



adidas Group Supporting Information 2016 Corporate Human Rights Benchmark

adidas Group was selected for inclusion in the 2016 Corporate Human Rights Benchmark pilot. To support this process, we are disclosing information on five of the Benchmarks Measurement Themes, including links to relevant materials published on our corporate website (www.adidas-Group.com) and other public sources of information.

Themes	Comment
A. Governance and Policies	
A.1. Policy commitments	We summarise our policies and approach to managing human rights and provide links to published materials on this subject
A.2. Board level accountability	We explain board level accountability
B. Embedding respect and Human Rights Due Diligence	
B.1. Embedding respect for human rights in culture and management systems	We summarise our approach to embedding human rights within our business and provide links to published materials on this subject
B.2. Human Rights Due Diligence	We summarise our approach to human rights due diligence and provide links to published materials on this subject
C. Remedies and grievance mechanisms	We summarise how we address adverse human rights impacts and provide links to published materials on our grievance mechanisms
D. Performance: Company Human Rights Practices	We summarise our human rights due diligence practices, including key industry risks (as a consumer goods company in the apparel and footwear sector) and provide links to published materials
E. Performance: Serious Allegations	A short statement is provided on adidas Group's ongoing effort to manage human rights related allegations and complaints

A. GOVERNANCE AND POLICIES

A.1. POLICY COMMITMENTS

A.1.1. Commitment to respect human rights

The Company publicly commits to respecting human rights across its activities. It must be clear the commitment relates to all internationally recognised human rights, rather than to only one or more selected human rights. This only considers commitments to avoid adverse human rights impacts and does not include philanthropic commitments. (Note: Additional industry-specific commitments are considered in A.1.4) (Sources: UN Guiding Principle 12, UNGPRF A1 and GRI G4-DMAb)

Score 1 The Company has a publicly available statement of policy committing it to respect human rights **OR** the Company has a publicly available statement of policy committing it to respect the ten principles of the UN Global Compact (principles 1 and 2 include a commitment to respect human rights) **OR** the Company has a publicly available statement of policy committing it to respect the rights under the Universal Declaration of Human Rights (UDHR) **OR** the International Bill of Human Rights.

Our human rights policy is integral part of our *Labour Rights Charter*. (http://www.adidas-group.com/media/filer_public/2013/07/31/adidas_group_labour_rights_charta_may_2011_en.pdf)

The human rights section of our webpage describes our general approach and all relevant policies and guidelines (see: <http://www.adidas-group.com/en/sustainability/supply-chain/critical-issues/#/human-rights/>).

Our responsible business practices FAQ explains how human rights is linked across our business operations and risk management systems. (http://www.adidas-group.com/media/filer_public/9e/57/9e576abc-a9fd-400c-af1c-8157a5cbcfa6/human_rights_and_responsible_business_practices_dec2014.pdf)

Related policies and guidance on human rights subject matter can be found, for instance, in our *Workplace Standards*, which states that: “The adidas Group is committed to respecting human rights and will refrain from any activity, or entering into relations with any entity, which supports, solicits or encourages others to abuse human rights. The adidas Group expects our business partners to do the same, and where there is any perceived risk of a violation of human rights to duly notify us of this and of the steps being taken to avoid or mitigate such a breach and, where this is not possible, for the business partner to provide for the remediation of the adverse human rights impact where they have caused or contributed to this. For the purposes of these *Workplace Standards*, human rights are a set of rights which recognise the inherent dignity, freedom and equality of all human beings, as expressed in the United Nation’s International Bill of Human Rights and in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work”.

	<p>And in supporting guidelines on employment (labour rights), worker safety and environment, (http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/); or our policy on Forced Labour & Trafficking (http://www.adidas-group.com/media/filer_public/2014/08/06/policy_on_forced_labour_and_human_trafficking.pdf); or on privacy: (see http://www.adidas-group.com/en/service/privacy-statement/)</p>
<p>Score 2 The Company’s publicly available statement of policy also commits it to: the UN Guiding Principles on Business and Human Rights OR the OECD Guidelines for Multinational Enterprises.</p>	<p>adidas Group’s human rights policy is embedded in its <i>Labour Rights Charter</i>, which was developed after lengthy engagement with the company’s Works Council, which represents our employees interests, with our Supervisory Board (which includes the Works Council, trade union representatives and independent directors) and our Executive Board that manages the company. The content of the Charter was finalized prior to the UNGP being adopted by the UN Human Rights Council, or the revised OECD Guidelines coming into effect. Our existing policy therefore makes no reference to these publications.</p> <p>However, the UNGP and the OECD Guidelines are both referenced in our Responsible Business Practices FAQ, which describes our general approach to embedding human rights across our business operations and risk management systems, (http://www.adidas-group.com/media/filer_public/9e/57/9e576abc-a9fd-400c-af1c-8157a5cbcfa6/human_rights_and_responsible_business_practices_dec2014.pdf); and in our introduction webpage on human rights which explains due diligence processes (see: http://www.adidas-group.com/en/sustainability/supply-chain/critical-issues/#/human-rights/); and in our Third Party Grievance system where reference is made to the National Contact Point for Germany.</p>
<p>A.1.2. Commitment to respect labour rights</p> <p>The Company publicly commits to respecting the principles concerning fundamental rights in the eight ILO core conventions as set out in the Declaration on Fundamental and Rights at Work (see Box 1), including those labour rights that are particularly relevant to its industry. (<i>Sources: UN Guiding Principle 12, UNGPRF A1 and GRI G4-DMAb</i>)</p>	
<p>Score 1 The Company has a publicly available statement of policy committing it to respect all ILO core labour standards (including an explicit reference to both freedom of association and collective bargaining) OR the Company has a publicly available statement of policy</p>	<p>ILO Standards are referenced in our <i>Labour Rights Charter</i>, which states that “Our company policies and procedures adhere to all applicable domestic laws and are consistent with core labour principles of the International Labour Organization (ILO) concerning freedom of association and collective bargaining, non-discrimination, forced labour, and underage workers in the workplace. Promoting human rights and adhering to ILO core labour standards internally and throughout all our business operations is in line with the Group’s values and principles.” (see http://www.adidas-group.com/media/filer_public/2013/07/31/adidas_group_labour_rights_charta_may_2011_en.pdf)</p>

