



ALL CREA TORS

**ADIDAS
SUSTAINABILITY
PROGRESS
REPORT**

CALLING ALL CREATORS

No matter how far we have come with our sustainability efforts over the years, we know that we can always improve. And we know that in order to tackle the big challenges we are better off when working together.

For this reason, we are calling all creators, our own employees, our partners and consumers as well as suppliers to be a part of this important journey. We strive to give them the space their ideas and creative force need to improve our company's sustainable efforts.

Whether we talk about the empowerment of workers in our supply chain or assistance for our suppliers to improve their environmental performance, further developing our chemical management, minimising waste and inspiring our own people to make a positive impact on the world – guided by our core belief that through sport, we have the power to change lives, we are a team of thousands that keeps pushing the limits further than ever before.

With this report, we present some of the faces behind our efforts.

We are calling all creators.

TORS

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»WE SEE IT AS AN
OBLIGATION FOR
US AS A GLOBAL
COMPANY TO DO
BUSINESS IN A
RESPONSIBLE AND
SUSTAINABLE **WAY**.«

04

DEAR ALL,

Our long-term business strategy 'Creating the New' is based on the core belief that, through sport, we have the power to change lives. And we do this every day as a company: by empowering people to live an active life, by teaching life skills through sport and by creating sustainable products. Our core belief becomes particularly relevant when we talk about the impact we have with our sustainability work. We are one of the very few companies that integrate sustainability into their business model, which is most visible in the fact that we take sustainability to the product level. Two examples are our products made of Parley Ocean Plastic and the ever-increasing amount of Better Cotton used in our products. Our UltraBOOST Uncaged Parley was the best-selling shoe in our newly opened store on 5th Avenue in New York upon its launch. Also in 2016, we exceeded our target to source 60% Better Cotton by 8 percentage points, which puts us in a good position to source 100% of our cotton as sustainable cotton by the end of 2018. But we do not stop there. We do not only see sustainability as an opportunity to get a competitive advantage. We see it as an obligation for us as a global company to do business in a responsible and sustainable way.

In this context, 2016 saw the kick-off of the most holistic sustainability strategy of adidas to date because it looks at the entire life cycle of sport. This makes our sustainability strategy so powerful and successful. Research we conducted shows that consumers, the creator generation, see sport as an essential part of their life, and they would dislike a world without spaces allowing them to practise sports. Sport needs a space to exist. However, these spaces are increasingly endangered due to various threats to our world such as increased industrial pollution and its effect on the environment and our planet's climate, the violation of human rights such as forced labour practices or discrimination, the consequences of increasing urbanisation as well as the ever-growing population, to name a few examples.

Based on our passion for sport, we want to be the guardians of these spaces of sport, and we aim to protect these spaces that have a direct link to our business: we want to protect spaces where sport is made, sold and played. Within this life cycle of sport, we focus on two dimensions, people and product, for each of which we have set three strategic priorities and ambitious, tangible and measurable goals that guide our sustainability work towards 2020. You will find more details on these priorities, and the progress we made towards these goals in 2016, as you read this report.

»WE ARE PROUD
THAT WE ARE SEEN
AS BEING
HONESTLY
**COMMITTED TO
SUSTAINABILITY**
AND AS A
**LEADER IN OUR
INDUSTRY.«**

We are proud that we are seen as being honestly committed to sustainability and as a leader in our industry. This is reflected in our continued inclusion in some of the most important global sustainability indices. One example is our membership in the Dow Jones Sustainability Indices, where we have been listed for 17 consecutive years. In 2016, as one of the top-scoring companies in our industry, adidas received the RobecoSAM Gold Class and Industry Mover distinction for excellent sustainability performance.

Our focus on sustainability is not only recognised by investors, experts and consumers. It also excites our 60,000 employees and is a major reason why young people from all over the world would like to work for us. They want to be part of a company that has a clear mission. Our mission is to be the best sports company in the world. Best means that we design, build and sell the best sports and fitness products in the world, with the best service and experience, and in a sustainable way. Best is what our consumers, athletes, teams, partners, media and ultimately also you will say about us.

With this in mind, I hope you enjoy reading this report.

Truly yours,



KASPER RORSTED
adidas CEO

2020 TARGETS & AMBITIONS

PRODUCT



1 WE VALUE WATER

Water is essential for life. It is also a key resource for our industry. In order to tackle the ever-growing issue of water scarcity and achieve water stewardship¹, we have developed an approach addressing water efficiency, quality and accessibility.

BY 2020, WE WILL ACHIEVE

- 20% water savings at our strategic suppliers²
- 50% water savings at our apparel material suppliers³
- 35% water savings per employee at our own sites⁴

Additionally, we will:

- Further expand the use of waterless technologies for our products.
- Continue to develop programmes focused on providing access to clean water in the communities we operate in.

This is an overview of all targets we have set ourselves to be achieved by 2020. We measure our progress towards these targets annually. Please find a detailed evaluation of these targets at the end of each of our six priorities chapters.



2 WE INNOVATE MATERIALS & PROCESSES

We create the best for the athlete, while optimising our environmental impact. We are committed to steadily increasing the use of more sustainable materials in our production, products and stores. At the same time, we are driving towards closed-loop solutions.

BY 2020, WE WILL ACHIEVE

- 20% waste reduction at our strategic suppliers⁵
- 50% waste diversion for owned operations to minimise landfill⁶

- 75% paper reduction per employee at our own sites⁷

Additionally, we are working on:

- Replacing conventional cotton, with the aim of achieving 100% sustainable cotton by 2018.
- Phasing out the use of virgin plastic, starting with:
 - Eliminating plastic bags in our stores.
 - Increasing the use of recycled polyester in our products.
 - Creating a completely new supply chain for Parley Ocean Plastic together with our partner Parley for the Oceans.
- Increasing the use of sustainable designs and materials in our stores.
- Rolling out a global product take-back programme to all of our key cities and markets.
- Investing in materials, processes and innovative machinery which will allow us to upcycle materials into products and reduce waste. Ongoing examples include Sport Infinity and Futurecraft Tailored Fibre.
- Achieving 100% sustainable input chemistry by adopting the ZDHC MRSI; phasing out hazardous chemicals; providing our strategic suppliers with a list of positive chemistry (the bluesign bluefinder).



3 WE CONSERVE ENERGY

Energy is the fuel of the body. The responsible use of energy is also critical for our planet to survive. In order to mitigate climate change, we are committed to reducing our absolute energy consumption and CO₂ emissions, transitioning to clean energy and looking into energy harvesting opportunities.

BY 2020, WE WILL ACHIEVE

- 20% energy savings at our strategic suppliers⁹
- 3% absolute annual reduction in Scope 1 and Scope 2 CO₂ emissions at our own sites¹⁰
- further expansion of the Integrated Management System (IMS) to key sites globally at owned operations
- LEED certification for major new corporate construction projects, such as the new offices at the company's headquarters in Germany and new flagship stores.

Additionally, we will:

- Reduce the environmental footprint of our consumer events.

2020 TARGETS & AMBITIONS

PEOPLE

1 WE EMPOWER PEOPLE

People are at the heart of everything we do. Like a coach ensures that all of the players on the pitch are in the right position for the best results, we empower people to exercise their rights and unlock their potential.

BY 2020, WE WILL

- Empower¹¹ our supply chain workers by expanding and refining grievance systems and skill training programmes.
 - This includes the expansion of the Workers' Hotline to the countries where our strategic suppliers are located.
- We will continue to support our suppliers and licensees in further improving their social and environmental compliance performance as measured by our C- and E-KPI rating tools as well as scorecards.
- Foster cross-functional and cross-cultural careers and experiences for our employees. This will enable them to gain fresh perspectives and grow professionally and personally.
- Champion diversity – regardless of gender, nationality, ethnic origin, religion, world view, age, sexual orientation or gender identity.

2 WE IMPROVE HEALTH

Sport is the key to an individual's health and happiness. Our aim is to enable people around the world to participate in sports, while educating them on physical and mental health, fitness and nutrition. This will ultimately allow them to lead a healthier and more fulfilled lifestyle.

BY 2020, WE WILL

- Introduce education and upskilling measures on health and work-life balance topics for our employees.
- Develop a global Health Management strategy for our employees. This strategy is based on the strong foundation we already have at our offices in Herzogenaurach, Portland and Canton.
- Utilise sport as a tool to teach values and boost young people's academic and physical performance. In addition, this tool will add to their overall confidence and well-being.
 - We aim to increase the number of enrolled BOKS schools by 50% in our target areas.
- Nurture football talent by promoting grassroots football in China: by the end of 2018, we aim to reach 22 million students as a result of our joint efforts with China's Ministry of Education (MoE).

3 WE INSPIRE ACTION

We work hard every day to inspire and enable people to harness the power of sport in their lives. Likewise, we want to keep driving change in our industry by leading by example.

WE WILL CONTINUE TO FOCUS ON

- Rewarding our employees' commitment and contributions to our company's purpose, strategy and success.
- Encouraging and supporting employee volunteering – creating agents of change in the communities we work, live and operate in.
- Engaging with creators and influencers and driving innovative collaborations.
- Inspiring consumers, key partners, brand assets and others to join us on our journey.
- Teaming up with our athletes who will act as role models for young creators, sharing experiences and showing that sport is about passion, determination, teamwork, helping others and being active.

¹ Water stewardship means knowing and reducing our own water use and improving our impact on water at our own operations and along the value chain through innovative solutions and partnerships. | ² Strategic suppliers are responsible for around 80% of our global production volumes. 2014 baseline | ³ Apparel material suppliers are specialists in printing and dyeing operations. 2015 baseline | ⁴ 2008 baseline | ⁵ 2014 baseline | ⁶ Owned operations include offices, distribution centres, retail. 2015 baseline | ⁷ 2008 baseline | ⁸ Manufacturing Restricted Substance List, as per the Zero Discharge of Hazardous Chemicals Programme (ZDHP) | ⁹ 2014 baseline | ¹⁰ Scope 1: emissions that arise directly from sources that are owned or controlled by adidas entities, such as fuels used in our boilers; Scope 2: emissions generated by purchased electricity consumed by adidas entities. 2015 baseline | ¹¹ This means ensuring our suppliers' workforces at all levels are empowered with access to effective grievance and feedback channels, supervisory skills and other means to support fair, healthy and safe workplace conditions.

WE TAKE RESPONSIBILITY FOR THE ENTIRE LIFE CYCLE OF SPORT:



HOW WE OPERATIONALISE OUR STRATEGY: **MONITORING PROGRESS OF 'SPORT NEEDS A SPACE'**

We believe that through sport, we have the power to change lives. It is what drives us and stands behind everything we do. It is also the core of our Sustainability Strategy 'Sport needs a space', which was introduced in 2016. Building on existing programmes and tackling the subjects most material to our business and stakeholders, its name says it all: for sport to be able to change lives, it needs a space to exist such as a field to play on or a mountain to climb. The reality is, however, that due to man-made issues, including pollution through waste and increasing carbon emissions as well as human rights violations, these spaces are increasingly endangered. This is where 'Sport needs a space' comes in. It is our way to take on the challenges that pose a threat to the spaces of sport and, at the same time, our planet and people.

We have identified six priorities to address the issues and challenges of the places where sport is made, where sport is sold, and where sport is played. In short: along our entire value chain. Cross-cutting and relevant for all 'spaces', these priorities have been translated into tangible and measurable goals we aim to achieve by 2020, specifically focusing on two dimensions: product (including materials, technologies or the manufacturing process) and people (our own employees as much as our factory workers, fans, athletes, and consumers). → [page 06-08](#)

Covering our entire business model from end to end, 'Sport needs a space' requires a holistic management approach. For this reason we have created an internal cross-functional governance structure, a tripartite organisation ranging from project owners to our strategic working group to a sponsor board. The structure's ultimate ambition is manifold: on the one hand, it empowers bottom-up creativity and expertise as well as cross-functional

alignment and transparent decision-making. At the same time, it allows a very robust tracking of progress with clearly defined accountabilities. Most importantly, it also ensures that priorities

stay relevant in the long run as well as flexible enough so they can be adjusted to changing internal and external developments if need be.

The operational part of the structure is made up of the respective project owners on the ground who drive implementation and provide the necessary valuable feedback on the development and execution of their projects to the strategic working group. Made up of nominated project leads and sustainability experts representing individual functions, this group not only monitors the progress of 'Sport needs a space', they also identify and react to trends and stakeholder expectations in order to fine-tune and advance the cross-functional programme in monthly meetings. They further define and align KPIs and targets for 'Sport needs a space', ensure efficient decision-making, and in turn report their findings to the sponsor board consisting of senior representatives of our company – from Social & Environmental Affairs (SEA), Global Operations, Global Brands, Human Resources, Global Workplaces, Retail Concept, Sales, Finance, and Communication. Acting as advocates, they promote the strategy to the Executive Board and top management to ensure its activation and endorsement throughout the company. They also oversee the progress made towards our 2020 goals as one team and provide strategic framework and priorities for possible adjustments, further developments, and communication of 'Sport needs a space'.

While the foundation for a successful structure has been laid in 2016, we will continue to fine-tune the programme based on learnings in 2017 and beyond.

»THE GOVERNANCE STRUCTURE EMPOWERS BOTTOM-UP CREATIVITY, ENSURES TRANSPARENT DECISION-MAKING AND PROGRESS-TRACKING.«

FRANK HENKE
VP GLOBAL SOCIAL & ENVIRONMENTAL AFFAIRS AT ADIDAS

HOW WE LEARN FROM OUR PARTNERS: THOUGHT LEADERSHIP IN PROTECTING HUMAN RIGHTS

We are a globally operating company with a lot of resources and knowledge based on a long history of sustainable engagement that we are very proud of. As an important part of this, we recognise our responsibility to respect human rights and the importance of showing that we are taking the necessary steps to fulfil this social obligation as a business. We do this by striving to operate responsibly along the entire value chain, safeguarding the rights of our own employees and those of our suppliers through our 'Workplace Standards,' and applying our influence to affect change wherever human rights issues are linked to our business activities. But we are well aware that we can have a bigger impact when working with partners.

Since its inception in 1997, our human and labour rights programme has been built on the back of intense stakeholder outreach and engagement: seeking to understand and define the most salient issues to address as a company, to learn from them and use that knowledge to support our overall mission to change lives through sport. This has become visible once more through our human rights activities in 2016 that were based on the heightened outreach to and engagement with our stakeholder groups as well as the development and publication of new industry benchmarks.

In October 2016, in line with our long standing commitment to addressing the human rights challenges

CORPORATE HUMAN RIGHTS BENCHMARK



human rights policy, process, and performance. We are proud to have been selected for the pilot and ranked second in the Apparel sector, and fifth in the overall ranking out of 98 corporations in total. We will be using the results of the benchmark to identify gaps and areas for improvement in our human rights work.

Also released in 2016 was the KnowTheChain evaluation of forced labour in the global Apparel and Footwear sector. Among the twenty companies selected for evaluation, we ranked first in the sector due to our best practices, including strong disclosure and supply chain risk mapping. The result was also based on our Modern Slavery Outreach Programme, launched earlier in the year, as well as our published call to non-profit groups and other companies to join us in tackling modern slavery issues in high-risk countries.

As a global sports company, we do have the obligation to lead by example. We will continue to reach out to and engage with the relevant stakeholder groups so we can intensify our support for human rights activities.

Read more on [our website](#).

related to sports, as laid out in our 'Sports needs a space' strategy, we actively contributed to a series of white papers which were presented at a multi-stakeholder Sporting Chance Forum in Washington DC. The two-day event promoted the learning and capacity building of the parties involved in major sporting events. It also explored ways to develop more comprehensive, consistent, and inclusive approaches to managing human rights impacts. We believe that only by pooling the knowledge of sponsors, sports bodies, governments, and advocacy groups it is possible to highlight and devise more effective strategies to address the human rights challenges associated with mega-sporting events, from planning through to legacy.

Throughout 2016, we invested time in preparing and sharing updates on our human rights policies and practices, including the disclosure of our 'Approach to Human Rights Defenders'. We understand that we are the only business globally to have published such a policy. In addition, we shared our experience on the role business can play in protecting human rights defenders with members of the UN Global Compact.

An important validation of our efforts comes from the newly launched Corporate Human Rights Benchmark (CHRB), which rates the top 500 globally listed companies on their

HOW WE MONITOR OUR FOOTPRINT

WHILE **MAXIMISING THE VALUE OF OUR BUSINESS**

It is our mission to be the best sports company in the world. For us, this means creating long-term, sustainable value which goes far beyond the consideration of mere financial metrics: it includes the management of major intangible value drivers in our company such as our sustainability performance.

In order to measure our sustainability performance we know it is critical that we fully understand the environmental implications of doing business. In 2016, for the very first time, we conducted a fact-based pilot analysis to assess our organisational environmental footprint. The aim was to better understand where our main environmental impacts occur along our value chain, and to translate them into monetary terms. The results of the analysis will contribute to our Integrated Performance Management (IPM) programme, which is our overall strategic approach to systematically and consistently consider major tangible and intangible value drivers in the decision-making of our company.

Major impacts identified in indirect supply chain

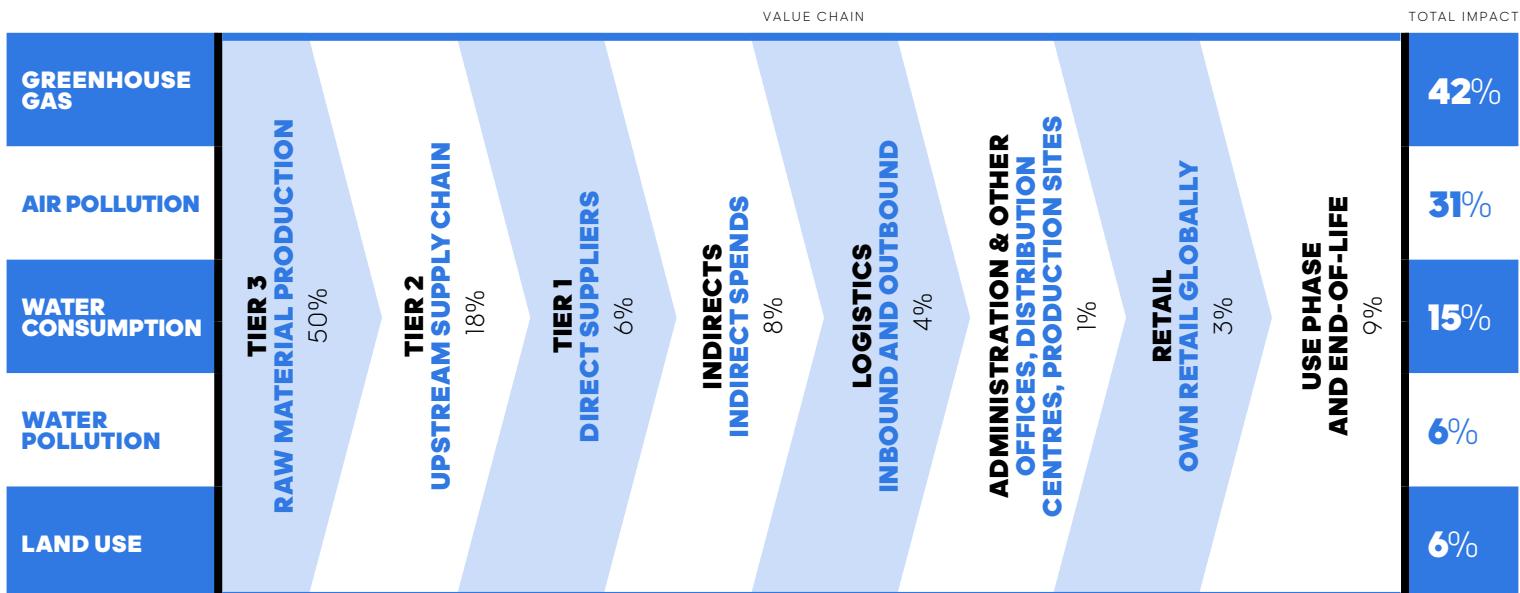
The objective of our environmental footprint analysis was to provide us with a clear picture of what our main environmental impacts along our value chain are and how they correlate to each other in terms of magnitude. For our pilot exercise we used an internationally recognised methodology to analyse

our entire value chain from processing of raw materials (Tier 3), upstream supply chain (Tier 2), direct suppliers (Tier 1) to indirect spends, logistics, core operations including our own offices and own retail, all the way to the use phase and end-of-life of our products. The analysis was conducted in three steps: firstly, we collected relevant primary data from own systems and operations, as well as secondary data to complete potential data gaps. Secondly, we calculated our environmental impacts in absolute terms that were translated into monetary value in a last step.

