS THE CURRENT ISSUES, DRIVES
EFFECTIVE INITIATIVES AND CAN ACT WHERE
THESE ISSUES ARISE: ON SITE.**



TODAY'S SUSTAINABILITY AGENDA

Let's talk about the adidas Group's sustainability programme itself. What does sustainability today mean to the adidas Group?

We are currently experiencing changes in the overall industry and society as well. Challenges such as political instability, unrest in certain regions, developments in global labour markets, emerging new technologies, ongoing globalisation processes, need for increased speed and flexibility, changing stakeholder interests and demands for greater transparency all shape today's sustainability agenda. Global institutions such as the UN and the OECD have developed more comprehensive guidelines that help businesses to respond to these challenges, to manage their operations responsibly and to avoid adverse effects. Our own 'respect – protect – promote' framework for managing human rights issues, for example, was inspired by the UN Guiding Principles on Business and Human Rights.

In response to these changed circumstances, our sustainability strategy has to be permanently under review and evolve to tackle the key social and environmental impacts of our operations on the ground. And here we benefit enormously from our global sustainability team, now almost 70 people worldwide. These highly experienced experts located in key countries understand all of these current issues and drive effective initiatives on a regional and local level. And they can act where these issues arise: on site.

Another characteristic of our sustainability strategy is our well established stakeholder networks in each of the countries we source from. These networks involve a variety of civil society groups, labour, human rights and environmental NGOs, as well as trade unions. We are in regular dialogue with these groups. Normally, our focus is on specific supply chain issues, be they worker rights or environmental concerns.

With some NGOs we have joint project work. For example, for several years now we have engaged closely with local trade unions on a Freedom of Association Protocol, to support representational rights and improve industrial relations in our supplier factories in Indonesia. Similarly, we have worked with a women's NGO in Bangladesh for the past decade; they provide independent and insightful feedback on worker rights in the handful of suppliers we have in Dhaka. And in China, we have engaged with NGOs to run training programmes on worker-management communication as well as manning worker hotlines.

SUSTAINABILITY THINKING AT THE ADIDAS GROUP IS NOT TREATED IN ISOLATION BUT IS PART OF THE EVERYDAY PRACTICE OF MULTIPLE CORPORATE FUNCTIONS.

ONGOING EXTERNAL RECOGNITION

The year 2015 started off with great news: the adidas Group made it to the podium of the most sustainable corporations in the world, as announced by Corporate Knights. How did the adidas Group manage to earn that recognition?

This is definitely the result of many years of hard work and shows the considerable progress the adidas Group has made more recently. Ranking third in the Global 100 Index makes us extremely proud and clearly underlines our leadership position in sustainability. It is important to note, though, that we have received positive external recognition for our sustainability programme for many years already. Ethical investment agencies such as the 'Dow Jones Sustainability Index', the Financial Times Index 'FTSE4Good' and ETHIBEL regularly rate the adidas Group among the leaders in social and environmental responsibility.

LOOKING AHEAD

Just recently, the adidas Group announced its new Strategic Business Plan 2020, called 'creating the new'. What role does sustainability play in the business strategy of the adidas Group?

The adidas Group has made significant progress in embedding social and environmental topics into mainstream business processes and day-to-day operations. Take, for example, our close collaboration with Global Sourcing in our factory assessments and onboarding processes and with our licensees in responsibly managing their supply chains. The company's cooperation with the Better Cotton Initiative (BCI) as well as initiatives such as DryDye or our progress in chemical management are also good examples of how our product, development and sourcing teams jointly create product-oriented sustainable solutions. And last but not least, our Green Company Initiative drives environmental improvements at own sites cross-functionally.

As you see, sustainability thinking at the adidas Group is not treated in isolation but is part of the everyday practice of multiple corporate functions – integrated into the business model of the adidas Group. Needless to say, there is room for further strengthening and integrating of sustainability performance measures into our overall performance management – a fact that again proves that working towards sustainability is a marathon, and not a sprint.



How does the future of sustainability at the adidas Group look? What goals have you set yourselves for the next year?

Our 2020 targets will focus around the further evolution of our core social and environmental programmes driving self-governance in our supply chain. This places a higher responsibility on our suppliers to manage their downstream supply chains and move towards public reporting. In addition, we will strive to accelerate strategic initiatives in the following areas: promoting worker empowerment building on our previous track record, moving our chemical management to the next level, applying human rights due diligence in all business operations as well as minimising the adidas Group's water footprint. In this context, we are extremely excited to announce a partnership with 'Parley for the Oceans', an organisation dedicated to raising awareness about the beauty and fragility of the oceans and collaborating on projects that can end the destruction of these ecosystems. Together, the adidas Group and 'Parley for the Oceans' will implement a long-term partnership programme that builds on three pillars: 1) Communication and education, 2) Research and innovation, 3) Direct actions against ocean plastic pollution.

2010-2015. Our ability to transition into the next strategic period requires a careful review of past achievements that can serve as the basis for the next planning cycle. It is also critical to align internally with all parties involved as well as to take our external stakeholders' feedback into account. As this takes time, I hope you enjoy reading our report while we keep working on getting the next cycle done. And don't forget to visit our website or blog for upcoming announcements.

THE COLLABORATION WITH 'PARLEY FOR THE OCEAN' WILL ACCELERATE THE CREATION OF INNOVATIVE PRODUCTS AND INTEGRATION OF MATERIALS MADE OF OCEAN PLASTIC WASTE INTO THE PRODUCT OFFER OF THE ADIDAS BRAND AS OF 2016.

BEFORE YOU READ THE REPORT

You mentioned new 2020 targets – when will you publish them?

You might wonder why you don't find any new milestones for 2016 – on the path to 2020 targets – in this report. Let me briefly explain the reason to you. Currently, we are focusing entirely on completing the planning and execution cycle for the period of

15 YEARS OF TRANSPARENCY AND DISCLOSURE AT THE ADIDAS GROUP





2015 TARGETS – OVERVIEW

'Performance counts' in this report as well: This is a summary of our targets that we aim to reach in 2015. Our progress against these targets and the evaluation of our 2014 milestones can be found at the end of each section.

PEOPLE

For stories behind these targets, please go to page 10

- 60% of all direct suppliers to achieve 'good' (3C) score or better.
- 80% of strategic suppliers to achieve 'good' (3C) score or better.
- 25% of our strategic suppliers to be in a self-governance compliance model (4C or better).
- Enhance the workers grievance system.
- Promote a common, industry-wide monitoring platform, methodology and tools to check, measure and verify fair, healthy and safe workplace conditions.
- 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 occupational health & safety (OHS) issues specific to the manufacturing process within the supply chain.
- Further embed leadership mindsets in daily life.
- Systematically promote motivation and accountability through talent and performance management.
- Create the foundation for open, innovative and collaborative learning solutions.
- Establish standardised, end-to-end, system-supported HR processes to reduce duplication of efforts, create efficiencies and enforce discipline.

PLANET

For stories behind these targets, please go to page 30

- Extend environmental assessments to selected supplier groups and achieve a 30% improvement in average KPI for selected suppliers based on 2011 baseline.
- Reduce energy consumption by 10-15% 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.
- Green Company Initiative targets (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% reduction in PC energy consumption
 - 100% of requests for proposals to evaluate 'green' performance of possible vendors
 - Virtualisation of servers and data centre consolidation

PRODUCT

For stories behind these targets, please go to page 22

- Reduce colours used within the adidas Sports Performance division by 50% (excluding colours required by clubs or otherwise outside the control of the Design team).
- Conduct virtualisation project to drive reduction in samples.
- Optimize 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.
- Use 40% Better Cotton by 2015 and 100% 'sustainable cotton' by 2018.
- Source 100% of non-European leather volume from tanneries that achieve Leather Working Group (LWG) Silver rating or above (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.

PARTNERSHIP

For stories behind these targets, please go to page 37

- 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.
- 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.



Important partnerships which inform and influence the development of our sustainability strategy are listed [on our Corporate Website](#)



THE FOUR 'P's IN ACTION IN INDONESIA

Last year, we introduced you to the four pillars of our sustainability strategy: people, product, planet, and partnership. To make these four 'P's more tangible, we have developed a case study about our work in Indonesia showing them in action.

25

YEARS WE HAVE BEEN SOURCING IN INDONESIA.

PEOPLE: MAKING FREEDOM OF ASSOCIATION A REALITY

Our Workplace Standards clearly state that suppliers must respect the right of factory workers to join and organise associations of their own choosing. But even when unions are free to form, challenges remain in ensuring an open and constructive dialogue between factory management and trade union officials.

That is why we led a group of suppliers and brands in Indonesia and worked closely with the labour movement there to develop a basic framework for the exercise of trade union rights in the workplace. Signed in 2011, the Freedom of Association Protocol supports the rights of workers producing for global brands in Indonesia to join unions and bargain collectively for better working conditions.

To date all but one supplier – who has only recently started working with us – have signed up to the protocol. It has helped to reduce misunderstandings between factory managers and trade union officials and has set an important benchmark for our suppliers.



Read more about our position on Freedom of Association [on our Website](#)

PRODUCT: PREDATOR ALWAYS SOURCED IN INDONESIA

Our strong working relationships with leading footwear factories in Indonesia made it the perfect place to manufacture the original Predator football boot. Twenty years on, this is still the case – again a testament to our commitment to making a long-term investment in our suppliers.

Indonesian suppliers possessed the skills and craftsmanship necessary to produce all the various editions of this revolutionary, high-performance football boot with its 'lethal zones' technology on top of the boot, which aid control, touch, passing and shooting.

By using innovative Hybridtouch synthetic leather and low-waste heat injection molding, the Predator also delivers on our environmental ambitions.





PLANET: ENERGY MANAGEMENT TRAINING FOR OUR SUPPLIERS

Most of our environmental impacts as a company result from the manufacturing process. We therefore partner with our suppliers to improve the environmental performance of their factories. For example, when we set ambitious 2015 energy reduction targets, we also rolled out an energy efficiency programme to help our suppliers achieve them.

Launched in August 2011, the project aimed to build our suppliers' capacity to monitor and analyse their energy use, to select the most effective cost-saving measures, and to review the impact of their actions.

While 16 suppliers participated in the programme, key findings and best practice was shared across our supply chain and the industry in general within Indonesia. This helped all suppliers make even more progress, thus further strengthening our partnership with them.

The programme ended in 2013 and was a big success. All the suppliers now have their own energy teams, and one supplier has already achieved ISO 50001 certification for energy management systems while others are working towards it. Most importantly, these efforts are making a difference: from the first year of the programme, total energy consumption across participating suppliers' factories began to fall.



Read more about our Energy Management Trainings in Indonesia [on our Blog](#)



WE ARE VERY PROUD OF OUR HISTORY OF SOURCING IN INDONESIA, A COUNTRY WHERE WE HAVE BUILT LONG-STANDING PARTNERSHIPS WITH OUR SUPPLIERS. WE HAVE ALSO DRIVEN SIGNIFICANT CHANGE IN THE INDUSTRY, THANKS TO INITIATIVES SUCH AS THE FREEDOM OF ASSOCIATION PROTOCOL AND INNOVATIVE WORKER GRIEVANCE SYSTEMS.

John McNamara, Senior VP Sourcing at the adidas Group



PARTNERSHIP: WE DON'T BUY, WE SOURCE

We believe that building long-term partnerships with our key suppliers brings far greater benefits for both sides than maximising short-term profits. A testament to this approach is the fact that in 2014 we celebrated 25 years of sourcing in Indonesia.



Testament to our long-term commitment with key suppliers: Celebrating more than 25 years of sourcing in Indonesia.

Over time, we have built two-way relationships with suppliers that go well beyond a simple order/purchase transaction. These trusting relationships have enabled us to work together to innovate with new materials and processes and to address productivity, efficiency and quality. We also place our own personnel in the strategic factories, where they work closely with local personnel on developing the next innovation, with the consequence that our suppliers are becoming more competitive.

The partnership approach extends to social and environmental issues, too. Not only do we visit numerous factories each year to check they are complying with our Workplace Standards, but we also advise and train them in how to make improvements where necessary. That way, we can help our suppliers to truly integrate our standards into their business and take responsibility for meeting them.



Read more about our responsible sourcing strategy [on our Website](#)
Read more about our long-standing partnership with Indonesia [on our Website](#)



MAKE A DIFFERENCE:
PEOPLE



HUMAN RIGHTS

Together with our partners we are changing the way women's rights are seen in the apparel industry.



JENNIFER SUHR Current indoor pole vaulting record holder



SMS WORKER HOTLINE CELEBRATES ITS SECOND BIRTHDAY



Two years after launching, our SMS worker hotline project continues to expand its reach, offering more factory workers the opportunity to ask questions, make suggestions or express their concerns by text. Run by an independent service provider, this personal, anonymous service effectively bridges the communication gap between management and workers. And by monitoring the messages received, the adidas Group can listen directly to factory workers' concerns and act upon them.

In 2014, we extended this innovative programme to a further nine factories in Indonesia, bringing the total to 14. We also added 10 supplier factories in Vietnam. As in Indonesia, the vast majority of Vietnamese people have mobile phones, ensuring nearly every factory worker can use the new system. At the end of 2014, more than 160,000 workers were covered by the SMS hotline service.

160,000
NUMBER OF WORKERS NOW COVERED BY THE SMS WORKER HOTLINE.

WORKERS KNOW THAT MANAGEMENT IS LISTENING TO THEIR CONCERNS. MANAGEMENT CAN SEND WORKERS GROUP TEXTS WITH POLICY UPDATES OR SAFETY MESSAGES.

The success of the service lies in its ease of use. Workers find it straightforward to send a message, and because it encourages prompt responses from management, workers know that their concerns are being heard. Being run by an independent service provider ensures worker confidentiality. As part of the project, workers' mobile numbers are anonymously gathered so management can send group texts with policy updates or safety messages. All in all it brings the two groups closer together, which we know improves greater compliance with our Workplace Standards.

In 2015, we plan to roll out the SMS hotline service to 20 supplier factories in Cambodia and will also add four more supplier factories in Indonesia and a further eight in Vietnam. As it enters its third year, our worker hotline service is growing fast.



Read more about the SMS worker hotline [on our Website](#)
Read more about the SMS worker hotline [on our Blog](#)



SAFEGUARDING WORKER RIGHTS IN SOUTHERN CHINA

The UN Guiding Principles on Business and Human Rights calls on companies to identify their potential and actual impacts on human rights and to take action, even when the primary duty to protect human rights rests with governments. Indeed for the past 15 years this is what adidas Group has done, and continues to do. Whenever we address human rights concerns we follow a very clear ‘respect-protect-promote’ framework.

40,000

THE NUMBER OF PEOPLE WHO WORK AT THE YUE YUEN INDUSTRIAL COMPLEX IN DONGGUAN, CHINA

Over the years there have been times when this has seen us become involved in defending the actions of human rights advocates. The most recent case was in 2014 when we helped to secure the release of two labour activists who had supported workers during China’s largest-ever strike at the Yue Yuen industrial complex in Dongguan. Workers at Yue Yuen had gone on strike calling for full payment of their social insurance and housing fund contributions.



WE RESPECT RIGHTS, ENSURING THAT OUR OWN ACTIVITIES DO NO HARM. WE SEEK TO DIRECTLY PROTECT WORKER RIGHTS, AND MONITOR AND REMEDIATE ISSUES THAT WE FIND, AND WHERE WE SEE OPPORTUNITIES TO DO SO, WE ALSO PROMOTE SPECIFIC RIGHTS, ENCOURAGING OUR SUPPLIERS TO ACT IN ACCORDANCE WITH THEIR OWN OBLIGATIONS AS BUSINESS ENTERPRISES TO UPHOLD THE UN GUIDING PRINCIPLES.

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



The Yue Yuen complex is made up of seven huge factories that manufacture athletic shoes for many international brands. The adidas Group sources footwear from one of these factories, which employs about 15% of Yue Yuen’s 40,000 employees.

Throughout the strike, our SEA team engaged directly with both workers and management. We called for the riot police to be stood down to avoid inflaming the situation. And our senior management also engaged daily with civil society groups in Southern China.

Two advocates from Shenzhen Chunfeng Labour Disputes Services Centre, who had been advising the workers during the strike, were arrested and detained by the police. On the day the strike ended one of the advocates was released, the other however remained in detention although the authorities had not disclosed the grounds for his arrest. We petitioned the local mayor, calling for the advocate to be released. Our action was timed with an online campaign run by civil society. Three weeks later the individual was set free, without charge.

This is an example of how we partner with civil society groups to press governments to do more to fulfil their duty to protect human rights – and shows our *respect-protect-promote* approach in action.

THROUGHOUT THE STRIKE, OUR SEA TEAM ENGAGED DIRECTLY WITH BOTH WORKERS AND MANAGEMENT.



DEVELOPING FAIR WAGES FOR OUR SUPPLY CHAIN

Our position on fair wages is based on the comprehensive engagements we have held with stakeholders including suppliers, workers, unions, investors and governments. The concept of fair wages is much broader than living wages: it addresses not only the amount paid in relation to living costs, but also to the price of the product workers are making and the employer's profits. Fair wages are negotiated openly, communicated clearly and paid promptly.



WE CONTINUE TO ADDRESS THE LIVING WAGE CONCEPT BY LEVERAGING OUR LONG-TERM RESEARCH INTO FAIR WAGES AND BY APPLYING THE RESPECT-PROTECT-PROMOTE FRAMEWORK TO SUPPLY CHAIN WORKERS' COMPENSATION.

Gregg Nebel, VP Social & Environmental Affairs, the Americas, at the adidas Group



Our approach to fair wages is built on the three pillars of all our human rights work: our 'respect-protect-promote' framework.

Within each pillar we have a programme of work activities which supports fair wages and wage progression when workers achieve proficiency, performance and competencies in their jobs.

We continue to explore this complex area and look forward to working with more partners such as the Fair Labor Association to promote fair wages across our industry's supply chain.



Read more about our approach to fair wages [on our Website](#)





PROTECTING VULNERABLE GROUPS IN OUR SUPPLY CHAIN



Together with local organisations we train our female workforce on topics such as reproductive health and family planning.

