

PROGRESS AND TARGETS 2009

KEY TARGETS FOR 2010

Building on achievements to date and following our Sustainability Roadmap 2015 we will focus our 2010 efforts on the following core actions:

ENVIRONMENTAL SUSTAINABILITY

- Develop a Group environmental strategy 2015
- Map and roughly calculate the environmental footprint of our whole value chain
- Launch the environmental supply chain programme
- Achieve ISO 14001¹ certification for Group and brand headquarters sites
- Meet annual Green Company milestones for own sites
- Expand Green Team network globally.

SOCIAL COMPLIANCE IN THE SUPPLY CHAIN

Systems and Guidelines

- Enable a seamless transition to using the tools developed by the multi-brand Sustainable Compliance Initiative
- Complete and launch revised social compliance KPI
- Drive forward partnership and collaboration with brands and other stakeholders.

Direct Sourcing Model

- Direct monitoring efforts to drive better supplier performance
- Drive efficiencies in monitoring coverage.

Indirect Sourcing Model

- Extend the range of service capabilities (action plan development, KPI assessments) of external monitoring providers
- Drive business entities' accountability for compliance through the expanded use of report cards.

ENGAGEMENTS

- Continue dialogue with critical stakeholders and use the results to improve our programme.

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

PROGRESS AGAINST 2009 TARGETS

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

ENVIRONMENTAL SUSTAINABILITY – GROUP STRATEGY

TARGETS 2009	TARGET ACHIEVEMENT	COMMENTS
Review the current Group strategy on climate change and carbon emissions and publish the results on the corporate website in 2009.	100% 25%	Environmental targets/climate change strategy developed for own sites. For the development of a Group-wide strategy covering the entire value chain.

ENVIRONMENTAL SUSTAINABILITY – PRODUCT

TARGETS 2009	TARGET ACHIEVEMENT	COMMENTS
Communicate and support across all adidas Group brands a harmonised definition and direction for environmentally optimised product materials; develop associated internal guidelines to support decisions on the selection of materials in 2009.	50%	Cross-brand working group established and assessment protocol for materials drafted, piloted internally and communicated.
Incorporate the findings from NGO review of our material selection policy into our internal tools and guidelines.	25%	Findings from NGO review lacked substance for further incorporation into material selection policy.

ENVIRONMENTAL SUSTAINABILITY – PRODUCTION (I.E. SUPPLY CHAIN)

TARGETS 2009	TARGET ACHIEVEMENT	COMMENTS
Continue to review critically our efforts to internalise the environmental metrics of core footwear suppliers and test mechanisms to drive improvements.	100%	A shorter set of key metrics has been defined which will be applied from 2010 onwards.
Redesign training concepts based on a critical review of our 2008 training initiatives for energy efficiency.	100%	Review completed, new defined process in place for 2010 with stronger focus on results/commitments.
Review industry best practices for the management of water, energy and carbon emissions. Identify key partnership organisations that are providing leadership in these areas.	100%	Ongoing process.
Complete Environmental Site Assessments and Profiles for all 'Better Place' suppliers and selected suppliers producing products licensed by the 2012 London Organising Committee of the Olympic Games (LOCOG).	100%	Around 50 suppliers under adidas Better Place have been assessed and reviewed. Some of those suppliers are also LOCOG suppliers.

ENVIRONMENTAL SUSTAINABILITY – PROPERTIES

TARGETS 2009	TARGET ACHIEVEMENT	COMMENTS
Launch internal Green Company Initiative to drive and promote environmental engagements and awareness among the adidas Group workforce.	100%	
Use results from environmental assessments conducted at adidas Group core sites for setting Group-wide environmental targets.	100%	
Review and update the in-house 'Think Green Guide' and support online resources to drive energy and environmental improvements across all adidas Group offices.	100%	The review concluded that the existing version satisfies current needs.
Establish/align environmental management systems at brands' HQs and obtain ISO 14001 certification by end of 2010 for each.	50%	On track – extensive briefing provided to sites to support implementation process.

SUPPLY CHAIN – SYSTEMS/GUIDELINES

TARGETS 2009	TARGET ACHIEVEMENT	COMMENTS
Enhance our participation in the Fair Factories Clearinghouse (FFC) Compliance Data Sharing Platform and continue to review critically the integrity of the data available from the FFC database system.	100%	adidas Group is the FFC member with the highest number of shared documents in the FFC. Integrity and accuracy of the data in the FFC relies on more than a hundred users. This is an ongoing task.
Strengthen the application of SEA's supplier key performance indicator (KPI) through an upgrade of Worker-Management Communication and Management Systems units of measure (UOM).	50%	Completed the upgrade of Worker-Management UOM in the KPI. The upgrade of Management System UOM to be completed in 2010.
Replace our sustainable compliance monitoring methodology with a commonly used Sustainable Compliance Initiative (SCI) audit tool developed in collaboration with other brands.	50%	The SCI tool development is slightly behind schedule but the employment components were finished in 2009. The health and safety components and software tools are due to be finished in 2010.
Launch and roll out the revised and updated Guidelines for Employment, Health and Safety and the Environment.	100%	Employment Guidelines and Health and Safety Guidelines were updated. A new version of the Environmental Guidelines was launched.
Publish our internal supplier termination policy online.	100%	Policy posted on corporate website.