<p>committing it to respecting the ten principles of the UN Global Compact (principles 3 to 6 refer to the ILO core labour standards).</p>	<p>Related policies and guidance on labour rights subject matter can be found, for instance, in our <i>Workplace Standards</i> and supporting guidelines on employment (labour rights), worker safety and environment, (http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/); or in our policy on Forced Labour & Trafficking (http://www.adidas-group.com/media/filer_public/2014/08/06/policy_on_forced_labour_and_human_trafficking.pdf);</p>
<p>Score 2 The Company also meets the requirements for Score 2 under the industry locks below.</p>	<p>See below</p>
<p>AP For Score 1, this includes a commitment to the health and safety of workers OR a commitment to additional ILO standards covering working hours. For Score 2, the Company meets all of the requirements under Score 1.</p>	<p>Related policies and guidance on labour rights subject matter can be found in our <i>Workplace Standards</i> (our code of conduct for suppliers) and supporting guidelines on employment (addresses all fundamental rights, including working hours) and health safety (http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/).</p> <p>The aforementioned <i>Guidelines on Employment Standards</i> set out all of the applicable ILO conventions linked the subject areas covered by the guidance. For example on forced labour, migrant labour, discrimination, working hours, wages, , benefits and compensation, etc.</p>
<p>A.1.3. Commitment to respect the human rights of individuals belonging to specific groups or populations that require particular attention</p> <p>The Company publicly commits to respecting the human rights of individuals belonging to specific groups or populations that require particular attention, where they may be at heightened risk of becoming vulnerable or marginalised if adversely impacted by the Company’s activities. <i>(Note: Non-discrimination commitments are included under A.1.2 and not considered in this indicator.) (Sources: UN Guiding Principle 12, UNGPRF A1 and GRI G4-DMAb)</i></p>	
<p>Score 1 The Company has a publicly available statement of policy committing it to respect the internationally recognised human rights of individuals belonging to specific groups or populations that require particular attention (for example, women, children, indigenous peoples, minorities, persons with disabilities, and/or migrant workers and their families).</p>	<p>Our approach to dealing with vulnerable groups is detailed on our website (see http://www.adidas-group.com/en/sustainability/supply-chain/critical-issues-copy/#/fair-wages/vulnerable-groups/) and addresses children, women, trade unions, migrants, individuals subject to forced labour, and human rights defenders.</p> <p>Our <i>Workplace Standards</i> make it clear that individuals or groups cannot be subject to any form of discrimination, “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.” See http://www.adidas-group.com/media/filer_public/11/c7/11c72b1b-b6b2-4fe7-b0b9-59c7242143e9/adidas_group_workplace_standards_january_2016_en.pdf</p>

	<p>Additional guidance is also included in our <i>Guidelines on Employment Standards</i> which detail the relevant international conventions to be considered with respect to women’s rights, child rights, trade union rights and migrant labour rights, for example. See http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/</p> <p>With respect to our own employees, ‘diversity’ is one of the adidas Group’s core values and an essential part of our People Strategy. This is because we are convinced that a workforce made up of individuals with different ideas, strengths, interests and cultural backgrounds is a prerequisite to success. All employees should be appreciated – regardless of gender, nationality, ethnic origin, religion, world view, disability, age, sexual orientation or identity. (See http://www.adidas-group.com/en/sustainability/employees/diversity-and-inclusion/)</p> <p>And when it comes to our athletes, we have introduced a clause into our sponsorship deals that affirms LGBT rights. The position has been shared publicly , as follows: “Adidas acknowledges and adheres to the principles of diversity, as this is a central part of the Adidas group philosophy. Therefore Adidas warrants that this agreement will neither be terminated nor modified in case the athlete comes out to the public as a member of the LGBT (lesbian, gay, bisexual and transgender) community.” (see http://business-humanrights.org/en/adidas-introduces-clause-in-its-sponsorship-deals-affirming-lgbt-rights)</p>
<p>Score 2 The Company’s publicly available statement of policy also explicitly references one or more key international human rights instruments applying to these groups or populations (see Box 2).</p>	<p>See below</p>
<p>AP For Score 1, this includes a commitment to respect women’s rights or refers to the Convention on the Elimination of Discrimination Against Women (CEDAW) or the Women’s Empowerment Principles OR to respect children’s rights or refers to the Convention on the</p>	<p>Our <i>Guidelines on Employment Standards</i> detail the relevant international conventions to be considered with respect to women’s rights (CEDAW), child rights (CRC) and migrant labour rights, etc. See http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/</p>