Companies play a key role in respecting and promoting human rights. Although everyone's human rights and fundamental freedoms must be respected and upheld, migrant workers, women and children represent the most vulnerable groups involved in the global apparel and footwear manufacturing industries. Therefore, we have put in place a number of measures to protect them.

MIGRANT WORKERS, WOMEN AND CHILDREN REPRESENT THE MOST VULNERABLE GROUPS INVOLVED IN THE GLOBAL APPAREL AND FOOTWEAR MANUFACTURING INDUSTRIES.

We consider it a high priority to protect and promote the rights of female factory workers, who make up about 80% of the people employed by our manufacturing partners. As many of these women are of reproductive age, we have entered into partnerships with local organisations to develop guidance for suppliers on how to manage the reproductive health of female workers. One example is our long-term collaboration with Marie Stopes International (MSI) in Vietnam, and our shared two-year project to train our suppliers on various rights of workers, including the non-discrimination of women.

At the same time, we work closely with the International Labour Organization (ILO), as well as non-government organisations (NGOs), to safeguard the rights of migrant workers in our supply chain. This has included supplier training and the strict enforcement of our Workplace Standards to eliminate the exploitative actions of middle-men and unscrupulous employment agencies, as well as ensuring freedom of movement, equal treatment and proper employment contracts for migrant workers.

Our approach to protecting the rights of children centres on a concern for the child and their interests, while recognising the importance of income to support households and schooling. We have a comprehensive approach to dealing with cases that arise, which requires the supplier to pay an ongoing wage to the family while the child returns to school. In the Sialkot region of Pakistan, the global centre of the football stitching industry, we have worked for many years with the NGO Sudhaar, sponsoring programmes to improve access to schooling for children from the rural areas where home-stitching was once prevalent. Since 2002, adidas Group support has benefited more than 28,000 children in the Sialkot District.

80%

THE PERCENTAGE OF WORKERS IN OUR SUPPLY CHAIN WHO ARE WOMEN.

We are also aware of, and concerned by, the fact that the sourcing of cotton in certain parts of the world can include child labour. Therefore, we joined an alliance of international investors, brands and non-governmental organisations to fight against government-backed child labour in Uzbekistan during the cotton-picking season.

To support all of these vulnerable groups, in 2014, we revised our thirdparty complaints mechanism which allows anyone with an issue that infringes on their rights to bring it to our attention, anywhere in the world. We commit to be fair and transparent in the handling and reporting of all such issues.



Read our revised thirdparty complaint mechanism [on our Website](#)
Read more about our initiatives for vulnerable groups [on our Website](#)
Read more about our cooperation with Marie Stopes International [on our Blog](#)
Read more about the latest project with NGO Sudhaar in Pakistan [on our Blog](#)



A NEW WAY OF LEARNING



In 2014, we launched a brand new approach to learning and development for our employees. Called The New Way of Learning, it is a philosophy that recognises the fact that more than 80% of learning happens informally. People learn from their colleagues, and through self-directed study as well as from a range of online sources, choosing what is right for them at a particular time. This philosophy was brought to life in July 2014 with the launch of our corporate university, the Learning Campus.

2,000

THE NUMBER OF EMPLOYEES VISITING THE LEARNING CAMPUS ONLINE EACH MONTH.

The adidas Group Learning Campus embodies the five underlying principles of The New Way of Learning, which are:

1. Working is learning and learning is working.
2. Shift to an open and collaborative, connected 'social' learning environment.
3. Leadership means sharing, teaching and learning.
4. Innovation is part of everybody's daily work.
5. Create a new culture of self-driven lifelong learning.

The Learning Campus challenges all of us to share knowledge, to teach others and to learn from experts all over the world. There are three key elements to the Learning Campus:

- a virtual Learning Campus Online where employees register for classroom training and access learning kits
- physical spaces that combine working and learning, such as the Shed at our corporate headquarters in Herzogenaurach
- The Future Workplace, a personal workplace for each employee, where learning is fully embedded into daily work.

Learning kits are a core feature of the Learning Campus. Covering topics like Communication Skills, Finding Satisfaction in the Workplace and Personal Organisation, each learning kit includes thought-provoking videos, online articles, podcasts and eLearning modules. Users can access individual study guides called 'workouts', or browse content according to their interests. Each kit offers a discussion forum to encourage collaboration between employees.

In addition, employees can attend presentations by both external thought leaders and internal experts. We kicked off this Speaker Series in Herzogenaurach in 2014 and its success has led to similar events in other locations.

Since the launch in July, unique visitors to The Learning Campus Online have grown to about 2,000 a month. We expect this traffic to increase in 2015 as we provide more local activities connecting online content to in-person activities and learning opportunities. The future of learning has begun.



Read more about the adidas Group Learning Campus [on our Website](#)
Read more about the adidas Group Learning Campus [on our Blog](#)



FAIR PLAY – THE ADIDAS GROUP WAY

Integrity is one of the core values of the adidas Group. We expect our employees to act with fairness and responsibility and to comply with relevant laws and regulations while carrying out their tasks. Our Fair Play Code of Conduct provides guidance on how our employees should put these principles into action. We review it periodically to check whether revisions are needed because of changes in the law or regulations, or changes in our business. In 2014, we significantly revised and relaunched our new Fair Play Code of Conduct in 10 languages.



WHILE THE GROUP'S REPUTATION HAS BEEN HARD WON, IT CAN EASILY BE LOST. IT IS OUR RESPONSIBILITY TO LIVE UP TO THE SPIRIT OF THE CODE OF CONDUCT AND TO MAKE DECISIONS ONLY IN ACCORDANCE WITH OUR GROUP'S VALUES.

Herbert Hainer, Chief Executive Officer at the adidas Group

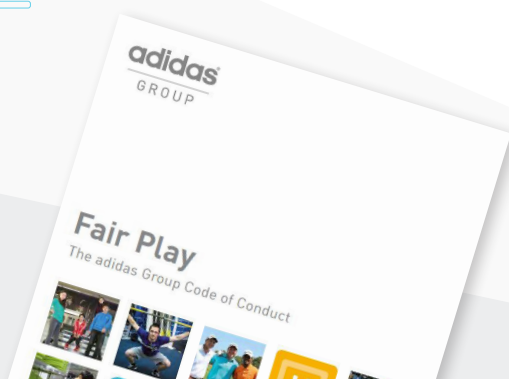


We supported the relaunch with a mandatory Fair Play Compliance Training Plan to ensure that all employees understand and adhere to the Group's compliance and ethics requirements. The training plan applies to all employees and relevant third parties, wherever they are located. It is accessible on the e-platform of our Learning Campus. Employees can also stay on top of developments in our ethics and compliance work through our new Fair Play app.

Herbert Hainer, Chief Executive Officer says, "While the Group's reputation has been hard won, it can easily be lost. It is our responsibility to live up to the spirit of the Code of Conduct and to make decisions only in accordance with our Group's values."



Read our Code of Conduct [on our Website](#)



TAKING AN INCLUSIVE APPROACH TO DIVERSITY

Diversity is part of the adidas Group DNA. Our more than 50,000 employees work in more than 160 countries around the world – at the German headquarters alone we have almost 80 different nationalities working together – and 50% of our employees are men and 50% women. So it is natural for us to embrace the diversity of our global workforce and actively foster an atmosphere of respect and acceptance for all of our employees – regardless of nationality, gender or sexual orientation.

We made a lot of progress in all aspects of diversity in 2014. We celebrated our fifth Diversity Day at locations around the world (Herzogenaurach, Amsterdam, Canton and Portland). This event also marked the first anniversary of our lesbian, gay, bisexual and transsexual (LGBT) employee network.

Since its launch, the network has participated in Pride marches in Frankfurt and Portland, and attended and presented at career fairs and LGBT conferences. To mark the occasion of the fifth Diversity Day, the company announced that our CFO and Labour Director Robin Stalker was becoming patron of the LGBT network, indicating very clearly the senior level support the company has for the group and its aims.

This was echoed throughout the Diversity Day with many staff members stopping by the LGBT booth to voice their support and express the view that equality matters to everyone, not only the LGBT community.



EVIDENCE SHOWS THAT DIFFERENT LIFESTYLES, CULTURAL BACKGROUNDS AND WAYS OF THINKING ALL FOSTER AN ENVIRONMENT THAT SPARKS CREATIVITY, INNOVATION AND HIGH PERFORMANCE – JUST THE THINGS WE WANT TO SEE HERE AT THE ADIDAS GROUP.

Robin Stalker, CFO and Labour Director, at the adidas Group
(also patron of the LGBT Network)



One of the areas where these issues play out is gender equality and we attended a special recruitment event targeting women. We also appointed our first-ever female C-suite executive when Karen Parkin took the role of Chief HR Officer in November. And last year two women joined the supervisory board resulting now in 33% of the adidas Group's supervisory board members being female.

Our efforts so far have not gone unnoticed and we were named top of the list of US apparel retailers in the Human Rights Campaign's *Buying for Workplace Equality Guide* 2015. There is always more we can do, but earning accolades such as this is a cause for celebration and helps to galvanise support for the work that lies ahead. Onwards!



COMMUNITY INVOLVEMENT PROGRAMME IS A WIN-WIN

The adidas Fund's community involvement programme gives employees the chance to grow and develop outside the workplace. While bringing to life our mission of making the world a better place through sport, volunteers also acquire valuable skills and experience that not only enhance their value to the company but enrich their lives as well.

Working with more than 25 organisations across six continents, the adidas Fund connects children with coaches and programmes that use sport to teach teamwork and respect, with the ultimate goal of breaking down barriers and achieving positive social change.

In 2014, Herzogenaurach-based employees spent more than 19,000 volunteer hours, while more than one-third of all HQ-based employees has taken part in adidas Fund activities over the past three years. Volunteers find the opportunity to participate but also to lead projects with disadvantaged people to be an empowering and enriching experience. In 2014, 85% of volunteers reported that participating in the programme had a positive impact on their life.



IF YOU CAN GIVE SOMETHING BACK TO THE WORLD, THE IMPACT IT HAS ON YOU IS MUCH MORE MEANINGFUL THAN JUST TAKING TIME FOR YOURSELF.

Stefanie Dangel, adidas Fund volunteer and team leader



While helping others, volunteers with the adidas Fund get a new perspective on friendship, family, and even life – and the power of sport. The volunteering experience strengthens team spirit, enhances soft skills such as teamwork, leadership, decision-making and communication, and increases commitment and motivation. And when employees bring these enhanced skills back into the workplace, it really is a win-win for all involved.

VOLUNTEERS WITH THE ADIDAS FUND GET A NEW PERSPECTIVE ON FRIENDSHIP, FAMILY AND EVEN LIFE.



Read more about Stefanie's experience [on our Blog](#)

SUPPORTING REFUGEES IN SYRIA AND NORTHERN IRAQ



Emergency relief to those most in need: in 2014, we targeted major volumes of our product donations to support Syrian refugee camps.

The adidas Group is helping to support refugees in Syria and northern Iraq by providing much-needed clothes and footwear through our long-term partnership with charity Wings of Help (Luftfahrt ohne Grenzen).

Based in Frankfurt, Wings of Help provides emergency relief in crisis situations around the world. Since 2006, we have supported their efforts with more than 100,000 items donated. Wings of Help has been delivering aid to Syrian refugees since the summer of 2012. Sadly, the humanitarian crisis continues to escalate, with more than a million refugees now living in camps on the Turkish-Syrian border.

In August 2014, there was an urgent appeal to help the more than 300,000 refugees who were under siege in Erbil in northern Iraq. We responded by donating thousands of items of footwear and apparel, as well as making a cash donation to help fund the Wings of Help relief convoy.

The transport made the 4,000 km journey safely, reaching its destination in mid-September. But as winter drew in, the situation worsened. Cities in northern Iraq, such as Zakho and Dohuk, were hosting hundreds of thousands of refugees.

Wings of Help organised another relief convoy to the region in December, to deliver food and winter clothing to people sheltering in damaged houses or even living in the open. On this occasion, the adidas Group donated a further 30,000 items of apparel and footwear.

We are proud to play a small part in the work Wings of Help does to bring emergency relief to those most in need around the world.



Read more about our cooperation with 'Wings of Help' [on our Website](#)



PROGRESS AGAINST MILESTONES

Milestone 2014

Improve lowest performing suppliers (1C) by a grade (2C) or terminate contract by end of 2014.

The majority of factories improved their performance in 2014, with 77% of 1C suppliers upgrading to 2C. The SEA team supported this process throughout the year by providing individual consulting and coaching support for the respective suppliers.

● **LARGELY ACHIEVED**

[Read more in this report on page 57](#)

2015 Target

60% of all direct suppliers to achieve 'good' (3C) score or better.

64% of our direct suppliers currently have a score of 3C or above.

● **FULLY ACHIEVED**

80% of strategic suppliers to achieve 'good' (3C) score or better.

93% of our strategic suppliers are currently already at 3C or better.

● **FULLY ACHIEVED**

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

59% of our strategic suppliers are already at 4C or better.

● **FULLY ACHIEVED**

Expand the SMS worker hotline system in Indonesia and Vietnam.

We have expanded the SMS worker hotline system to nine more factories in Indonesia and 10 more factories in Vietnam.

● **FULLY ACHIEVED**

[Read more in this report on page 11](#)

Enhance the workers grievance system.

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.

We did a first roll out as planned to confirm that the SCI core question set can be used across our supply chain. To fully benefit from such a move, it is essential to continue leveraging synergies with the FLA and the other brands involved. Discussions are starting with the FLA and the SAC to determine whether the SCI can become a common scalable assessment with the HIGG Index.

● **FULLY ACHIEVED**

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



Milestone 2014

Increase report card average score for eligible business entities to 70%.

The requirements in the report card have been increased and the weight of some questions has been revised in 2014, making it more difficult for business entities to achieve a higher score. Even so, the average score moved up to 69%, meaning that business entities managed to embed compliance into their daily practices more effectively.

➔ **LARGELY ACHIEVED**

Migrate two business entities to self-governance (> 80%).

In 2014, three additional business entities achieved an overall score of > 80%, demonstrating that they made strong progress in managing their supply chain responsibly. However, they preferred to continue following SEA's external monitoring programme instead of being enrolled into our self-governance programme, due to lack of personnel.

➔ **LARGELY ACHIEVED**

Add guidance on 'responsible purchasing practices' to the strategic compliance plan for business entities.

Additional guidance was added and piloted in 2014. Our main focus was to raise awareness of how decisions taken by company employees in the offices directly impact the workers in the factories making our products.

● **FULLY ACHIEVED**

Develop and implement a comprehensive OHS plan to address the incidence of vibration exposure in golf club production, in partnership with other brands.

In 2014, we developed a comprehensive OHS plan and rolled it out to all TaylorMade-adidas Golf suppliers. The SEA team is working to ensure that it is fully implemented on the ground.

● **FULLY ACHIEVED**

Implement the Bangladesh Accord on Fire and Building Safety in our factories.

We fully comply with our obligations of the Bangladesh Accord on Fire and Building Safety in our factories. In 2014, we launched our fire risk assessment tool and were able to map the fire risk in our supply chain. Based on this analysis, we are now taking the next steps to further improve factory safety.

● **FULLY ACHIEVED**

 [Read more in this report on page 41](#)

2015 Target

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 OHS issues specific to the manufacturing process within the supply chain.



Milestone 2014

Embed leadership mindsets and our 'Way of Working' in our daily life.

In 2014, we have incorporated our 'Way of Working' (open and honest, fact-based, non-political, collaborative and efficient) and leadership mindsets into our performance management approach, The Score.

Additionally we have rolled out new 'Way of Working' workshops across the adidas Group, and the 'Leadership Journey' was fully delivered to approximately 100 teams during the year, i.e. 731 leaders at Board minus one and Board minus two levels. These workshops include intensive sessions of self-reflection on mindsets and 360° feedback. If desired, coaching for individuals with an external coach is also provided.

● **LARGELY ACHIEVED**

Launch and promote our new people manager programme, Fit2Lead.

Over 400 first-time people managers participated in our Fit2Lead programme in 2014. The aim of this people manager programme is to equip first-time people managers to lead themselves, people and business. Over the course of the programme participants develop the core skills outlined in the Fit2Lead programme objectives.

● **FULLY ACHIEVED**

Proactively manage the readiness and availability of internal talent.

In 2014, we have mapped the succession situation on Executive-level globally. We have made succession risks transparent and have been refilling the succession pipeline.

Additionally, a talent list created for succession purposes has been established and made available to be used for new job placements, with a strong focus on development and placement of alumni from talent development programmes (in progress).

⊕ **PARTLY ACHIEVED**

Systematically increase the percentage of women in leadership positions.

In 2014, we maintained the percentage of women in leadership positions at 28%.

⊕ **NOT ACHIEVED**

Bring our new performance management tool 'The Score' to life by facilitating open and honest feedback on performance and growth opportunities.

In 2014, learning kits for implementing the new performance management tool were delivered and are accessible on the Learning Campus.

In addition, the HR community received training in how to use the new tool, including guidance on how to give and receive feedback, setting expectations and developing conversations.

System and processes such as 'The Score' online system and the process to complete it (between HR, managers and employees) are up and running.

● **LARGELY ACHIEVED**

2015 Target

Further embed leadership mindsets in daily life.

Systematically promote motivation and accountability through talent and performance management.



Milestone 2014

Launch the adidas Group Learning Campus, the home of open, innovative and collaborative learning solutions.

In July 2014, we successfully launched the adidas Group Learning Campus globally. The Learning Campus embodies the principles of 'The New Way of Learning' – among others the shift to an open and collaborative, connected 'social' learning environment and to a new culture of self-driven lifelong learning.

As a second step, the system is currently being enhanced and new content is regularly added to the Learning Campus for on-demand access (in progress).

● FULLY ACHIEVED

 [Read more in this report on page 15](#)

Broaden the application of commercial functional training.

The adidas Group Retail University is ready to be launched. The Retail University is a comprehensive programme for training and developing adidas Group retail field employees, in order to maximize their performance and develop their careers in adidas Group Retail. The training modules are delivered in a variety of formats (e.g. self-paced, classroom-based etc.) and rely on line management coaching to reinforce learning.

However, due to the reorganisation of the omnichannel, the delivery mode is still under discussion and waiting to be finalised.

