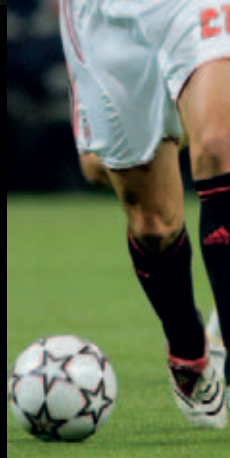
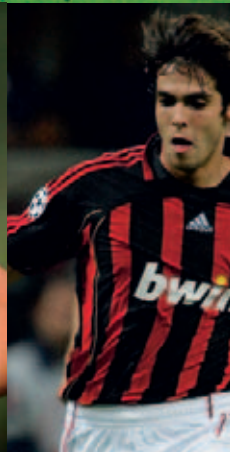




the integration of our
social and environmental
programmes in 2006



Creating the new adidas Group social and environmental programme



As a company we are organised around our biggest businesses and best-known brands: adidas, Reebok and TaylorMade-adidas Golf. Each speaks to its consumers in its own unique way. Together, they remain united in sport. Sport is the soul of the adidas Group.

From sport we learn that natural ability is not enough. Athletes who strive to fulfil their potential, work hard to develop their skills and techniques, and display passion, determination and drive. Successful teams show an understanding of each member's strengths and weaknesses, and learn how to use their collective resources most effectively.

We apply these lessons from sport to our corporate responsibility programme. Our goal is to maintain and strengthen our position as industry leaders by finding a winning combination of the Reebok and adidas activities, taking the best from both. In 2006, we focused our resources on remodelling our industry-leading programme. We developed a new set of workplace standards as well as improved our techniques for monitoring compliance with them.

In 2007, I am confident our new social and environmental strategy will further reduce our environmental footprint and improve workplace conditions in the more complex supply chain serving the adidas Group.

This question and answer booklet details the integration of the adidas and Reebok social and environmental programmes. Please follow our progress on our sustainability website www.adidas-Group.com/sustainability as we continue to strive for our goal with determination, focus and a clear commitment to transparency.

Herbert Hainer
CEO and Chairman of the Executive Board





How has the adidas Group's approach to corporate responsibility changed as a result of the addition of Reebok?

For the adidas Group, corporate responsibility is rooted in our values: performance, passion, integrity and diversity. We recognise we are accountable for our actions and for the actions of our suppliers who make our products. We aim to act responsibly and communicate transparently.

With the addition of Reebok, the Group's vision has not changed. We remain committed to improving workplace conditions in the supply chain, to reducing environmental impacts, to enhancing the communities where we operate and to providing a safe, fair and fulfilling workplace for our employees.

Both Reebok and adidas have enjoyed leadership positions in our industry thanks, in part, to public reporting and to third-party verification and accreditation through the Fair Labor Association (FLA). Following the acquisition of Reebok our approach has been to combine the best of both programmes, maintaining and strengthening the leadership position the brands separately enjoyed. Therefore, during 2006, we have remodelled our programme with new standards, guidelines and procedures.

What are the challenges and priorities to be tackled by the combined adidas Group social and environmental programme?

While adidas brand products are in large part sourced centrally, Reebok products are mostly sourced by individual business units, and often through multiple agents and licensees. This led to two different ways of monitoring compliance, which needed to be compared and revised to create shared best practice.

The principal challenge for 2006 was to review every standard, guideline and procedure from both brands, and from those to create a combined social and environmental programme that takes into account a larger business footprint and a more complex supply chain.

Our priority has been to establish consistent practice by developing and applying one set of monitoring tools, one set of compliance measurements and one set of enforcement guidelines throughout the supply chain, and recording our findings in one central database.

Our review of the merged supply chain revealed that in some cases, the compliance levels of those factories where agents and licensees placed their orders were lower than our larger, more directly managed, suppliers such as our international footwear factories. Because the size and complexity of our supply chain is a challenge, our priorities are to undertake initial assessments of all new prospective suppliers, to support core suppliers who produce the majority of our volumes, and to continue to promote initiatives that enable suppliers to take ownership of their compliance programmes.



Why is the adidas Group not publishing a social and environmental report for 2006?

We recognise that stakeholders have a legitimate interest in our social and environmental performance and our ambition is always to satisfy that interest with complete and accurate information.

In 2006, we have established a new set of standards and practices so we can gather consistent data for our reporting in future. These include using a single Key Performance Indicator (KPI) rating tool for all factories.

Building this Group-wide framework to generate reliable data about the newly combined supply chain or other corporate responsibility areas such as the environment or human resources will allow us to produce a report for 2007, but the consolidated data does not exist for 2006.