<p>Rights of the Child (CRC) or the Children’s Rights and Business Principles. For Score 2, the Company meets both of the requirements under Score 1.</p>	
<p>A.1.4. Commitment to respecting the human rights of particular relevance to local communities The Company publicly commits to respecting the human rights of particular relevance to communities’ livelihoods, such as the right to health, water, safety, security and use and/or ownership/use of land and natural resources. (Sources: UN Guiding Principle 12 and UNGPRF A1.2.)</p>	
<p>Score 1 The Company has a publicly available statement of policy committing it to respecting human rights particularly relevant to local communities’ livelihoods, such as the right to health, water, safety, security and ownership/use of land and natural resources.</p>	<p>We have well established policies on managing the environmental and safety impacts of our own products and related sourcing operations. Our sustainability efforts – that span many decades – are detailed on our website at http://www.adidas-group.com/en/sustainability/managing-sustainability/general-approach/#/unsere-nachhaltigkeitsstrategie/</p> <p>There are many instances where we are tackling rights listed in Score 1 at a practical, rather than policy level. For example, with the emergence of Myanmar as a new sourcing country – where our existing business partners were investing in new greenfield sites and where uncertainty over tenure and land rights had been flagged as a potential risk area - we recognized the need to develop a land rights due diligence process. See our <i>Advisory Note on Land Acquisition</i> at http://www.adidas-group.com/media/filer_public/12/b0/12b019f8-46ff-488c-a291-6d6aab7779c6/advisory_note_due_diligence_for_land_acquisition_april_2014.pdf This general approach to land rights now applies to any newly emerging sourcing location, where we are aware of potential risks of land rights disputes, land grabbing or adverse impacts on individual livelihoods.</p> <p>The above tailored due diligence activity complements our long standing requirement for all production locations to meet local permitting requirements, including obtaining the necessary operating licenses, land use consents, building permits, and environmental approvals (discharge consents, EIAs, etc.).</p>
<p>Score 2 The Company’s publicly available statement of policy also commits it to mitigating its negative impacts on the livelihoods and security of local communities by</p>	<p>See above</p>

<p>minimising its impact on the environment.</p>	
<p>AP For Score 2, this also includes specific commitments in relation to water use, wastewater and waste management.</p>	<p>We have a comprehensive programme in place to measure and reduce the environmental impacts of our own business activities – through our Green Company initiative - and the impact of our suppliers.</p> <p>The adidas Group’s <i>Workplace Standards</i> include specific Environmental Requirements. (see http://www.adidas-group.com/media/filer_public/11/c7/11c72b1b-b6b2-4fe7-b0b9-59c7242143e9/adidas_group_workplace_standards_january_2016_en.pdf)To support these requirements, the adidas Group expects our business partners to commit to a set of guiding principles and practices which are detailed in our <i>Environmental Guidelines</i> (See http://www.adidas-group.com/media/filer_public/2013/07/31/environmental_guidelines_english.pdf) In summary the adidas Group expects our suppliers and partners to develop strategies, set objectives and in general drive improvement in the following – but not limited to – environmental areas:</p> <ul style="list-style-type: none"> • Climate change, energy consumption and greenhouse gas emissions • Emissions to water and air, waste, noise • Materials and use of resources • Risks and hazards, including chemicals. <p>It is our overall ambition that our suppliers and partners continuously improve and reduce their overall environmental, health and safety impact, including any adverse effects on local communities.</p> <p>For more information on our Green Company programme, please see: http://www.adidas-group.com/en/sustainability/planet/green-company/</p>
<p>A.1.5. Commitment to incorporating human rights into business relationships The Company’s publicly available statement of policy committing it to respect human rights across its activities applies to its business relationships. (Sources: UN Guiding Principle 16 c, UNGPRF A1 and GRI G4-DMAb)</p>	
<p>Score 1 The Company’s policy commitment(s) applies to relevant business relationships (see industry locks below), which includes a commitment to respecting all ILO core labour standards (including an</p>	<p>The adidas Group’s <i>Workplace Standards</i> include a specific clause on Human Rights, which reads:</p> <p>“The adidas Group is committed to respecting human rights and will refrain from any activity, or entering into relations with any entity, which supports, solicits or encourages others to abuse human rights. The adidas Group expects our business partners to do the same, and where there is any perceived risk of a violation of human rights to duly notify us of this and of the steps being taken to avoid or mitigate such a</p>