⊕ PARTLY ACHIEVED

Establish standardised, end-to-end, system-supported HR processes to reduce duplication of efforts, create efficiencies and enforce discipline.

In 2014, 'HR Services' went live. This is a centralised, intranet-based HR support service centre for employees in Germany which offers support and answers to HR questions via phone, email or the Ticket Self Service App.

In addition, the 'HR Connect' online tool went live. With its focus on standardised first-level support, this tool significantly improved processes such as contract creation.

We have carried this milestone over to being our target for 2015.

⊕ PARTLY ACHIEVED

Launch the first wave of the global payroll strategy – a consolidated payroll delivery in North America and Greater China.

In 2014, we have taken all necessary steps in order to launch the consolidated payroll delivery system on 1 January 2015 in North America. At the same time, Greater China went live with an expat payroll. The rest of the global payroll delivery is planned to go live on 1 June 2015 at the latest.

● LARGELY ACHIEVED

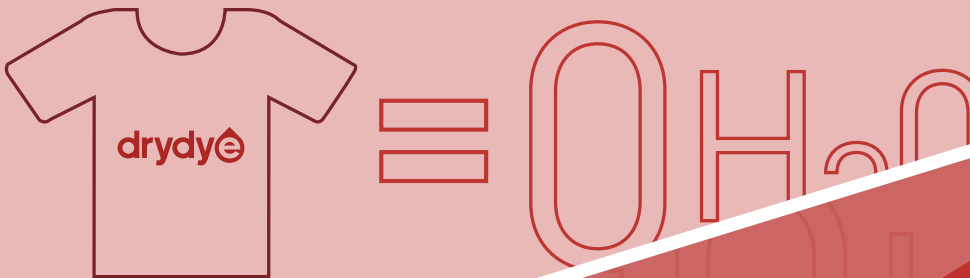
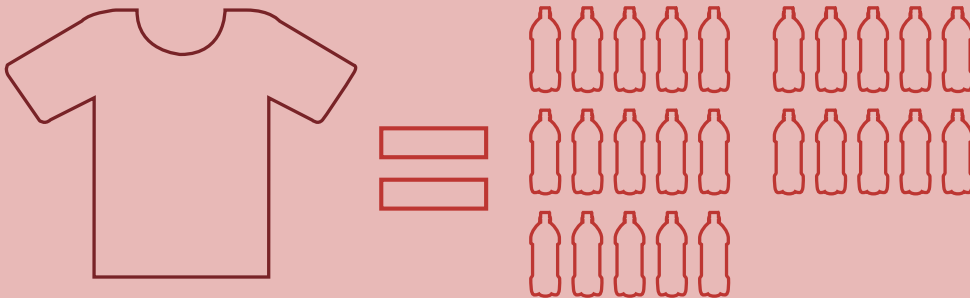
2015 Target

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

Establish standardised, end-to-end, system-supported HR processes to reduce duplication of efforts, create efficiencies and enforce discipline.



MAKE A DIFFERENCE:
PRODUCT



DRY DYE

This innovative technology has now saved more than 100 million litres of water.



PHILIPP LAHM World Cup and Champions League winner 2013/14



MORE AND BETTER COTTON



In 2014, we exceeded our Better Cotton target and used more sustainable cotton than ever before.

We are committed to increasing our use of sustainable materials such as recycled polyester, bio-based materials and sustainable cotton in our products. 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. In 2014, we exceeded our 25% Better Cotton target, sourcing 30% of all cotton as Better Cotton, hence using more sustainable cotton than ever before.

ALONG WITH OTHER BRANDS WE ARE FUNDING TRAINING FOR COTTON FARMERS TO HELP THEM TO ADOPT MORE SUSTAINABLE AGRICULTURAL PRACTICES.

This success is mainly due to the hard work we have done to connect the complex cotton supply chain, including cotton farms and ginners. The close relationship with our suppliers allows us to agree on targets together and we are now able to regularly track how much Better Cotton is used for adidas Group products.

Our work with the Better Cotton Initiative (BCI) is fundamental to developing this market for sustainable cotton. Launched in 2005, the BCI works to improve global cotton production by reducing the use of pesticides and promoting efficient water use, crop



WE ACHIEVED 30% BETTER COTTON BY SETTING CLEAR TARGETS FOR SUPPLIERS IN ADVANCE OF THE SOURCING SEASON, WORKING CLOSELY WITH THEM TO ENSURE THE PROCESS WENT SMOOTHLY, AND HELPING SUPPLIERS BUILD STRONG RELATIONS WITHIN THEIR OWN SUPPLY CHAINS.

Ebru Gencoglu, Director Merchandising & Sustainability Apparel at the adidas Group



rotation and fair working conditions. Along with other brands we are funding training for cotton farmers to help them adopt more sustainable agricultural practices through the BCI FastTrack Programme. This aims to stimulate the wider production of Better Cotton, helping farmers to satisfy the growing demand for more sustainable materials.

30%

THE PERCENTAGE OF SUSTAINABLE COTTON USED IN OUR PRODUCTS.

The adidas Group has committed to source 100% of cotton across all product categories in all its brands as sustainable cotton by 2018. The next target in this journey is to use 40% Better Cotton by 2015.



Read more about our commitment to Better Cotton [on our Blog](#)
Read more about how we exceeded our Better Cotton targets [on our Website](#)



RECYCLED POLYESTER: AN ANTHEM FOR OUR TIMES

Using more sustainable materials such as recycled polyester is one way we seek to improve our environmental footprint while still making high performance products for the athlete. While virgin polyester is made from petroleum, recycled polyester is made from recycled waste, such as plastic bottles and used clothing, which is processed and spun into fibres.

In 2014, our Anthem jacket collection was made with recycled polyester. Versatile and well suited as warm-up jackets for a range of sports, Anthem jackets are used by athletes in American football, football (Real Madrid, Bayern Munich and the German national team warm up in Anthem jackets for example), handball, rugby, running and training.

Using recycled polyester has many benefits over virgin polyester. It helps us reduce our dependency on petroleum, allows us to discharge less waste and keeps polyester from ending up in landfills and incinerators, where it can result in toxic emissions. We are currently looking at alternative sources of recycled polyester and continuing to explore how we can use it across more of our product categories.



Read more about sustainable materials in our products [on our Website](#)

OPTIMISING IMAGING TECHNOLOGY

Building on the savings generated by using virtual images at the selling-in stage, we are now realising further savings and efficiencies by integrating the use of computer-generated 3D images throughout the product creation process.



WE ARE RECEIVING VERY POSITIVE FEEDBACK FROM OUR SALES COLLEAGUES ON THE INNOVATION AND EFFICIENCY OF THE VIRTUAL SELL-IN APPROACH. THIS IS VERY REWARDING AS WE DO NOT ONLY POSITIVELY IMPACT HOW WE SELL-IN PRODUCTS, BUT ALSO LOWER OUR ENVIRONMENTAL FOOTPRINT BY CREATING LESS PHYSICAL SAMPLES AND REDUCING GLOBAL TRANSPORT.

Udo Breithaupt, Director Global Brand Projects and Virtualisation Programme Lead at the adidas Group



Thanks to the virtual technology, between 2011 and 2014 we produced almost two million fewer physical samples. We made reductions across all ranges, producing 1,300,000 fewer apparel samples and 600,000 fewer samples of footwear and hardware.

We are also now using more virtual images – and fewer photographs of actual products – on our eCommerce website. At the end of 2014, we had approximately 800 virtual images on the website and we plan to further increase this number in the coming year. By doing so, we are limiting the need for product photo shoots.

At the same time, we are integrating 3D imaging technology throughout our product creation process. Some early design decisions can now be made without building a physical prototype first – another efficient use of time and resources. This also shortens the time needed for the design development phase, as feedback loops are quicker.

Producing virtual prototypes and samples has wider environmental benefits. As well as saving on the resources that would be used, we also avoid the carbon emissions that would result from transporting them around the world.

The growing use of 3D imaging technology is a great example of where we can improve the efficiency of our business processes while at the same time delivering environmental benefits.



Read more about virtualisation [on our Blog](#)



APPLYING A LOW-WASTE APPROACH TO A HIGH-VOLUME SHOE

2014 was another great year for the adidas Group's low-waste initiative, which aims to maximise performance while minimising waste. For instance, we applied what we learned making the niche Element Voyager low-waste shoe to the new Duramo 6.

4m

PAIRS OF DURAMO 6 SHOES ORDERED IN 2014.

The Duramo is a high-volume product. Without compromising the Duramo's performance, we reassessed every detail of its construction and design through the lens of our low-waste approach.

Wherever possible, we streamlined and simplified. High pattern-efficiency, combined printing processes and fewer parts and colours all reduce waste. The main upper part of the shoe is built from only four pieces and designed to be fully computer-stitched, while sole-glueing is automated, requiring less glue and making manufacturing quicker.

We made the Duramo 6 as light as possible, for example replacing the traditional sock liner with a special strobol board (a comfortable, pliable layer of material). We also incorporated environmentally preferred materials where possible. Less waste, fewer parts, more sustainable materials – a winning combination. And with more than four million pairs ordered worldwide in 2014, it seems our customers agree.

WITHOUT COMPROMISING THE DURAMO'S PERFORMANCE, WE REASSESSED EVERY DETAIL OF ITS CONSTRUCTION AND DESIGN.

“
THE DIRECTION OF THIS MODEL WAS CLEAR FROM THE VERY BEGINNING: TO CREATE A SHOE THAT MINIMISES COMPLEXITY, ENERGY CONSUMPTION AND MATERIAL USAGE WHILE STILL PROVIDING ATHLETES WITH A HIGHLY FUNCTIONAL RUNNING SHOE AT A GREAT PRICE. AND WE MANAGED IT – THIS IS THE BEST DURAMO EVER.

Rebecca Steigleder, Product Manager Global Brands Running at the adidas Group





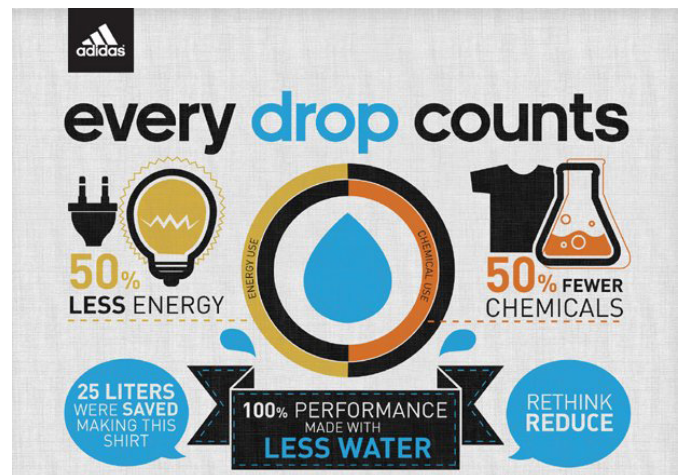
NO WATER, LESS ENERGY, FEWER CHEMICALS

We are always searching for innovative materials and environmentally friendly ways of manufacturing them. Since launching adidas DryDye in 2012, we have been steadily integrating this revolutionary, water-free dyeing process into our products – saving water, chemicals and energy. To date we have made more than four million yards of DryDye fabric, saving 100 million litres of water in the process.

100m

THE LITRES OF WATER ADIDAS GROUP HAS SAVED THROUGH USING ADIDAS DRYDYE.

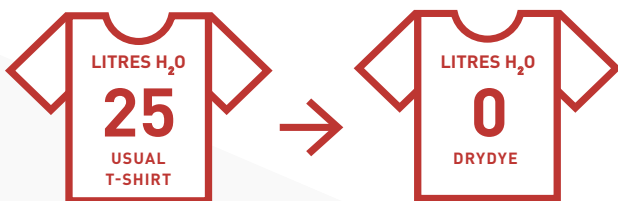
Water scarcity is a growing environmental concern worldwide. The traditional textile industry usually consumes large quantities of water, so dry-dyeing has the potential to make a significant impact. While it takes 25 litres of water to dye a t-shirt the conventional way, dry-dyeing uses no water at all. Instead the dye is injected into the fabric using compressed carbon dioxide (CO₂). After the dyeing process is complete, the CO₂ is gasified for reuse in the next cycle. Overall, 50% fewer dyeing chemicals are used and 50% less energy.



We will continue to integrate DryDye across our product range in the coming seasons as it is another way we can make our products better – for both the consumer and the environment.



Watch a video about DryDye [on our Blog](#)
Read more about DryDye [on our Website](#)



WHILE IT TAKES 25 LITRES OF WATER TO DYE A T-SHIRT THE CONVENTIONAL WAY, DRY-DYEING USES NO WATER AT ALL.



PROGRESS AGAINST MILESTONES


Milestone 2014

Further expand the virtualisation process to reach a cumulative sample saving of 2.5 million (pieces/pairs) by the end of 2014.

By continuing our virtualisation efforts we were able to produce 1.9 million fewer samples between 2011 and 2014. In 2014, the number of samples decreased by 27% compared to 2013.

Overall savings were achieved across all product ranges, including apparel (more than 1,300,000 pieces) and footwear and hardware (more than 600,000 pairs).

● **LARGELY ACHIEVED**

 [Read more in this report on page 24](#)

2015 Target

Conduct virtualisation project to drive reduction in samples.

Use single wall carton quality for standard adidas Group apparel carton sizes globally.

In 2014, we successfully increased the amount of standard adidas Group single wall cartons for apparel and footwear globally. This generated paper savings of more than 10,000 tonnes of paper.

● **FULLY ACHIEVED**

Optimise packaging solutions.

Implement Phase Two of database solution Sustainable Material Tracking Tool (SMTT): IT enhancement of the programme, based on needs and learnings identified so far.

In 2014, we uploaded more than 50,000 garment purchase orders into the SMTT database, an internal adidas Group database solution.

● **LARGELY ACHIEVED**

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

Sustain database quality by on-time, in-full data entry.

Reporting function enhancement has been identified and will take place in 2015.

● **LARGELY ACHIEVED**

No new milestone was set because the 2015 target was already fully achieved.

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

● **FULLY ACHIEVED IN 2013**



Milestone 2014

Continue to expand sustainable materials and sustainable manufacturing processes used to create our products, as follows:

Increase the number of No Dye (use of materials in their natural 'greige' colour) products across our ranges.


In 2014, we have increased the use of non-dyed fabrics to five categories, including over 150,000 product items.

● **FULLY ACHIEVED**

Increase our cumulative DryDye offering to 4 mio yards in total.

In 2014, we have increased the use of dry-dyed fabrics to 4 mio yards.

● **FULLY ACHIEVED**

 [Read more in this report on page 26](#)

Expand our sustainable materials library.


We have increased the amount of sustainable footwear and apparel materials available in our materials library.

● **FULLY ACHIEVED**

Use 25% sustainable cotton in adidas Group apparel products.

In 2014, the adidas Group sourced more than 30% of all its cotton as Better Cotton.

● **FULLY ACHIEVED**

 [Read more in this report on page 23](#)

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

In 2014, we sourced 99% of our non-European leather volume from tanneries that achieved LWG Silver rating or above.

● **FULLY ACHIEVED**

2015 Target

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

Use 40% Better Cotton by 2015 and 100% 'sustainable cotton' by 2018

Source 100% of non-European leather volume from tanneries that achieve LWG Silver rating or above (based on the LWG audit protocol).

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

Target was already fully achieved in 2013 with 87% of non-European sourcing volume certified at Gold level.

● **FULLY ACHIEVED**

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Milestone 2014

**Higg Index: Support the SAC in creating a 'Higg Index 2.0 Product Module'.
Field-test the 'Higg Index 2.0 Brand and Facility Modules' alongside existing adidas supply chain auditing systems.**


In 2014, the adidas Group continued to support the SAC with both content and technical expertise for Higg Index 2.0 development. The Higg Index 2.0 is a suite of assessment tools that standardises the measurement of environmental and social impacts of apparel and footwear products across the product life cycle and throughout the value chain, and serves to conduct self-assessment in three areas: Facilities, Brand and Product.

In 2014, we integrated the 'Higg 2.0 Index Environmental Facility Module' into our supply chain work, replacing our previous environmental audit tool.

In addition, the adidas Group field-tested the 'Higg 2.0 Index Brand Modules' to assess its own sustainability level.

We are a regular and active participant in SAC work streams, including the 'HIGG 2.0 Index Product Module' development.

● **FULLY ACHIEVED**

 [Read more in this report on page 39](#)

2015 Target

Support the SAC to further develop the creation of the HIGG index.



MAKE A DIFFERENCE:
PLANET



RETAIL GOES GREEN

The first green retail store worldwide opened in Nuremberg. Features include intelligent technology and resource- and energy-saving installations.



DENNIS KIMETTO Winner of the 2014 Berlin Marathon



TAKING CHEMICAL MANAGEMENT TO THE NEXT LEVEL

We have been a leader in chemical management for nearly two decades, and have a rigorous programme in place to manage the chemicals we use to make our products. Even so, we continuously strive to push improvements through our entire supply chain – without compromising on the performance of our products – to achieve our goal of zero discharge of hazardous chemicals by 2020.

AS PART OF PHASING OUT PFCs, WE ARE CONDUCTING RESEARCH INTO ALTERNATIVES, AND PILOTING POTENTIAL SOLUTIONS WITH MULTIPLE SUPPLIERS.

In 2014, we entered into a strategic partnership with bluesign technologies, the world's leading provider of assessment tools for positive chemistry in the textile industry, to further drive sustainable solutions in our global supply chain.

Phasing out perfluorinated compounds (PFC)

During the year we also achieved an important milestone on our journey to being 99% PFC-free in our products by the end of 2017. PFCs are chemical substances found in many manufactured products. Our industry primarily uses PFCs to make sportswear water and dirt repellent.

90%

THE PERCENTAGE OF OUR PRODUCTS THAT ARE PFC-FREE.

Our products are already 90% PFC-free, and in 2014 we completely phased out the use of long-chain PFCs (the so-called C8 group of chemicals). This has been a tremendous effort, involving multiple material suppliers, as well as partners from the chemical industry.

As part of phasing out PFCs, we are conducting research into alternatives, and piloting potential solutions with multiple suppliers. The tests focus on water-repellency performance, but also include all quality testing as per our industry-leading standards. Any potential solution will be screened by bluesign technologies.