One important feature of our work has been determining what common information to gather from the whole supply chain, and to record our monitoring results in one database – the Fair Factories Clearinghouse (FFC), an industry-wide data management system that Reebok helped establish.

By using this data system there will be a higher level of transparency in the future: for instance, compliance information in the FFC database can be shared with other companies and third parties.

In the course of 2007 we will provide details of our programme and progress in our transparency initiatives on our website: www.adidas-Group.com/sustainability

What were the results of the process to integrate the respective social and environmental programmes?

With our continued commitment to workers, the environment and communities, our aim in integrating the adidas and Reebok social compliance programmes was to take the best of both and maintain our leadership position in the sports goods industry. To realise this, we have created a unified team with one set of procedures for ensuring compliance with a single set of standards.

With working groups drawn from senior managers and field staff we critically evaluated every standard, guideline and procedure. Our integration work is not complete but we have reached three key milestones. First, we created a new Group-wide set of 'Workplace Standards' that replace the 'adidas Standards of Engagement' and the 'Reebok Human Rights Production Standards'. Next, we established new internal and external procedures covering initial factory assessments and ongoing monitoring of non-compliances and their root causes. And finally, all our assessments are now recorded in our central database – the Fair Factories Clearinghouse. This allows different corporate functions in the adidas Group to communicate even more efficiently and to work more collaboratively.

We believe that the outcome is a more robust and transparent programme that will deliver better results in improving workplace conditions.



How has the integration of Reebok affected the structure of the adidas Group supply chain?

The integration of the supply chains did not result in major shifts from one sourcing country to another. Our bulk production is based on a balanced allocation of orders to our key sourcing countries of China, Vietnam, Indonesia, Thailand, Philippines, India, and Turkey. These production programmes are complemented by a number of other countries where smaller orders are placed to serve local and regional markets.

Where we will see major structural changes is in the consolidation of the principal Reebok apparel agents. As the Global Sourcing team established its strategy for the new adidas Group, it decided to consolidate orders with the core suppliers that perform best. These are strategic business partners with large scale or specialist operations and a stable, long-term relationship with the Group.

As a result there will be a phased reduction in the use of agents in favour of core suppliers during 2007 and 2008.

Independent of any actions taken by the adidas Group, 2006 also saw the closures of three major Reebok footwear factories in Indonesia. These closures were related to internal management and financial problems, with each factory facing bankruptcy. To help the workforce at these factories, the adidas Group initiated a medical aid programme and also encouraged its existing suppliers to re-employ laid-off workers.

Where the adidas Group does terminate business relationships, what steps are taken to minimise the impact on workers?

Wherever possible, suppliers are given at least six months' advance notice of the termination of the business relationship. This is to give the supplier time to find orders from other customers and ideally avoid any staff lay-offs.

Where staff lay-offs look likely, we speak to other suppliers in the area to alert them to the availability of workers.

To further cushion the impact on workers we also promote an ethical termination process that calls for suppliers to comply with local labour laws, to settle all salaries and other benefits and to communicate openly with workers throughout.



What is the Group's approach to ensuring fair working conditions in its supply chain?

Our strategy is based on a long-term vision of self-governance in our supply chain where suppliers take ownership of their compliance programme. To achieve this, we set standards for our suppliers to meet and we act both as inspectors and advisors – assessing management commitment to compliance and the effectiveness of their programme, and providing help and support to suppliers to ensure success in the long term.

We promote effective employment and health, safety and environmental (HSE) management systems so our suppliers internalise continuous improvement. We have also created our own tools to assess suppliers' performance in:

- adopting employment and HSE management systems;
- worker-management communication and industrial relations;
- compliance training for management and workers;
- transparency in communication and reporting; and
- compliance performance.

This evaluation results in a Key Performance Indicator rating, and it is this that guides the action plans for that factory.

We also set a high entry bar for potential and new suppliers so we avoid getting into business relationships with suppliers that have serious workplace issues and little means of improving unacceptable conditions.

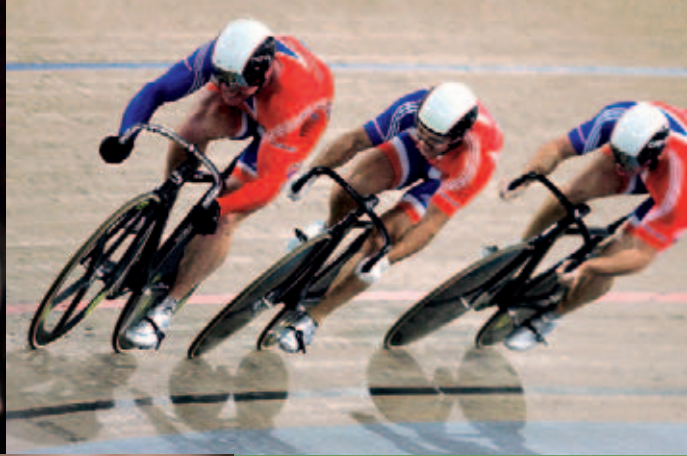
Where suppliers are performing poorly, we work with them to improve compliance with our standards. However, where we find ongoing and serious non-compliances and a lack of commitment on management's part to address the issues, we will, in collaboration with Sourcing, terminate the business relationship.