<p>explicit reference to both freedom of association and collective bargaining).</p>	<p>breach and, where this is not possible, for the business partner to provide for the remediation of the adverse human rights impact where they have caused or contributed to this. For the purposes of these Workplace Standards, human rights are a set of rights which recognise the inherent dignity, freedom and equality of all human beings, as expressed in the United Nation’s International Bill of Human Rights and in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.”</p> <p>The <i>Workplace Standards</i> also include specific clauses that mirror the requirements of the ILOs core labour conventions, including freedom of association and collective bargaining, working hours, wages, benefits and compensation, and safety. Detailed guidance is given in supporting guidelines on employment (labour rights) and health and safety (http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/); and in our standalone policy on Forced Labour & Trafficking (http://www.adidas-group.com/media/filer_public/2014/08/06/policy_on_forced_labour_and_human_trafficking.pdf).</p> <p>Our general approach to managing Freedom of Association and efforts to respect, protect and promote these rights, is explained on our website at: http://www.adidas-group.com/en/sustainability/supply-chain/critical-issues-copy/#/fair-wages/freedom-of-association-and-industrial-relations/</p>
<p>Score 2 The Company also meets the requirements for Score 2 under the industry locks below.</p>	<p>See comments below</p>
<p>AP For Score 1, this includes the stipulation that the Company expects its suppliers to commit to respecting the ILO conventions on labour standards on working hours and to commit to the health and safety of its workers. For Score 2, the Company also stipulates that it expects its suppliers to commit to respecting women’s rights.</p>	<p>Our suppliers are contractually bound to uphold our <i>Workplace Standards</i> and supporting employment, health & safety and environmental policies and guidelines. Appropriate clauses can be found in our Manufacturing Agreements.</p> <p>Our <i>Workplace Standards</i> and Employment Guidelines include working hours limits, as set by ILO conventions. Our Health & Safety Guidelines follow international best practice for the prevention and management of occupational health and safety. Women rights are similarly embedded with our Employment Guidelines referenced earlier.</p> <p>See also our detailed responses to <i>Key Industry Risk</i> in Section D of this submission.</p>

<p>A.1.6. Commitment to engage with stakeholders</p> <p>The Company has a publicly available statement of policy committing it to engage with its stakeholders, including potentially and actually affected stakeholders. (Source: UN Guiding Principle 18b and UNGPRF C2)</p>	
<p>Score 1 The Company has a publicly available statement of policy specifically committing it to engage with its potentially and actually affected stakeholders.</p>	<p>We have a long-standing commitment to engaging our stakeholders, including local communities where production takes place. This is clearly set out in the Partnerships page of our website, which explains the purpose and approach to stakeholder engagement. We have also published a guideline on how we manage stakeholder relations (see http://www.adidas-group.com/media/filer_public/2013/07/31/stakeholder_relations_guideline_2012_en.pdf).</p>
<p>Score 2 The Company’s publicly available statement of policy also specifically commits it to engaging with affected stakeholders or their legitimate representatives in the development or monitoring of its human rights approach.</p>	<p>See above</p>
<p>AP For Score 1, the commitment includes engagement with potentially or actually affected local communities where production operations take place.</p>	<p>See above</p>
<p>A.1.7. Commitment to remedy</p> <p>The Company has a publicly available statement of policy committing it to provide or cooperate in remediation for affected individuals and communities through legitimate processes (including judicial and non-judicial mechanisms, as appropriate), where it has caused or contributed to adverse impacts. (Source: UN Guiding Principle 22)</p>	
<p>Score 1 The Company has a publicly available statement of policy committing it to remedy the adverse impacts on individuals and communities that it has caused or contributed to. The commitment recognises this should not obstruct access to other remedies OR includes</p>	<p>Our FAQ on embedding human rights (see http://www.adidas-group.com/media/filer_public/9e/57/9e576abc-a9fd-400c-af1c-8157a5cbcfa6/human_rights_and_responsible_business_practices_dec2014.pdf) sets out the following position for the company:</p> <p>Q.17 “Where we find potential or actual adverse impacts, we are committed to mitigate or eliminate those impacts, either alone or in co-operations with others. We do so to fulfil a basic obligation as a responsible business, that is, to do no harm when it comes to the exercise and fulfilment of human rights. It is a</p>

<p>collaborating in initiatives that provide access to remedy.</p>	<p>standard which the adidas Group accepts and holds itself accountable to.”</p> <p>Our Complaint Mechanism also makes it clear (under the heading Remedial Action on page 8) that:</p> <p>“Where the adidas Group determines that it has caused or directly contributed to a violation it will undertake to cease or change the activity that is responsible, in order to prevent or mitigate the chance of the impact occurring or recurring. If an impact is occurring, the adidas Group will engage actively in its remediation, either directly or in cooperation with others.</p> <p>Where the adidas Group is neither causing nor directly contributing to a violation it will encourage the entity that has caused or contributed to the impact to prevent or mitigate its recurrence.</p> <p>In resolving complaints, the adidas Group will be mindful of the law and legal precedence in the country where a complaint arises. The adidas Group will not assume, nor accept, the legal duties or obligations of other parties who may be the subject of a complaint.</p> <p>The adidas Group cannot adjudicate on legal disputes between parties, nor can it determine cases which require the deliberations and decisions of a court, tribunal or other duly authorised body under national or international law.”</p> <p>(see http://www.adidas-group.com/media/filer_public/3a/a8/3aa87bcf-9af9-477b-a2a5-100530e46b19/adidas_group_complaint_process_october_2014.pdf)</p>
<p>Score 2 The commitment also includes working with business relationships to remedy adverse impacts which are directly linked to its operations, through the business relationship’s own mechanisms or through collaborating on the development of third party non-judicial remedies.</p>	<p>See above</p>
<p>AP For Score 2, the commitment also includes working with suppliers to remedy adverse impacts.</p>	<p>See our General Approach to human rights where we explain that: “We have therefore developed a due diligence approach that targets those high-risk locations, processes or activities that require the closest attention and where we are able to apply influence to mitigate or remediate issues, where they occur. We also seek to extend our reach by cascading responsibilities to our partners, to capture and address</p>