Disclosing impacts and actions

Through our chemical management programme, we are committed to disclosing the results of our environmental actions and impacts. This includes the active promotion of reputable public platforms such as the Institute of Public and Environmental Affairs (IPE) China Water Pollution Map and China Air Pollution Map.

By the end of 2014 we disclosed 99% of our China-based 'wet processes' on the IPE platform. We are committed to achieving the disclosure of 50% of all 'wet processes' across our global supply chain by the end of 2015, and of at least 80% by no later than 1 July 2016, via the IPE Detox platform.

WITH OUR ADVANCED CHEMICAL MANAGEMENT PROGRAMME, WE DRIVE INNOVATION TOWARDS MORE SUSTAINABLE CHEMISTRY AND ENSURE TRANSPARENCY IN OUR SUPPLY CHAIN.

Philipp Meister, Director Social and Environmental Affairs at the adidas Group

Taken together, our partnership with bluesign, our phase-out of long-chain C8 PFCs and research into alternatives as well as greater disclosure, all add up to significant progress on managing chemicals in 2014.



Read more about the progress in our chemical management programme [on our Website](#)

Read more about our journey towards the phase out of PFC [on our Blog](#)

Learn more about chemicals in the textile industry in an expert interview [on our Blog](#)



TAKING ISO 14001 CERTIFICATION FURTHER



The Central Distribution Centre in Rieste, Germany, is our thirteenth site worldwide now certified with ISO 14001.

In 2014 we furthered our Green Company Initiative by extending our ISO certified environmental management system (EMS) to our new central distribution centre in Rieste, Germany. Rieste is our 13th site worldwide to achieve certification. Our other certified facilities are located in Europe, Canada and the US.

Launched in 2008, Green Company aims to improve the environmental performance of our administration offices, manufacturing sites and distribution centres. Key to its success is our shared EMS, which has been certified to the international standard ISO 14001.

We are proud to have all our brands working with the same environmental management system. This is best practice in the industry – and has proved highly effective. It also helped us to more than double the amount of certified sites compared to our initial plans.

External auditors visit our ISO 14001 certified sites annually to check that the EMS is fulfilling all requirements. During their visits, the auditors review how well management and employees are incorporating environmental topics into their working lives. Through the EMS we also systematically track and manage progress against the environmental targets we have set. Currently, we are reviewing the potential of extending the system over the next few years to South America and Asia.

We realise that employee engagement and support is critical to the success of our Green Company ambitions. This is why we have set up a number of Green Teams around the world to support green projects and come up with ways to further reduce our environmental footprint. As of 2014, our Green Teams can also share best practice through the new Green Team workspace on our global intranet, which complements the existing library.



Read more about all ISO certifications of the adidas Group on our Website

RESPONSIBLE RETAIL

At the adidas Group, we are always looking for ways to reduce the environmental footprint of our operations. In 2014, we expanded our efforts into the retail sector when we introduced 'green retail' at our new HomeCourt store in Nuremberg.



WITH HOMECOURT PRESENTING ADIDAS RETAIL IN AN ENTIRELY NEW DIMENSION, WE ARE ALSO EXCITED TO BE BRINGING SUSTAINABILITY THINKING INTO OUR STORES.

Michael Stainer, SVP Concepts-to-Consumer at the adidas Group



HomeCourt is the new global adidas store concept. Launched in February 2014 in Beijing, Nuremberg is our 20th HomeCourt store – and the first based in Germany. It is also the first adidas store worldwide to pilot our green retail approach.

An intelligent control unit, or 'retail box', runs all of the store's operating systems. By optimising the heating, ventilation, lighting, shading and door control settings, it can produce energy savings of up to 50%. LED lighting and other energy-efficient devices also help to reduce the carbon emissions from the store's energy use.

Further environmental efficiencies are achieved through sensor-controlled water taps and low-flush toilets, and waste is separated to allow for maximum recycling.

After the pilot has run for six months, we will analyse the results to assess the business case for bringing green retail into more of our stores.



Bringing sustainability thinking into our stores: the first 'green retail' store opens in Nuremberg, Germany.



TAKING STEPS TO RECYCLE SHOES

At the adidas Group, we continually look into more sustainable materials and advanced manufacturing processes. In the future world of product, we believe that old products will no longer be seen as waste, but rather used as resources to make new products.

60

THE NUMBER OF ADIDAS STORES IN BRAZIL OFFERING THE SUSTAINABLE FOOTPRINT TAKE-BACK SCHEME.

We have already begun building the first steps in the chain towards closed-loop product by recycling excess pre-market product, handling large volumes of goods for further distribution or recycling that failed to meet our quality standards which we redirect from our distribution centres in Germany. We are now extending this to post-consumer in-store product take-back. As we pilot these consumer-facing take-back programmes, our goal is to bring this approach to markets where established recycling collection facilities do not exist.

In 2012, adidas Brazil launched *Sustainable Footprint*, a voluntary 'take-back and recycle' programme – the first of its kind in Brazil. As there were no outlets to recycle local footwear, the programme aimed to turn footwear waste into a resource to generate energy for local industry. Consumers who leave old sports shoes of any brand in designated containers in adidas stores receive a discount on the purchase of a new pair of adidas shoes. Donated shoes are processed, before being utilised in the cement industry to produce local energy.

Sustainable Footprint is now offered at more than 60 adidas stores in Brazil. In the coming year, the programme will expand to include apparel, in partnership with a company that offers the infrastructure to recycle and reuse textiles and shoes.



Donated items collected during seasonal take-back activities are distributed to individuals or organisations that support microenterprises in developing countries.

In 2014, adidas America, adidas Originals Iberia and Reebok all piloted seasonal product take-back campaigns in partnership with not-for-profit organisations. Customer feedback was positive, with people reporting that it felt good to donate their products and treat them as a resource instead of waste. The donated items were either distributed to individuals or organisations that support microenterprises in developing countries, or recycled.

In 2015, we will continue to explore potential partnerships that bring us closer to closed-loop systems.



Read more about the adidas Brazil take-back programme [on our Website](#)

Watch a video about the adidas Brazil take-back programme [on our Blog](#)



SHINING EXAMPLE OF SUPPLIER TAKING RESPONSIBILITY



Applause for long-term thinking: Installing solar panels at their production site has helped our supplier Jumbo to avoid more than 250 tonnes of CO₂ emissions.

We encourage our suppliers to take responsibility for their environmental impacts, just as we do. So we were delighted to see one of our footwear suppliers in Verona, Italy install solar panels at their production site.

Calzaturificio Jumbo is one of our long-term, strategic suppliers who we have partnered with since 1983. They are our exclusive manufacturer of the 'adilette' – since 1994, they have produced more than 20 million pairs of the iconic flip flops with the chunky moulded sole.

Jumbo was keen to reduce its reliance on power generated from burning fossil fuels. After research into possible solutions, they opted to install solar panels on the roofs of their buildings. In addition to energy savings, solar panels are quiet, low maintenance and don't affect the appearance of the site.

In 2014, Jumbo has produced 268,618 kWh of electricity – 90% of which is used in production. This resulted in 252 tonnes of CO₂ emissions avoided, equivalent to the emissions from someone flying economy class from London to Sydney, Australia and back again 76 times.

While there were costs involved in installing the system, our long-term partnership with Jumbo gave them the confidence to invest, although it will be 12 years before they expect to see a return on that investment. We applaud their long-term thinking and commitment to reducing their environmental footprint.

SAVING WATER THROUGH GREY WATER RECYCLING

By recycling used water – known as 'grey water' – where it can, textile manufacturer Far Eastern New Century (FENC) has reduced the total amount of water it uses to dye fabric. The company has saved 70 million litres of water this year – a 12% reduction in water use compared with 2013.

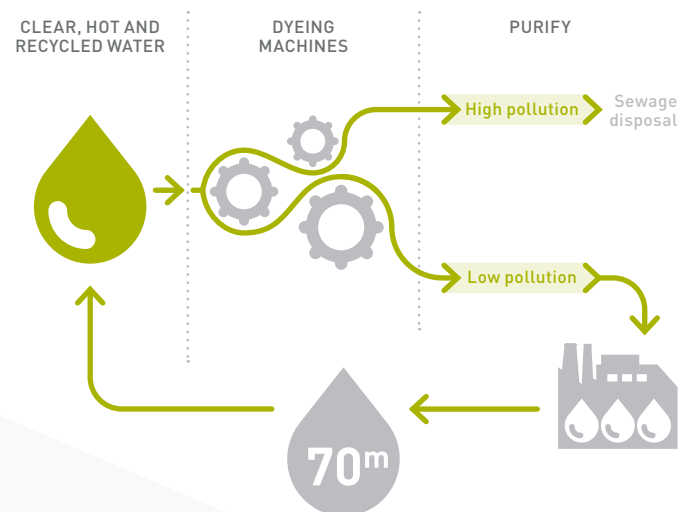
Water resources are limited and should be used responsibly. FENC, a textile manufacturer based in Taiwan that supplies fabric to the adidas Group, is doing just that. Through recycling some of the grey water that has already been used in its dyeing machines, FENC is reducing the overall amount of water it uses in its daily operations, thus lessening its impact on the environment.

At the end of the first screening, the waste water is classified as either high pollution or low pollution, and stored in separate pools. The high pollution water undergoes biological and chemical treatment and filtration, before being transported to a waste water centre. Here it is further processed to extract any harmful substances so the water can then be safely released into the wider environment.

The low pollution water undergoes similar treatment and filtration. But instead of being disposed of, it is reintroduced into the production process, to be used for tank cleaning and dark colour reduction cleaning.

Based on the amount of water used in 2013, Far Eastern New Century aims to use 15% less water by 2015, and to achieve an 18% reduction by 2016.

WATER RECYCLING PROCESS AT OUR SUPPLIER 'FENC'



The litres of water Far Eastern New Century has saved in 2014.



PROGRESS AGAINST MILESTONES

Milestone 2014

Improve lowest performing (1E) facilities by one level.

During the year, two facilities improved their performance and moved up to a 2E score or better. For those facilities that did not improve, an exit strategy was developed and implemented.

● FULLY ACHIEVED

Read more in this report on page 59

Continue our plan to phase out long-chain fluorinated chemicals across all divisions by the beginning of 2015.

We successfully phased out all long-chain fluorinated chemicals in 2014, and continue our work on good chemical management across our global supply chain.

● FULLY ACHIEVED

Engage with Zero Discharge of Hazardous Chemicals (ZDHC), SAC and other industry partners to strengthen our input chemical management.

Together with our partners, we launched new ZDHC tools, such as the ZDHC Manufacturing Restricted Substances List (MRSL) and the chemical audit tool.

● FULLY ACHIEVED

2015 Target

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

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

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

Read more in this report on pages 31 and 38

PFC-free: Research, trial and start to implement environmentally sound PFC alternatives.

bluesign: Achieve bluesign approval for 50% of all dyes, and 10% of all auxiliaries, used in apparel. Auxiliaries, as their name indicates, are chemicals used to support the production process but which do not add a function to the product.

Disclosure: Disclose 50% of all 'wet processes' across our global supply chain on the IPE platform.

No new milestone was set because the 2015 target was already fully achieved.

Implement Green Design requirements for new buildings at suppliers.

● FULLY ACHIEVED IN 2013



Milestone 2014

Further expand the best practice library and drive best practice sharing between our own sites.

Additional best practice examples of successful environmental projects were added to the internal best practice library.

● FULLY ACHIEVED

Further expand the ISO 14001 system through certification of additional sites.

Our EMS, certified to the international ISO 14001 standard, has been implemented at our new Central Distribution Centre, Rieste in Germany.

● FULLY ACHIEVED

Continue to drive and support energy reduction projects at our sites through the greenENERGY Fund.

In 2014, the greenENERGY Fund supported 13 projects. These projects are forecast to reduce 33,851 MWh of electricity and 380,320 therms of natural gas over their respective project lives. This translates to avoided lifetime emissions of 10,363 metric tonnes CO₂.

● FULLY ACHIEVED

Explore the use of unused PC capacity to render 3D images for design and marketing processes.

In 2014, we run a pilot with 250 office users at the headquarters in Germany. Based on the results, the initiative has been parked as the expected energy savings are of low significance.

● FULLY ACHIEVED

Reduce Power Usage Effectiveness (PUE) factor by 10-15% at our headquarters Data Centre in Herzogenaurach, Germany.

In 2014, adaptations to the physical layout of the Data Centre were applied, to reduce its PUE factor by more than 13%. Further significant reductions are expected in 2015.

● FULLY ACHIEVED

Continue server consolidation in the Americas.

In 2014, we have focused on the consolidation of servers in Latin America, as well as in Russia, Asia and the Emerging Markets. In 2015, we will further drive this process in North America.

● LARGELY ACHIEVED

Continue roll out of new printer concept.

In 2014, our aim was to replace existing printers with new, more energy efficient devices that can be used by multiple teams. The settings for these printers include double-sided printing and black and white printing as default. We have successfully rolled out this new printer concept in the UK, Benelux, Nordics, France, Dubai, Israel, Bulgaria, Romania and South Africa. In 2015, we plan to implement the new concept in Canton and Spartanburg.

● LARGELY ACHIEVED

Explore the use of carbon neutral printing.

In 2014, the decision was made to focus more on the roll out of multi-function printers in order to lower overall carbon footprint.

⊕ NOT ACHIEVED

2015 Target

Green Company Initiative targets (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% reduction in PC energy consumption
- 100% of requests for proposals to evaluate 'green' performance of possible vendors
- Virtualisation of servers and data centre consolidation



MAKE A DIFFERENCE:
PARTNERSHIP



BLUESIGN

Our partnership is changing the chemicals our suppliers buy with the potential to rapidly create change across the industry.

TARA STILES Reebok yoga ambassador, author, and founder of Strala Yoga



A PARTNERSHIP WITH GOOD CHEMISTRY

In our quest to become a more sustainable business, we believe working in collaboration with others to improve the whole industry to be the most effective way.

Chemical management is one area where collective efforts are needed. As such, our strategic partnership with bluesign technologies – announced in June 2014 – represents significant progress towards transforming the ways chemicals are used in manufacturing apparel, and reflects our ongoing commitment to drive sustainable solutions in our supply chain.

bluesign technologies are the acknowledged experts in textile industry chemical use and the world's leading provider of assessment tools for positive chemistry in the textile industry. The bluesign system, focused on screening and managing chemical input at the supplier level, yields multiple benefits including more responsible use of resources, effective management of restricted substances and the elimination of hazardous chemicals in the supply chain.

This partnership enables the adidas Group to expand its chemicals knowledge by accessing world-class chemical industry expertise. It enhances our existing strong programme for managing the chemicals in our products by allowing our suppliers across the world to access the bluefinder – a tool that contains information on sustainable textile chemistry for all processes. This in turn will ensure the manufacture of materials that are more sustainable, and provide assurance for us that our suppliers are using the best input – bluesign approved – chemicals.



FOR YEARS, THE ADIDAS GROUP HAS BEEN RUNNING LEADERSHIP PROGRAMMES IN THE AREA OF CHEMICAL MANAGEMENT. THE PARTNERSHIP WITH BLUESIGN TECHNOLOGIES WILL BRING OUR PROGRAMME TO THE NEXT LEVEL.

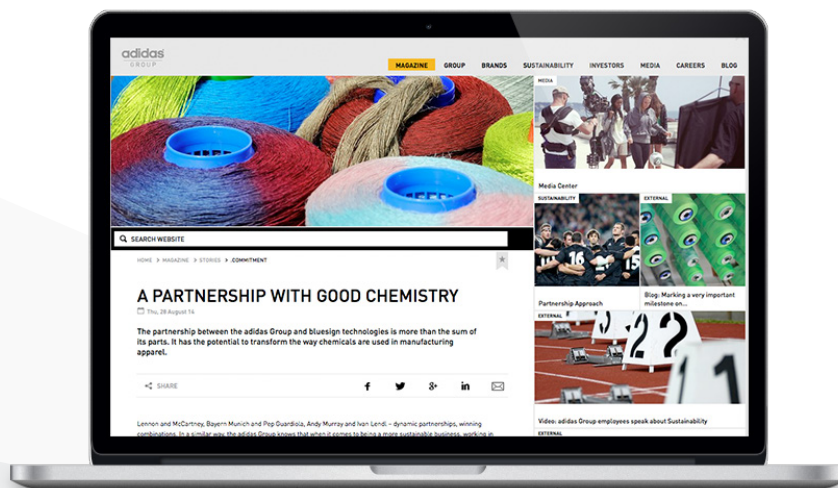
Frank Henke, VP Global Social & Environmental Affairs at the adidas Group



The exciting aspect of the partnership with bluesign technologies is that it is about real-world, practical guidance on improvements to the way products are made. Adjustments will need to be made to production processes – and suppliers need support in making the necessary modifications – so change will not happen overnight. But, over time, the vision is for the adidas Group to have a robust, scientific, facts-based input chemicals system – one which can become a role model for the apparel industry.



Read more about our partnership with bluesign technologies [on our Website](#)



Latest news about our partnership with bluesign technologies can also be found on our website.



COALITION WORKING DRIVES CONSISTENCY AND CHANGE

Since 2010 the adidas Group has been actively involved in the Sustainable Apparel Coalition (SAC), a trade organisation working to reduce the environmental and social impacts of apparel and footwear products. Through our engagement we have contributed to the development of the Higg 2.0 Index, a suite of assessment tools that standardises the measurement of environmental and social impacts of apparel and footwear products across the product life cycle and throughout the value chain. Companies use the index to conduct self-assessments in three areas – Brand, Product and Facilities – with environmental and social modules for measuring compliance in each area.

Driven by our ambition to achieve convergence and consistency of monitoring tools we integrated the Higg 2.0 Index Environmental Facility Module into our environmental supply chain work, replacing our current environmental audit tool. Between February and April 2014 we rolled out the module to our strategic suppliers.