How do the Social and Environmental Affairs (SEA) and Sourcing teams work together?

Working closely with the Group's Business Units and Sourcing teams has been critical for improving workplace conditions in the adidas Group supply chain. Over the years, SEA has established collaborative systems and processes to ensure Sourcing fully consider compliance with workplace standards. In this respect the integration of the Reebok brand has presented SEA with a fresh challenge, as its sourcing model is more decentralised, demanding an even greater level of outreach and communication.

In many sourcing regions, SEA team members are co-located with Sourcing colleagues to ensure the closest possible co-operation. All potential new suppliers have to undergo an initial assessment performed by the SEA team and orders can only be placed with SEA's approval. Monitoring information gathered by the SEA team is regularly shared with Sourcing so they are aware of the latest compliance status of each supplier.

As we include more of our compliance data in the FFC data management system during 2007, it will become easier to share information across departments and we envisage ever-closer ties with the business and operational units of the Group.







What is the adidas Group doing to reduce its impact on the environment and how has it changed?

We recognise that the new adidas Group is a bigger company with a larger physical footprint, which means we have an even greater responsibility to manage our impact on the environment. As a result, we have reviewed our existing policies, procedures and practices, to ensure that we are operating to the highest standard.

In doing so, our aim remains constant: to minimise environmental impacts at all stages of the life cycle of our products, as well as continuously improve our sites' own environmental record.

We have now made it mandatory for all our core suppliers to establish environmental management systems, which will encourage them to plan, manage and review their own environmental performance. We have harmonised the way we capture and report on resource consumption at our own factories and major sites, and have introduced similar environmental metrics for our suppliers' footwear factories. These initiatives will allow us to identify and share best practice across the whole Group – both at our own sites and in our supply chain.

Standards and policies related to restricted substances and product safety have been re-evaluated and unified to ensure consistent execution to the highest standards across all brands.

In 2006, we also have made further progress in applying the Integrated Product Policy approach. This concept provides guidance on integrating environmental aspects in all stages of the product life cycle and informs decisions about material selection, design and development.

With the new integrated programme and the other steps we have taken in 2006, we are confident that the new adidas Group is making progress in meeting its responsibilities to become a more environmentally sustainable company.

Will the Reebok Human Rights Award continue?

Representing the evolution of the Reebok Human Rights Award programme, in 2007 Reebok will launch the Reebok Human Rights Student Advocate Program (RHSAP) initially as a pilot. RHSAP teams Reebok employees with high school students, in Boston, Massachusetts, to develop and execute a series of campaigns that support Reebok Human Rights Award recipient organisations. RHSAP's mission is to give students and employees the opportunity to become knowledgeable human rights advocates and empowered members of their community.



What is the adidas Group's approach to supporting communities?

The adidas Group has adopted a largely decentralised and brand-oriented model for community involvement practices, recognising that people in our regional subsidiaries and Group entities best understand the needs and cultural sensitivities of their local communities. At the Group level we continue to support our suppliers' communities, as well as make contributions to organisations that promote sustainable development practices within the industry.

Initiatives that derive from the brands' individual identities and value sets may vary in form, but they are all aimed at supporting children and young adults, with sports as a common theme. Our key brand community programmes are:

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

Reebok Human Rights Foundation In 2007, the Reebok Human Rights Foundation and Community Relations programme will continue financially supporting organisations in and around Reebok World Headquarters, namely the Greater Boston area. We will award grants and expand existing strategic alliances and collaborations with organisations that promote social and economic equality through programmes serving inner-city youth and under served minority groups.

TaylorMade programme TaylorMade-adidas Golf is committed to supporting charitable organisations that champion youth, golf, and those less fortunate of all age groups. TaylorMade-adidas Golf supports sports and community events near its head office in Carlsbad, California as well as charitable organisations in England, Korea and Japan.



Performance. Passion. Integrity. Diversity.

These are the core values found in sport.

Sport is the soul of the adidas Group.

We measure ourselves by these values, and we measure our business partners in the same way.

Consistent with these values, we expect our partners – contractors, subcontractors, suppliers, and others – to conduct themselves with the utmost fairness, honesty and responsibility in all aspects of their business.