	potential and actual human rights issues upstream and downstream of our product creation. Finally, to complement these processes, we have put in place dedicated third party grievance channels to tackle complaints.” (http://www.adidas-group.com/en/sustainability/managing-sustainability/human-rights/)
A.1.8. Respecting rights of human rights defenders The Company does not tolerate threats, intimidation, physical or legal attacks against human rights defenders, including those exercising their rights to freedom of expression, association, peaceful assembly and protest against the business or its operations.	
Score 1 The Company has a publicly available statement of policy committing it to zero tolerance for threats, intimidation, physical or legal attacks against human rights defenders OR the Company indicates that it has not been involved in these types of actions.	Human Rights Defenders are included within our list of Vulnerable Groups on our corporate website. See http://www.adidas-group.com/en/sustainability/supply-chain/critical-issues-copy/#/fair-wages/vulnerable-groups/). We have also posted our general approach and policy to safeguarding the rights and activities of Human Rights Defenders on the adidas group website, including recent examples of interventions to protect those rights (see http://www.adidas-group.com/media/filer_public/f0/c5/f0c582a9-506d-4b12-85cf-bd4584f68574/adidas_group_and_human_rights_defenders_2016.pdf)
Score 2 The Company meets both of the requirements for Score 1 AND meets the requirements under the industry lock below	See below
AP For Score 2, the Company also stipulates that it expects its suppliers to make the same public commitment.	Our expectation that supplier meet the same public commitment is given in the 5 th paragraph of our general approach and policy on Human Rights Defenders (see http://www.adidas-group.com/media/filer_public/f0/c5/f0c582a9-506d-4b12-85cf-bd4584f68574/adidas_group_and_human_rights_defenders_2016.pdf).

A.2. BOARD LEVEL ACCOUNTABILITY

A.2.1. Commitment from the top

The Company's human rights policy commitments are approved and communicated at Board level and a Board member or Board committee is tasked with addressing one or more areas of respect for human rights. (Sources: UN Guiding Principle 19, UNGPRF A1.1 and A2 and GRI G4-42)

Score 1 The Company's human rights policy commitment(s) has been approved at board level, by the Board or the CEO by name **OR** speeches, presentations or other communications setting out the Company's approach to human rights or discussing its business importance are made by Board members and/or the CEO.

The adidas Group's highest level of policy commitments on human rights are contained in a document called the *Labour Rights Charter*. The Charter is owned and approved by the Chief Executive Officer of the adidas Group. Resulting mandates and tasks are clearly delegated to the responsible Board members, the Chief Human Resource Officer and the Global Legal & Compliance Officer. This is outlined in Charter: See: http://www.adidas-group.com/media/filer_public/2013/07/31/adidas_group_labour_rights_charta_may_2011_en.pdf

Score 2 The Company's human rights policy commitments are approved by the Board or the CEO by name **AND** a Board member or Board committee is tasked with addressing one or more areas of respect for human rights.

As explained above, the adidas Group *Labour Rights Charter* is owned and approved by the Chief Executive Officer of the adidas Group. Resulting mandates and tasks are clearly delegated to the responsible Board members, the Chief Human Resource Officer and the Global Legal & Compliance Officer. This is outlined in the Charter. See: http://www.adidas-group.com/media/filer_public/2013/07/31/adidas_group_labour_rights_charta_may_2011_en.pdf

A.2.2. Board agenda

The Company has processes in place to discuss and address human rights issues at Board level and / or the Board regularly reviews the Company's salient human rights issues and provides examples of what was discussed. (Sources: UN Guiding Principle 19 and UNGPRF A2.2)

Score 1 The Company describes the process it has in place to discuss and address human rights issues at Board level and / or the how the Board regularly reviews the Company's salient human rights issues **OR** it

Human rights concerns fall under the purview of the company's Supervisory Board, which oversees the activities of the Executive Board. The Group's Global Legal & Compliance Officer and the Global Director for SEA provide regular briefings to the Supervisory Board. Following the German regulations on co-determination the Supervisory Board comprises shareholder representatives, trade union representatives and elected members of the company's Works Council, which represents employee interests. They take an active interest, for example, in working conditions in global supply chains,