Using the baseline of 2015, we focused on five main environmental impacts: GHG (Greenhouse Gas) emissions, water consumption, land use as well as air and water pollution. Results show that only 4% of our impacts relate to our core operations (operations related to all of

our administration offices, distribution centres and own production sites globally, as well as own retail stores globally). The biggest impact however happens in the upstream supply chain in factories beyond our Tier 1 suppliers we have a direct relationship with.

- **GHG emissions** account for 42% of our total environmental impacts, with more than half of these CO₂ emissions (54%) caused beyond our direct suppliers. The impacts occur during the processing of raw materials, e.g. leather production, which is mainly due to cattle farming, as well as high energy use for production of synthetic materials.
- **Air pollution** comes second with 31% of our total impacts. The main reasons can be found in the energy-intensive process for synthetic material production and burning of fossil fuels for energy production.
- **Water consumption** makes up 15% of our total impacts, with indirect suppliers being the main contributor. Raw material production across Tier 3 suppliers accounts for 68% of our overall water consumption, which is mainly related to agricultural processes. Tier 2 suppliers account for further 21% of our water consumption, which is mainly the result of dyeing and other wet processes necessary for manufacturing our products.



» AT ADIDAS WE ARE CHANGING THE WAY WE DEFINE AND MEASURE OUR SUCCESS.
NON-FINANCIAL VALUE DRIVERS
 SUCH AS OUR SUSTAINABILITY PERFORMANCE ARE THEREFORE **CRITICAL ELEMENTS** OF OUR **DECISION-MAKING.** »

ROBIN STALKER, ADIDAS CFO

Results drive holistic company performance measurement

We will repeat this footprint analysis regularly and use the insights we gained to evaluate the effectiveness of the programmes we already have in place, to select the most effective future strategies to reduce our impacts, to monitor our progress against the targets laid out in our sustainability strategy and to further fine tune our approach if necessary.

In addition, we will continue to work on enhancing the footprint methodology used as well as integrating our findings into the relevant business processes. Therefore, the results are a crucial contribution to drive our IPM ambition. This is our way to embed material financial and non-financial, as well as tangible and non-tangible value-driving aspects of our business model, systematically into our decision making. Providing increased transparency about the impacts created throughout our value chain, the results will enable more informed and fact-based decision-making, and ultimately lead us to drive holistic value creation for our company.

WE VALUE WATER

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WE VALUE WATER



WATER IS **ESSENTIAL** FOR LIFE. IT IS ALSO A KEY RESOURCE FOR OUR INDUSTRY. IN ORDER TO TACKLE THE EVER-GROWING ISSUE OF WATER SCARCITY AND ACHIEVE **WATER STEWARDSHIP**, WE HAVE DEVELOPED AN APPROACH ADDRESSING **WATER EFFICIENCY, QUALITY AND ACCESSIBILITY**.



NAME
**ROHAN P.
PHELAN**

JOB
**DIRECTOR
MANUFACTURING
EXCELLENCE
APPAREL, TAIWAN**
AT ADIDAS

»To remember where we have been committed we need to do everything in my power to do everything! I am doing everything our suppliers can afford in the best equipment practice - in adopting their full potential for them to achieve their best potential.«

TAIWAN
DAVID

IDENTIFY, EDUCATE, ACT.

TEAMING UP
TO SAVE WATER
WHERE
NECESSARY



Water is not only essential for life, it is also a key resource for our industry. With the ever-growing issue of water scarcity, we have developed an overall approach to address water efficiency, improve wastewater quality, and provide better accessibility to water in communities. We know that we can only be successful if all of our partners along the supply chain contribute to our ambition. Educating our suppliers, subcontractors and material suppliers, making them identify and report their water footprint, and acting

upon these results is a top priority of our Sustainability Strategy. For this reason we have put several programmes and procedures in place to support our apparel and footwear suppliers.

As part of the 'Manufacturing Excellence' programme, one target is to achieve 50% water savings at apparel material suppliers by 2020. Introduced in 2013, the strategic initiative deep-dives into a variety of projects across adidas' supply base to further optimise how our products are engineered and manufactured. As our industry uses high volumes of water at the stage of raw material processing, we collaborate closely with our apparel supplier base by educating them about best available technologies and processes to strengthen their capabilities as well as to improve water usage in the manufacturing of our products. This includes training and advising both our internal colleagues and our suppliers on innovative methodologies and technology options that are needed to save water. Over the past 36 months, we have successfully promoted several procedures tackling those areas considered critical in water processing and usage in textile production, all of them resulting in increased water efficiency.

One of these procedures is 'Right First Time'. As any percentage of failure during the dyeing process doubles or triples the quantity of water required to dye a fixed quantity

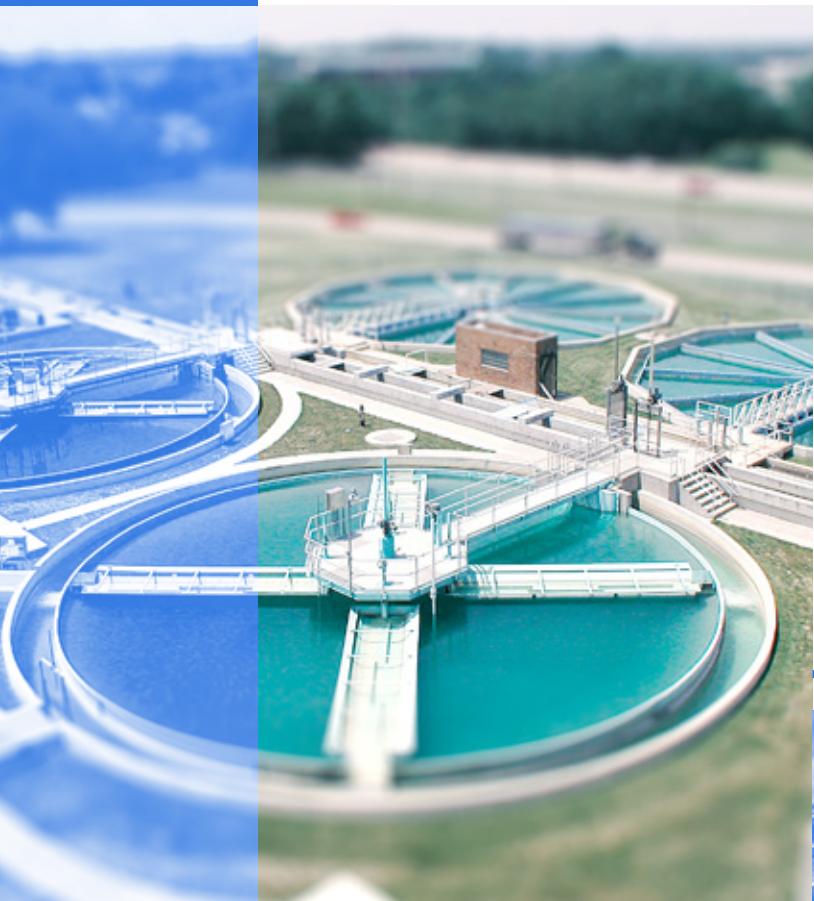
**INCLUSION
IN THE**

CITI TOP 30

THE ENVIRONMENTAL PERFORMANCE OF
OUR SUPPLY CHAIN IN CHINA IS CONSIDERED
A LEADING EFFORT WORLDWIDE

80%

WE ARE COMMITTED
TO **DELIVERING FULL
TRANSPARENCY** OF
OUR SUPPLIERS' HAZAR-
DOUS CHEMICAL USE,
EMISSIONS AND WASTE
WATER DISCHARGES:
AS OF 2016, 80% OF
ALL WET PROCESSES
**ACROSS OUR GLOBAL
SUPPLY CHAIN** ARE
DISCLOSED ON THE
IPE PLATFORM.

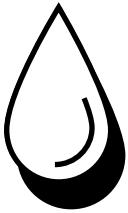


of material in the correct colour, 'Right First Time' is crucial because it ensures that only one single dyeing process and the standard water consumption is necessary to get it right. Additional work streams include 'water recycling' – the most common technology used – which aims for 100% reuse of water or zero discharge as well as 'improved materiality' which again saves 1% total water usage for every 1% in material quality gained. We further implemented machinery upgrades to improve liquor ratio processes and promoted higher capacity utilisation to increase the amount of material processed in production machines. First results of these upgrades and investments are already visible: since 2014 we have reduced the amount of water in our materials processes from 121 litres/kg to 95 litres/kg – a reduction of 22%.

Based on this success, we have begun to apply a similar approach to achieve water savings at our footwear suppliers. In 2016, we started a pilot project with four factories. The goal is to motivate them to track their water consumption data to make sure we fully understand their water usage. As a second step we can then find ways to strengthen their capability to save water in their manufacturing processes.

We also continue to be transparent about our suppliers' discharge of waste water. As of 2016, 80% of all wet processes across our global supply chain were publicly disclosed. Our efforts to improve our suppliers' environmental performance were again officially recognised. In 2016, for the second consecutive year, adidas ranked first in the textile sector and second overall out of 198 companies across industries as evaluated in the Corporate Information Transparency Index (CITI). Created by the Institute of Public & Environmental Affairs (IPE) in close cooperation with the US-based environmental NGO, the Natural Resources Defence Council (NRDC), the index rates the performance of international brands in managing environmental impacts of manufacturing operations in China and identifies environmental issues within their supply chain. In addition to being first in textiles and second overall, adidas is listed in the CITI Top 30, officially testifying that we as a company are making earnest steps towards green procurement and that the environmental performance of our supply chain in China is considered a leading effort worldwide.

These results are not down to chance. In fact, we have been collaborating with the IPE since 2011. Once notified by them, we partnered with our suppliers to work on their environmental violations until they were fully addressed. We also conducted monthly screenings of our suppliers' presence in the IPE database. We are aware that further improving our CITI rating in 2017 will be a challenge due to, for example, stricter environmental legislation and increasing costs for more frequent monitoring of our suppliers' performance. However, we will continue our path towards a green supply chain in China.



LEADING BY EXAMPLE: ON OUR WAY TO ACHIEVE WATER STEWARDSHIP

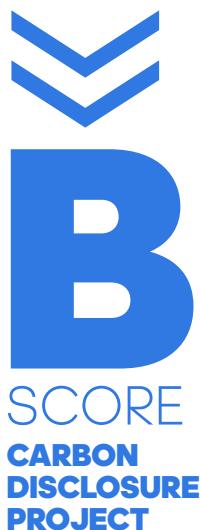
Water is a renewable resource, but factors such as the ever-growing population and the impacts of climate change are tipping the scale to a point where water supply may no longer meet demand. 'Water stress', defined as the ratio of total freshwater withdrawn to the total renewable fresh water resources, affects two billion people and every continent. This hinders environmental sustainability, economic growth and social development.

We are driven by our ambition to achieve water stewardship. For us, this means knowing and reducing our own water use and improving our impact on water at our own operations and our value chain through innovative solutions and partnerships.

While it is important to make sure that our suppliers improve their water footprint, it is equally if not more important that our own operations lead by example. In 2016, Green Company, our environmental programme for our own sites globally, presented its 2020 targets for water designed to continue our leadership in water use reductions. → [see page 20 for details](#)

The second generation of our Green Company programme sets context-based water reduction targets which are based on one important understanding: water is a local resource, and reductions in water use can only be achieved if addressed individually in each of the locations. To define the most efficient targets for each of our sites globally we assess the local challenges by taking local watersheds into account using the 'Aqueduct Water Risk Atlas'. As a result, we have set proportionally higher targets in water critical-areas.

In 2016, our efforts were recognised by the Carbon Disclosure Project (CDP) with a good 'B score' ('A' being the best), following our response to their water questionnaire. With our own Green Company programme we will continue to lead by example in order to reduce water use at our own sites around the world.



JOINING TRUSTED PARTNERS TO HELP THOSE IN NEED

The availability of clean water is essential for humans and the planet to survive. We are very proud to look back on a long-standing history of supporting those in need through engaging in partnerships for certain projects in order to help communities. One of these partners is SOS Children's Villages. Most recently, we teamed up on a water project in Aleppo, Syria, that resulted in 700 families having access to water on a daily basis.

SOS Children's Villages Syria is providing water to buildings connected to a borehole through fixed pipes as well as public water taps while also transporting fresh water from the wells to surrounding neighbourhoods. In addition, SOS Childrens' Villages gave the local authorities in and around Aleppo a new water pump that can provide up to 30,000 people with fresh water. The team also installed ten metal containers in the centre of Aleppo to provide 5,000 people with necessary water.

We will continue to support trusted partners and create our own impact on the world by providing access to clean water where needed.

FRESH WATER FOR UP TO 30,000 PEOPLE



2020 TARGET EVALUATION



IN THE BLOCKS
RUNNING
FINISHING LINE

Being committed to transparency we measure and disclose the progress made towards our 2020 targets as defined in our Sustainability Strategy at the end of each year.

We use three incremental stages of evaluation to describe the progress made:

- **IN THE BLOCKS:** We are at the starting point, fully prepared and ready to begin this new project or initiative. If a project is already in place, this stage implies that it might have been affected by unforeseeable challenges.
- **RUNNING:** We are on track to achieve our set targets. At the same time, potential partners are on board and working with us, while problems – if any – are under control.
- **FINISHING LINE:** The target is in clear sight and the project is almost completed successfully. But we know there is always more to be done and the next starting block is right around the corner.

2020 TARGET	TIMELINE	PROGRESS	EXPLANATION
20% water savings at our strategic suppliers ¹	2020	<div style="width: 50%;"><div style="width: 50%; background-color: #0070C0;"></div></div>	At the end of 2016, 54% of our strategic suppliers were on track to achieve the 2020 target. With the launch of our new Sustainability Strategy in 2016, we took the opportunity to enhance our existing tools to measure our suppliers' environmental performance, which has led us to the development of a more refined method of measurement. Using a divisional benchmark and taking into account suppliers' actual performance, we set individual targets for each of our suppliers that will drive 2020 target achievement. → see page 34 for details
50% water savings at our apparel material suppliers ²	2020	<div style="width: 10%;"><div style="width: 10%; background-color: #0070C0;"></div></div>	At the end of 2016, we achieved 11% savings in water usage, exceeding our annual target. Progress was driven by our initiative 'Manufacturing Excellence' that successfully promoted several improvement measures in water processing and usage in textile production, all of them resulting in increased water efficiency. → see page 16 for details



2020 TARGET EVALUATION



IN THE BLOCKS
RUNNING
FINISHING LINE

2020 TARGET

TIMELINE

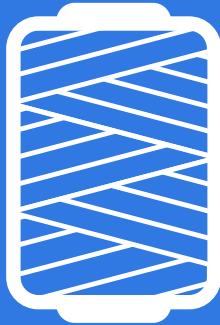
PROGRESS

EXPLANATION

35% water savings per employee at our own sites³	2020	<div style="width: 25%;"><div style="background-color: #0070C0; width: 100%; height: 10px;"></div><div style="background-color: white; width: 100%; height: 10px;"></div></div>	We achieved a 23% reduction in water use per employee between 2008 and 2016, despite increased water consumption in 2016. This was the result of improvements in irrigation efficiency, especially at campus locations with on-site football fields and golf courses. Other measures include the installation of water-saving devices and the introduction of awareness campaigns for employees. A few sites are still unable to measure their water consumption accurately as they share their office building with other occupants. The water charges for their leased or rented space are usually not metered separately, which makes it difficult to measure water volume in this type of shared-occupancy setting. → see page 78 for details
Further expand the use of waterless technologies for our products	2020	<div style="width: 10%;"><div style="background-color: #0070C0; width: 100%; height: 10px;"></div><div style="background-color: white; width: 100%; height: 10px;"></div></div>	We aim to steadily increase the amount of waterless dyeing conducted by the company year over year. In 2016, initiatives to expand the equipment for waterless dyeing by our supplier have been planned. We continue to work on defining the DryDye yardage in order to increase the amount in 2018. Please see our website for details.
Continue to develop programmes focused on providing access to clean water in the communities we operate in	2020	<div style="width: 10%;"><div style="background-color: #0070C0; width: 100%; height: 10px;"></div><div style="background-color: white; width: 100%; height: 10px;"></div></div>	We continued to support trusted and long-standing partners in water saving initiatives. In 2016, we teamed up with SOS Children's Villages on a water project in Aleppo, Syria, that resulted in 700 families having access to clean water on a daily basis. → see page 18 for details

¹ Strategic suppliers are responsible for around 80% of our global production volumes. 2014 baseline. | ² Apparel material suppliers are specialists in printing and dyeing operations. 2015 baseline. | ³ Owned operations include offices, distribution centres, retail. 2008 baseline.

WE INNOVATE MATERIALS & PROCESSES



WE CREATE THE BEST FOR THE ATHLETE, WHILE **OPTIMISING** OUR **ENVIRONMENTAL IMPACT**. WE ARE COMMITTED TO STEADILY INCREASING THE USE OF MORE **SUSTAINABLE MATERIALS** IN OUR PRODUCTION, PRODUCTS AND STORES. AT THE SAME TIME, WE ARE DRIVING TOWARDS **CLOSED-LOOP SOLUTIONS**.