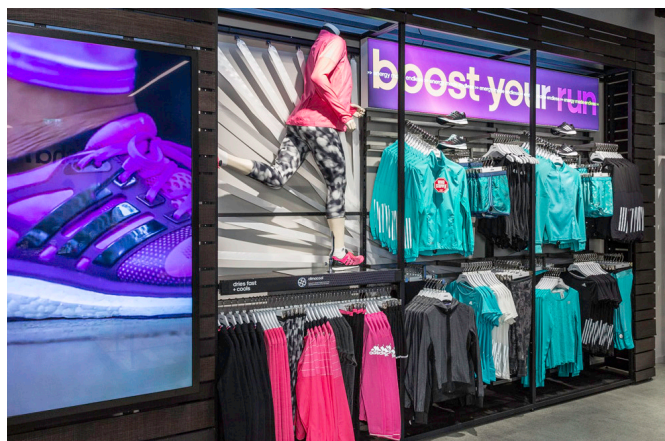
In 2014, we focused our efforts on the Environmental Facility Module because of its potential to drive significant change in our supply chain where most of our environmental impacts occur. At the same time, we also used the Brand Module to assess our own performance.



Sustainable Apparel Coalition

As we began working with the Environmental Facility Module, we realised this was the first time many of our suppliers had conducted a self-assessment on environmental issues. We therefore collaborated with four other SAC member brands to produce a 'How to Higg Manual' which provided specific guidance on using the tool and clear explanations of each question. After translating the manual into several languages, we made it available for all SAC members to use in the spirit of true collaboration.

In addition to the manual, we prepared supplier-specific training materials, and held training sessions to ensure suppliers were well equipped to complete the self assessment.



We have contributed to the development of the Higg 2.0 Index, a tool that standardises the measurement of environmental and social impacts of apparel and footwear products throughout the value chain.

Feedback so far has been very positive, and will inform the next phase of the roll out in 2015.

We believe that the process will result in suppliers taking more responsibility for the issues identified during the assessment. As more companies adopt the module, it should reduce "audit fatigue" in shared supplier factories, freeing capacity for them to implement more sustainable processes that reduce their impact on the environment.



DRIVEN BY OUR AMBITION TO ACHIEVE CONVERGENCE AND CONSISTENCY OF MONITORING TOOLS WE INTEGRATED THE HIGG 2.0 INDEX ENVIRONMENTAL FACILITY MODULE INTO OUR SUPPLY CHAIN WORK. THIS DRIVES GREATER HARMONISATION AND EFFECTIVELY TACKLES AUDIT FATIGUE.

Lyn Ip, Senior Director, Environment, Health & Safety for Global Supply Chains at the adidas Group



Read more about the adidas Group's collaborations [on our Website](#)
Read more about the adidas Group's alliances [on our Website](#)



FIFTEEN YEARS OF PARTNERSHIP WITH THE FLA

The adidas Group has a long history of collaboration with partners and engagement with critical stakeholders. One example is our partnership with the Fair Labor Association (FLA). It has endured for 15 years and continues to be an effective means to move our industry to the next level of promoting and enforcing fair, healthy and safe workplaces.

The FLA is a non-profit organisation made up of socially responsible corporations, non-governmental organisations and universities dedicated to protecting workers' rights around the world. It requires affiliated companies to meet internationally recognised labour standards regardless of where their products are made. The FLA also conducts independent assessments of each participating company and publishes the results annually which makes it a strong champion of processes to secure and protect worker rights.

Since joining the FLA in 1999, more than 300 independent assessments have been conducted at our suppliers' factories. In 2005, the FLA 'accredited' our monitoring programme for the first time, and re-accredited it in 2008. To receive this accreditation we had to demonstrate substantial compliance with the FLA's labour standards throughout our supply chain. Their decision was based on independent factory monitoring and verification reports of supplier factories, as well as a full audit of the monitoring protocols, training programmes and auditing systems we have established and maintained.



OVER THE COURSE OF ITS 15-YEAR AFFILIATION WITH THE FLA, THE ADIDAS GROUP HAS DEMONSTRATED HOW TO BE A RESPONSIBLE PARTNER IN A MULTI-STAKEHOLDER INITIATIVE, FROM THE HIGH-LEVEL COMMITMENT OF ITS SENIOR MANAGEMENT TO ADVANCING THE FLA'S GOALS, TO ITS DILIGENT FOLLOW-THROUGH ON REMEDIATION WHEN FACTORY-LEVEL VIOLATIONS ARE FOUND. WE LOOK FORWARD TO THE ADIDAS GROUP'S CONTINUED COMMITMENT AND ACTIVE ENGAGEMENT IN PURSUIT OF OUR SHARED GOALS OF IMPROVING WORKING CONDITIONS AND PROTECTING WORKERS' RIGHTS.

Claudia Coenjaerts
President/CEO of the Fair Labor Association



In 2015, we look forward to helping strengthen the FLA by improving the representation of its stakeholder groups and to working together to develop thought leadership in this area.

GREATER DISCLOSURE IN OUR SUPPLY CHAIN

For many years the adidas Group has applied leadership disclosure practices in its supply chain. Now we have extended this approach through our engagement with the Beijing-based non-governmental organisation, the Institute of Public and Environmental Affairs (IPE), which is helping us improve the monitoring of environmental performance within our supply chain in China.

IPE seeks to increase environmental disclosure and transparency and promote public participation in environmental governance, through tools such as maps showing water and air pollution levels across China. As a strong advocate of IPE's aims, we see a clear benefit in collaborating closely with the organisation to help drive improvements across the industry.

To this end, we have developed a Standard Operating Procedure (SOP) governing the various aspects of our engagement and that of our suppliers with IPE, outlining specific roles and responsibilities of the engagement and making it accessible to all relevant business units within the adidas Group. We review and update this document regularly to reflect changes to IPE's disclosure programme, and have appointed an internal IPE Review Coordinator whose remit includes managing and communicating updates to the SOP.

In addition, we have implemented a more regulated and proactive engagement cycle with IPE, based on quarterly meetings. This ensures that we are communicating regularly about how we are working with our suppliers to make sure that they are completing the disclosure process correctly and in a timely manner, and that IPE, in turn, are keeping us informed of any updates to their database. We are also engaging with IPE on other issues, including the disclosure of data on their Pollutant Release and Transfer Register and Detox platforms, which follows our SOP on Public Information Disclosure.

After the IPE's recent Corporate Information Transparency Index (CITI) report, we held a meeting to understand the assessment process and where we could improve. While they explained their approach, we also took the opportunity to share with them our position on several related issues, including our approach to engaging with our material suppliers.

These open and honest discussions demonstrate that investing in the partnership and establishing these clear protocols has built a level of trust that is increasing transparency and will ultimately improve performance of our suppliers and the wider industry.



Read more about our disclosure on IPE platforms as part of our chemical management programme in this report [on page 31](#)



THE BANGLADESH ACCORD ON FIRE AND BUILDING SAFETY: ONE YEAR ON

The 2013 Rana Plaza building collapse is transforming the garment industry in Bangladesh. In the wake of the incident, trade unions, NGOs, the International Labour Organization and international buyers worked together to create the Bangladesh Accord on Fire and Building Safety. This is an independent, legally binding agreement between brands and trade unions to work towards a safe and healthy garment industry. The adidas Group signed the Accord in 2013.

OUR PRIMARY SUPPLIER FACTORIES HAVE UPGRADED THEIR FIRE AND BUILDING SAFETY STANDARDS, AND INCREASED THE ATTENTION GIVEN TO SAFE EVACUATION AND GOOD HOUSEKEEPING.

At no time did the adidas Group or its licensees have business relationships with any suppliers operating at the Rana Plaza. In fact we only have a few primary supplier factories in Bangladesh, accounting for less than 0.05% of our global production, so it is not a strategic sourcing country for us. Nonetheless we saw value in joining the Accord – although we had already completed independent building safety assessments at each of our suppliers – because it complements our own comprehensive monitoring activities on fire safety.

By September 2014, all adidas Group supplier factories disclosed to the Accord had been assessed for electrical, fire and building safety. The Accord regularly publishes the results of the factory safety assessments and the remedial actions taken on their website to increase transparency and understanding of safety conditions across the industry.

Steps factories had to take to meet the new safety code include investing in integrated fire alarm systems, fire doors and sprinkler systems, and carrying out some remedial building work. Our primary supplier factories have upgraded their fire and building safety standards, and increased the attention given to safe evacuation and good housekeeping.

At the same time, we are currently setting up and training Health and Safety (HSE) Committees to help build capacity within factories, and one of our suppliers has already hired a professional fire safety engineer to lead their HSE Committee. We believe that empowering workers in this way will result in greater vigilance and understanding of safety risks. The HSE committee can then act as a channel to remedy issues.



Steps factories had to take to meet the new safety code include investing in integrated fire alarm systems, fire doors and sprinkler systems.

0.05%

THE PERCENTAGE OF ADIDAS GLOBAL PRODUCTION SOURCED FROM BANGLADESH.

Independent of the Accord, we continue to pre-screen any newly proposed factories that are located in Bangladesh and elsewhere. Our pre-screening sets a high entry bar – it requires a mandatory structural engineering assessment and an evaluation of electrical and fire safety.



Read more about the results of the Bangladesh Fire Safety Accord inspections and corrective action plans



CLOSING THE GAPS TO IMPROVE LICENSEE PERFORMANCE

A key challenge the adidas Group faces in ensuring that our suppliers comply with our Workplace Standards is distance. This distance can be physical but it can also be a characteristic of our working relationships, for example when either a core or specialist product is made under licence. In these cases it is the licensee that has the business relationship with the suppliers, not the adidas Group.

Our solution to this challenge is to get everyone focused on driving greater compliance with our Workplace Standards. We do this by creating strategic compliance plans (SCPs) for our licensees, which include a 'report card' so they are clear on which areas need improvement. There is also a version of the SCP for the business unit that contracted the licensee.

Factory audits or direct complaints from workers through the SMS worker hotline system can alert us to gaps in the implementation of our standards. In 2014, for example, we received a complaint from a factory worker in Pakistan alleging physical harassment. We met with the complainant and established that this was not an isolated incident. Our licensee visited the factory and it became clear that there were some sizeable gaps in understanding the requirements of our Workplace Standards. So we worked together with the licensee to identify an appropriate training programme to improve factory management's appreciation of what was expected and to ensure workers were better placed to raise grievances when they occurred.

At our annual social compliance meeting with the licensee, we included specific actions in their strategic compliance plan, requiring them to look at the root causes of the problem. This approach aims to ensure that not only is the particular instance addressed, but that the issue is fixed for the long term.

REPORT CARDS HAVE PROVEN TO BE EFFECTIVE IN SHORTENING THE DISTANCE BETWEEN OUR LICENSEES AND OUR BUSINESS ENTITIES. ULTIMATELY, REPORT CARDS CONTRIBUTE TO GREATER COMPLIANCE WITH OUR WORKPLACE STANDARDS.

Chris Buckley, Programme Operations Manager, Social and Environmental Affairs at the adidas Group

When we sat down with the business unit to review their SCP, we updated it to focus on how effectively they monitor what the licensee is doing. Our aim is to see our business units make compliance with Workplace Standards requirements core business practice.

Setting strategic compliance plans with the licensee and the business unit embeds both the management of compliance issues and the oversight for ensuring they are addressed. By shortening the distance between all the parties, we are encouraging more integrated working and a greater degree of self-governance, which we believe is the best way to achieve sustainable and ongoing compliance with our Workplace Standards.



Click here to have a look at our Workplace Standards [on our Website](#)

HOW WE CLOSE THE GAPS IN LICENSEE PERFORMANCE





REEBOK IS GETTING KIDS DOING SPORT



Through BOKS, thousands of children are provided with opportunities to participate in physical activity and become part of a greater community.

Sport can change lives beyond the well-known benefits of improved health and physical fitness. There is compelling evidence that shows the positive impact exercise can have on academic achievement and classroom behaviour. Getting kids to be more active is a global health priority, and Reebok is taking a leadership role.

BOKS is a free before-school physical activity programme launched in 2009 that is championed by Reebok and the Reebok Foundation. Over the past five years, BOKS has grown into a community-driven worldwide movement; by the end of 2014, there were BOKS programmes established in more than 1,200 schools in six countries (the US, Japan, South Korea, Canada, Panama, and India).



EXERCISE IS MEDICINE AND WE OWE IT TO OUR KIDS TO GIVE THEM A DAILY DOSE.

Kathleen Tullie, BOKS founder



Through BOKS, thousands of children are provided with opportunities to participate in physical activity, become part of a greater community, and learn about nutrition – all while improving their results in the classroom.

To inspire even more involvement, the Reebok Foundation awarded \$1,000 to multiple schools in order to help implement the BOKS programme.

THERE IS COMPELLING EVIDENCE THAT SHOWS THE POSITIVE IMPACT EXERCISE CAN HAVE ON ACADEMIC ACHIEVEMENT AND CLASSROOM BEHAVIOUR.

In 2014, Reebok Canada teamed up with the Public Health Agency of Canada and the Canadian Football League (CFL) to expand and enhance physical activity in Canadian schools through the BOKS programme. At present only 5% of Canadian children between the ages of five and 17 are getting the recommended 60 minutes of physical activity a day. The goal is to change this by enlisting more than 450 schools in Canada in the BOKS programme by 2019.

1,240
NUMBER OF SCHOOLS WITH BOKS PROGRAMMES BY THE END OF 2014.

In another positive development, the BOKS team has recently partnered with the American Council on Exercise (ACE) to create the BOKS Kids Fitness Certificate. Trainers who qualify for the certificate receive nationally recognised credentials, proving their knowledge and ability to successfully implement and run the BOKS programme.



Read more about BOKS [on our Website](#)
Read more about BOKS [on our Blog](#)



GETTING THE MEASURE OF OUR SOCIAL PROJECTS

We believe that sports can be an effective way to bring about social change – a position that has been confirmed by a recent evaluation of one of our community projects we support in Brazil. The independent report on our Ginga Social programme showed that sports-based projects can help young people in many areas of their lives.

6,970

PEOPLE IN 2014 (FAMILY MEMBERS AND OTHER COMMUNITY INHABITANTS) PARTICIPATED IN SPORT ACTIVITIES OFFERED BY GINGA SOCIAL.

In 2011 adidas Brazil teamed up with local NGO Gol de Letra to create Ginga Social, a sports-based after-school programme for children and their families. Now active in five cities, Ginga Social is attended by 1,800 children who participated in the activities on offer.



SPORT IS IN THE DNA OF OUR COMPANY AND WE STRONGLY BELIEVE IN ITS POWER TO PROMOTE SOCIAL CHANGE. THAT VISION LED TO THE CREATION OF GINGA SOCIAL, WHICH BECAME A REALITY THROUGH OUR COOPERATION WITH FUNDAÇÃO GOL DE LETRA.

Gudrun Messias, Sustainability Manager Brazil at the adidas Group



We commissioned a formal external evaluation of the project in 2014. Covering the five cities where Ginga Social is active, the evaluation took a qualitative and participative approach, using workshops and interviews to capture various points of view. This is the first such evaluation of one of our community projects, and it successfully helped us reflect on the clarity of the goals, progress achieved and levels of satisfaction. We will use it as a model for future evaluations.



Three years after the start of Ginga Social, an external evaluation of the project shows that it is having a positive impact on all those participating in the programme.

Results showed that Ginga Social is having a positive impact on all those participating in the programme. Students valued the opportunity to learn different sports and have fun in a positive environment. They also discovered that respecting and cooperating with others are crucial elements of sports practice. Parents recognised that their children are receiving more than sports training, and credited Ginga Social with improvements in their behaviour, self-esteem and performance at school. Local organisations and teams have gained knowledge and skills to offer more effective sports practices that address young people's wider social development.

The main challenges the evaluation identified were around the need for better training and development of youth monitors, and how to expand and stabilise attendance. But the overall positive assessment of Ginga Social led to the programme expanding into another socially vulnerable community in the suburbs of Brasilia, the capital of Brazil, in September 2014.

Measuring the impact of social programmes helps make projects more effective and the results show we can be justly proud of the difference our support is making to the lives of these young people.



Read more about the latest activities from Ginga Social [on our Blog](#)
Read more about Ginga Social's activities during World Cup [on our Blog](#)
Read more about Ginga Social [on our Website](#)

PERFORMANCE DATA

53,731
EMPLOYEES



1,133

INDEPENDENT FACTORIES

Supply chain	47
Audits and training	50
Enforcement	60
Environment	62
Employees	67
Community affairs	71

1,320
FACTORY VISITS

FAST FACTS

On 31 December 2014, the adidas Group had **53,731 employees**

versus 49,808 in the previous year, which represents an increase of

 **8%**

More than

1,000,000

factory workers have been producing goods for the adidas Group globally in 2014.

At the end of 2014, we worked with **1,133** independent factories (excluding our own factories and those of our licensees) in



1,320

factory visits were undertaken at different levels in our supply chain, and 131 training sessions were conducted with more than 2,300 participants attending.

The total number of licensees grew by

18%

and their supplier factories by

12%

to reach 448 facilities



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



2012
—
2014

65

warning letters across 13 countries were issued to suppliers.

Manufacturing agreements with 13 suppliers were terminated for compliance reasons.



31 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 have reduced the use of VOCs to below the EU guideline of 20 grams per pair of shoes. In 2014, we achieved 17.5 grams of VOCs per pair.

During 2014,

104

factories were either rejected directly after an initial assessment due to the identification of zero tolerance issues, or were 'rejected with a second visit'.

The adidas Group holds an ISO 14001 matrix certification for 13 of our sites.