<p>provides examples of specific human rights issues discussed and/or examples of trends in types of human rights issues discussed at board level during the Company's last reporting period (while respecting any legitimate commercial confidentiality requirements)</p>	<p>corporate ethics, employee affairs, etc. The Supervisory Board reviewed and approved the Labour Rights Charta, which contains the Group's commitment to human rights. In accordance with the German works council constitution act, the Works Council is involved in day-to-day business decisions and must be consulted on various subjects, such as changes in wages, benefits, working conditions, operational matters and the entrepreneurial direction of the business.</p>
<p>Score 2 The Company meets both of the requirements under Score 1.</p>	<p>The Supervisory Board requests detailed reports and regular updates from the Executive Board on corporate strategies and actions taken to ensure compliance with human rights and labor standards in the supply chain and at the company's own sites. Examples of special reports which have been submitted recently to the Supervisory Board for its consideration, include:</p> <ul style="list-style-type: none"> • Company's decision on severance payments for workers illegally dismissed by a supplier in Indonesia • Company's decision to join the German Government led Alliance on Sustainable Textiles established in 2015 • Company's investigations and findings on labour rights violations in a product distribution center in Rieste (Germany) as claimed by the media <p>Furthermore, the Executive Board has deliberated and communicated its strong support for FIFA's efforts to commission an independent review of its human rights practices. For further information on this topic, see Section B2.3 of this submission.</p>
<p>A.2.3. Performance incentives The Company provides incentives to the Board linked to the implementation of its human rights policy commitments. <i>(Sources: UN Guiding Principle 1, UNGPRF A2.3 and GRI G4 51)</i></p>	
<p>Score 1 The Company indicates that at least one Board member has an incentive scheme linked to an aspect of the Company's human rights policy commitment(s). If the Company has linked its incentive scheme to only one aspect of its human rights policy</p>	<p>Compliance with Human Rights Principles is integral element of the adidas Group Risk and Opportunity Management that continuously explores and develops opportunities in order to remain competitive and ensure sustainable success. The risk and opportunity management principles and system provide the framework for our Group to conduct business in a well-controlled environment. See: http://www.adidas-group.com/en/investors/corporate-governance/risk-and-opportunity-report/#/risk-and-opportunity-management-system/</p>

<p>commitment(s), this aspect is one of the Company's key industry risks (see the industry locks below).</p>	<p>Executive Board members are accountable within their area of responsibilities and incentivized to ensure that company's decisions properly address identified risks and opportunities. See compensation report: http://www.adidas-group.com/en/investors/corporate-governance/compensation-report/</p>
<p>Score 2 The criteria linking Board remuneration to human rights performance is also made public.</p>	<p>See above.</p>
<p>AP For Score 1, the aspect linked to the incentive scheme covers at least one of the following: health and safety, forced labour, child labour, working hours, women's rights, freedom of association.</p>	<p>Executive Board members are accountable within their area of responsibilities and incentivized to ensure that company's decisions properly address identified and risk and opportunities. Primary responsibility for ensuring human and labour rights standards are met in the global supply chain rests with the Executive Vice President, Global Operations. See: http://www.adidas-group.com/media/filer_public/e9/73/e973acf3-f889-43e5-b3c0-bc870d53b964/2015_gb_en.pdf</p>

B. EMBEDDING RESPECT AND HUMAN RIGHTS DUE DILIGENCE¹

B.1. EMBEDDING RESPECT FOR HUMAN RIGHTS IN CULTURE AND MANAGEMENT SYSTEMS

B.1.1. Responsibility and resources for day-to-day human rights functions

The Company outlines senior level responsibility for human rights within the Company as well as the organisation of the day-to-day responsibility for human rights across relevant internal functions. *(Note: Board level responsibility is assessed under indicator A.2.1. and therefore not considered in this indicator).* (Sources: UN Guiding Principle 19, UNGPRF A2 and A2.1, GRI G4-35 and GRI G4-36)

Score 1 The Company indicates the senior manager(s) responsible for human rights within the Company (i.e. responsibility for human rights has been assigned to a senior manager and this includes the ILO core labour standards as a minimum).

Human rights expertise resides in the Social & Environmental Affairs (SEA) department which is responsible for social and environmental concerns related to global supply chains, for consumer safety and for stakeholder outreach, as well as some aspects of government and community affairs at adidas Group level. SEA has a total of 70 staff located in 20 countries around the world. SEA is a corporate function; it is part of the Group's Legal & Compliance Division. SEA acts in an advisory and investigative capacity, including management of the third party human rights complaint system. See http://www.adidas-group.com/media/filer_public/2013/11/21/adidas_group_complaint_process_nov_2013.pdf

SEA's work in this area is led by a Vice President who is a human rights lawyer with 30 years of experience in dealing with social and environmental issues. He acts as an in-house counsel for the business on human and labour rights topics and works with other highly qualified and experienced colleagues within SEA. Other specialist lawyers within Legal & Compliance lead on related topics, such as business ethics and privacy.

In terms of governance, ultimate responsibility for the Group's management of human rights impacts resides with the Group's Chief Compliance Officer/Legal Counsel. He reports directly to the CEO and to the Executive Board. Responsibility for managing employee related issues across the Group rests with

¹ This Measurement Theme assesses the extent of a Company's systems and processes established to implement the company's policy commitments in practice. It includes two related sub-topics: 1) **Embedding**: These indicators seek to assess how the Company's human rights policy commitments are embedded across its management systems and day-to-day activities, including within the management systems covering their business relationships. 2) **Human rights due diligence**: These indicators focus on the specific due diligence processes implemented to assess the real-time risks to human rights that the company poses, to integrate and act on these findings so as to prevent and mitigate the impacts, and to track and communicate those actions, in line with the UN Guiding Principles on Business & Human Rights.