NAME
**EBRU
GENCOGLU**

JOB
SENIOR DIRECTOR,
PRODUCT OPERATIONS
MATERIALS, TAIWAN
AT ADIDAS

»Whether I work towards achieving our Better Cotton goal or apply these learnings on the Parley project, I am proud of our great teamwork, passion, and creativity. My dream is to leave a better world to our kids, and the commitment of our company towards sustainability allows me to be part of the solution.«

COLLABORATOR

REDEFINING THE



PRODUCT

INDUSTRY, ONE PRODUCT AT A TIME

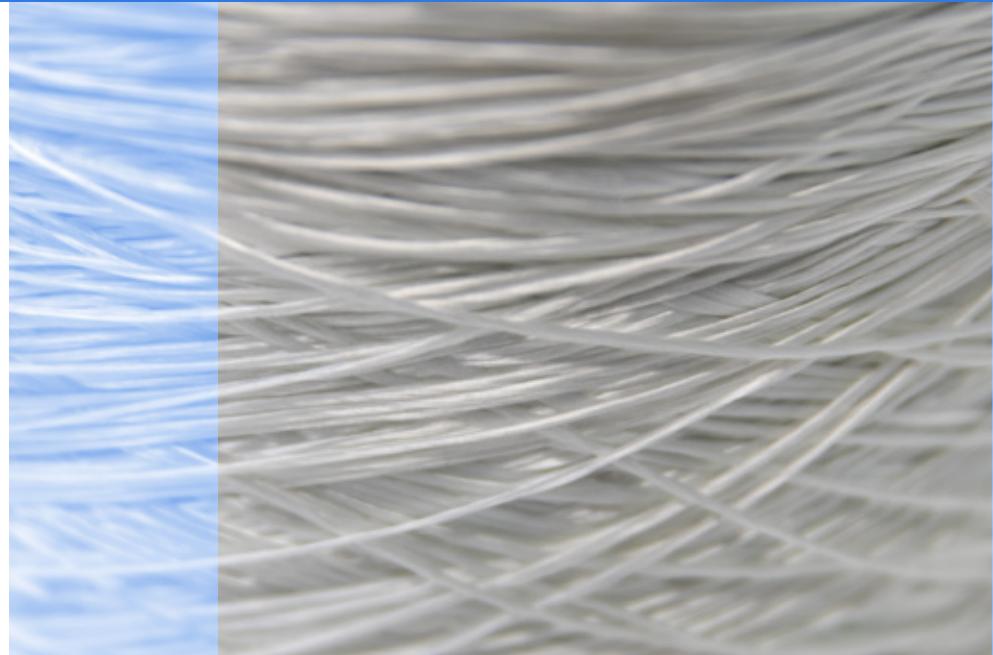
Creating the best for the athlete is an ambitious goal, doing it while optimising our environmental impact a much bigger one. One that we have been taking seriously for many years now. We believe this is the right thing to do. In addition, we know that the availability of non-renewable resources is constantly declining, which is why we must search for alternative solutions

today. This means that we need to replace the non-renewable materials we use, e.g. synthetic fibres such as polyester, but also cotton and various blends. We also have to address the global waste challenge and resource shortages by actively driving material innovations and closed loop solutions that will reduce our environmental footprint.

In 2016, we have seen remarkable progress on our way to more sustainable material innovation. One major milestone is the development of our partnership with Parley for the Oceans, an organisation that addresses major threats towards the marine environment, the most important yet most fragile ecosystem on our planet. As founding member, we support Parley for the Oceans in its efforts in communication and education, research and development, direct action and eco-innovation. The mutual focus is on Parley's comprehensive Ocean Plastic Program, which is led by the Parley A.I.R. Strategy (Avoid, Intercept, and Redesign) to end ocean plastic pollution.

As part of this, we are working closely with Parley to transform marine plastic pollution into performance sports gear. The plan is working out and, in November 2016, experienced a highlight with the introduction of our first commercial football and running performance products made with Parley Ocean Plastic: the unique Bayern Munich and Real Madrid jerseys as well as the UltraBOOST Uncaged were the first products for consumers to purchase. The partnership will continue in 2017 with the goal of creating one million pairs of shoes made with Parley Ocean Plastic.

While we work with Parley to reuse plastic waste, we are also focusing on altogether avoiding the production of new plastic. One of the solutions we are currently looking into is Sport Infinity, a research project led by adidas and funded by the European Commission, which aims to identify and develop innovative recyclable composites that can be broken down into 3D-shapeable materials, and then remoulded in a waste-free process into a brand new product. In 2016, an initial proof of concept underlined for us that this is the most efficient and sustainable manufacturing process for recyclable products, with the key benefits being a drastic reduction in waste and the ability to create a product without the use of adhesives. We have also worked on a first range of qualified materials enabling fully recyclable products. As a result we were able to build first demonstrators made from these materials.



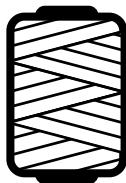
The latest sustainable innovation is the Futurecraft Biofabric prototype, which we presented in November 2016. The world's first performance shoe made from Biosteel fibres, developed by the German biotech company AMSilk, not only provides all the properties of a highly functioning performance shoe, it is also 100% biodegradable in a fully natural process. We will continue our work on this research project over the coming years.

These examples are complemented by our overall approach and successful efforts to use more sustainable materials in our products, for example the ever-growing amount of Better Cotton used in our global production. As a founding member and participating company, we have been partnering with the Better Cotton Initiative (BCI) since 2004, supporting the environmental and social benefits the initiative brings with it. In 2016, 68% of the cotton we sourced globally was Better Cotton, again exceeding our original target of 60%. This brings us even closer to achieving our commitment to source 100% of cotton across all product categories in all our brands as 'sustainable cotton' by 2018.

**IN 2016,
68% OF THE
COTTON
WE SOURCED
GLOBALLY
WAS
BETTER
COTTON.**

From our partnership with Parley for the Oceans to Sport Infinity and Futurecraft Biofabric, we will continue our journey towards redefining the industry of sustainable innovation and the elimination and reuse of materials.





CHALLENGE MEANS PROGRESS: IMPROVING OUR CHEMICAL FOOTPRINT

Our commitment to improve our chemical footprint has long been crucial to our sustainability work and naturally found its way into our new strategy as well. Hazardous chemicals contaminating the water supply is only one example of the severe environmental impacts deriving from material processing. At the same time, some of our products require man-made chemistry with unique criteria to meet our high performance functional and quality standards.

All of our products are safe for consumers and comply with all applicable legislation. However, we are committed to go way beyond that and proactively search for and implement alternatives to chemicals of concern without compromising on the performance and quality of our products. One example is our commitment to phase out PFCs¹ with the aim to being at least 99% PFC-free by no later than the end of 2017. By building in-depth expertise in our teams and strengthening our research capacities to find PFC-free alternatives that meet our high performance and quality standards in recent years, we have already succeeded in being 90% PFC-free since June 2014, and have eliminated all long-chain (i.e. C7, C8 and longer) PFCs since January 2015, across all products we produce or sell globally. However, the transition to PFC-free finished products causes challenges and is not without setbacks, especially when you take our diverse product portfolio in footwear, accessories and our global supply chain into account.

Through our research and innovation efforts, we have achieved significant progress in 2016, for

example by involving our licensees and subsidiaries. By the end of 2016, we had approved solutions for roughly 96% of all released products. As there are no global standards to define 'PFC-free', we have created and implemented an adidas PFC-free policy which summarises the most up-to-date findings of our research work and describes a sophisticated procedure to ensure compliance with our PFC-free programme as well as to eliminate the intentional use of PFCs. The policy covers the full supply chain, end to end: from input chemistry to production through to the final product, and further provides an approved list of formulations to be used by all adidas suppliers as well as an approved list of suppliers who meet our requirements to produce PFC-free products. All these steps and achievements, continuous research and commitment have put us in a strong position towards achieving our ambition as of 2018 onwards.

We strive to be open about our progress even if we do not have all the answers yet. While we are well on the way to eliminating PFCs from our production processes, we have started working on reducing the negative impacts of processing a new chemical of concern: DMF², a hazardous solvent used to manufacture synthetic leather products. We are currently evaluating how many water-based materials are finding their way into our new products and will proactively promote these internally to raise awareness. As an important next step, we will collaborate with chemical suppliers and PU³ production facilities to optimise the performance properties of synthetic leather products that are currently not water-based to find the perfect balance between creating the best for the athlete and optimising our environmental impact.

→ see page 29 for more details about our progress made in chemical management

¹ Defined as all poly- and perfluorinated alkyl substances and their precursors and metabolites. | ² Defined as dimethylformamide. | ³ Defined as polyurethane.

GUIDING OUR SUPPLIERS TOWARDS MINIMISING WASTE

We are committed to minimising waste as it occurs during production along our supply chain and finding environmental-friendly disposal solutions that reduce our environmental footprint. In collaboration with two strategic partners, we launched a pilot project in Vietnam in 2016 in order to understand how we can achieve our future ambition of zero landfill by finding rubber upcycling alternatives to divert waste from landfill.

After analysing our suppliers' waste data, we focused our initial pilot in Vietnam on key apparel and footwear suppliers. We set first phase priorities and defined the project scope and deliverables with our strategic partners. The pilot included an analysis of waste streams, recommendations for waste segregation efficiency to maximise the collected waste on the one hand, as well as a feasibility study and analysis

of apparel waste disposal methods and efficiency for Tiers 1 and 2.

As we conclude the first phase in Vietnam, the project will be rolled out regionally to bring the important learnings to other suppliers and minimise waste along our supply chain.



2020 TARGET EVALUATION



IN THE BLOCKS
RUNNING
FINISHING LINE

2020 TARGET

TIMELINE

PROGRESS

EXPLANATION

We will achieve 20% waste reduction at our strategic suppliers ¹	2020	<div style="width: 20%; background-color: #0070C0;"></div> <div style="width: 80%; background-color: #F0F0F0;"></div>	<p>At the end of 2016, 39% of our strategic suppliers were on track to achieve the 2020 targets. With the launch of our new Sustainability Strategy in 2016, we took the opportunity to enhance our existing tools to measure our suppliers' environmental performance, which has led us to the development of a more refined method of measurement. Using a divisional benchmark and taking into account suppliers' actual performance, we set individual targets for each of our suppliers that will drive 2020 target achievement. → see page 34 for details</p>
50% waste diversion for owned operations to minimise landfill ²	2020	<div style="width: 20%; background-color: #0070C0;"></div> <div style="width: 80%; background-color: #F0F0F0;"></div>	<p>Our sites have been analysing waste streams and introducing recycling measures and organic canteen waste composting over the past few years. Some sites, especially our administration offices and distribution centres in Asia and South America, still find it challenging to measure and track individual waste streams and volumes. Currently, 45% of all our sites have implemented a tracking system. Some of these challenges relate to how our leases are structured. For example, we may be charged a flat waste-haul charge by a landlord, rather than a per weight fee. In some cases, our waste is mixed with other tenants' waste. This was the first year we requested recycling volumes. Many facilities and countries appear to lack basic recycling infrastructure, partners and programmes. This will be a key priority to address in coming years. To note, we have reduced the domestic waste per employee by 28% in comparison to 2008, achieving our internal target. → see page 78 for details</p>
75% paper reduction per employee at our own sites ³	2020	<div style="width: 20%; background-color: #0070C0;"></div> <div style="width: 80%; background-color: #F0F0F0;"></div>	<p>In 2016, we achieved a 17% reduction in paper consumption compared to the previous year as well as a 49% reduction since 2008. Success is led by our administrative offices as many have adjusted the default settings on existing printers or upgraded to new printers that enable users to print documents double-sided. In addition, the implementation of badge access printing and the transition to a digital culture is supporting this reduction in paper consumption. Paper savings have not yet been replicated by our production facilities and distribution centres. Our distribution centres in particular have struggled to reduce consumption due to the increase in online orders and the need to print delivery documents. → see page 78 for details</p>

¹ 2014 baseline. | ² Owned operations include offices, distribution centres, retail. 2015 baseline. | ³ 2008 baseline.



2020 TARGET EVALUATION



IN THE BLOCKS
RUNNING
FINISHING LINE

2020 TARGET

TIMELINE

PROGRESS

EXPLANATION

Replacing conventional cotton, with the aim of achieving 100% sustainable cotton by 2018. Phasing out the use of virgin plastic, starting with: <ul style="list-style-type: none"> • Eliminating plastic bags in our stores. • Increasing the use of recycled polyester in our products. • Creating a completely new supply chain for Ocean Plastic together with our partner Parley for the Oceans. This means that we are investing in resources to divert plastic waste from coastal communities back into the production cycle and turn it into products. 	2018		<p>At the end of 2016, 68% of all cotton we sourced globally was Better Cotton. This is a great step towards our target of sourcing 80% by 2017 and achieving 100% sustainable cotton at the end of 2018. 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. Please also see our website.</p>
	2016		<p>As of April 2016, we have eliminated plastic bags from our retail stores globally and switched to paper bags. In total, the move will eliminate approximately 70 million plastic shopping bags per year. Please also see our website.</p>
	2020		<p>In 2016, we have further increased the use of recycled polyester in our products and offered the first commercial football and running performance products made with Parley Ocean Plastic: the unique Bayern Munich and Real Madrid jerseys as well as the UltraBOOST Uncaged (with 7,000 pairs available) were the first products for consumers to purchase and sold out instantly. We have further committed to create one million pairs of footwear by the end of 2017. Please also see our website.</p>
	2020		<p>In 2016, we collaborated with our main Parley supply chain partner in Taiwan and established a collection infrastructure in the Maldives. In addition, we implemented a monitoring system to get transparency about supply and demand. Also in 2016, we extended our monitoring coverage to include lower tiers of supplier facilities and started to conduct a series of labour, health and safety, and environmental audits for suppliers, supporting the launch of new products.</p>



2020 TARGET EVALUATION



IN THE BLOCKS
RUNNING
FINISHING LINE

2020 TARGET

TIMELINE

PROGRESS

EXPLANATION

Increasing the use of sustainable designs and materials in our stores.	2020 	<p>Sustainability was central to the design of the new adidas flagship store in New York City, which opened in December 2016. The store maintains the building's existing textures and finishes, which reduced the need for new materials. Moreover, the store features sales support items created with Parley Ocean Plastic, i.e. more than 25% of our mannequins and more than 90% of hangers and all shoe fillers and size cubes are made with 30% Parley Ocean Plastic. It is the first store of the adidas store fleet which was equipped with Parley Ocean Plastic items. We are exploring opportunities to roll it out further. Please see our website for details.</p>
Rolling out a global product take-back programme to all of our key cities and markets. Building on existing take-back pilots such as the one in Brazil, we will continuously expand this programme.	2020 	<p>In 2016, we built on and advanced our existing take-back programme in Brazil and introduced a take-back programme at our own retail stores in Canada. The first results in Canada have been very positive in terms of store staff engagement and consumer aspects. As a next step, we will expand to selected stores in key cities in the US and Western Europe markets in 2017.</p>
Investing in materials, processes and innovative machinery which will allow us to upcycle materials into products and reduce waste. Ongoing examples include: <ul style="list-style-type: none"> • Sport Infinity, a research project funded by the European Commission which focuses on sporting goods that can be fully recycled. The project aims to identify and develop innovative recyclable materials which will enable the production of easily customisable sporting goods. 	2020 	<p>In 2016, a proof of concept underlined for us that this is the most efficient and sustainable manufacturing process for recyclable products, with the key benefits being a drastic reduction in waste and the ability to create a product without the use of adhesives. We have also worked on a first range of qualified materials enabling fully recyclable products. As a result we were able to build first demonstrators made from these materials. We will continue our work on this research project over the coming years. Please see our website for details.</p>



2020 TARGET EVALUATION



IN THE BLOCKS
RUNNING
FINISHING LINE

2020 TARGET

TIMELINE

PROGRESS

EXPLANATION

<ul style="list-style-type: none"> • Futurecraft Tailored Fibre, a new sewing technique which allows new materials such as gill nets to be combined for use in footwear. Thanks to its efficiency, this process allows a significant amount of waste from the traditional shoemaking process to be eradicated. 	2020 	<p>In 2016, we released 50 pairs of the iconic Parley prototype shoe that were created using the adidas Tailored Fibre technology. In addition, we presented the Futurecraft Biofabric prototype. The world's first performance shoe made from Biosteel fibres provides all the properties of a highly functioning performance shoe and an upper which is also 100% biodegradable in a fully natural process. Please see our website for details.</p>
<p>Achieving 100% sustainable input chemistry by adopting the ZDHC MRSL; phasing out hazardous chemicals; providing our suppliers with a list of positive chemistry (the bluesign bluefinder)</p>	2020 	<p>Adoption of ZDHC MRSL: In 2016, we started to implement the first industry-wide Manufacturing Restricted Substances List (MRSL) which we have jointly created with the ZDHC organisation. We have set this list as a basic expectation for our suppliers. We also contributed to the MRSL Conformance Guidance, a tool that aims to support the implementation of the ZDHC MRSL, which will be released in early 2017. The communication, supported by adidas internal hands-on guidance documents, was released to all Tier 2 wet process suppliers in July 2016;</p> <p>Chemical phase-out: We have made further progress in phasing out hazardous chemicals. → see page 25 for details;</p> <p>bluesign: Our suppliers exceeded the 2016 target of 30% of auxiliaries and 70% of dyestuffs to be bluesign-approved by 11% and 6%, respectively. Looking ahead, our 2017 targets for our strategic apparel material suppliers are 50% of auxiliaries and 80% of dyestuffs to be bluesign-approved.</p> <p>Please also see our website for the latest progress report about our chemical management.</p>

WE CONSERVE ENERGY



ENERGY IS THE FUEL OF THE BODY. THE **RESPONSIBLE USE OF ENERGY** IS ALSO CRITICAL FOR OUR PLANET TO SURVIVE. IN ORDER TO **MITIGATE CLIMATE CHANGE**, WE ARE COMMITTED TO **REDUCING** OUR ABSOLUTE ENERGY **CONSUMPTION** AND CO₂ **EMISSIONS**, TRANSITIONING TO CLEAN ENERGY AND LOOKING INTO ENERGY **HARVESTING OPPORTUNITIES**.

THE NEW LEADER



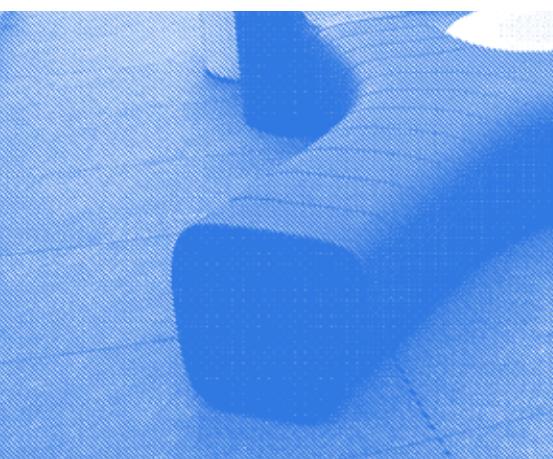
NAME
**KATHERINE
MACHLER**

JOB

SENIOR MANAGER
ISO & GREEN
COMPANY
GERMANY
HEADQUARTERS
AT ADIDAS

»My role as Green Company leader is to implement the right drivers to create a more sustainable company that prioritises energy efficiency and renewable energy projects and maximises the positive impact in our facilities and stores. I want to influence smart business growth through operating sustainable sites to ensure economic prosperity and improve human health and well-being.«

IT STARTS WITH US:



SYSTEMATICALLY CONSERVING ENERGY AT OUR OWN SITES



PRODUCT

While we pay close attention to our manufacturing processes to ensure the responsible use of energy, we are also systematically improving the environmental footprint at our own sites. This has led us to commit to reduce our absolute CO₂ emissions annually by 3%, transition to clean energy, and look into energy harvesting opportunities by 2020.