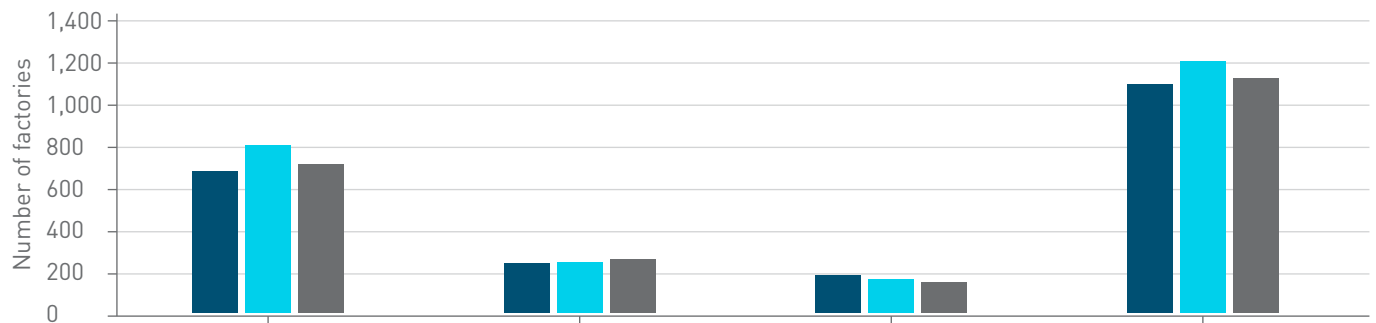
SUPPLY CHAIN

1. NUMBER OF SUPPLIER FACTORIES

At the end of 2014, we worked with 1,133 independent factories (excluding own factories and factories of our licensees) which manufacture adidas Group products in 61 countries. 64% of the factories are located in the Asia Pacific region, 23% in the Americas and 13% in Europe, Middle East and Africa (EMEA).

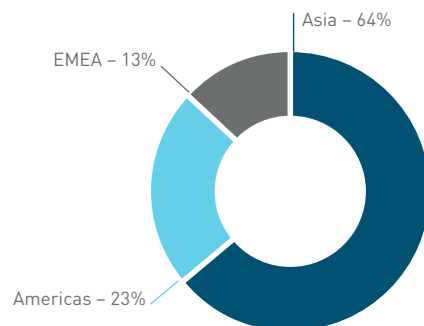
In the course of any calendar year there can be notable changes in the number of supplier factories we work with, as suppliers are added or removed. This is because business entities are created, bought or sold by the adidas Group, or intermediaries – such as agents – are hired or their services are terminated. The data we are reporting here is a snapshot in time, 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.

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



	Asia	Americas	EMEA	Total
• 2012	687	237	185	1,109
• 2013	810	241	163	1,214
• 2014	725	260	148	1,133

SUPPLIER FACTORIES BY REGION IN 2014 (EXCLUDING OWN FACTORIES AND LICENSEE FACTORIES)



2. FACTORIES BY COUNTRY

In 2014, a total of 1,133 factories made goods for the adidas Group worldwide, a decrease of 7% compared with 2013, but slightly more than the total number of manufacturing facilities reported at the end of 2012. The decline is due in part to the decision to exclude from our list suppliers that are making retail fixtures and support materials.

2014 saw a reduction in the number of suppliers in China and an exit from Laos. Supplier numbers in Japan also declined as a result of local sourcing integrations, which are driving greater consolidation. Due to improved disclosure of subcontractor factories, the number of factories in South Korea expanded further and more factories were added to the supply chain in Bangladesh where a moratorium on new production was lifted. Although there were factories added to the supply chain in Turkey, overall supplier numbers in EMEA continued to decline. The number of factories in the Americas increased slightly due to the onboarding of new US embellishers and Tier 1 suppliers for the Five Ten brand.

NUMBER OF SUPPLIER FACTORIES PER COUNTRY¹

Asia	Total number of factories			Americas	Total number of factories		
	2012	2013	2014		2012	2013	2014
Australia	4	3	2	Argentina	27	23	21
Bangladesh	3	4	9	Brazil	56	49	46
Cambodia	16	25	22	Canada	33	34	24
China	289	339	259	Chile	2	2	2
Hong Kong	1	0	0	Colombia	3	3	3
India	33	55	51	Costa Rica	0	1	1
Indonesia	61	58	62	El Salvador	3	4	3
Japan	63	66	52	Guatemala	3	4	6
Korea	42	80	91	Honduras	3	5	7
Laos	0	2	0	Mexico	17	15	9
Malaysia	5	6	2	Nicaragua	4	4	4
Myanmar	0	0	1	Paraguay	2	2	1
New Zealand	1	0	0	United States	84	95	133
Pakistan	9	11	12	Total Americas	237	241	260
Philippines	17	17	13				
Singapore	1	1	1				
Sri Lanka	4	6	6				
Taiwan	34	31	43				
Thailand	31	23	19				
Vietnam	73	83	80				
Total Asia	687	810	725				

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

EMEA	Total number of factories		
	2012	2013	2014
Belgium	2	2	2
Bosnia and Herzegovina	3	3	1
Bulgaria	3	1	0
Czech Republic	6	4	4
Egypt	2	3	2
Estonia	0	1	0
Finland	1	1	1
France	2	2	1
Germany	31	25	21
Greece	0	3	0
Hungary	1	1	1
Ireland	1	1	1
Israel	1	1	1
Italy	20	18	16
Jordan	1	1	1
Lesotho	1	1	1
Lithuania	3	3	1
Macedonia	1	1	1
Mauritius	2	2	3
Moldova	1	1	1
Netherlands	1	1	2
Poland	9	3	2
Portugal	11	6	7
Romania	3	2	1
Russia	0	1	0
Slovakia	3	2	2
Slovenia	3	3	2
South Africa	6	7	7
Spain	12	9	8
Sweden	5	5	5
Switzerland	3	3	3
Tunisia	2	2	3
Turkey	13	16	20
Ukraine	2	2	3
United Kingdom	30	26	24
Total EMEA	185	163	148

Global	Total number of factories		
	2012	2013	2014
Total Asia	687	810	725
Total Americas	237	241	260
Total EMEA	185	163	148
Total Global	1,109	1,214	1,133



The adidas Group updates its global supplier lists (including its primary suppliers, subcontractors and licensees) twice a year on our Website

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

3. ADIDAS GROUP LICENSEES

At the end of 2014, the adidas Group worked with 67 licensees whose suppliers manufactured products in 448 factories across 49 countries.

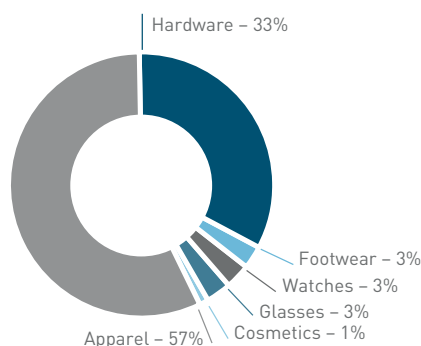
As shown in the table below, there was a significant increase in adidas Group's external licensing footprint compared to the previous year. The total number of licensees grew by 18% and their supplier factories by 12%, with the majority of licensees in the hardware and apparel categories.

ADIDAS GROUP LICENSEES

	2012	2013	2014
Licensees	49	57	67
Factories producing for licensees ¹	275	401	448
Production countries	44	50	49

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 2014



AUDITS AND TRAINING

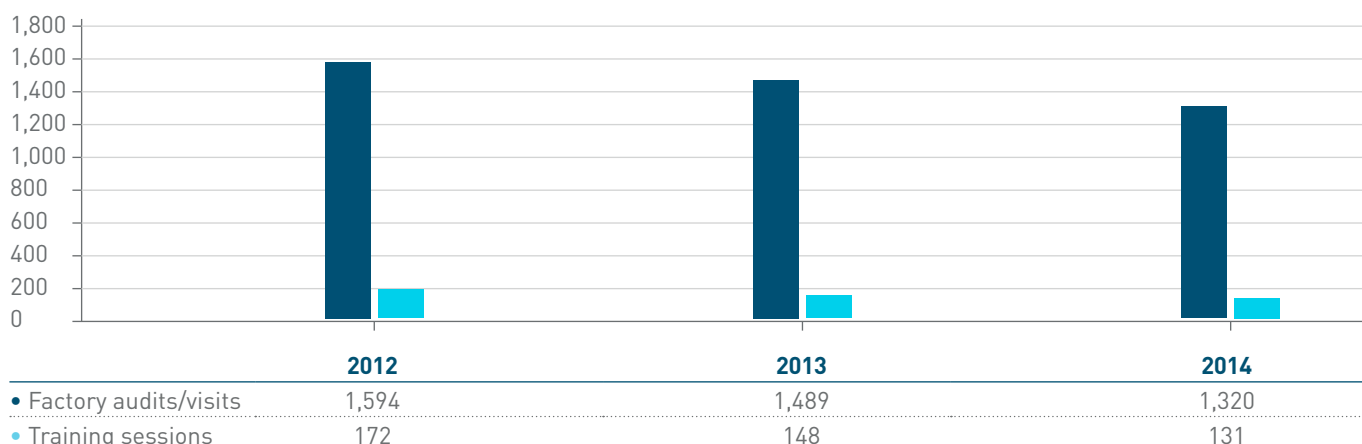
4. NUMBER OF FACTORY AUDITS/VISITS AND TRAINING SESSIONS

During 2014, 1,320 factory visits (including 1,193 factory audits) were undertaken.

These visits involved various types of audits, training sessions, Strategic Compliance Plan discussions, project works and meetings with factory management on high priority issues at different levels in our supply chain.

The SEA team conducted 131 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 2014 declined slightly compared to the previous year, although more than 2,300 people still attended training sessions. Training offered in each region covered basic, as well as long-term, strategic topics.

There were two reasons for the drop in the total number of training sessions. Firstly, fewer individual but more group training sessions (i.e. for more than one supplier) were undertaken, which offers both higher efficiencies and opportunities for cross-learning and best practice sharing among suppliers. Secondly, since sustainability training is based on needs assessments, the number of fundamental training events in Asia declined and more sustainability training sessions were 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		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014 ⁵
Asia	34	35	26	32	18	30	62	38	41	128	91	97
Americas	34	42	25	1	1	0	7	7	7	42	50	32
EMEA	2	5	0	0	2	1	0	0	1	2	7	2
Total	70	82	51	33	21	31	69	45	49	172	148	131

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

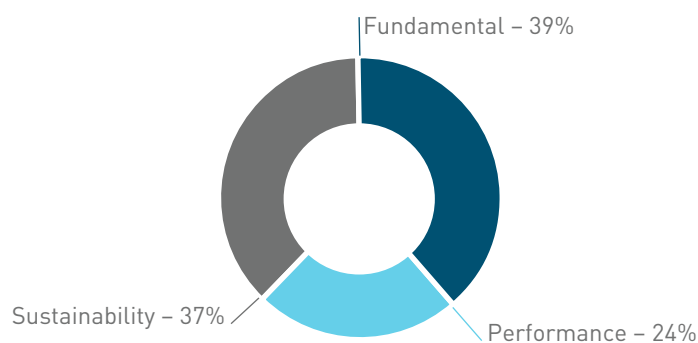
² Fundamental training covers: Workplace Standards and SEA introduction; FFC training; SEA policies and SOPs.

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 2014, 2,326 people participated in these training sessions.

SUPPLIER TRAINING SESSIONS BY TYPE IN 2014



6. NUMBER OF AUDITS DIVIDED BY REGION AND TYPE

In 2014, the SEA team conducted 1,193 social compliance and environmental audits, using in-house technical staff as well as external thirdparty monitors, commissioned by adidas Group business entities and licensees.

The total number of initial assessments – the first approval stage for new entry factories – decreased by 18% compared to 2013. Performance audits for our established suppliers showed a decline of 10%, reflecting the decline in the number of suppliers as well as extended auditing timelines as more strategic partners move to self-governance. The total number of environmental audits fell slightly by 4% compared to the previous year. Specific chemical management audits form part of the environmental audits and have been undertaken as well.

In addition to these audits, compliance staff conducted multiple supplier site visits to discuss specific remedial issues, to follow up project work or to conduct training sessions.

There were a total of 305 initial assessments (including initial assessment follow-ups), 74% of which were undertaken in Asia with China accounting for 44% of all assessments conducted. Four initial assessments were conducted for suppliers' manufacturing facilities that are under construction in Myanmar, part of a two-year onboarding process for this newly emerging sourcing country. Brazil received the next largest number of initial assessments, representing 10% of the total carried out. These assessments represented a programmatic benchmarking of the active Tier 1 (and Tier 2) factories in the Brazilian supply chain in 2014, with initial assessments replacing usual performance audits.

Overall, 46% of all candidate factories were either rejected outright, or were rejected for failure to remediate threshold issues in a timely manner. For further information, please see data on termination and rejection (Section 12).

A total of 47 % (2013: 51%) of all active suppliers were audited in 2014. High-risk countries in Asia⁵, the major sourcing region of the adidas Group, received extensive monitoring in 2014 with an audit coverage that was close to 63%. It is important to mention that our compliance data base also includes suppliers located in 'low-risk' countries as well suppliers designated as 'low priority', mainly referring to subcontractors making non-core components for a finished product. While we include these types of suppliers into our database to achieve greater visibility of our supply chain, they are currently excluded from our monitoring activities. Consequently, audit coverage would be higher if only high-risk countries were taken into consideration.

Our monitoring programme is characterised by a risk management approach, which 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 respect of 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 ³			Total		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Asia	270	296	226	712	699	618	190	142	140	1,172	1,137	984
Americas	38	38	58	73	76	85	0	2	0	111	116	143
EMEA	30	36	21	47	52	42	4	5	3	81	93	66
Total⁴	338	370	305	832	827	745	194	149	143	1,364	1,346	1,193

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'.

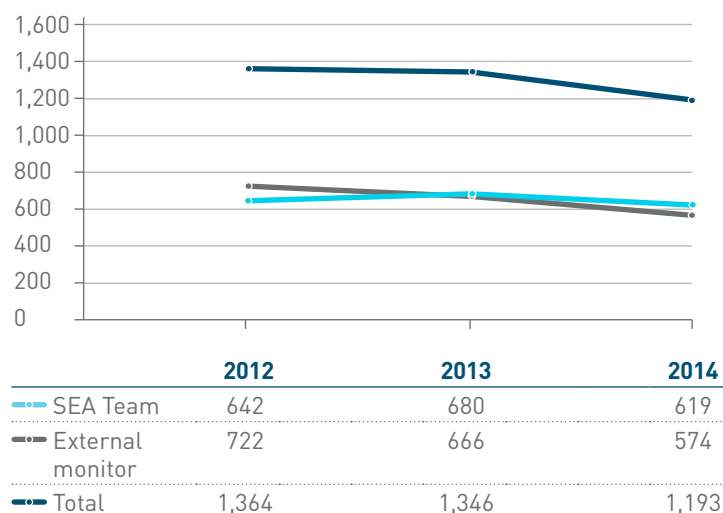
² Audits conducted in approved supplier factories.

³ Include specific Chemical Management Audits.

⁴ Includes audits done in licensee factories. In addition, there were a considerable number of full environmental assessments conducted for selected suppliers in Asia.

⁵ High-risk countries in Asia include China, Hong Kong, Macao, Vietnam, Bangladesh, Cambodia, India, Indonesia, Laos, Madagascar, Malaysia, Mauritius, Myanmar, Pakistan, Philippines, Singapore, Sri Lanka, Thailand

NUMBER OF AUDITS IN SUPPLIER FACTORIES



INITIAL ASSESSMENTS BY COUNTRY¹

Asia	2012	2013	2014
Bangladesh	2	3	5
Cambodia	12	31	11
China	152	137	134
Hong Kong	0	1	0
India	21	38	18
Indonesia	21	13	12
Japan	0	1	1
Korea	9	0	0
Laos	1	0	0
Myanmar	0	0	4
Pakistan	9	20	12
Philippines	3	3	1
Sri Lanka	5	4	0
Taiwan	7	0	1
Thailand	5	7	4
Vietnam	23	38	23
Asia Total	270	296	226

Americas	2012	2013	2014
Argentina	5	4	5
Brazil	4	13	30
Canada	0	1	0
Colombia	2	1	0
Costa Rica	0	1	1
Dom. Republic	1	0	1
El Salvador	5	4	0
Guatemala	5	2	7
Honduras	1	4	2
Mexico	10	7	6
Nicaragua	4	0	3
Paraguay	0	1	0
United States	1	0	3
Americas Total	38	38	58

EMEA	2012	2013	2014
Bosnia and Herzegovina	2	0	0
Bulgaria	2	0	0
Egypt	3	5	3
Georgia	2	1	0
Italy	1	0	0
Jordan	2	0	0
Kenya	0	4	0
Lesotho	1	2	1
Mauritius	1	2	1
Portugal	0	1	0
Romania	0	1	0
Russia	0	0	1
South Africa	2	4	2
Tunisia	2	2	0
Turkey	12	13	12
Ukraine	0	1	1
EMEA Total	30	36	21

¹ Including initial assessment follow-ups.

7. NUMBER OF AUDITS CONDUCTED IN LICENSEE FACTORIES

The number of factories manufacturing goods for licensees has increased steadily, as shown in Section 3 in step with an expansion in in number of licensees. As a consequence, the number of audits has increased as well.

Please note that below table includes factories that are shared by the adidas Group and licensees and can list audits that are undertaken in adidas Group factories as well.