SUPPLY CHAIN – DIRECT SOURCING MODEL

TARGETS 2009	TARGET ACHIEVEMENT	COMMENTS
Revisit our risk assessments for factory monitoring coverage and re-prioritise the annual auditing work plans.	100%	Completed in-depth review of factory risk assessment and its impact on auditing work plans. The upgrade factory risk rating finalised.
Identify and close gaps in KPI assessments and strategic compliance plans for factories that will manufacture products licensed by LOCOG.	100%	Process on track and to be continued.
Support global apparel sourcing in developing compliance benchmarks for order allocation as part of the Global Apparel Strategic Alliance scheme.	100%	Sustainability benchmarks finalised and incorporated into strategic apparel supplier programme. Sustainability targets also set for core footwear suppliers.

SUPPLY CHAIN – INDIRECT SOURCING MODEL

TARGETS 2009	TARGET ACHIEVEMENT	COMMENTS
Extend the range of external monitors compliance services beyond initial assessments, to include action plan development and KPI assessment and scoring.	50%	Selected external monitors have started to develop action plans, but have yet to do KPI assessment using adidas Group assessment tools.
Ensure that all SEA policies, practices, and monitoring requirements are being extended and applied to the supply chains managed by sourcing agents and licensees.	100%	Licensees and agents were given access to the relevant standard documents.

BUSINESS ENTITIES RELATIONSHIPS

TARGETS 2009	TARGET ACHIEVEMENT	COMMENTS
Internally verify ongoing disclosure of supply chain in the FFC.	100%	
Drive direct accountability for compliance management by developing compliance report cards for adidas Group business entities (business units, subsidiaries, agents, licensees). Issue report card for 13 business entities.	100%	21 report cards delivered against the planned 13.
Drive greater consistency in the application of the Group-wide restricted substances and product safety policy.	50%	Formalised regulatory monitoring and oversight for the US Consumer Product Safety Improvement Act. Restricted substances policies fully updated. Progressively being adopted by licensees and internal business entities.

GLOBAL ECONOMIC CRISIS

TARGETS 2009	TARGET ACHIEVEMENT	COMMENTS
Prioritise monitoring activities that track worker issues related to factory closures and layoffs as a consequence of the global financial crisis.	100%	Country profiles were updated to account for risk from supply chain consolidation and layoffs; task to be continued in 2010.
Offer guidance to all suppliers on ways to handle worker redundancies and layoffs in a fair and transparent way.	100%	Guidelines on layoffs and redundancies were issued and posted on the corporate website.

STAKEHOLDER ENGAGEMENTS – INTERNAL

TARGETS 2009	TARGET ACHIEVEMENT	COMMENTS
Review the inclusion of Better Cotton in the adidas Group material sourcing strategy together with marketing and sourcing departments.	50%	Broad acceptance of concept but no Better Cotton materials available for quality and performance testing.

STAKEHOLDER ENGAGEMENTS – EXTERNAL

TARGETS 2009	TARGET ACHIEVEMENT	COMMENTS
Continue to engage with government and civil society to influence positive change in the regulatory environment and in particular, track and understand the implications of government policy changes on labour law and enforcement practices as a result of the global economic crisis.	100%	Critical engagements conducted with governments (Madagascar, El Salvador, Indonesia, US).
Constructively engage with and participate in a workshop run by the Play Fair Alliance in Indonesia.	100%	Active participation in key stakeholder dialogues: – Workshop on Lean Manufacturing and Labor Standards, MIT Sloan School of Management, Cambridge, October 2009 – Play Fair’s Multi-Stakeholder Workshop, Jakarta, November 2009.
Continue to collaborate with other brands in the development and launch of an innovative harmonised audit tool methodology (SCI) and the FFC compliance data-sharing platform.	100%	Collaboration with brands, suppliers and other industry actors on track. Field-testing is occurring regularly. The SCI data platform is scheduled to be operational in 2010.
Explore the strategic value of industry leadership initiatives and engage with scientific organisations to evaluate carbon management and labelling schemes.	100%	Broad engagement completed to enable decision-making.
Host a Stakeholder Dialogue on Environmental Sustainability with selected Asia suppliers and report on their feedback.	100%	Report on workshop has been posted on the corporate website.