This is where LEED comes in. Short for Leadership in Energy and Environmental Design, it is the internationally recognised and most widely used third-party verification method for green buildings. It sets high standards for design and construction and uses strategies to improve

energy savings, reduce CO₂ emissions, improve indoor air quality and reduce water consumption.

Increasing the number of buildings that are LEED certified in our major new corporate construction projects is also an important initiative of our Sustainability Strategy. While most new offices and distribution centre projects will pursue some level of LEED certification, our largest facilities generally aspire for LEED Gold. And we are proud to see that our new office in Santiago, Chile, has received LEED Gold, making it the first new office to achieve this green building standard since we committed to LEED in

2016. In addition, our office in Moscow, Russia, received LEED Silver, and New York City will follow next.

Our efforts reach beyond new construction projects and include significant energy efficiency investments in existing buildings. In 2016, we kicked off an ambitious lighting retrofit in our largest US distribution centre in Spartanburg, USA. The sophisticated lighting control system and high-quality LED lighting optimises light levels and energy savings, and responds dynamically to the demands of the centre's operation in real time. While the retrofit project will be responsible for an estimated 88% of lighting energy reduction, it is also the biggest green ENERGY Fund project since its launch in 2012. The goal of the Fund is to finance energy efficiency and renewable energy projects across adidas' properties globally – we have invested in more than 60 projects in our owned and leased properties. Based on the overall success, we will expand our efforts to include WATER and WASTE Funds, respectively, in 2017.

Our ambition to make our buildings lean and smart was further underpinned with the launch of our first Integrated Management System (IMS) in 2016. In addition to environment, the system now covers provisions for health & safety and energy. Managing these drivers under one roof is supported by a dedicated IMS policy that defines clear procedures and responsibilities for our workplaces to operate efficiently and in an environmentally sound manner. It will further improve risk management, prevent accidents and create a safer work environment. In 2016, we received first-time certification for our IMS in Germany. Next, we plan for more sites to join this system in Europe and North America, followed by Asia and Latin America in the next few years.

We also join trusted partners and organisations in our fight to conserve energy

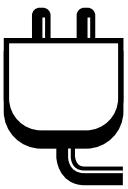


IMS =
(INTEGRATED MANAGEMENT SYSTEM)

→ **ENVIRONMENT**
+ **HEALTH & SAFETY**
+ **ENERGY**

and tackle the challenges climate change poses. We are proud to be recognised as a leader in climate action by the UN and to be a member of the UN Climate Neutral Now initiative. We also signed the declaration of German Watch in 2016 and will continue to tackle the impact of climate change at our own sites and across our supply chain in the following years.

Read more on [our website](#).



ON TRACK: EVOLUTION AND CREATION OF eKPIs 2.0

We know that most of the environmental impact occurs in our supply chain, which is why we put particular focus on ways to improve how we measure the environmental performance of our suppliers. With our new Sustainability Strategy having come into full effect in 2016, we have made significant changes to the way we monitor the environmental performance of our suppliers by enhancing our eKPI 2.0 programme. The upgraded programme is a performance-driven tool that allows for greater transparency into our suppliers' actual consumption of energy, water, and waste, helping us to understand these strategic areas in which our suppliers need further guidance and support to improve their environmental performance.

Within the eKPI 2.0 tool, we developed three supplier benchmark groups for each category (apparel, footwear, and hardware) that allow us to compare supplier performance. The group's benchmark uses 2014 verified performance data to set both individual performance targets in energy, water, and waste as well as their group's overall 20% reduction target.

To measure and evaluate our suppliers' progress against their set targets,

we use an online tool and environmental scorecard that shows their achievement towards these targets in each of the environmental strategic areas. One of the major benefits of this new approach is that we can now target individual reduction plans according to suppliers' needs in relation to their actual usage of energy, water, and waste as well as specified trainings and performance reviews that match their respective situation.

While the evolution of our eKPI 2.0 reporting has made remarkable progress in 2016, we are also looking at how to further strengthen the programme and process. Our ambition is to create an online dashboard that enables our suppliers and internal teams to track suppliers' performance in order to drive immediate actions, improve accuracy, and use the suppliers' self-declared monthly data real-time decision-making.

→ [see page 71 for details](#)

eKPI 2.0 = ENERGY, WASTE AND WATER



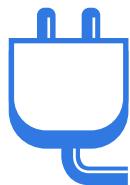
**PERFORMANCE-DRIVEN
TOOL FOR GREATER
TRANSPARENCY**



INDIVIDUAL TARGETS



**TRAINING PLANS
TAILORED TO
SUPPLIERS' NEEDS**



2020 TARGET EVALUATION



IN THE BLOCKS
RUNNING
FINISHING LINE

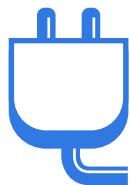
2020 TARGET

TIMELINE

PROGRESS

EXPLANATION

20% energy savings at our strategic suppliers¹	2020		<p>At the end of 2016, 37% of our strategic suppliers were on track to achieve the 2020 reduction targets. With the launch of our new Sustainability Strategy in 2016, we took the opportunity to enhance our existing tools to measure our suppliers' environmental performance, which has led us to the development of a more refined method of measurement. Using a divisional benchmark and taking into account suppliers' actual performance we set individual targets for each of our suppliers that will drive 2020 target achievement. → see page 34 for details</p>
3% absolute annual reduction in Scope 1 and Scope 2 CO₂ emissions at our own sites²	2020		<p>In 2016, we surpassed our goals of 3% net emissions reduction by achieving an 11% absolute annual reduction in Scope 1 and Scope 2 CO₂ emissions. This was aided primarily by ambitious energy efficiency programmes, an increased investment in carbon offsets, and the declining carbon-intensity of several grids in which we operate. For example, we launched a lighting retrofit at our largest US distribution centre, installing a sophisticated lighting control system and high-quality LED lighting. This project prepares the way for more advanced building technologies that will continue to reduce our carbon emissions and utility costs. → see page 78 for details</p>
Further expansion of IMS to key sites globally	2020		<p>In 2016, we successfully implemented an Integrated Management System (IMS), adding Health & Safety (BS OHSAS 18001) and Energy standards (ISO 50001) to our current Environmental System (ISO 14001). IMS is helping us to drive the integration of Health & Safety, Energy, and Environmental Management Systems and standards within our own facilities. During 2016, we added new sites to our Management System matrix certification including the Zaragoza office in Spain and the distribution centre in Langensteinach, Germany. The IMS will be rolled out to additional sites in Europe and North America in 2017 and we aim to achieve certified status in Asia and Latin America by 2020. → see page 79 for details</p>



2020 TARGET EVALUATION



IN THE BLOCKS
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PROGRESS

EXPLANATION

LEED certification for major new corporate construction projects, such as the new offices at the company's headquarters in Germany and new flagship stores	2020		<p>In 2016, our new office in Santiago, Chile, received LEED Gold certification. The office in Santiago sets a high bar for environmental sustainability, human health, and indoor air quality. It also serves as a model for resource efficiency and innovation in future building development. In addition, our new office in Moscow, Russia, was awarded LEED Silver status. More LEED projects are underway around the world. → see page 32 for details</p>
Reduce the environmental footprint of our consumer events.	2020		<p>In 2016, we developed guidelines for 'Sustainable Events' which will serve as orientation for our markets globally to run events more sustainably and inspire best practice sharing opportunities. The guidelines will be made available to our internal teams and external agencies with the aim of reducing the environmental footprint of selected events. We aim for a global rollout of the guidelines in 2017.</p>

¹ 2014 baseline | ² Scope 1: emissions that arise directly from sources that are owned or controlled by adidas entities, such as fuels used in our boilers; Scope 2: emissions generated by purchased electricity consumed by adidas entities. 2015 baseline



WE EMPOWER PEOPLE **38**

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WE EMPOWER PEOPLE



PEOPLE ARE **AT THE HEART** OF EVERYTHING WE DO. LIKE A COACH ENSURES THAT ALL OF THE PLAYERS ON THE PITCH ARE IN THE RIGHT POSITION FOR THE BEST RESULTS, WE **EMPOWER PEOPLE** TO **EXERCISE THEIR RIGHTS** AND **UNLOCK THEIR POTENTIAL**.



NAME
ADELINA SIMANJUNTAK

JOB
DIRECTOR SOCIAL AND ENVIRONMENTAL AFFAIRS,
FIELD OPERATIONS
INDONESIA
ATADIDAS

»I want to keep pushing and find ways to improve worker satisfaction in our supply chain. I think of myself as a coordinator between our internal teams and the external consultants to determine the best path for global scalability of the worker engagement programme. I am proud that our project is considered a breakthrough as there was no worker satisfaction index available for our industry when we first started.«

NAME
VUTU

JOB
SENIOR MANAGER SOCIAL AND ENVIRONMENTAL AFFAIRS, PROJECT AND CAPACITY BUILDING,
VIETNAM
ATADIDAS

»I bring in the right partners to do the right training for our suppliers. By organising the perfect sessions and workshops, I make sure that our participants get the necessary tools to succeed in their daily work in the factories and ultimately contribute to the success of our company.«

IT STARTS WITH LISTENING:

HOW WE EMPOWER WORKERS IN OUR SUPPLY CHAIN.

People are at the heart of everything we do. We want to empower them to exercise their rights and unlock their potential. This goes for our employees as well as the factory workers in our supply chain. Taking care of the well-being of our factory workers has been crucial to our supply chain management for decades. As a core minimum, we have therefore established our 'Workplace Standards', our supply chain code of conduct. These standards are contractually binding rules we apply at our suppliers' factories to cover workers' health and safety and to provide provisions to ensure environmentally sound factory operations. Drawing on international law and the International Labour Organisation conventions, they follow the model code of conduct of the World Federation of Sporting Goods Industry. First applied in 1997, we revised the 'Workplace Standards' in 2001, 2006 and 2016 in consultation with labour and human rights groups.

While we already have innovative approaches to systematically empowering workers in our factories in

place, we piloted a set of new initiatives aiming to better understand and respond to their needs as well as to develop suitable skill training programmes for them in 2016.

Indonesia: gaining insights into workplace conditions

We conducted a pilot survey in three factories in Indonesia in cooperation with an external partner based in Hong Kong. The goal was to gain insights into the current workplace environment and identify strengths and weaknesses as well as potential improvement opportunities that can be implemented to further improve worker satisfaction.

Reaching almost 500 participants, the pilot survey consisted of a series of questions to supervisors and workers regarding topics such as trust and wage fairness but also issues such as room temperature, noise level, canteen services, and toilet conditions. Both parties were also asked about how safe they feel at work in terms of harassment and discrimination and how any





SUPERVISORS RECEIVED SPECIALISED TRAINING THAT ENHANCED THEIR SKILLS ON HOW TO EFFECTIVELY COMMUNICATE WITH THE WORKFORCE.

complaints or suggestions they brought forward were handled. After the results were analysed for each factory, our partner conducted focus group discussions and interviews in order to gain an even deeper understanding of the results and provided group training content and materials.

Based on the overall positive learnings, the project will be rolled out to more than 80 factories in Asia and region EMEA in 2017, given they have received a minimum C-KPI score of 4C. This will help us to establish a baseline and understanding of workers' workplace life as well as assist us in determining suitable follow-up approaches for possible improvements. At the same time it enables us to better address the challenges arising from, for example, different languages and cultures.

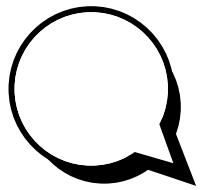
Vietnam: training those who supervise

Continuously improving conditions for our workers also involves training those who are in turn training and supervising the workforce. With this in mind, another pilot project took place in Vietnam. In order to create a stable and conducive

working environment, supervisors from seven strategic suppliers received specialised training that would enhance their skills on how to effectively communicate with the workforce, to gain their trust and cooperation as well as understand what motivates them. In collaboration with a service provider based in Vietnam, the trainings were conducted over a period of four months in 2016 with a total of 25 local supervisors who directly manage production-related workers. In a series of workshops, they learned about management skills and techniques to empower, persuade and influence people in the workplace, especially during a crisis situation. Following this encouraging pilot project, the training will be rolled out to other strategic suppliers in Vietnam with the potential to include China and Indonesia in 2017.

These are just two examples of our efforts to improve worker empowerment in our supply chain. They are complemented by, for example, our 'Worker Hotline' project, an innovative grievance mechanism run by an independent service provider in four of our major sourcing countries. It offers almost 300,000 factory workers the opportunity to anonymously ask questions, make suggestions or express their concerns via text message. We also run a programme in Pakistan to improve women's knowledge and skills and help them to have better opportunities in the workplace.
→ [see page 43](#)

This serves as an overview of our continuous quest to understand our workers' needs through listening (bottom-up survey) and training management (communication skills) to ensure that they have the necessary skills to manage and motivate their staff in the best possible way. Both approaches together ensure a stable and beneficial working environment as well as safe and fair working conditions in the long run, thus supporting our overall business goals of sustainable relationships with suppliers and their workforce.



BALANCED, INCLUSIVE, GENDER INTELLIGENT: CHALLENGING COMMON THOUGHTS

powerful driver for innovation and engagement if it is embedded in an open and inclusive company culture.

Our actions speak louder than any strategy and this is why we proactively pursue a portfolio of internal as well as external activities and memberships. Examples include the 'Diversity Charter', 'Prout at Work', the 'Diversity and Inclusion in Asia Network', and the non-profit organisation 'Catalyst'. Internally, our three employee-led networks – LGBT (lesbian, gay, bisexual and transgender), Women, and Generations – are powerful catalysts. In addition to regular events highlighting diversity as a key topic, such as our annual 'Diversity Day' which is celebrated across the world, we participate in benchmarking studies to review our activities, provide quarterly reports to management for decision making, take part in diversity career fairs, and provide diversity and gender intelligence trainings to our employees.

The latest example is the 'BIG Deal' training project (BIG stands for balanced, inclusive, and gender

We firmly believe that a workforce consisting of individuals with different strengths, interests, ideas, and cultural backgrounds is a prerequisite for success. For this reason 'Diversity and Inclusion' is among our core values and an essential part of our People Strategy. We aim to provide an environment in which people with fresh and diverse perspectives have every possibility they need to make a difference.

intelligent), a newly designed gender intelligence training that provides leaders with data, insights, and tools for an inclusive leadership in order to build a balanced organisation. BIG Deal is designed to encourage the participants to bring their individual ideas to the table while giving them the opportunity to revisit and think critically about some of their key thoughts and beliefs around diversity, stereotyping, and gender in the workplace. The training also addresses male and female traits that everybody carries inside and how these affect men and women at the workplace. Based on its great success in 2016, BIG Deal will be offered on a global scale going forward.

Our overall efforts in this area continue to receive applause: for the second consecutive year, our North American organisation achieved a perfect 100 point score on the Human Rights Campaign Foundation's

**PERFECT
100
POINT
SCORE**

**HUMAN RIGHTS
CAMPAIGN
CORPORATE
EQUALITY
INDEX**

Corporate Equality Index, the national benchmarking tool on corporate policies and practices pertinent to LGBT employees.

Regardless of location, we aim to create a business environment that empowers our people to bring their individual strengths to the table while helping them to unlock their full potential at the workplace and beyond.

Read more on [our website](#).



2020 TARGET EVALUATION



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2020
Empower our supply chain workers by expanding and refining grievance systems and skill training programmes. This includes the expansion of the Workers' Hotline to the countries where our strategic suppliers are located.¹



In 2016, we have further advanced existing worker empowerment projects. In addition, we have piloted a set of new initiatives with the aim to improve workers' skills.

→ [see page 40 for details](#)

Access to Workers' Hotline to improve worker-management communication grew by 10%: in 2016, the access to the Workers' Hotline continued to grow by 10% compared to 2015. The service is now available to 290,000 workers in 63 strategic supplier factories across four countries (Cambodia, Indonesia, Vietnam, and China), offering workers the possibility to anonymously ask questions and raise concerns.

Pilot phase of women empowerment programme in Pakistan benefitted a total of 150 women: introduced in 2015, the pilot phase of this project was successfully completed in 2016, benefitting 75 on-job workers and 75 redundant women workers from Sialkot at one of our strategic suppliers.

Introduction of supervisory skill training in Vietnam: in 2016, 25 supervisors from seven strategic suppliers received tailored training that enhanced their skills to effectively communicate with the workforce. The training will be rolled out to other strategic suppliers in Vietnam with the potential to include China and Indonesia in 2017.

Worker satisfaction pilot survey in Indonesia: reaching 489 participants, the goal of this pilot survey was to gain insights into the current workplace environment, identify strengths and weaknesses, as well as potential improvement opportunities to increase worker satisfaction. The results will help us to establish a baseline and determine suitable follow-up approaches for possible improvements. The project will be rolled out to more than 80 factories in Asia and region EMEA in 2017 who have qualified for this with a minimum C-KPI score of 4C.

¹ This means ensuring our suppliers' workforces at all levels are empowered with access to effective grievance and feedback channels, supervisory skills and other means to support fair, healthy and safe workplace conditions



2020 TARGET EVALUATION



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<p>We will continue to support our suppliers and licensees in further improving their social and environmental compliance performance as measured by our C- and E-KPI rating tools, as well as scorecards.</p> <ul style="list-style-type: none"> At least 80% of strategic Tier 1 suppliers will achieve 4C rating, which reflects functioning management systems and effective worker communication and grievance channels. In addition, at least 10% of strategic Tier 1 suppliers will achieve the highest possible rating of social compliance performance (5C), which reflects highest performance that is supported by active worker engagement. 10% of strategic Tier 1 suppliers will achieve the highest possible rating for environmental compliance performance (5E) in each of the defined reduction targets (water, waste, energy). 	2020 	<p>By the end of 2016, half of our suppliers received a 3C rating, while 17% were awarded with a 4C or above rating. Compared to 2015 we saw a slight decline in the number of high-performing suppliers, which was the result of the implementation of a more consistent application of our rigid audit process. → see page 70 for details</p>
	2020 	<p>In 2016, we made significant changes to the way we monitor the environmental performance of our strategic suppliers by introducing the enhanced eKPI 2.0 tool. The performance-driven tool that allows for greater transparency regarding our suppliers' actual consumption of water, waste and energy. → see page 71 for details</p>



2020 TARGET EVALUATION

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<p>• At least 80% of strategic licensees achieve top-tier level, which means they operate mechanisms to monitor their own supply chain aligned with SEA standards, and support their suppliers to continuously improve workplace conditions. In addition, 10% of strategic licensees operate sustainability management systems, monitor their supply chain effectively, reduce social and environmental footprints, and transparently report on performance.</p>	2020		In 2016, 50% of strategic licensees achieved top-tier level as measured through a scorecard. While we achieved the 2016 target, we realised that achieving it for 2017 and the coming years will be quite challenging. Although there are benefits of becoming a self-governing licensee, many licensees still prefer to continue following our external monitoring programme instead of being enrolled into our self-governance programme, due to workload.
	2020		Enabled by a new global mobility policy, our Talent Carousel career development programme entered its second year in 2016. Employees from all over the world were again invited to apply for this programme that would see its 20 finalists take a cross-functional and international career step by starting a new role in a new location in 2017. Successful candidates remain in the programme for 24 months with the right to return to their home location while being prepared for a future senior management position.
	2020		In 2016, we introduced a global data simulation tool that allows HR managers to calculate and set more realistic gender and age targets for their functional areas by taking criteria such as business growth, attrition, promotions, and hirings into consideration. We successfully hired a dedicated Diversity Director who is in charge of driving our global diversity strategy. In addition to regular events highlighting diversity as a key topic, we provide diversity and gender intelligence trainings to our employees. In 2016, we piloted the 'BIG Deal' training project (BIG stands for balanced, inclusive, and gender intelligent), a newly designed gender intelligence training that provides leaders with data, insights, and tools for an inclusive leadership in order to build a balanced organisation. BIG Deal will be offered on a global scale going forward. For the second consecutive year, our North American organisation achieved a perfect 100 point score on the Human Rights Campaign Foundation's Corporate Equality Index in 2016. In addition, we ranked second in the Apparel sector in the newly launched Corporate Human Rights Benchmark (CHRB). → see page 42 for details

WE IMPROVE HEALTH



SPORT IS THE KEY TO AN INDIVIDUAL'S HEALTH AND HAPPINESS. OUR AIM IS TO ENABLE PEOPLE AROUND THE WORLD TO **PARTICIPATE IN SPORTS**, WHILE **EDUCATING** THEM ON **PHYSICAL AND MENTAL HEALTH, FITNESS, AND NUTRITION**. THIS WILL ULTIMATELY ALLOW THEM TO LEAD A HEALTHIER AND MORE **FULFILLED LIFESTYLE**.