NUMBER OF AUDITS CONDUCTED IN LICENSEE FACTORIES¹

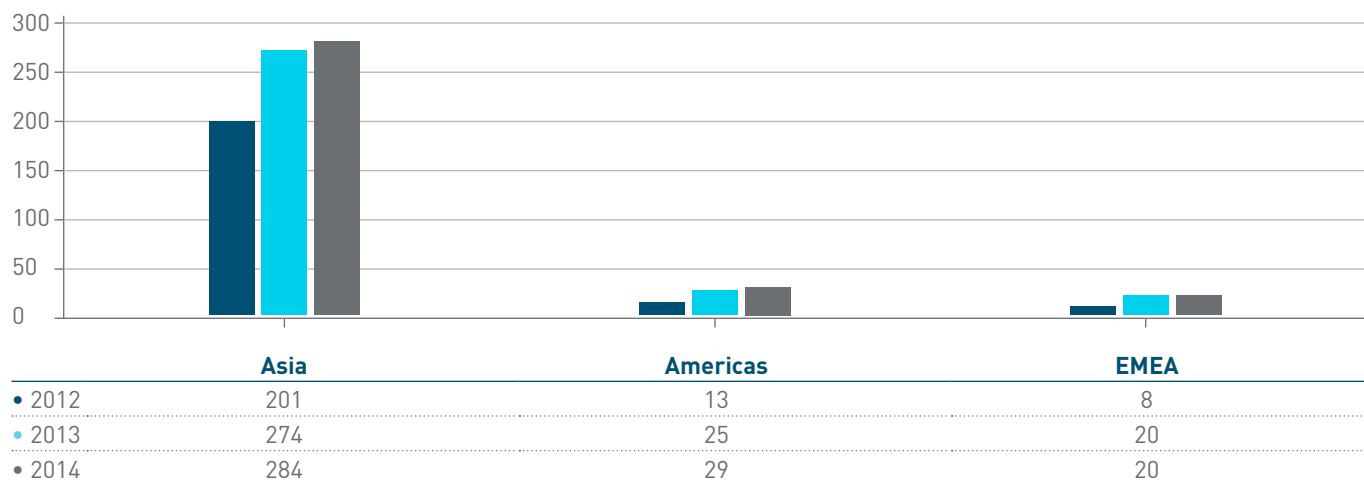
Region	Initial Assessments ²			Performance Audits ³			Environmental Audits			Total		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Asia	59	73	76	127	187	185	15	14	23	201	274	284
Americas	3	9	8	10	16	21	0	0	0	13	25	29
EMEA	1	4	1	7	15	16	0	1	3	8	20	20
Total	63	86	85	144	218	222	15	15	26	222	319	333

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

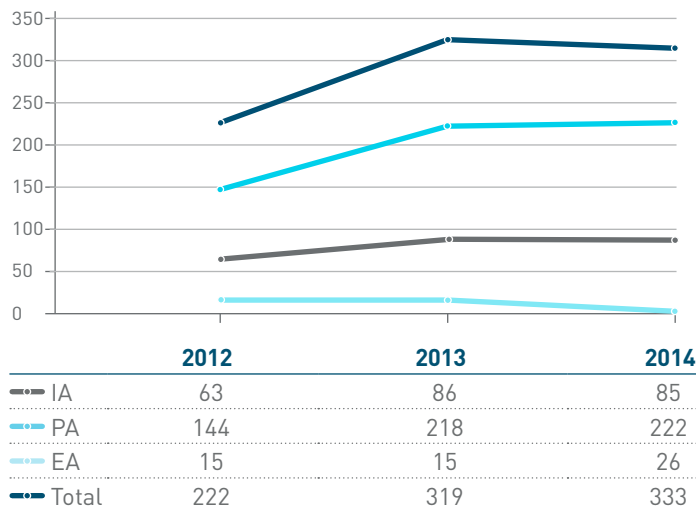
² Every new factory has to pass an initial assessment to prove compliance with the Workplace Standards before an order is placed.

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

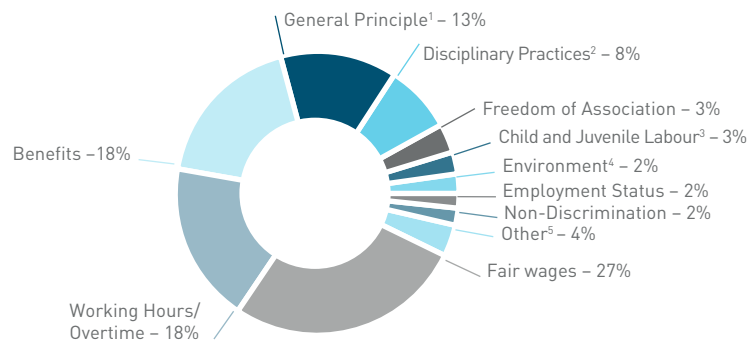
Our suppliers are evaluated against a number of critical compliance issues. Although zero tolerance issues – such as forced labour practices – immediately disqualify a factory from further consideration, threshold issues trigger rejection at new factories, but can be addressed in a specified timeframe at existing factories. The charts in this section illustrate the non-compliances identified during initial assessments and initial assessment follow-up visits to proposed new factories in 2014.

The first chart presents the labour-related non-compliances identified in supplier factories. A supplier must resolve identified issues before it can be accepted into the adidas Group supply chain. Almost two-thirds of the labour-related findings fall into the top three broad categories: '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 areas such as forced labour, child labour, freedom of association or discrimination. As a result, the percentages shown indicate the systemic shortcomings of newly proposed suppliers, rather than the confirmed presence of specific non-compliances, such as child labour etc. (see also footnote on page 56).

Compared to 2013, there were fewer findings related to working hours/overtime and more findings related to disciplinary practices.

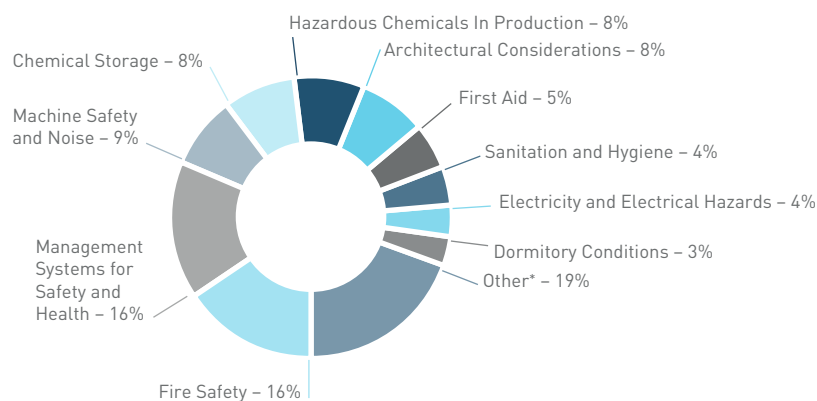
TOP 10 LABOUR NON-COMPLIANCE FINDINGS IDENTIFIED IN FACTORIES DURING INITIAL ASSESSMENTS AND INITIAL ASSESSMENT FOLLOW-UPS IN 2014



1 *General Principle* covers company policies, employee handbook, management attitude and transparency, employment contracts and filing systems.
 2 *Disciplinary Practices* covers disciplinary policy, procedures and recordings, trainings, effective grievance systems and non-retaliation policy.
 3 *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.
 4 *Environment* covers waste collection and waste treatment, waste water treatment, emission control.
 5 For example, forced/compulsory labour and privacy issues.

The second chart shows the health and safety non-compliances identified in supplier factories. Fire and electrical safety are critical areas for any potential new supplier and together accounted for 20% of the non-compliances identified in 2014 – 6% below that recorded for 2013. The way chemicals were stored and used, including the presence of banned chemicals, accounted for 16% of non-conformances reported. A further 16% of the findings related to management systems, policies and procedures, and specifically a lack of conformance with our Workplace Standards and expectation for effective health and 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 2014



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

9. KEY PERFORMANCE INDICATOR (KPI) ASSESSMENT, C-RATING AND E-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. Social compliance ratings show that in 2014, 64% of our direct suppliers were assessed as 'good' (3C) or better, and environmental compliance ratings present a total of 73% of factories rated 'good' (3E) or better.

C-KPI Social Compliance Rating

The following table shows the average assessment score by unit of measure for active suppliers. Each unit of measure is scored out of 100%. We use a parallel system to measure environmental performance, which is described later.

Compared to 2013, the average score of all C-KPI units of measure increased in 2014 as the table below shows.

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. Despite this, we noticed improvements for all units of measure and the cumulative score, in line with the fall in percentage of 1C and 2C – and increase in percentage of 3C and 4C – factory clusters.

SOCIAL COMPLIANCE KPI ASSESSMENT

KPI Unit of Measure – Average score in %	2012 ¹	2013	2014
Management commitment and responsiveness	59.02	58.76	62.69
Management systems	60.27	61.01	64.83
Worker-management communication and industrial relations	73.55	72.80	75.23
Compliance training for workers and management	69.24	70.82	74.64
Transparency in communication and reporting	77.57	78.24	80.90
Compliance performance	63.43	62.39	65.16
KPI Cumulative Score	57.74	58.28	61.61

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.

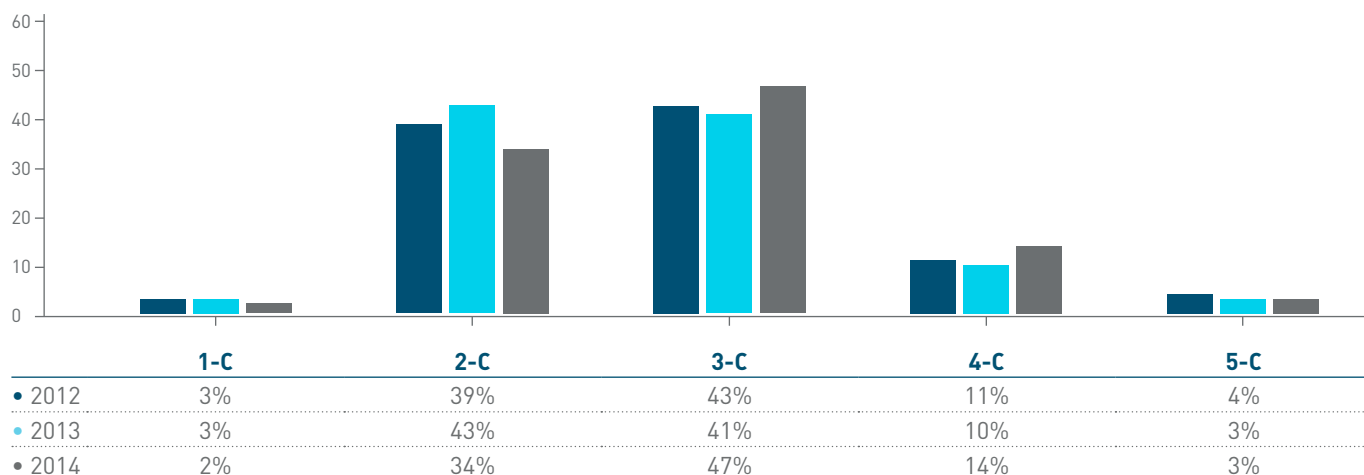
The following bar graph shows comparable data for the past three years using this rating classification.

In 2014, the number of 1C category suppliers, which represent the lowest performing factories with serious issues and very weak commitment to compliance, decreased to 2% of the KPI-assessed factories. Such factories are given a one-year grace period to move up a grade or have their services terminated. During 2014, there was a focused effort to support improvement in 2C factories, which led to an almost 10% reduction of suppliers in this category compared to 2013.

There has been a corresponding increase in the number of suppliers achieving our minimum expected rating of 3C, with almost half of all our factories being viewed as good performers. For our main production facilities the number of suppliers achieving 3C was even higher: 64% of our direct suppliers had ratings of 3C or better, which represents a significant increase of 10%. This means that we have already achieved our 2015 mid-term goal of 60% of our direct suppliers achieving 3C or better. It is worth noting that the relative number of factories subject to C-KPI ratings has remained relatively stable at around 45% throughout the past three years.

A parallel environmental KPI tool has been developed for a much smaller pool of selected Tier 1 manufacturing operations and Tier 2 material suppliers, as described on page 59.

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

E-KPI and 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. Instead of covering 100% of the supply chain, we focus our efforts on those suppliers with potentially high environmental risks 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 2012–2014.

ENVIRONMENTAL KPI ASSESSMENT*

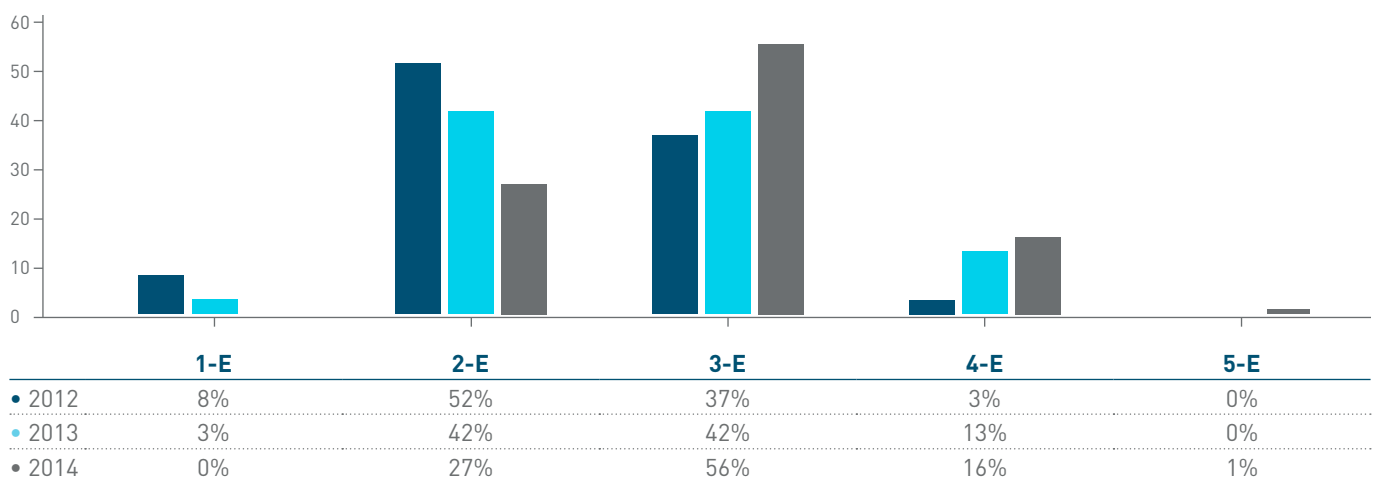
KPI Unit of Measure – Average score in %	2012	2013	2014
Management systems	49.97	51.05	54.50
Risk compliance	55.76	61.43	59.42
Performance against targets	27.61	32.64	39.44
KPI Cumulative Score	44.93	48.6	51.41

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

Suppliers covered by our environmental compliance programme have shown a steady improvement across most subsections of the environmental key performance indicators from 2012 to 2014. In addition, the cumulative E-KPI score increased by almost 3% compared to 2013, reflecting the effort that has been put into working alongside all 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 previously low-scoring factories (1E and 2E) moving up to higher E-ratings, and an increase in the number of factories achieving a 4E score. As a result, a total of 73% of factories were assessed as 'good' (3E) or better.

PERCENTAGE OF ENVIRONMENTAL KPI-ASSESSED FACTORIES BY E-RATING



10. INDEPENDENT FLA AUDITS

In 2014, the FLA conducted 16 factory assessments or remediation verification exercises using the methodology from the SCI.

In 2015, the FLA will focus on creating a safe space for thought leadership; putting the Compensation Code Element into practice; improving the representation of its stakeholder groups; fully implementing the FLA's Core Programme; and strengthening the organisational foundation. Additionally, the FLA will explore opportunities for convergence with other multi-stakeholder initiatives and the work being done to confront the most challenging issues in respect of worker rights.

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.

INDEPENDENT FLA AUDITS*

FLA Year	Period	No. of audits
6th	Jan-Dec 2007	15
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
13th	Jan-Dec 2014	16

* 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 2014, we issued a total of 65 warning letters across 13 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 decreased by more than 10%. The total number of second warnings decreased substantially in 2014, with only three 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) grew five-fold compared to 2013, and consisted mainly of final warnings given to the 1C factories after the designated period, indicating that they either needed to improve or that the business relationship would be terminated.

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 2014 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		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Asia	34	36	37	9	12	1	8	4	20	51	52	58
Americas	4	5	4	1	2	2	0	0	0	5	7	6
EMEA	1	6	1	0	1	0	0	0	0	1	7	1
Total	39	47	42	10	15	3	8	4	20	57	66	65

* 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 repeated non-compliance, we can and do terminate business relationships with suppliers. In 2014, we terminated agreements with 13 suppliers for compliance reasons.

We also work closely with the Global Sourcing Organisation and other business entities to pre-screen potential new suppliers. If our initial assessments uncover threshold or zero tolerance issues, suppliers are rejected.

In 2014, initial assessments were conducted in 226 factories. During 2014, 104 factories were either rejected directly after an initial assessment due to the identification of zero tolerance issues, or were rejected with a 'second visit', due to the identification of one or more threshold issues, which means that they were rejected but given the chance to remediate non-compliance issues within a specific timeframe. Overall, the 'first time rejection rate' of 46% of all new factories visited was a little higher than the previous year, although the total number of initial assessments conducted were fewer.

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 2014 we had a 'final rejection rate' of 10%, again slightly higher than in previous years. This shows the importance and impact of pre-approval screening, and the effort taken by the suppliers to resolve 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 'correctable' non-compliances) are normally given three months to remediate those issues before being re-audited for final SEA acceptance. As in previous years, China dominated the number of new supplier initial assessments, and corresponding rejection rates were high.

NUMBER OF BUSINESS RELATIONSHIP TERMINATIONS DUE TO COMPLIANCE PROBLEMS

Region	2012	2013	2014
Asia	10	6	13
Americas	0	2	0
EMEA	0	1	0
Global	10	9	13

WORLDWIDE REJECTIONS AFTER INITIAL ASSESSMENT DUE TO COMPLIANCE PROBLEMS

	2012	2013	2014
Total number of first time rejections ¹	113	119	104
First time rejection rate	44%	42%	46%
Total number of final rejections ²	21	20	23
Final rejection rate	6%	7%	10%

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

In 2014, we worked with 31 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.

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 of 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.