We use the adidas Group Workplace Standards as a tool to assist us in selecting and retaining business partners who follow business practices consistent with our policies and values. As a set of guiding principles, the Workplace Standards also help identify potential problems so that we can work with our business partners to address issues of concern as they arise. Business partners will develop and implement action plans for continuous improvement in factory working conditions. Progress against these plans will be monitored by the business partners themselves, our internal monitoring team and external independent monitors.

Specifically, we expect our business partners to operate work places where the following standards and practices are implemented:

GENERAL PRINCIPLE

Business partners must comply fully with all legal requirements relevant to the conduct of their businesses.

EMPLOYMENT STANDARDS

Forced Labour

Business partners must not use forced labour, whether in the form of prison labour, indentured labour, bonded labour or otherwise. No employee may be compelled to work through force or intimidation of any form, or as a means of political coercion or as punishment for holding or expressing political views.

Child Labour

Business partners must not employ children who are less than 15 years old, or less than the age for completing compulsory education in the country of manufacture where such age is higher than 15.

Discrimination

Business partners must not discriminate in recruitment and employment practices. Decisions about hiring, salary, benefits, training opportunities, work assignments, advancement, discipline and termination must be based solely on ability to perform the job, rather than on the basis of personal characteristics or beliefs, such as race, national origin, gender, religion, age, disability, marital status, parental status,

association membership, sexual orientation or political opinion. Additionally, business partners must implement effective measures to protect migrant employees against any form of discrimination and to provide appropriate support services that reflect their special status.

Wages & Benefits

Wages must equal or exceed the minimum wage required by law or the prevailing industry wage, whichever is higher, and legally mandated benefits must be provided. In addition to compensation for regular working hours, employees must be compensated for overtime hours at the rate legally required in the country of manufacture or, in those countries where such laws do not exist, at a rate exceeding the regular hourly compensation rate.

Wages are essential for meeting the basic needs of employees and reasonable savings and expenditure. We seek business partners who progressively raise employee living standards through improved wage systems, benefits, welfare programmes and other services, which enhance quality of life.

Working Hours

Employees must not be required, except in extraordinary circumstances, to work more than 60 hours per week including overtime or the local legal requirement, whichever is less. Employees must be allowed at least 24 consecutive hours rest within every seven-day period, and must receive paid annual leave.

Freedom of Association & Collective Bargaining

Business partners must recognise and respect the right of employees to join and organise associations of their own choosing and to bargain collectively. Business partners must develop and fully implement mechanisms for resolving industrial disputes, including employee grievances, and ensure effective communication with employees and their representatives.

Disciplinary Practices

Employees must be treated with respect and dignity. No employee may be subjected to any physical, sexual, psychological or verbal harassment or abuse, or to fines or penalties as a disciplinary measure.

Business partners must publicise and enforce a non-retaliation policy that permits factory employees to express their concerns about workplace conditions directly to factory management or to us without fear of retribution or losing their jobs.

HEALTH & SAFETY

A safe and hygienic working environment must be provided, and occupational health and safety practices which prevent accidents and injury must be promoted. This includes protection from fire, accidents and toxic substances. Lighting, heating and ventilation systems must be adequate. Employees must have access at all times to sanitary facilities which should be adequate and clean. Business partners must have health and safety policies which are clearly communicated to employees. Where residential facilities are provided to employees, the same standards apply.

ENVIRONMENTAL REQUIREMENTS

Business partners must make progressive improvement in environmental performance in their own operations and require the same of their partners, suppliers and subcontractors. This includes: integrating principles of sustainability into business decisions; responsible use of natural resources; adoption of cleaner production and pollution prevention measures; and designing and developing products, materials and technologies according to the principles of sustainability.



Targets for 2007

In 2007 we will apply the harmonised programme across all brands of the adidas Group for the first time. Key targets are to:

- ensure the consistent roll-out of our new programme standards across the supply chain
- finalise supplementary guidance materials and determine how we will train and support our suppliers
- finalise the Group-wide compliance data management system so we can report on our social and environmental performance
- fulfil our obligations as members of the Fair Labor Association
- ensure Sourcing decisions are increasingly informed by the rating the supplier achieved in our Key Performance Indicator (KPI).

This publication has been prepared
by the adidas Group SEA team.

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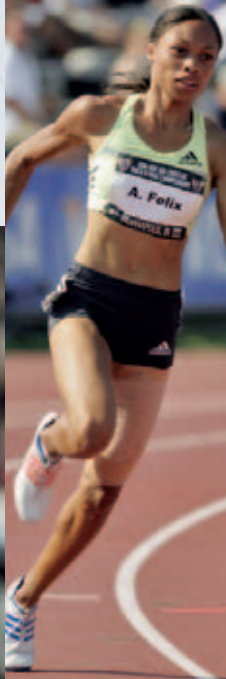
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