NAME
**SHEN
YANPING**

JOB
DIRECTOR,
CORPORATE
AFFAIRS, CHINA
AT ADIDAS

» Bringing football to all school kids nationwide to all create the program's significance! The development is that we help to top education of impact to number us to partnering with China in nation-wide school governing body nationwide for their children's maximum benefit.«

REACHING OUT



TO



THE KIDS:

**HOW WE ACCELERATE FOOTBALL
DEVELOPMENT IN CHINA**

Sport is our DNA, our foundation, our heart. Sport is also the key to an individual's health and happiness. We strive to enable people around the world to participate in sports, while educating them on physical and mental health, fitness, and nutrition to allow them to lead a healthier life.

In order to follow and achieve this rather ambitious goal, we reach out to kids around the world to be more active, and strive to give them access to the necessary tools and athletic opportunities. As part of this approach, we announced a 3-year partnership with China's Ministry of Education (MoE) in September 2015 to promote grassroots football in China and nurture football talent based on our shared vision of accelerating football development. The partnership focuses on supporting China's physical education (PE) classes, teacher trainings, and student training camps through our curriculum, ambassadors, and products overall helping children to get more active and learn that they can benefit from sports throughout their lives. In the end, we aim to reach 22 million students in China.

The partnership has seen first results with the introduction of the adidas curriculum learning app. Free of charge and based upon proven methods developed by adidas' renowned international football trainer, Tom Byer, the app shows Chinese students

OUR PROGRESS SHOWS WE ARE WELL ON TRACK: WE HAVE ALREADY REACHED 7.6 MILLION STUDENTS IN 7,600 SCHOOLS AND MORE THAN 13,000 TEACHERS NATIONWIDE.

key football techniques such as starting, stopping, changing directions, cutting, and turning by watching the videos in slow motion and with 3D functions. The first of its kind in China, the football app can also be incorporated into PE classes, serving as a training and development tool to make sports more inclusive. The overall goal is to reach 20,000 primary and middle schools by 2017. Our progress in 2016 already shows we are well on track: within the first year of signing the agreement, we have already reached 7.6 million students in 7,600 schools and more than 13,000 PE teachers nationwide.

The partnership is not just limited to the app. adidas winter and summer camp initiatives featuring curriculum offerings, coaching, and product sup-

port has reached roughly an additional 1,760 of China's most promising students so far. Our support also extends to the MoE's 'New Long March of School Football' programme. This new 365-episode TV series, set to reach eight million viewers daily across China, features Tom Byer teaching various technical moves from the adidas curriculum. And finally, we also hosted a number of MoE activations for which we invited our strong football assets from Ajax Amsterdam and Manchester United as well as football icon David Beckham to coach kids in special training classes.

With sport being our DNA, our foundation, and our heart, this partnership brings the benefits of sport to children and teachers all over China and follows our goal of inspiring everybody to find their individual path to a healthy and happy life through sport.





WHEN PHYSICAL FITNESS IS JUST THE BEGINNING: HOW WE FUEL OUR EMPLOYEES' HEALTH

When your core belief is that through sport you have the power to change lives, you cannot just talk the talk, you also have to walk the walk. For years, we have been working on a holistic approach at our offices around the world to not only ensure that sport is an integral part of our employees' lives but also raise awareness for the fact that health goes beyond sports activities.

We are proud to have been recognised as a global leader in sport and nutrition with the Corporate Health Award – Special Award for Healthy Nutrition in 2016, the most prestigious German award in the field of occupational health management. Doing what we do, sport is an integral part of our daily work routine. Colleagues playing beach volleyball, working out in the gym or hitting balls on the tennis court is a common practice at our headquarters in Germany. However, our health management goes beyond mere sport activities.

Over the past couple of years, we have successfully created a holistic approach in cooperation with experts on health and nutrition to provide a healthy environment for our employees. While our partners from the occupational health & safety service 'B.A.D.' support our employees with their health questions and offer social counselling as well as an Integration Management Programme, we also work closely with our caterer and Holger Stromberg (nutritionist to the German Football Federation) to not only offer a wide variety of wholesome meals but also nutrition seminars and workshops to raise awareness and educate.

Nutrition is also an important part of our partnership with EXOS, a human performance company, who, together with our coaches, nutritionist, and reception staff at our headquarters' gym support our people to live healthy lives. Based on the latest scientific knowledge about nutrition and physiological needs after workout, the experts support our employees to take action and guide them towards a healthier diet with individual meal plans or education classes.

Raising awareness about health extends beyond our headquarters to our locations in Scheinfeld and Uffenheim where our health management

team developed a broad offer for our employees in cooperation with a large health insurance company and our partners from B.A.D. In October 2016, they organised 'Health Days', a four-day event where more than 350 employees used the opportunity to book appointments for medical measures (i.e. vaccines) and get information about a healthy diet as well as ergonomic workplace routines.

Taking care of our employees is not limited to nutrition and sports. We also want to make sure that our people are able to balance their business and private lives. Truth is that a global company like ours attracts people from all over the world and from various stages of life. Right now, five different generations are part of the workforce, with the global average age being 30. In addition, people from more than 80 nations work at the adidas headquarters in Herzogenaurach, Germany. Each and every one of them deserves a workplace where they feel comfortable and where they are able and willing to perform at their best. For this reason, we have the Work-Life Integration department. The team's focus is on creating a work environment which supports the fit of work and life in different life cycles and implementing respective concepts.

One of the 2016 additions to the portfolio is the employee assistance programme. It enables our employees in Germany to contact an external service provider to get professional support and advice related to child care, elder and dependent care as well as household services. Examples include finding an au pair, cleaner, gardener, etc., or obtaining tax advice. The programme is a response to the growing demand for a better work-life balance and has already been used by over 400 employees. In 2017, the focus will be on organising information sessions with the service provider around care and precaution for emergencies. We will continue to walk the walk towards a healthy company with and for our employees in 2017 and beyond.

Read more on [our website](#).



2020 TARGET EVALUATION



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EXPLANATION

Introduce education and upskilling measures on health and work-life balance topics for our employees.	2020	<div style="width: 25%;"><div style="width: 100%;"></div></div>	One of the 2016 additions to the portfolio of the Work-Life Integration team is the employee assistance programme. Enabling our employees in Germany to contact an external service provider to get professional support and advice related to child care, elder and dependent care as well as household services, the programme is a response to the growing demand for a better work-life balance. The service has already been used by over 400 employees. In 2017, the focus will be on organising information sessions with the service provider around care and precaution for emergencies. → see page 50 for details
Develop a global Health Management strategy for our employees. This strategy is based on the strong foundation we already have at our offices in Herzogenaurach, Portland, and Canton.	2020	<div style="width: 25%;"><div style="width: 100%;"></div></div>	In 2016, we were awarded the Corporate Health Award – Special Award for Healthy Nutrition. Our partner EXOS, a human performance company, supports our people to live healthy lives together with our coaches, nutritionist, and reception staff at our headquarters' gym. At our locations in Scheinfeld and Uffenheim, Germany, we developed a broad offer for our employees, including the organisation of 'Health Days' in 2016. → see page 50 for details



2020 TARGET EVALUATION



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<p>Utilise sport as a tool to teach values and boost young people's academic and physical performance. In addition, this tool will add to their overall confidence and well-being. Through the BOKS programme, we will refine and perfect the collective impact model with our other partners, including those from the healthcare industry, to provide a solution to the physical inactivity epidemic. We also aim to increase the number of enrolled BOKS schools by 50% in our target areas.</p>	2020		<p>By the end of 2016, we increased the number of BOKS schools by 47% from over 1,500 to 2,200 reaching our goal in our target areas. In addition, we have developed additional partners in the healthcare space and created many different opportunities for employees to engage in our programme – including 'Raise Funds for BOKS', 'Volunteer at an existing BOKS school', and 'Bring BOKS to our community'. Read more on our website.</p>
<p>Nurture football talent by promoting grassroots football in China: by the end of 2018, we aim to reach 22 million students as a result of our joint efforts with China's Ministry of Education (MoE).</p>	2018		<p>In 2015, we announced a 3-year partnership with China's Ministry of Education (MoE) to nurture football talent based on our shared vision of accelerating football development. Our progress in 2016 already shows we are well on track: within the first year of signing the agreement, we have already reached 7.6 million students in 7,600 schools and more than 13,000 PE teachers nationwide. → see page 48 for details</p>

WE INSPIRE ACTION



WE WORK HARD EVERY DAY TO **INSPIRE** AND **ENABLE PEOPLE** TO HARNESS THE POWER OF SPORT IN THEIR LIVES. LIKEWISE, WE WANT TO **KEEP DRIVING CHANGE** IN OUR INDUSTRY BY **LEADING BY EXAMPLE**.

NAME
HELEN O'MEARA

JOB
MANAGER EMPLOYEE
INTEGRATION, HEADQUARTERS
AT **ADIDAS**

»Every day I put my energy into creating a great experience for refugees as they start their career journey in Germany. Identifying opportunities that fit their talents and helping them discover and develop new skills is tremendously rewarding.«

INTEGRATE

NAME
ENES UN

JOB
DIRECTOR SOCIAL AND ENVIRONMENTAL AFFAIRS, TURKEY
AT **ADIDAS**

»Our work reaches far beyond social compliance in the supply chain to include support not only for the legal recruitment and employment of the Syrian refugees in Turkey but also their integration to their new location. I am proud that my team is able to lead by example.«



THE
ADIDAS

TAKING ON CHALLENGES OF OUR TIMES.

HOW WE TAILOR ACTIONS TO NEEDS

Besides the many obvious physical benefits of sport, it also brings one super power to the table: it unites across borders, skin colours, and belief systems. It connects, shapes values, and teaches important life lessons including teamwork, discipline, and resilience. As a global sports company, we believe that through sport, we have the power to change lives. And we work hard every day to inspire people to harness this power of sport in their lives and make a positive impact on society and our planet.

An area where this power has become particularly visible in 2016 was our support for refugees. Our approach follows a three-pillar model built on humanitarian aid, close collaboration with public authorities, external partners and volunteers as well as employee integration. This approach is complimented by support in the countries where we source from.

In 2016, our focus in Germany was on work integration. By joining the 'Wir Zusammen' ('Us Together') initiative, a

platform to coordinate and inspire German companies to help refugees in their area, we exceeded our target to employ 30 short-term interns until the end of the year by 10%. The overall initiative has been a success even leading to long-term hires: this includes an HR Specialist, a sample sewer (temporary for three months) and a graphic designer (temporary for one year). We also found an IT as well as three sales assistant apprentice candidates, who will start their apprenticeships in September 2017. We will build on this success in 2017 when

we will not only offer internships to more than 30 refugees but also provide entrance qualifications and additional apprenticeships.

We continue to utilise sport as a tool for integration. Our very own adidas Fund played a crucial part in offering employees the opportunity to help and support refugees. Supported by our intranet platform a-LIVE, the Fund organised local events such as running groups and sport events for employees to get involved in. And they rose to the challenge: in 2016,



our employees in Germany invested around 1,300 hours in the integration of refugees by not only following the Fund's invitation but also by bringing their own ideas to life. At the same time, we support our employees' efforts to integrate refugees by offering them three additional vacation days for their social engagement and help bringing our core belief to life.

Our support reaches beyond the borders of Germany. Since the civil war in Syria began in 2011, millions of people had to leave their homes and flee to neighbouring countries such as Turkey, which is also one of our sourcing countries. Due to the limited number of suppliers in Turkey and our strict enforcement approach that stipulates that refugees or migrants cannot be offered employment without a work permit, we have not identified any Syrian refugee in our supply chain in Turkey. Nonetheless, we are sensitive to the broader humanitarian issue facing the Syrian refugees and have engaged closely with brands sourcing from Turkey, local trade unions, NGOs, and the Turkish government on the topic of the employment rights of Syrian refugees.

For the past two years, our activities include training the Turkey-based suppliers on the impact of illegal workers on the labour market, how to ensure legal and fair recruitment, and employment for the refugees. These trainings were conducted in collaboration with the United Nations High Commissioner for Refugees (UNHCR)

»The FLA applauds adidas' work in Turkey to help Syrian refugees find decent work and to improve working conditions for local and displaced workers alike. adidas was an early and active supporter of our advocacy efforts with the Turkish Government to guarantee legal work permits for refugees and has demonstrated a strong commitment under enormously challenging circumstances. We are grateful for their leadership on this issue.«

SHARON WAXMAN,
PRESIDENT FAIR LABOR ASSOCIATION (FLA)



and the International Middle East Peace Research Centre (IMPR). In addition, we supported the Fair Labor Association (FLA) with a letter written to the Turkish government to legalise the employment of Syrian refugees and provide them with social benefits. We have also joined a new cross-brand collaboration team (BEST – Building Effective Solutions Together) with the

aim of addressing issues related to the employment of Syrian refugees in the area and other supply chain related issues in region EMEA. In order to protect the youngest, we make sure to distribute leaflets for employers reminding them of the adidas Workplace Standards and the relevant laws and regulations with regards to child labour.

Our efforts are also directly addressing the refugees: in collaboration with the

Turkish Ministry of Labour (MoL) and the FLA, we prepared a booklet to inform Syrian refugees about their critical and basic employment rights. Distributed by the MoL and through our suppliers, the booklet provides Syrian refugees with a written resource in their native language on key articles of Turkish labour law, such as minimum wage, working hours, compensation, leave, and other rights and benefits – which has the potential of decreasing their exposure to exploitative employment. We have also established a bilingual worker hotline in Arabic and Turkish language for our strategic Tier 2 suppliers in collaboration with an external party to enable a full-time functioning hotline for Syrians in case of employment.

We will continue to act on our responsibility as a global sports company by harnessing the power of sport and leading by example to inspire others to do the same.

Read more on [our website](#).



FIGHTING OCEAN DESTRUCTION: WHY IT NEEDS CREATORS

Calling all creators got a whole new meaning in 2016. As part of our partnership with Parley for the Oceans, an environmental organisation and collaboration network that raises awareness of the beauty and fragility of the oceans and implements comprehensive strategies to end their destruction, we called all creators around the world to make their pledge and join the fight to save the oceans.

In June 2016, in time for World Ocean Day, we announced the release of a limited number of our iconic adidas x Parley running shoe, the world's first performance shoe with an upper made entirely of yarns and filaments reclaimed and recycled from marine waste and illegal deep-sea gill nets. First presented in June 2015 within the unique surroundings of the United Nations Headquarters in New York, the shoe came with a catch: one could not buy it

but had to earn it by entering a creative Instagram and Weibo contest in which we asked people and employees to take a pledge and show us how they take action. This call resulted in impressive and creative videos, and 50 happy winners of the iconic running shoe.

Two months later, we continued to raise awareness for the special cause while celebrating our partnership with Parley for the Oceans at our Olympic Games Creator Base in Rio de Janeiro. We invited a group of creators to experience adidas x Parley in a special way by attending a Parley workshop. We invited children and mentors from Projeto Grael, a local NGO run by the sailing brothers Lars and Torben Grael, which promotes education through sport and with which we have partnered to run a Parley Ocean School initiative in Rio. The Rio de Janeiro Parley Ocean School circulated between June and September 2016 in Niteroi and Rio de Janeiro, providing interactive workshops to 3,690 kids in over 30 different public schools. Children aged 6–11 learned about the fragility of our oceans, plastic pollution, and how to take action against it.

**WORKSHOPS FOR
3,690 KIDS
IN OVER 30 PUBLIC SCHOOLS IN RIO DE JANEIRO**



Through our partnership with Parley for the Oceans, we strive to not only raise awareness for the state of the oceans but more importantly keep calling all creators to become part of the solution and save our oceans in the process. Because we believe that we can fight systemic problems like ocean destruction a lot better together as a team.