	Chief Human Resources Officer and ultimately with the Executive Board.
Score 2 The Company also describes how day-to-day responsibility, resources and decision making process are allocated across the range of relevant functions of the Company.	See above
AP For Score 2, the Company has also outlined and assigned day-to-day responsibility for managing human rights issues with its suppliers.	Our management of labour, safety and environmental issues is described in our supply chain approach, see http://www.adidas-group.com/en/sustainability/supply-chain/supply-chain-approach/ . Day-today responsibility for managing human and labour rights related issues in its suppliers rests with the Social & Environmental Affairs department, within Global Legal & Compliance.
B.1.2. Integration with enterprise risk monitoring The Company integrates attention to human rights risks into its broader enterprise risk management system. (Source: UN Guiding Principle 17)	
Score 1 The Company describes how attention to human rights risks are integrated as part of its broader enterprise risk management systems. It also specifies that its enterprise risk management systems go beyond simply identifying and managing material risks to the Company itself, to include risks to rights-holders.	<p>At Q10 of our FAQ on Human Rights and Responsible Business Practices (http://www.adidas-group.com/media/filer_public/9e/57/9e576abc-a9fd-400c-af1c-8157a5cbcfa6/human_rights_and_responsible_business_practices_dec2014.pdf) we states that:</p> <p>“Due diligence is an integral part of our business decision-making and risk management systems.</p> <p>The <i>Guiding Principles on Business and Human Rights</i> recommend that enterprises undertake due diligence in order to identify, prevent, mitigate and account for adverse human rights impacts. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed.</p> <p>Such a due diligence process is already in place within the adidas Group with respect to the way we manage labour rights, health and safety and environmental risks associated with our supply chain. This extends to and includes aspects of human rights. Such due diligence includes risk mapping, compliance monitoring, remediation, measurement, and internal as well as external (i.e. public) reporting. We also have internal processes in place to protect employee rights and entitlements, through the policies and procedures of our Human Resources department, with regular reports and updates to the Executive Management team and the Supervisory Board. Compliance of adidas Group entities with the core policies as listed in the Global Policy Manual are regularly monitored by the Group Internal Audit function.”</p>

	<p>We have explained through our public communications on our general approach to human rights, that our due diligence process has the required “maturity and the flexibility to tackle complex situations and issues. It allows for us to engage. To enter into a dialogue with rights holders, those whose interests we are seeking to protect if they are being adversely affected by our business partners’ activities, and to offer remedies to impacts we may have caused or are contributing to. This is important, especially when our overriding aim is to know, and show, that we as a business respect human rights.” See http://blog.adidas-group.com/2014/12/embedding-human-rights-into-business-practices .</p>
<p>Score 2 The Company also describes how the Audit Committee of the Board or another relevant Board-level committee reviews or makes an independent assessment of the adequacy of the enterprise risk management systems in managing human rights during the Company’s last reporting year.</p>	<p>The Audit Committee of the Supervisory Board supervises in particular accounting matters and deals with risk management and compliance. It assures itself of the efficiency of the risk management, internal control and compliance systems and is regularly informed on the work undertaken by Internal Audit. The Audit Committee’s exact methods of working are regulated by the Rules of Procedure.</p> <p>See: http://www.adidas-group.com/en/investors/corporate-governance/supervisory-board-committees/#/prfungsausschuss/</p> <p>Group Internal Audit (GIA) is an independent, objective assurance function tasked with bringing a systematic, disciplined approach to evaluate the effectiveness of risk management, internal controls and governance processes, in order to assess compliance with and conformance to the adidas Group internal control framework. GIA aims to identify opportunities to improve company performance and operations through their audit work.</p> <p>The primary role of GIA is to assist the Group Executive Board to protect the assets, reputation and sustainability of the adidas Group. It does this by assessing whether all significant risks are identified and appropriately reported by management to the Group Executive Board; by assessing whether these risks are adequately controlled; and by challenging the Group Executive Board to evaluate and improve the effectiveness of governance, risk management and internal controls throughout all areas of the business. GIA aims to identify opportunities to improve company performance and operations through their audit work.</p>