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

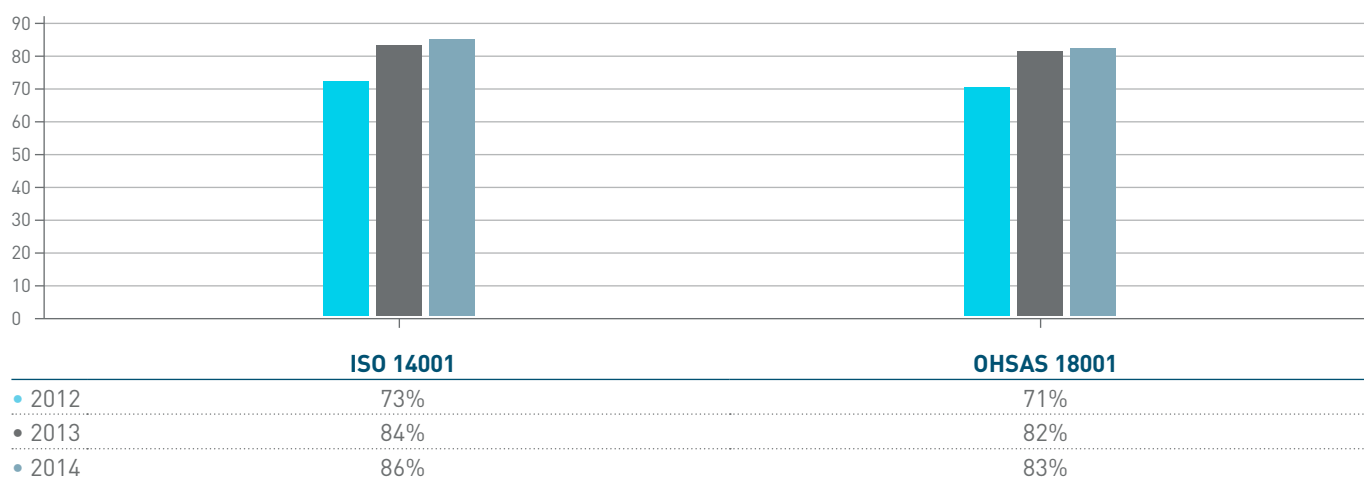
Country	Number of FW suppliers			ISO 14001			OHSAS 18001		
	2012	2013	2014	2012	2013	2014	2012	2013	2014
Argentina	1	1	1	-	-	-	-	-	-
Brazil	1	1	1	-	-	-	-	-	-
Cambodia	1	1	2	1	1	2	1	1	2
China	10	10	9	10	10	9	10	10	9
Germany ²	1	1	1	1	1	1	-	-	-
India	2	1	1	-	1	1	-	1	1
Indonesia	11	8	7	8	8	7	8	8	7
Italy ³	1	1	1	-	-	-	-	-	-
Myanmar	-	-	1	-	-	-	-	-	-
Vietnam	13	14	12	10	11	11	10	11	11
TOTAL	41	38	36	30	32	31	29	31	30

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

2 The site is subject to regular occupational health and 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 2014, we again tracked the environmental impact of transporting our goods. Compared to previous years, the modal split remained quite stable and, overall, the vast majority of our shipments takes place via sea freight. We continue our work to further reduce the percentage of air freight.

FREIGHT TYPES USED TO SHIP ADIDAS AND REEBOK PRODUCTS¹

% of product shipped		2012	2013	2014
Apparel	Truck	15	12	11
	Sea freight	80	81	83
	Air freight	5	7	6
	Sea and air freight	0	0	0
Hardware ²	Truck	2	2	4
	Sea freight	96	97	94
	Air freight	2	1	2
	Sea and air freight	0	0	0
Footwear	Truck	1	2	2
	Sea freight	97	96	96
	Air freight	2	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.

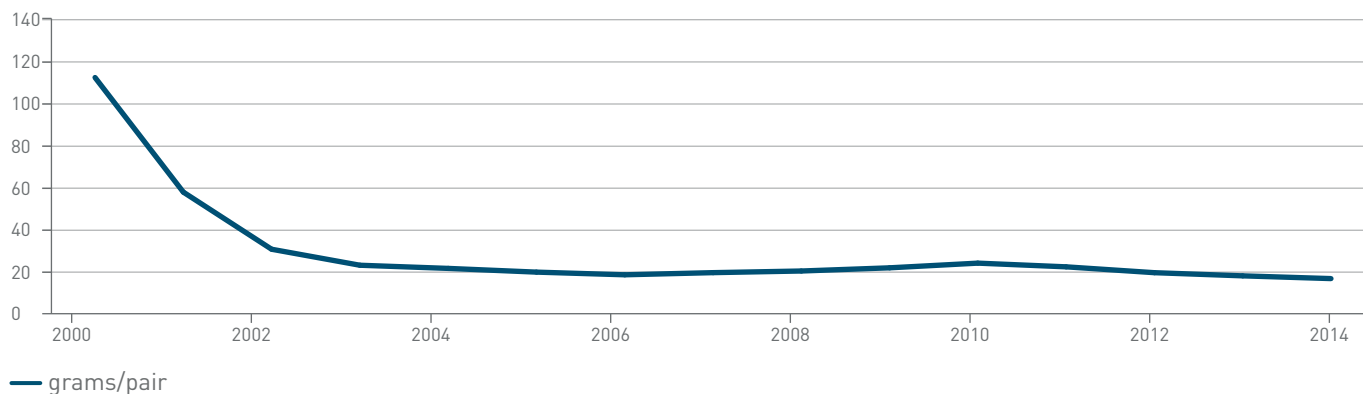
15. REDUCING VOLATILE ORGANIC COMPOUNDS (VOC)

Volatile Organic Compounds (VOCs), which are typically found in solvents used in our manufacturing process, can – in a high concentration – cause breathing difficulties and other health problems for production workers. For this reason, for more than a decade we have been requesting 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, our athletic footwear suppliers have been able to reduce the use of VOCs from well above 100 grams per pair to below 20 grams.

2014 has seen our biggest success so far: we achieved an all-time low of 17.5 grams of VOCs per pair. That performance improved in every single country compared to 2013, reflects hard work and true commitment across our entire manufacturing base.

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



16. GREEN COMPANY DATA

Since its launch in 2008, the Green Company initiative has undertaken projects to reduce the environmental impact of adidas Group's corporate sites. In 2009, we defined ambitious targets for our administration offices, our own manufacturing sites and our distribution centres, to be achieved by 2015. A selected number of sites, representing around 70-75% of our operations worldwide, report their progress towards these targets each year. To see a list of all these sites, please see our Green Company Performance Analysis 2014 available on our Website.

The Green Company Performance Analysis for 2014, which covers 49 sites, shows that we have already achieved our 2015 targets for reducing water consumption by 20% per employee, and household waste by 25% per employee. In addition we achieved a substantial reduction in paper use of 32.3% per person, but need to further intensify our efforts to reach the 2015 target of 50%.

We have also achieved significant energy savings in our distribution centres and our own operations, but weaker performance at our administration offices has resulted in a total reduction of 12.5% per square metre across all facility types. We therefore need to continue to drive energy efficiency at our facilities to reach the 20% target. Through energy saving projects and carbon offsetting certificates, we reduced our net carbon emissions by 27.2% per square metre and are on track to meet the 2015 target of a 30% saving. However, sufficient access to renewable energies at competitive prices is necessary to further reduce our carbon emissions but this remains challenging for some of our markets.

We will continue to conduct energy audits at selected sites throughout 2015 to identify additional energy and carbon emissions reduction opportunities. The greenENERGY Fund, our sustainability venture capital fund for energy efficiency and renewable energy projects, will remain an important tool to drive energy efficiency and carbon reduction projects and to share best practice between sites. In 2014 we further expanded the coverage of our ISO 14001 certified EMS. The new central distribution centre in Rieste, Germany was successfully certified, meaning that 13 sites have now implemented our EMS. Furthermore, in December 2014 we introduced 'green retail' at our new HomeCourt store in Nuremberg, Germany, and extended the Green Company programme to our retail business. Green Company has proven to be an important initiative of adidas Group's overall sustainability strategy. We intend to build on this success and define targets and focus areas for 2020.



[Click here to](#) read our Green Company Performance Analysis 2014
Read more about the greenENERGY Fund [on our Website](#)

Summary Report for 2014

The following table shows the 2014 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 2014 GROUP-WIDE FOR ALL LOCATIONS REPORTING (INCLUDING 49 SITES)

Type of site/Region	Total energy consumption (MWh)	Total carbon emissions (tonne)	Total water consumption (m ³)	Total household waste (tonne)	Total paper consumption (tonne)
Administration offices					
Region EMEA	53,147	6,144	87,435	516	109
Region AMERICAS	44,601	15,029	126,037	828	78
Region APAC	5,669	3,503	7,058	not reported	30
Administration offices (total)	103,417	24,676	220,530	1,344	217
Own production sites					
Region EMEA	4,423	267	1,983	41	2
Region AMERICAS	30,990	10,813	36,413	471	73
Own production sites (total)	35,413	11,080	38,396	512	76
Distribution centres					
Region EMEA	27,927	5,180	26,478	287	78
Region AMERICAS	44,085	13,609	38,105	883	79
Region APAC	2,089	1,187	19,493	2	8
Distribution centres (total)	74,101	19,975	84,076	1,171	164
TOTAL	212,931	55,731	343,002	3,027	457

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 2008-2014 (INCLUDING 49 SITES)

Target follow-up per type of site	Energy savings MWh/m ²		Carbon savings t/m ²		Water savings m ³ /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%	
	Linear target 2014	Result 2014	Linear target 2014	Result 2014	Linear target 2014	Result 2014	Linear target 2014	Result 2014	Linear target 2014	Result 2014
Administration offices	-15.2%	-9.5%	-22.8%	-33.2%	-15.7%	-27.2%	-20.3%	-35.2%	-37.6%	-46.1%
Own production sites	-17.1%	-16.4%	-25.7%	-26.9%	-17.1%	5.2%	-21.4%	-32.2%	-42.9%	6.6%
Distribution centres	-12.8%	-18.7%	-19.2%	-20.8%	-12.8%	-21.5%	-16.0%	-15.5%	-31.6%	-10.4%
Total	-14.2%	-12.5%	-21.3%	-27.2%	-15.1%	-22.6%	-19.2%	-29.9%	-36.6%	-32.3%

Grey: annual linear target achieved.

Blue: annual linear target not achieved.

Environmental Management Systems

The Green Company initiative, with its ambitious targets for 2015, has been the driver for implementing successful tools that help us to continuously reduce the environmental impact of our corporate sites. One of them is our shared EMS that is certified according to the international ISO 14001 standard. In 2014 we extended the EMS to our new central distribution centre in Rieste, Germany. Rieste is our 13th site worldwide to achieve certification. Our other certified facilities are located in Europe, Canada and the US.

We are proud to have all our brands using the same EMS. This is best practice in the industry and has proved highly effective, as well as helping us to exceed our initial objective of certifying the five brand headquarters. Central management of the EMS is also certified, and is located in the adidas Group headquarters in Herzogenaurach, Germany. 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
adidas Group Central Distribution Centre Central and East Europe, Rieste Germany	EMEA	ISO 14001	2014

EMPLOYEES

17. EMPLOYEE STATISTICS*

In 2014, the global employee base of the adidas Group has increased further. On 31 December 2014, the Group had 53,731 employees, which represents an increase of 8% versus 49,808 in the previous year. This development is primarily related to the expansion of the Group's own-retail store base, particularly in emerging markets globally.

On a full-time equivalent basis, our Group had 45,917 employees on 31 December 2014 (2013: 42,758). 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 2014, 21% of our Group's staff were employed in Western Europe (2013: 23%), 33% in European Emerging Markets (2013: 33%), 24% in North America (2013: 25%), 8% in Greater China (2013: 3%), 6% in Other Asian Markets (2013: 9%) and 8% in Latin America (2013: 7%).

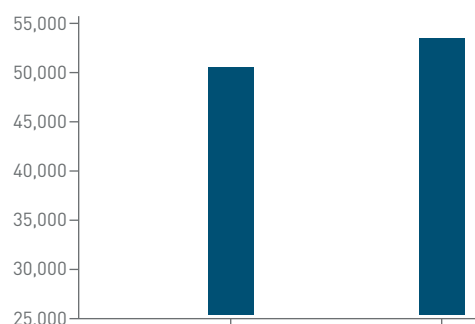
EMPLOYEE STATISTICS*

Index/reporting unit		2013	2014
Total number of employees		49,808	53,731
Total employees (in %)	Male	51%	50%
	Female	49%	50%
Management positions held by (in %)	Male	72%	72%
	Female	28%	28%
Average age of employees (in years)**		30	30
Average length of service per employee (in years)		4	5

* Figures reflect continuing operations as a result of the planned divestiture of the Rockport business.

** At year-end.

TOTAL NUMBER OF EMPLOYEES



	2013	2014
Total number of employees	49,808	53,731

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

	2012			2013			2014		
	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	22	142	2,919*	18	69	3,522*	19	258	3,534*
adidas Group Headquarters – ADP Herzogenaurach, Germany	3	19	874*	7	12	825*	2	26	978*
adidas Group Headquarters – WOGIT Herzogenaurach, Germany	0	0	862*	2	9	861*	1	15	861*
adidas Factory Outlet, Herzogenaurach, Germany	3	14	180	3	14	96	3	20	126
adidas Office, Amsterdam, Netherlands	2	3	420	0	0	475	0	0	520
adidas Office, Stockport, United Kingdom	0	0	437	0	0	476	0	0	425
adidas Office, Landersheim, France	0	0	334	0	0	331	3	21	301
adidas Office, Monza, Italy	8	232	562	4	74	368	4	26	323
adidas Office, Zaragoza, Spain	2	65	237	1	10	215	0	0	251
adidas Office, Moscow, Russia	5	153	844	5	84	967	4	83	1,105
adidas Office, Portland, USA	0	0	798	0	0	786	0	0	796
Reebok Headquarters, Canton, USA	1	155	1,100	1	5	1,175	1	5	1,175
TaylorMade-adidas Golf Headquarters, Carlsbad, USA	23	118	1,014	26	760	1,014	22	1,127	827
adidas Group Administrative Service Bldg. 3, Spartanburg, USA	0	0	193	0	0	200	0	0	204
adidas Office, Woodbridge, Canada	1	1	223	0	0	240	0	0	276
adidas Office Baueri, Brazil	0	0	245	1	85	288	2	15	323
adidas Office, Shanghai, China	0	0	680	1	1	779	1	1	889
adidas Office, Taikoo Shing, Hong Kong	3	3	339	1	2	325	0	0	296
adidas Hong Kong Ltd. Office, Kwun Tong, Hong Kong	0	0	140	0	0	149	1	9	151
adidas Office, Gurgaon, India	0	0	438	0	0	380	0	0	388
adidas Office, Seoul, South Korea	0	0	290	0	0	290	0	0	310
adidas Office, Taipei, Taiwan	0	0	150	n.r.	n.r.	n.r.	0	0	150
adidas Office, Singapore, Singapore	0	0	215	0	0	225	0	0	230
Administration offices (total)	73	905	13,494	70	1,125	13,987	63	1,606	14,439

	2012			2013			2014		
	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	5	25	209	9	86	204	12	166	202
Sports Licensed Division Factory, Indianapolis, USA	28	1,718	1,244	20	809	985	12	164	977
Sports Licensed Division Factory, Mattapoisett, USA	3	25	109	2	36	108	2	60	110
Sports Licensed Division Factory, Cedar Rapids, USA	1	7	152	2	33	142	0	0	165
Reebok-CCM Hockey Factory, St.Jean, Canada	1	1	56	0	0	56	0	0	56
Reebok-CCM Hockey Factory, St.Hyacinthe, Canada	0	0	154	1	2	152	2	130	154
adidas Canada Assembly Factory, Brantford, Canada	0	0	69	0	0	68	0	0	68
Own production sites (total)	38	1,776	1,993	34	966	1,715	28	520	1,732

	2012			2013			2014		
	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	19	120	186	13	68	200	7	134	167
adidas Distribution Centre, Uffenheim, Germany	13	177	300	12	113	308	11	84	203
adidas Distribution Centre, Rieste, Germany	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	15	268	291
adidas Distribution Centre, Caspe, Spain	5	61	220	7	248	155	4	93	134
adidas Distribution Centre, Dettwiller, France	1	26	19	0	0	20	0	0	20
adidas Distribution Centre, Manchester, United Kingdom	2	7	172	1	14	159	4	40	145
TMaG Distribution Centre, Basingstoke, United Kingdom	2	3	195	n.r.	n.r.	n.r.	1	31	1
adidas Distribution Centre, Obukhiv, Ukraine	n.r.	n.r.	n.r.	0	0	35	0	0	35
adidas Distribution Centre, Moscow, Russia	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	903
adidas Distribution Centre, Canot, Israel	0	0	35	0	0	45	0	0	48
adidas Distribution Centre 1 (Apparel), Spartanburg, USA	0	0	42	0	0	39	0	0	43
adidas Distribution Centre 2 (Footwear), Spartanburg, USA	0	0	45	0	0	42	0	0	42
Reebok-CCM Hockey Headquarters and Distribution Centre, Montreal, Canada	17	489	93	30	435	475	12	1,196	402
adidas Distribution Centre, Adams Boulevard, Brantford, Canada	3	202	98	3	32	98	2	27	134
adidas Distribution Centre, Embu, Brasil	n.r.	n.r.	n.r.	0	0	483	1	60	460
adidas Distribution Centre, Pudahuel, Chile	21	106	150	22	138	170	10	249	185
adidas Distribution Centre, Suzhou, China	3	8	140	6	16	133	0	0	146
adidas Distribution Centre Tultitlan-Blokk, Mexico	n.a.	n.a.	n.a.	3	190	241	2	152	210
adidas Hong Kong Ltd., Distribution Centre, Shatin, Hong Kong	0	0	46	4	142	50	4	340	57
Distribution centres (total)	86	1,199	1,741	101	1,396	2,653	73	2,674	3,626
TOTAL	197	3,880	17,228	205	3,487	18,355	164	4,800	19,797

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

COMMUNITY AFFAIRS

19. COMMUNITY AFFAIRS STATISTICS

In 2014, 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 2013, the number of supported projects remained constant, whereas the amount of product donations decreased slightly. In 2014, we targeted major volumes of our product donations to support people in severe need such as the refugee camps at the Turkish-Syrian border. Compared to the previous year, we have noted an increase in volunteer hours of 29%, as result of an increasing employee involvement.

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		
	2012	2013	2014	2012	2013	2014
EMEA	2,103	4,855	4,924	232	237	384
Latin America	97	87	77	52	12	7
North America	7,961	6,591	7,702	802	700	590
Asia Pacific	639	187	539	99	65	58
TOTAL	10,800	11,720	13,242	1,185	1,014	1,039

Region	Units of products donated			Volunteer hours		
	2012	2013	2014	2012	2013	2014
EMEA	77,236	85,120	130,513	13,838	16,862	20,935
Latin America	185,000	6,825	5,581	200	858	3,005
North America	307,441	460,804	367,349	2,927	2,352	3,202
Asia Pacific	100,198	43,534	41,406	4,319**	2,284	1,608
TOTAL	669,875	596,283	544,849	21,284**	22,356	28,750

* 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.



[Click here](#) to read our Corporate Giving Guidelines

CONTACT

We welcome your views about our efforts to be a more sustainable company.

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