2020 TARGET EVALUATION



2020 TARGET

TIMELINE

PROGRESS

EXPLANATION

<p>Rewarding our employees' commitment and contributions to our company's purpose, strategy, and success.</p>	<p>2020</p> <div style="background-color: #0070C0; width: 100%; height: 10px; margin-bottom: 5px;"></div> <div style="width: 100%; height: 10px; border: 1px solid black; background-color: white;"></div>	<p>Our remuneration system is based on 'The Score', our performance management approach bringing target setting, employee development, and performance appraisal under one common process. Each employee is evaluated and receives feedback at least twice a year. As part of this system, we are committed to rewarding our employees with compensation and benefit programmes that are competitive in the marketplace. Remuneration throughout the company comprises fixed and variable monetary compensation, non-monetary rewards as well as other intangible benefits. The cornerstone of our rewards programme is our Global Salary Management System, which is used as a basis for establishing and evaluating the value of employees' positions and salaries in a market-driven and performance-oriented way. In 2016, these salary bands have been made public to our global employee base, and the adidas Stock Purchase Plan was introduced. We are working on refining the remuneration system going forward to have an increased focus on employee development, which we plan to launch in 2018. Please see our website for details.</p>
<p>Encouraging and supporting employee volunteering – creating agents of change in the communities we work, live, and operate in.</p>	<p>2020</p> <div style="background-color: #0070C0; width: 100%; height: 10px; margin-bottom: 5px;"></div> <div style="width: 100%; height: 10px; border: 1px solid black; background-color: white;"></div>	<p>In 2016, 736 employees invested a total of 33,000 volunteer hours. In cooperation with our Global Consumer Insights and an independent market research institute, we conducted research to measure the impact of our volunteering programmes holistically in 2016. We initiated qualitative and quantitative research using feedback from more than 2,000 beneficiaries and more than 600 parents in seven of our partner organisations in eight countries worldwide. Overall results are very positive, proving for example that beneficiaries gain self-confidence, leadership skills, and improvements in their health through participation. More than 80% of the participants also shared information about the programme in public, e.g. presented the programme at a public event, have been asked about it, or convinced friends to participate.</p> <p>Since 2011, we were able to impact a total of over two million children and young people's lives, and reached over 10 million people through 30 partner organisations on five continents. By 2020 we aim to create an even higher impact for our volunteers and the participants of the programmes.</p> <p>Please see our website for details and more information about our partner organisations.</p>



2020 TARGET EVALUATION

IN THE BLOCKS

RUNNING

FINISHING LINE

2020 TARGET

TIMELINE

PROGRESS

EXPLANATION

Engaging with creators and influencers and driving innovative collaborations.	2020		Being committed to raising awareness and empowering the creative community in support of eco-innovation, adidas Originals, together with Parley for the Oceans, will collaborate on projects and continue to create a space for creators and thinkers to spark conversations around the need to protect the oceans. In 2016, on the occasion of Miami Art Basel, both brands generated awareness amongst this particular group on the topic of eco-innovation and began a dialogue to educate and inspire, hosting a dinner that brought this group together to learn more about the state of the Oceans and discuss original ways to protect them. Based on both brands' history of working with the creative community, this dinner in Miami served as a launch pad in creating lasting connections in support of a sustainable lifestyle.
Inspiring consumers, key partners, brand assets and others to join us on our journey.	2020		For the release of a limited edition (50 pairs) of the Parley prototype shoe on World Oceans Day in June 2016, we invited people to enter an Instagram contest to win one of the pairs available. By pledging to stop using single-use plastic items they were given the chance to win a pair of the shoes. → see page 57 for details
Teaming up with our athletes who will act as role models for young creators, sharing experiences, and showing that sport is about passion, determination, teamwork, helping others, and being active.	2020		For the release of the first commercial football products using Parley Ocean Plastic we engaged with two of our partner clubs, Bayern Munich and Real Madrid. Players wore home jerseys made from Parley Ocean Plastic with water-based environmentally friendly prints on-pitch in November 2016. We further partnered with Projeto Grael, a local NGO run by the sailing brothers Lars and Torben Grael, to run a Parley Ocean School initiative in Rio de Janeiro. Circulating between June and September 2016 in Niteroi and Rio de Janeiro, the Parley Ocean School provided workshops to more than 3,500 kids in over 30 different public schools. Children aged six to eleven learned about the fragility of our oceans, plastic pollution and how to take action against it. → see page 57 for details

SUPPLY CHAIN

AUDITS AND TRAINING _____

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ENFORCEMENT _____

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ENVIRONMENT _____

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GREEN COMPANY

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EMPLOYEES

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HEALTH & SAFETY _____

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COMMUNITY AFFAIRS

83

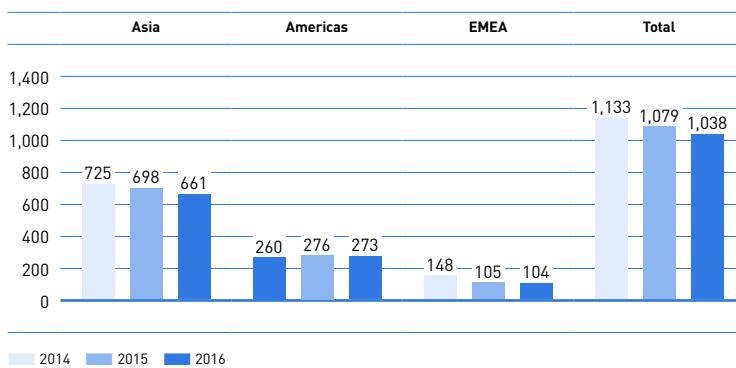
SUPPLY CHAIN

NUMBER OF SUPPLIER FACTORIES

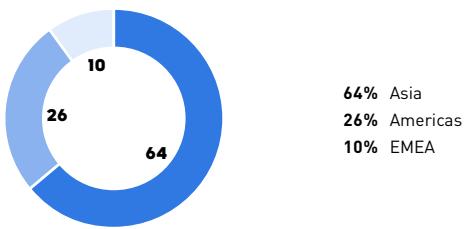
At the end of 2016, we worked with 1,038 independent factories (excluding own factories and factories of our licensees) which manufacture adidas products in 63 countries. 64% of the factories are located in the Asia Pacific region, 26% in the Americas, and 10% in Europe, Middle East, and Africa (EMEA).

In the course of any calendar year there can be changes in the number of supplier factories we work with, depending on the market forecasts and the suppliers' business performance. The data we are reporting here is a snapshot in time capturing the situation on 31 December of each year.

NUMBER OF SUPPLIER FACTORIES EXCLUDING OWN FACTORIES AND LICENSEE FACTORIES



SUPPLIER FACTORIES BY REGION IN 2016 EXCLUDING OWN FACTORIES AND LICENSEE FACTORIES



FACTORIES BY COUNTRY

The total number of factories we worked with in 2016 decreased slightly by 4% compared to the previous year.

2016 saw a further reduction in the number of suppliers making products in China, Thailand, and Taiwan, mainly due to local sourcing integration and consolidation of factory operations by our key business partners. Due to the increase in the company's sales last year, the number of factories in Indonesia, Vietnam, and Myanmar, which is a newly developing sourcing location, has increased. Overall supplier numbers in EMEA remained stable. The number of factories in the Americas increased slightly due to the onboarding of new US embellishers.

We update our global supplier lists (including primary suppliers, subcontractors and licensees) twice a year on [our website](#).

NUMBER OF SUPPLIER FACTORIES PER COUNTRY¹

Country	2016	2015	2014
Australia	2	1	2
Bangladesh	9	9	9
Cambodia	26	27	22
China	210	242	259
India	36	34	51
Indonesia	69	60	62
Japan	53	58	52
Korea	81	83	91
Laos	1	1	0
Malaysia	3	6	2
Myanmar	8	6	1
Pakistan	15	16	12
Philippines	12	14	13
Singapore	1	2	1
Sri Lanka	6	6	6
Taiwan	28	33	43
Thailand	15	18	19
Vietnam	86	82	80
Total Asia	661	698	725
Argentina	22	23	23
Brazil	35	37	49
Canada	22	25	34
Chile	2	2	2
Colombia	2	2	3
Costa Rica	0	1	1
Dominican Republic	1	0	0
El Salvador	6	5	4
Guatemala	5	5	4
Honduras	6	8	5
Mexico	9	9	15
Nicaragua	2	5	4
Paraguay	0	0	2
United States	161	154	95
Total Americas	273	276	241

Country	2016	2015	2014
Belgium	2	2	2
Bosnia and Herzegovina	1	1	1
Bulgaria	1	1	0
Czech Republic	4	4	4
Egypt	1	1	2
Estonia	1	1	0
Finland	0	1	1
France	2	0	1
Georgia	1	0	0
Germany	16	19	21
Hungary	3	2	1
Ireland	0	0	1
Israel	1	2	1
Italy	9	9	16
Jordan	1	1	1
Lesotho	1	1	1
Latvia	1	0	0
Lithuania	1	1	1
Macedonia	1	1	1
Mauritius	2	3	3
Moldova	1	1	1
Netherlands	1	1	2
Poland	1	1	2
Portugal	6	5	7
Romania	1	1	1
Slovakia	1	1	2
Slovenia	2	2	2
South Africa	6	7	7
Spain	6	7	8
Sweden	5	5	5
Switzerland	2	1	3
Tunisia	4	3	3
Turkey	15	15	20
Ukraine	3	3	3
United Kingdom	1	2	24
Total EMEA	104	105	148

Total Asia	661	698	725
Total Americas	273	276	260
Total EMEA	104	105	148
Total	1,038	1,079	1,133

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

STRATEGIC SUPPLIERS

We are committed to responsible purchasing practices and value long-term and stable business relationships. Around 41% of our strategic suppliers have worked with adidas for more than ten years and, of these, close to 14% have a tenure of more than 20 years.

Of the 1,038 factories that we worked with in 2016, 107 suppliers are treated as long-term strategic partners. Together, these strategic suppliers account for approximately 81% of all adidas production (by volume) and for 90% of all footwear production.

STRATEGIC SUPPLIERS

Product Type	ALL	Hardware	Apparel	Footwear
Number of suppliers	107	13	64	30
Average years as strategic partner	11	15	9	13
% of all production volume	81%	55%	79%	90%
Strategic relationships < 5 years	24%	15%	36%	3%
Strategic relationships < 10 years	35%	23%	28%	53%
Strategic relationships < 15 years	14%	15%	16%	10%
Strategic relationships < 20 years	13%	23%	13%	10%
Strategic relationships < 25 years	9%	15%	5%	17%
Strategic relationships > 25 years	5%	8%	3%	7%

ADIDAS LICENSEES

At the end of 2016, adidas worked with 61 licensees whose suppliers manufactured products in 377 factories across 48 countries.

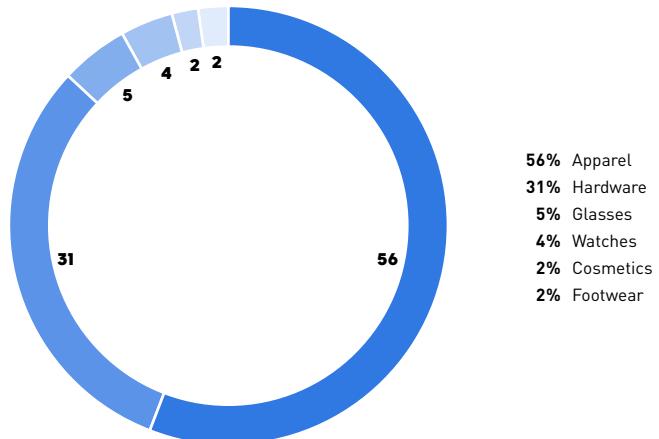
As shown in the table below, there is only a slight decrease in the number of licensee factories compared to last year.

ADIDAS LICENSEES

	2016	2015	2014
Licensees	61	60	67
Factories producing for licensees ¹	377	384	448
Production countries	48	49	49

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

ADIDAS AND REEBOK LICENSEES DIVIDED BY PRODUCT RANGE IN 2016



AUDITS AND TRAINING

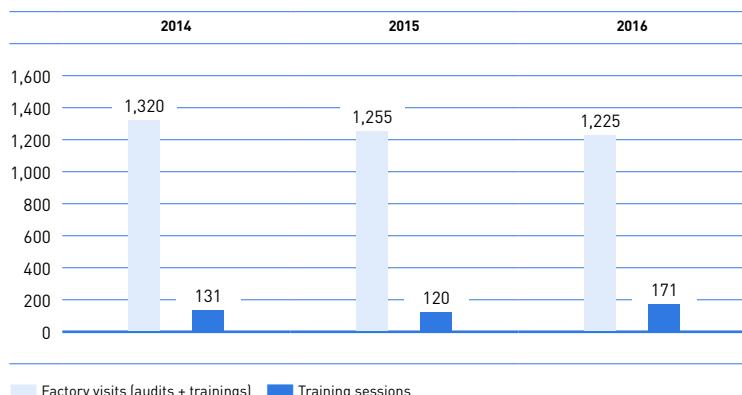
NUMBER OF FACTORY AUDITS/VISITS AND TRAINING SESSIONS

During 2016, 1,225 factory visits (including 989 factory audits) were undertaken.

These visits involved various types of audits, Strategic Compliance Plan discussions, project work, and project meetings with factory management on high-priority issues at different levels in our supply chain. Additionally, the SEA team conducted 171 training sessions and workshops for suppliers, licensees, workers, and adidas Group employees.

The number of audits slightly declined, which is in line with an overall reduction in the number of factories under audit coverage. The increase in the number of trainings by 43%, mainly in Asia, is a result of the restructuring of our teams into two specialised groups for Monitoring and Advisory. We had more capacities to provide considerably more training to our suppliers. While the Monitoring team focused solely on auditing, the Advisory team supported the factories to execute sustainable remediation plans through several meetings, phone calls, and tailored training.

NUMBER OF FACTORY AUDITS/VISITS AND TRAINING SESSIONS¹



¹ Includes multiple audits/visits to the same factory conducted by the adidas 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.

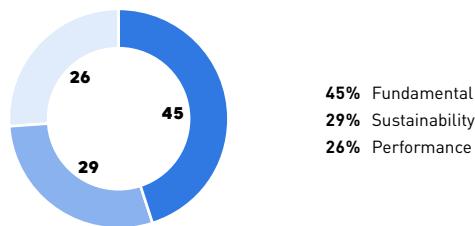
NUMBER OF TRAINING SESSIONS DIVIDED BY REGION AND TYPE

Overall, the number of training sessions conducted in 2016 significantly increased. 3,387 people attended our training sessions, 72% more than last year¹. The training offered in each region covered basic as well as long-term strategic topics.

The bulk of the increase comes from the Asia region, especially related to sustainability training and advisory sessions. As a result of the restructuring in Asia, mentioned in the previous section, the Advisory team conducted several more tailored and in-factory training events compared to previous years. SEA generally invites people from several factories together to its training, which enables both higher efficiencies and opportunities for cross-learning and best practice sharing among suppliers.

¹ In 2016, 3387 people (2015:1,966) participated in these training sessions.

SUPPLIER TRAINING SESSIONS BY TYPE IN 2016



NUMBER OF TRAINING SESSIONS DIVIDED BY REGION AND TYPE¹

Region	Type and number of training sessions											
	Fundamental ²			Performance ³			Sustainability ⁴			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Asia	44	32	26	40	43	30	48	19	41	132	91	97
Americas	25	15	25	0	0	0	0	8	7	25	50	32
EMEA	8	0	0	5	1	1	1	2	1	14	7	2
Total	77	47	51	45	44	31	49	29	49	171	148	131

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

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

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

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

NUMBER OF AUDITS DIVIDED BY REGION AND TYPE

In 2016, the SEA team conducted 989 social compliance and environmental audits, using in-house technical staff as well as external third-party monitors commissioned by adidas business entities and licensees.

The total number of initial assessments – the first approval stage for new-entry factories – decreased further by 25% compared to 2015, which is related to the consolidation of suppliers and the use of existing suppliers by our sourcing organisation instead of on-boarding new ones. Performance audits at our current suppliers also showed a decline of 11%, reflecting the decline in the number of suppliers, as well as the increase in the number of suppliers that were enrolled into our self-governance programme. While the declines were quite consistent in each region, there were also country-specific cases. SEA conducted several additional audits in Brazil in 2015 in support of government investigations into working conditions, which stopped in 2016. On the other hand, the total number of environmental audits increased slightly (by 4%) compared to the previous year due mainly to the increase in HIGG environmental assessments.

In addition to these audits, compliance staff conducted multiple supplier site visits to discuss specific remedial issues, to follow up on project work, or to conduct training sessions. Therefore, the general decrease in the number of audits was complemented by an overall increase in training sessions and factory visits by the SEA team.

There were a total of 213 initial assessments (including initial assessment follow-ups), 84% of which were undertaken in Asia, with China accounting for 46% of these assessments. Overall, 39% of all candidate factories either were 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 → [see page 74](#).

A total of 41% (2015: 49%) of all active suppliers were audited in 2016. ‘High-risk’ countries¹ in Asia, the major sourcing region for adidas, received extensive monitoring in 2016 with an audit coverage that was close to 65%. It is important to mention that our compliance database also includes suppliers located in ‘low-risk’ countries as well as suppliers designated as ‘low priority’, mainly referring to subcontractors making non-core components for a finished product. While we include these types of suppliers in 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. Higher performing suppliers (those which have demonstrated robust management systems) may achieve ‘self-governance’ status, which is rewarded with a reduced frequency in external audits.

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.

¹ High-risk countries in Asia include China, Hong Kong, Macao, Vietnam, Bangladesh, Cambodia, India, Indonesia, Laos, Malaysia, Mauritius, Myanmar, Pakistan, Philippines, Singapore, Sri Lanka, Thailand.

NUMBER OF AUDITS DIVIDED BY REGION AND TYPE

Region	Initial Assessment ¹				Performance Audit ²				Environmental Audits ³				Total			
	2016	2015	2014	2016	2015	2014	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Asia	178	206	226	524	576	618	137	131	140	839	913	984				
Americas	23	40	58	75	100	85	0	0	0	98	140	143				
EMEA	12	39	21	34	36	42	6	7	3	52	82	66				
Total⁴	213	285	305	633	712	745	143	138	143	989	1,135	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 Includes HIGG audits, specific Chemical Management audits, and environmental audits.

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

INITIAL ASSESSMENTS BY COUNTRY¹

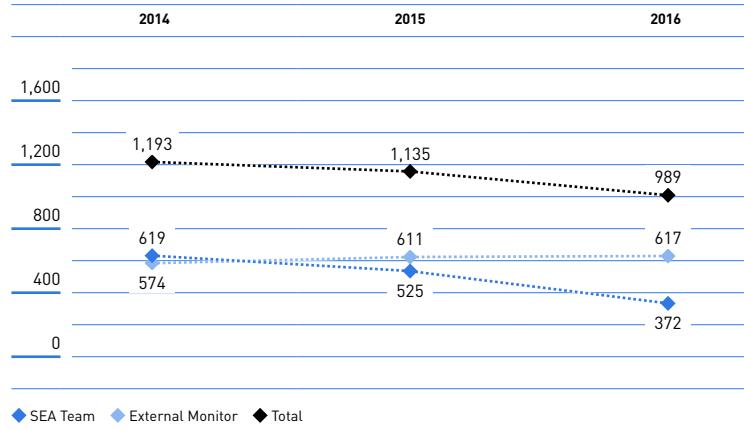
Country	2016	2015	2014
Bangladesh	1	8	5
Cambodia	4	10	11
China	81	98	134
India	12	21	18
Indonesia	15	11	12
Japan	2	4	1
Laos	0	1	0
Myanmar	4	8	4
Pakistan	6	9	12
Philippines	1	2	1
Sri Lanka	5	2	0
Taiwan	7	0	1
Thailand	3	4	4
Vietnam	37	27	23
Asia Total	178	205	226

Argentina	2	8	5
Brazil	7	7	30
Canada	1	0	0
Costa Rica	0	0	1
Dominican Republic	1	5	1
El Salvador	3	2	0
Guatemala	1	3	7
Haiti	2	0	0
Honduras	0	1	2
Mexico	5	7	6
Nicaragua	0	1	3
United States	1	6	3
Americas Total	23	40	58

Egypt	2	4	3
Georgia	1	2	0
Jordan	2	0	0
Lesotho	1	0	1
Mauritius	0	2	1
Romania	1	0	0
Russia	0	0	1
South Africa	0	1	2
Tunisia	1	0	0
Turkey	4	26	12
Ukraine	0	0	1
EMEA Total	12	37	21

¹ Including initial assessment follow-ups.

NUMBER OF AUDITS IN SUPPLIER FactORIES 2014–2016



NUMBER OF AUDITS CONDUCTED IN LICENSEE FACTORIES

The number of audits in factories manufacturing goods for licensees has decreased slightly in line with the decrease in the number of licensee factories.

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

NUMBER OF AUDITS CONDUCTED IN LICENSEE FACTORIES¹

Region	Initial Assessment ²			Performance Audit ³			Environmental Audits ⁴			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Asia	54	47	76	182	197	185	12	15	23	248	259	284
Americas	6	9	8	20	23	21	0	0	0	26	32	29
EMEA	2	10	1	12	11	16	2	2	3	16	23	20
Total	62	66	85	214	231	222	14	17	26	290	314	333

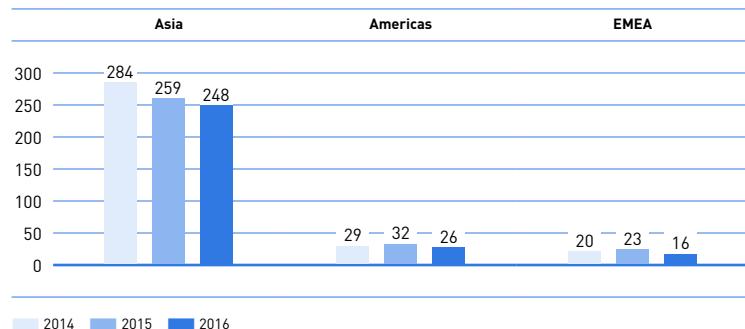
¹ This may include factories that produce both for adidas directly and for licensees/agents.

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

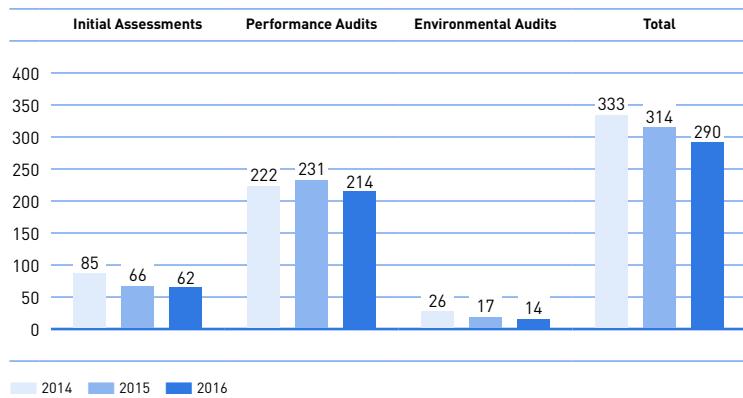
³ Audits conducted in approved factories.

⁴ Includes HIGG audits, environmental audits and Chemical Management audits.

NUMBER OF AUDITS IN LICENSEE FACTORIES BY REGION



NUMBER OF AUDITS IN LICENSEE FACTORIES BY AUDIT TYPE



NON-COMPLIANCES IDENTIFIED DURING PRE-SCREENING OF SUPPLIER FACTORIES

Our suppliers are evaluated against a number of critical compliance issues. While 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.

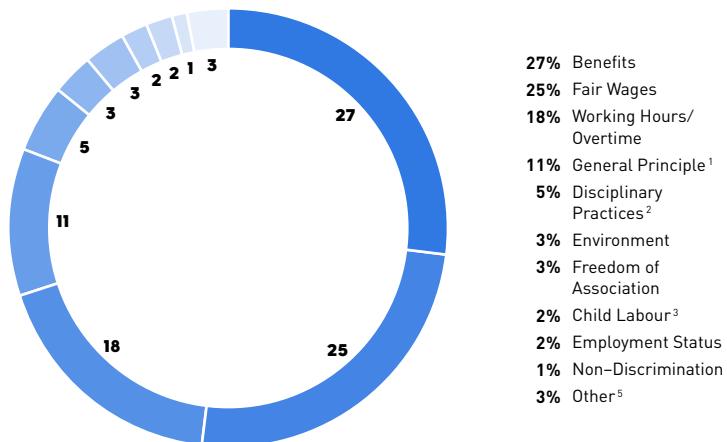
The charts in this section illustrate these non-compliance findings that were identified during the pre-screening of suppliers in initial assessments and initial assessment follow-up visits conducted at prospective new factories in 2016. A supplier must resolve identified issues before it can be accepted into the adidas supply chain.

The first chart presents the labour-related non-compliances identified in supplier factories. More than 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, adidas' compliance team 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 (see footnote 3).

The second chart shows the health & safety non-compliances identified during the pre-screening of new supplier factories. Fire and electrical safety are critical areas for any potential new supplier and together accounted for 21% of the non-compliances identified in 2016. The way chemicals were stored and used, including the presence of banned chemicals, accounted for 15% of non-conformances reported. A further 14% 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 & safety systems, including the recruitment and retention of qualified safety staff.

TOP 10 LABOUR NON-COMPLIANCE FINDINGS IDENTIFIED IN FACTORIES DURING INITIAL ASSESSMENTS AND INITIAL ASSESSMENT FOLLOW-UPS IN 2016



¹ General Principle covers company policies, employee handbook, management attitude and transparency, employment contracts, and filing systems.

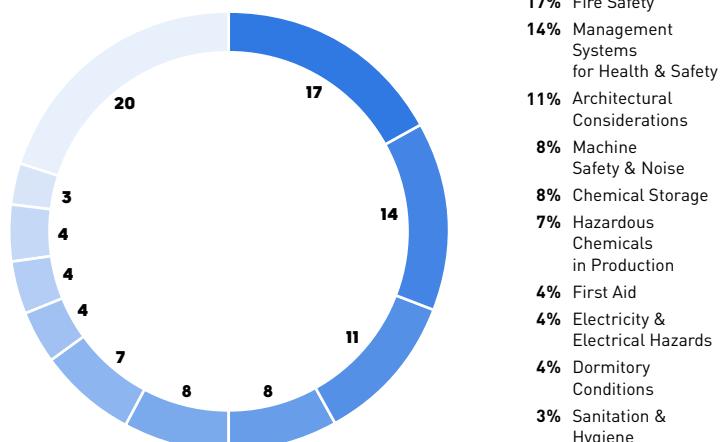
² Disciplinary Practices covers disciplinary policy, procedures and recordings, training, effective grievance systems, and non-retaliation policy.

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 2% shown here mainly points to the lack of effective management systems to prevent child labour or manage juvenile labour, not the existence of children at the factories.

⁴ Forced and Compulsory Labour covers management systems to prevent forced and compulsory labour, prison labour, slavery and trafficking, forced overtime, lack of freedom of movement, retention and documents, recruitments agents, and fees.

⁵ Other refers to, for example, HR Management and privacy issues.

TOP 10 HEALTH & SAFETY NON-COMPLIANCE FINDINGS IDENTIFIED IN FACTORIES DURING INITIAL ASSESSMENTS AND INITIAL ASSESSMENT FOLLOW-UPS IN 2016



¹ For example, occupational hazards risks, personal protective equipment, ergonomics and housekeeping.

KEY PERFORMANCE INDICATOR (KPI) ASSESSMENT: C-RATING AND E-RATING

We audit our suppliers regularly against our Workplace Standards and rate them according to their performance. To do so, we have established an innovative way to rate suppliers on their ability to deliver fair, healthy, and environmentally sound workplace conditions.

Social Compliance Rating (C-KPI)

The following table shows the average assessment score by unit of measure for active suppliers. Each unit of measure is scored out of 100%. Compared to 2015, the average score of all C-KPI units of measure, except for worker-management communication and industrial relations, decreased in 2016. This reflects the efforts by the newly created Monitoring team in Asia who conducted more frequent and more in-depth KPI assessments, which triggers corresponding remedial action and support by a dedicated Advisory team.

Generally, newly assessed factories start with a relatively low KPI score (typically 2C) and over a period of years they build and improve their management systems and compliance performance. The presence of repetitive or serious threshold issues can however trigger even lower performance. This is reflected, for example, in those suppliers receiving a 1C score, which means they are at risk of termination.

C-KPI ASSESSMENT

KPI Unit of Measure – Average score in %	2016	2015	2014
Management commitment and responsiveness	63.67	65.27	62.69
Management systems	64.28	67.17	64.83
Worker-management communication and industrial relations	77.84	77.77	75.23
Compliance training for workers and management	73.94	76.99	74.64
Transparency in communication and reporting	81.00	82.22	80.90
Compliance performance	65.13	66.40	65.16
KPI Cumulative Score	61.89	63.84	61.16

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.

DEFINITION OF C-KPI SCORES

Grade	KPI score band	Performance description
1C	0–29%	There are numerous severe non-compliance issues. There are no compliance management and compliance practices in place. The factory has been given notice that business will be terminated unless there is immediate improvement.
2C	30–59%	There are some non-compliance issues and no compliance management systems. However, there are some effective compliance practices being delivered.
3C	60–79%	There are minor non-compliance issues. The factory has compliance management systems and some effective compliance practices in place.
4C	80–89%	Generally there are no non-compliance issues. The factory has compliance management systems in place, and most of the components are effective.
5C	90–100%	There are no non-compliance issues and all of the factory's management systems and practices are well delivered and effective.

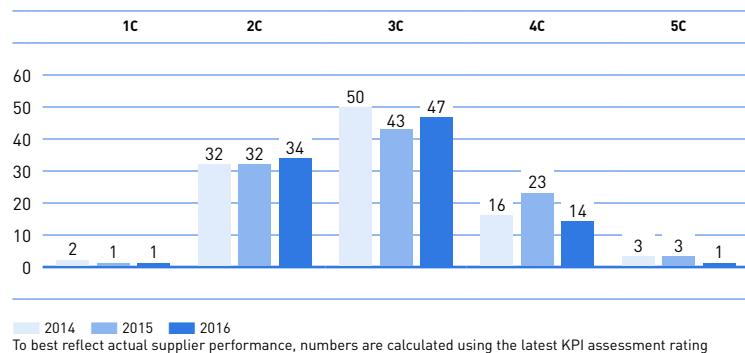
The bar graph below shows comparable data for the past three years using this rating classification.

In 2016, the number of 1C category suppliers, which represent the lowest performing factories with serious issues and very weak commitment to compliance, remained at 1% of the KPI-assessed factories. Such factories are given a one-year grace period to move up a grade or have their services terminated. Since 2013, there has been a focused effort to improve the 2C factories, which led to a 11% reduction of suppliers in this category.

67% of our direct suppliers had ratings of 3C or better, which represents an increase of 3% compared to 2014, although it has fallen marginally by 2% compared to last year. For the 4C factories, we see a 7% decline (23% vs 16%) in the number of suppliers in this self-governance rating classification. The main reason for this is that some factories struggled to maintain their high performance due to turnover in their in-house compliance teams and the more robust and in-depth KPI assessments being conducted by SEA, including an increased frequency of unannounced audits.

It is worth noting that the number of factories that are subject to C-KPI ratings has remained relatively stable at around 45% of the global supply chain for the last three years. These factories represent our long-term strategic partners.

PERCENTAGE OF KPI-ASSESSED FACTORIES BY C-RATING IN %



ENVIRONMENTAL COMPLIANCE RATING (E-KPI)

In 2016, we made significant changes to the way we monitor the environmental performance of our suppliers by introducing the enhanced eKPI 2.0 tool. This performance-driven tool provides greater transparency into our suppliers' actual consumption of water, waste and energy.

We developed three distinct supplier benchmark groups for apparel, footwear, and accessories & gear that allow us to compare supplier facilities and performance. The groups' benchmark uses 2014 verified performance data to set both individual performance targets in water, waste, and energy as well as their groups' overall 20% reduction target. To measure and evaluate our suppliers' progress against their set targets, we use an online tool and environmental scorecard that shows their achievement in each of the four environmental strategic targets.

This approach allows us to tailor individual reduction plans according to suppliers' needs in relation to their actual usage of water, waste, and energy as well as specified trainings and performance reviews that match their respective situation.

Data and trends from our newly enhanced eKPI scorecard will be included in our 2017 annual reporting cycle.

eKPI 2.0 SUPPLIER SCORECARD

HIGG/CMA ¹ results	25%
Energy reduction target	25%
Water reduction target	25%
Waste reduction target	25%

¹ Chemical Management Audit

INDEPENDENT FLA AUDITS

In 2016, the Fair Labor Association (FLA) conducted four factory assessments or remediation verification exercises using the methodology from the Sustainable Compliance Initiative (SCI).

Since joining the FLA in 1999, more than 300 independent external audits and verification visits have been conducted at adidas 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. One such activity since 2015 was the implementation of the FLA strategic plan to evaluate the compensation code element in practice by affiliated companies.

In 2016, four sustainable compliance initiative (SCI) audits were conducted at factories in Bangladesh, China, India, and Thailand. The remainder of our 2016 audit obligation was directed to the ongoing implementation of the FLA Fair Compensation Strategy, including wage data gathering exercises in several countries. This wage data collection work in 2016 contributed to the FLA's first [annual report on compensation](#). This report presents the factory findings from data collection efforts in the supply chains of FLA participating companies, covering 124 factories in 21 countries. The Fair Compensation Strategy and the 3-year implementation plan are mandatory requirements for FLA participating companies and accredited programmes.

In 2017, the FLA will continue to focus on fully implementing the FLA's Core programme, creating a safe space for thought leadership, improving the representation of its stakeholder groups, 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 with respect to workers' rights.

INDEPENDENT FLA AUDITS¹

FLA Year	Period	No. of audits
6 th	Jan – Dec 2007	15
7 th	Jan – Dec 2008	19
8 th	Jan – Dec 2009	16
9 th	Jan – Dec 2010	16
10 th	Jan – Dec 2011	12
11 th	Jan – Dec 2012	16
12 th	Jan – Dec 2013	n.a.
13 th	Jan – Dec 2014	16
14 th	Jan – Dec 2015	4
15 th	Jan – Dec 2016	4

¹ As part of the FLA membership; the numbers include Independent External Verification audits.

ENFORCEMENT

WARNING LETTERS

Warning letters are an essential part of our enforcement efforts and are triggered when we find ongoing serious non-compliance issues that need to be addressed by our suppliers. In 2016, we issued a total of 31 warning letters across 11 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 significantly by 37%. The total number of second warnings decreased slightly in 2016, with seven 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) went up to five in 2016. The majority of these terminations were managed directly by our licensee business partners as part of their parallel compliance activities.

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 2016 included poor fire safety practices, receipt of wages, social & medical insurance, hazardous chemicals, excessive overtime, deductions, transparency, and safety controls in high-risk areas.

NUMBER OF WARNING LETTERS ISSUED TO ADIDAS SUPPLIERS BY REGION¹

Region	1st warning			2nd warning			3rd and final warning (recommended termination)			Total warning letters		
	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Asia	18	21	37	5	9	1	4	0	20	27	30	58
Americas	1	5	4	1	1	2	1	0	0	2	6	6
EMEA	0	4	1	1	0	0	0	0	0	1	4	1
Total	19	42	42	7	10	3	5	0	20	31	40	65

¹ Including warning letters issued by licensees and agents, but excluding warnings to main suppliers for the non-disclosure of subcontractors, which are issued either directly through business entities or by the adidas legal department where there is a breach of contract obligations under a manufacturing agreement.

TERMINATIONS AND REJECTIONS

We work closely with our suppliers to help them improve their performance. However, where we face situations of severe or repeated non-compliance, we can and do terminate business relationships with suppliers. In 2016, we terminated agreements with ten suppliers for compliance reasons.

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

In 2016, initial assessments were conducted in 184 factories, and 71 factories were either rejected directly after the initial assessment identified zero tolerance issues, or were 'rejected with a second visit' due to identification of one or more threshold issues, which means they were rejected but given the chance to remediate the non-compliance issues within a specific timeframe. Overall, the 'first time rejection rate' of 39% of all new factories visited was less than the previous year.

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 2016, we had a 'final rejection rate' of 4%. This shows the importance and impact of pre-approval screening as well as 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 as it raises the bar in terms of better and timelier pay, improved benefits, reduced hours, and the legal protection of formal employment contracts as well as significant improvements in basic health & safety within the workplace.

Suppliers who have threshold issues (which are serious but 'correctable' non-compliances) are normally given three months to remediate those issues before being re-audited for final SEA acceptance.

NUMBER OF BUSINESS RELATIONSHIP TERMINATIONS DUE TO COMPLIANCE PROBLEMS

Region	2016	2015	2014
Asia	7	3	13
Americas	2	0	0
EMEA	1	0	0
Global	10	3	13

WORLDWIDE REJECTIONS AFTER INITIAL ASSESSMENT DUE TO COMPLIANCE PROBLEMS

	2016	2015	2014
Total number of first time rejections ¹	71	101	104
First time rejection rate	39%	48%	46%
Total number of final rejections ²	8	20	23
Final rejection rate	4%	10%	10%

¹ Factories that were directly rejected after a first visit, i. e. with no chance of 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 a first visit, i. e. with no chance of being visited a second time, and factories that were rejected after being visited a second time.

ENVIRONMENT

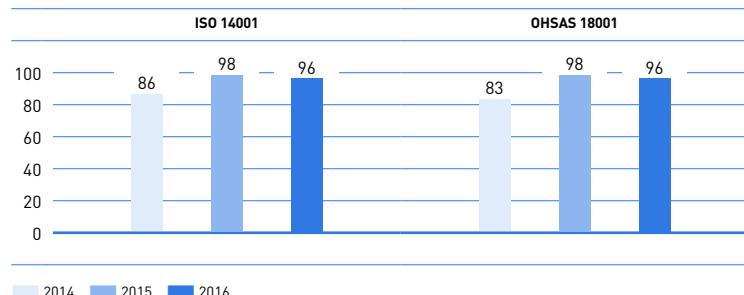
CERTIFICATIONS OBTAINED BY ATHLETIC FOOTWEAR SUPPLIER SITES PRODUCING FOR THE INTERNATIONAL MARKET

In 2016, we worked with 33 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 adidas' global athletic footwear sourcing volume.

Since we have limited control over the direct environmental impacts of the manufacturing process and how our suppliers act, the best way to influence them is to encourage the introduction of environmental management systems, and we have made implementing such a system mandatory for all our core suppliers. In order to achieve a certification for a management system, it requires factory managers to plan, manage, and review their own environmental performance.

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

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



Country	Number of FW suppliers			ISO 14001			OHSAS 18001		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Argentina	-	-	1	-	-	-	-	-	-
Brazil	1	-	1	-	-	-	-	-	-
Cambodia	2	2	2	2	2	2	2	2	2
China	9	9	9	9	9	9	9	9	9
Germany ²	1	1	1	1	1	1	1	-	-
India	1	1	1	1	1	1	1	1	1
Indonesia	8	7	7	7	7	7	7	7	7
Italy ³	1	1	1	-	-	-	-	-	-
Myanmar	3	3	1	1	-	-	1	-	-
Vietnam	16	14	12	12	11	11	12	11	11
Total	42	38	36	33	31	31	33	30	30

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

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

³ Health and Safety Management System in place that is regularly inspected by local authorities.

FREIGHT TYPES USED TO SHIP ADIDAS AND REEBOK PRODUCTS

In 2016, we again tracked the environmental impact related to the transport of our goods. 2016 was quite stable with a small reduction in truck freight in Apparel and Hardware and a slight increase in air freight throughout categories. All in all, the vast majority of our shipments are via sea freight.

FREIGHT TYPES USED TO SHIP ADIDAS AND REEBOK PRODUCTS¹

		2016	2015	2014
Apparel	Truck	7	8	11
	Sea freight	87	87	83
	Air freight	6	5	6
	Sea and air freight	0	0	0
Hardware ²	Truck	17	20	4
	Sea freight	78	77	94
	Air freight	5	3	2
	Sea and air freight	0	0	0
Footwear	Truck	1	1	2
	Sea freight	95	96	96
	Air freight	4	3	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 & gear (including caps and socks; in 2015, this category was reclassified and moved from apparel to hardware).

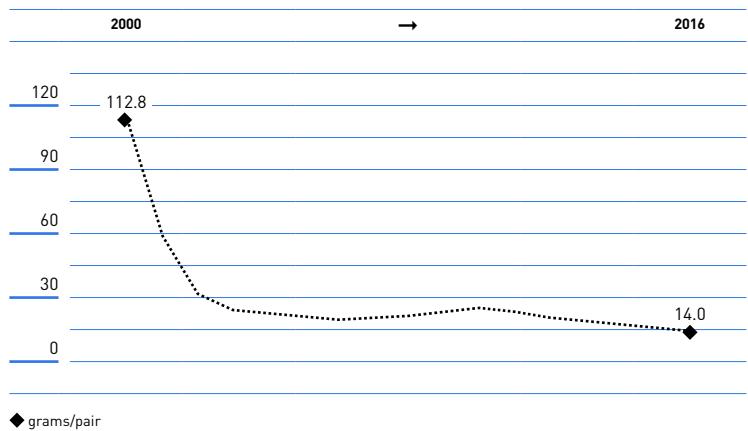
REDUCING VOLATILE ORGANIC COMPOUNDS (VOCs)

2016 is the year of our biggest success so far: we achieved an all-time low of an average 14 grams of VOCs per pair of shoes. Starting with 14.8 grams of VOCs in January we ended up with 13.2 grams of VOCs in December. Performance improvement in every single country compared to 2015 shows that this is the result of hard work and a true commitment across our entire manufacturing base.

VOCs, which are typically found in solvents used in our manufacturing process, can – in high concentration – cause breathing difficulties and other health problems for production workers. For this reason, we have been requesting for more than a decade that our footwear suppliers significantly reduce the use of VOCs in their manufacturing.

By applying innovative as well as environmentally sound bonding and priming technologies while following the adidas 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 14 grams.

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



GREEN COMPANY

Since its launch in 2008, the Green Company programme has continuously improved our environmental impacts across all our own sites, including administrative offices, production facilities and distribution centres. Building on eight years of achievement, the new 2020 targets that are fully embedded in our overall sustainability strategy demonstrate our continued focus on environmental leadership within our industry and raise the bar to new and more ambitious levels.

In 2016, a total of 62 adidas corporate sites reported data. Out of these, 14 sites reported data for the first time. In order to minimise data errors, and ensure data quality and validity, the results of these 14 sites were not taken into consideration for the final KPI calculation, but will be included as of their second year of reporting.

- Read more about the progress towards these targets → [on pages 20, 26, 35, 36](#)
- For more details, please see our 2016 Green Company Performance Analysis, available on [our website](#)

GREEN COMPANY 2020 TARGETS

Energy & Carbon	Water	Waste	Retail	Sustainable Processes
Enable carbon neutrality	Manage water as a vital resource	Close the loop on waste	Embed sustainability into our stores	Build and operate sustainable sites
Achieve a 3% absolute annual reduction in Scope 1 and Scope 2 CO ₂ emissions	Achieve water savings of 35% per employee using localised water reduction goals (2008 baseline)	Achieve 50% waste diversion for owned operations Reduce paper consumption per employee by 75% (2008 baseline)	No plastic bags at retail point of sale LEED Gold certification for new flagship fit-outs	Expand the Integrated Management System (IMS) to key sites globally Implement LEED at key corporate sites

Note: Target achievement date is always 12/2020 unless stated otherwise.

AGGREGATED RESULTS 2008–2016: OVERVIEW OF TARGET DEVELOPMENT PER TYPE OF SITE

Target follow-up per type of site	Energy savings MWh/m ²		Carbon savings t		Water savings m ³ /person		Household waste reduction t/person		Paper savings t/person	
	Target 2016	Result 2016	Target 2016	Result 2016	Target 2016	Result 2016	Target 2016	Result 2016	Target 2016	Result 2016
Administration offices	n.a.	-20%	-3%	-17%	-23%	-27%	-28%	-43%	-50%	-62%
Own production sites	n.a.	-16%	-3%	5%	-23%	-9%	-28%	-20%	-50%	-43%
Distribution centres	n.a.	-15%	-3%	-11%	-23%	-27%	-28%	-9%	-50%	-17%
Total	n.a.	-15%	-3%	-11%	-23%	-23%	-28%	-28%	-50%	-49%

Target results for 2016 per type of site

 Annual linear target achieved Annual linear target not achieved

SUMMARY REPORT 2016

The following table shows our 2016 performance for energy consumption, carbon emissions, water consumption, household waste, and paper consumption for the different administration offices, own production sites, and distribution centres.

ENVIRONMENTAL DATA 2016 COMPANY-WIDE FOR ALL LOCATIONS REPORTING
(INCLUDING 48 SITES)

Environmental data 2016	Total energy consumption (MWh)	Total carbon emissions (tonnes)	Total water consumption (m ³)	Total household waste (tonnes)	Total paper consumption (tonnes)
Administration offices					
Region EMEA	57,126	3,061	88,002	415	91
Region AMERICAS	36,698	15,731	146,459	865	38
Region APAC	5,948	3,754	6,624	not reported	34
Administration offices (total)	99,772	22,546	241,084	1,280	163
Own production sites					
Region EMEA	4,262	188	1,925	36	3
Region AMERICAS	30,284	10,613	37,153	664	26
Own production sites (total)	34,546	10,801	39,078	700	29
Distribution centres					
Region EMEA	31,960	4,842	23,263	488	71
Region AMERICAS	39,205	12,249	33,586	908	66
Region APAC	2,562	2,109	21,358	2	8
Distribution centres (total)	73,727	19,201	78,207	1,398	145
Total	208,045	52,548	358,369	3,378	336

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

INTEGRATED MANAGEMENT SYSTEM (IMS)

The Green Company initiative has been the driver for successfully implementing tools that help us to continuously reduce the environmental impacts of our corporate sites. One of them is our Integrated Management System (IMS). In 2016, we expanded our scope to a fully integrated system. Bringing three management systems under one roof (ISO 14001, ISO 50001 and BS OHSAS 18001), the Integrated Management System (IMS) allows us to manage initiatives related to environment, energy, and occupational health & safety in a single system.

By defining clear procedures and responsibilities that promote efficient and eco-friendly operations, IMS enables us to improve our risk management and accident prevention to create a safer work environment.

Please read more on [our website](#).

IMS CERTIFICATION MATRIX

Location	Region	Management system standard	Certified since
adidas central management for Green Company, Herzogenaurach, Germany	GLOBAL	ISO 14001 ISO 50001 BS OHSAS 18001	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 Distribution Centre, Spartanburg, USA	AMERICAS	ISO 14001	2010
CCM Hockey Headquarters and Distribution Centre, Montreal, Canada	AMERICAS	ISO 14001	2010
adidas Headquarters, Herzogenaurach, Germany (incl. the sites World of Sports, World of Global IT, Adi-Dassler-Platz)	EMEA	ISO 14001 ISO 50001 BS OHSAS 18001	2011
Sports Licensed Division Factory, Indianapolis, USA	AMERICAS	ISO 14001 ISO 50001 BS OHSAS 18001	2011
adidas Footwear Factory, Scheinfeld 1, Germany	EMEA	ISO 14001 ISO 50001 BS OHSAS 18001	1998; 2012
adidas European Distribution Centre, Scheinfeld 2, Germany	EMEA	ISO 14001 ISO 50001 BS OHSAS 18001	2013
adidas Area Distribution Centre, Uffenheim, Germany	EMEA	ISO 14001 ISO 50001 BS OHSAS 18001	2013
adidas Office, Stockport, United Kingdom	EMEA	ISO 14001	2013
adidas Distribution Centre, Manchester, United Kingdom	EMEA	ISO 14001	2013
adidas, Central Distribution Centre, Rieste, Germany	EMEA	ISO 14001 ISO 50001 BS OHSAS 18001	2014
adidas Distribution Centre Langensteinach, Uffenheim, Germany	EMEA	ISO 14001 ISO 50001 BS OHSAS 18001	2016
adidas, Zaragoza, Spain	EMEA	ISO 14001	2016

Stores in the following Western European countries are certified to ISO 50001: Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, Germany, Greece, Hungary, Latvia, Lithuania, Netherlands, Poland, Portugal, Slovakia, Slovenia, and Sweden. Other countries are awaiting the results of ongoing energy audits.

EMPLOYEES

In 2016, adidas saw a further increase in its global employee base. On 31 December 2016, the company had 60,617 employees, which represents an increase of 9% compared with 55,555 in the previous year.

New hirings related to the company's global marketing and sales organisation aimed at further strengthening key growth areas and categories were the main drivers of this development. On a full-time equivalent basis, our company had 51,899 employees on 31 December 2016 (2015: 47,435).

EMPLOYEE STATISTICS¹

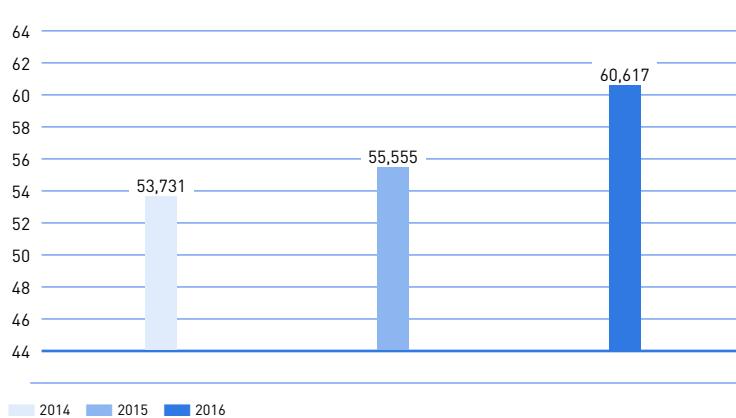
	2016	2015
Total number of employees ²	60,617	55,555
Total employees (in %)		
Male	50%	50%
Female	50%	50%
Management positions (in %)		
Male	70%	71%
Female	30%	29%
Management positions (in %) within adidas AG ³		
Male	73%	76%
Female	27%	24%
Average age of employees (in years)	30	30
Average length of service (in years)	5	4

¹ At year-end. Figures reflect continuing operations as a result of the divestiture of the Rockport business.

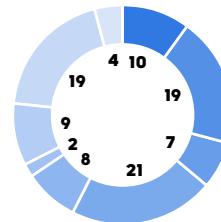
² Number of employees on a headcount basis.

³ Calculated in accordance with German Act on Equal Participation of Women and Men in Executive Positions in the Private and Public Sector in Germany.

TOTAL NUMBER OF EMPLOYEES 2014-2016



EMPLOYEES BY REGION¹ IN 2016



10% Western Europe

19% North America

7% Greater China

21% Russia/CIS

8% Latin America

2% Japan

9% MEAA²

19% Group functions

4% Other Businesses

1 At year end.

2 Middle East, Africa and Other Asian Markets

HEALTH & SAFETY

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

	2016			2015			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 Headquarters – WOS Herzogenaurach, Germany	23	447	4,245 ¹	27	230	3,767 ¹	19	258	3,534 ¹
adidas Headquarters – ADP Herzogenaurach, Germany	2	8	1,079 ¹	8	121	1,079 ¹	2	26	978 ¹
adidas Headquarters – WOGIT Herzogenaurach, Germany	0	0	872 ¹	1	4	872 ¹	1	15	861 ¹
adidas Factory Outlet, Herzogenaurach, Germany	2	10	137	4	40	118	3	20	126
adidas Office, Amsterdam, Netherlands	0	0	642	0	0	550	0	0	520
adidas Office, Stockport, United Kingdom	0	0	435	0	0	435	0	0	425
adidas Office, Landersheim, France	0	0	236	2	22	279	3	21	301
adidas Office, Monza, Italy	7	167	280	6	31	245	4	26	323
adidas Office, Zaragoza, Spain	0	0	252	1	18	244	0	0	251
adidas Office, Moscow, Russia	5	288	765	2	110	760	4	83	1,105
adidas Office, Portland, USA	1	7	1,310	2	42	964	0	0	796
Reebok Headquarters, Canton, USA	0	0	267	0	0	1,208	1	5	1,175
TaylorMade-adidas Golf Headquarters, Carlsbad, USA	10	122	604	5	81	714	22	1,127	827
adidas Administrative Service Bldg. 3, Spartanburg, USA	0	0	192	0	0	187	0	0	204
adidas Office, Woodbridge, Canada	0	0	307	0	0	281	0	0	276
adidas Office Bauerl, Brazil	0	0	376	0	0	335	2	15	323
adidas Office, Shanghai, China	0	0	756	0	0	735	1	1	889
adidas Office, Taikoo Shing, Hong Kong	0	0	300	2	110	300	0	0	296
adidas Hong Kong Ltd. Office, Kwun Tong, Hong Kong	1	27	155	0	0	147	1	9	151
adidas Office, Gurgaon, India	0	0	340	0	0	320	0	0	388
adidas Office, Seoul, South Korea	0	0	135	0	0	120	0	0	310
adidas Office, Taipei, Taiwan	0	0	139	0	0	230	0	0	150
adidas Office, Singapore, Singapore	0	0	293	0	0	170	0	0	230
Administration offices (total)	51	1,076	14,060	60	809	14,060	63	1,606	14,439

Health & Safety data 2014–2016 company-wide for locations reporting.

¹ Number of workplaces, as actual number of employees is not available

	2016			2015			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	68	246	8	27	196	12	166	202
Sports Licensed Division Factory, Indianapolis, USA	15	367	1,156	15	365	998	12	164	977
Sports Licensed Division Factory, Mattapoisett, USA	1	1	106	0	0	114	2	60	110
Sports Licensed Division Factory, Cedar Rapids, USA	3	66	182	2	52	134	0	0	165
CCM Hockey Factory, St Jean, Canada	0	0	56	1	9	56	0	0	56
CCM Hockey Factory, St Hyacinthe, Canada	6	8	154	3	25	154	2	130	154
Own production sites (total)	30	510	1,900	29	478	1,652	28	520	1,664
	2016			2015			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	8	108	131	9	83	167	7	134	167
adidas Distribution Centre, Uffenheim, Germany	12	75	300	15	163	241	11	84	203
adidas Distribution Centre, Rieste, Germany	40	438	450	38	337	354	15	268	291
adidas Distribution Centre, Caspe, Spain	6	62	170	9	141	170	4	93	134
adidas Distribution Centre, Dettwiller, France	0	0	20	0	0	19	0	0	20
adidas Distribution Centre, Manchester, United Kingdom	7	1	204	3	46	149	4	40	145
TMaG Distribution Centre, Basingstoke, United Kingdom	1	16	171	0	0	164	1	31	1
adidas Distribution Centre, Obukhiv, Ukraine	0	0	420	0	0	868	0	0	35
adidas Distribution Centre, Moscow, Russia	0	0	22	0	0	22	0	0	903
adidas Distribution Centre, Canot, Israel	0	0	95	0	0	40	0	0	48
adidas Distribution Centre 1 [Apparel], Spartanburg, USA	0	0	43	0	0	42	0	0	43
adidas Distribution Centre 2 [Footwear], Spartanburg, USA	0	0	39	0	0	43	0	0	42
TMaG Distribution Centre, Liberty, USA	0	0	3	0	0	3	n.a.	n.a.	n.a.
CCM Hockey Headquarters and Distribution Centre, Montreal, Canada	9	37	371	15	1,110	400	12	1,196	402
adidas Distribution Centre, Embu, Brazil	1	6	134	1	60	142	1	60	460
adidas Distribution Centre, Pudahuel, Chile	5	13	162	14	242	162	10	249	185
adidas Distribution Centre Tultitlan-Blokk, Mexico	3	47	120	2	23	66	2	152	210
adidas Distribution Centre, Suzhou, China	1	12	345	4	25	155	0	0	146
adidas Hong Kong Ltd., Distribution Centre, Shatin, Hong Kong	4	280	63	1	3	58	4	340	57
Distribution centres (total)	97	1,095	3,263	111	2,233	3,265	71	2,647	3,492
Total	178	2,681	19,223	200	3,519	18,977	162	4,773	19,595

Health & safety data 2014–2016 company-wide for locations reporting.

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

COMMUNITY AFFAIRS

In 2016, we saw a decrease in donation requests compared to the previous two years. One of the reasons is that we reworked our guidance for external requests to provide even greater clarity on our corporate giving scope. In general, donation or funding requests significantly varied in nature and purpose. Incoming requests were carefully reviewed against the adidas Corporate Giving Guidelines to ensure alignment with corporate policies, procedures, and the available budget framework.

Compared to 2015, the number of supported projects decreased, which reflects our more stringent approach in conducting needs assessments with clear internal definitions. This helped us to continuously focus on key projects with fewer but more impactful organisations.

The amount of product donations increased, especially in region EMEA. There we targeted major volumes of product donations

to support people in severe need, such as refugees at the Turkish-Syrian border as well as in various refugee camps all over Europe. To effectively respond to the refugee crisis, adidas continued its financial support in order to ensure sustainable and purposeful assistance.

Compared to previous years, we saw a slight decrease in volunteer hours across our global workforce, but again an increase in volunteer hours among employees in region EMEA. This is the result of continuous employee involvement, in particular in the context of refugee support.

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.

Read our **Corporate Giving Guidelines** on [our website](#).

COMMUNITY AFFAIRS STATISTICS¹

Region	Donation requests received			Total number of projects supported			Units of products donated			Volunteer hours		
	2016	2015	2014 ²	2016	2015	2014	2016	2015	2014	2016	2015	2014
EMEA	2,725	2,459	2,924	249	165	384	482,204	144,567	130,513	35,263	33,480	20,935
Latin America	115	124	77	45	54	7	73,916	74,013	5,581	4,151	3,801	3,005
North America	1,642	9,023	7,702	111	683	590	59,011	27,202	367,349	1,624	2,862	3,202
Asia Pacific	241	507	539	71	66	58	23,158	9,659	41,406	3,853	7,710	1,608
Total	4,723	12,113	11,242	476	968	1,039	638,289	255,441	544,849	44,891	47,853	28,750

¹ Numbers include: brand activities, corporate activities, Reebok Foundation as well as worldwide adidas Fund activities.

² Restatement: Due to double counts caused by the data tracking systems, the 2014 donation requests received for the EMEA region had to be corrected.

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

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We strive to report in the most accurate, clear, and reliable way possible. To improve readability, registered trademarks as well as references to rounding differences are omitted in this Sustainability Report.

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