<p>B.1.3. Incentives and performance management</p> <p>The Company provides incentives to senior managers linked to implementation of the Company’s human rights policy commitments and/or targets. (Sources: UN Guiding Principle 19, UNGPRF A2.3 and GRI G4 51)</p>	
<p>Score 1 The Company indicates that it has an incentive or performance management scheme linked to aspects of its human rights policy commitment(s) for at least one manager.</p>	<p>Our three VPs in Social & Environmental Affairs, located in Europe, Asia and America, who are tasked with the delivery of labour and human rights programmes across the business, with our licensees, and in the global supply chain, have clear targets in our performance appraisal system which links pay with performance and the execution of our human rights policy commitments.</p>
<p>Score 2 The criteria linking managers’ remuneration to the Company’s human rights performance is also made public.</p>	<p>This has not been publicly disclosed</p>
<p>AP For Score 1, this includes procurement managers and covers at least one of the following: child labour, freedom of association, forced labour, health and safety, women’s rights, working hours.</p>	<p>This has not been publicly disclosed</p>
<p>B.1.4. Communication / dissemination of policy commitment</p>	
<p>B.1.4.a. Communication / dissemination of policy commitment within Company’s own operations</p> <p>The Company communicates its human rights policy commitment(s) to employees and other workers as well as to external stakeholders, in particular potentially affected stakeholders. (Note: In order to get any Score under this indicator, the human rights policy communicated must include the ILO core labour standards at a minimum.) (Sources: UN Guiding Principles 12 and 16 d and UNGPRF A.1.3)</p>	
<p>Score 1 The Company describes how it communicates its policy commitment(s) to all workers, which languages the commitment(s) have been translated into, and whether the</p>	<p>adidas Group sources from more than 61 countries globally and over 1100 factories. In the initial years of our social compliance programme, adidas Group placed posters, describing its <i>Workplace Standards</i>, in every factory in the local language(s) of the workforce. However, practical experience has shown that is a very ineffectual way of communicating rights to workers. Workers did not understand or fully comprehend the code (which reflected ILO standards), or the role of the brand played in protecting</p>

<p>commitment(s) have not been translated into any local languages where the company has operations or workers and why.</p>	<p>their rights. We therefore changed our policy and approach, by placing more emphasis on building a greater level of local empowerment (both for suppliers and workers), providing supporting guidance (including SMS messaging services and training, tailoring information to focus on local labour law (sponsoring booklets, videos, etc.), or targeting specific topics, for example pre-natal care, insurance, etc., as well as building more grievance channels.</p> <p>Local language posters appear in every factory notice board, providing workers with a hotline number and local contact with adidas Group, asking them to inform us if there are unable to resolve issues and complaints internally within the factory.</p>
<p>Score 2 The Company also describes how it communicates its policy commitments to stakeholders (see the industry locks below), including local communities and potentially affected stakeholders.</p>	<p>The adidas Group uses many different types and channels of communication to share information about its strategies, policies and procedures with respect to human and labour rights, and to engage with stakeholders. These include:</p> <ul style="list-style-type: none"> • the corporate website: http://www.adidas-group.com/en/sustainability/managing-sustainability/general-approach/ • The corporate blog: http://blog.adidas-group.com/ See for example http://blog.adidas-group.com/2014/12/embedding-human-rights-into-business-practices/ • Annual Sustainability Reports • Tailored distribution of information to stakeholder groups, including workshops and dialogues • Individual correspondence and one-on-one meetings • Offering grievance channels and designated email addresses for stakeholder questions and concerns
<p><i>B.1.4.b. Communication / dissemination of policy commitment to business partners</i></p> <p>The Company communicates its human rights policy commitment(s) to its business relationships. In addition, it reflects its human rights commitments within the terms of its contracts (or other equivalent, binding arrangements) with business relationships. <i>(Note: In order to get any Score under this indicator, the human rights policy communicated must include the ILO core labour standards at a minimum.)</i> <i>(Sources: UN Guiding Principle 12 and UNGPRF A1.3.)</i></p>	
<p>Score 1 The Company describes the steps it has taken to communicate its human rights policy commitment(s) to its business relationships.</p>	<p>Every supplier, licensee and agent entering into a business relationship with adidas Group must receive, read and commit to our <i>Workplace Standards</i>, which details our expectations for business partners to uphold labour standards and human rights.</p> <p>The <i>Workplace Standards</i> include a specific clause on Human Rights, which reads:</p>

	<p>“The adidas Group is committed to respecting human rights and will refrain from any activity, or entering into relations with any entity, which supports, solicits or encourages others to abuse human rights. The adidas Group expects our business partners to do the same, and where there is any perceived risk of a violation of human rights to duly notify us of this and of the steps being taken to avoid or mitigate such a breach and, where this is not possible, for the business partner to provide for the remediation of the adverse human rights impact where they have caused or contributed to this. For the purposes of these <i>Workplace Standards</i>, human rights are a set of rights which recognise the inherent dignity, freedom and equality of all human beings, as expressed in the United Nation’s International Bill of Human Rights and in the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work.”</p>
Score 2 The Company describes how its human rights policy commitments are included within contractual or other binding arrangements with its business relationships.	To produce for adidas Group, suppliers, agents and licensees must enter into formal legal agreements; for example, by way of a manufacturing agreement, licensing agreement or agency agreement. The <i>Workplace Standards</i> (and our supporting guidelines on employment, safety and environment) are an integral part of such agreements. Suppliers, agents and licensees are therefore contractually bound to uphold the <i>Workplace Standards</i> .
AP For Score 1 and 2, this must include suppliers.	See above
<p>B.1.5. Training on human rights The Company trains its workers on its human rights policy commitment(s). (Sources: UN Guiding Principle 12, UNGPRF A1.3 and GRI G4-HR2)</p>	
Score 1 The Company describes how it trains all relevant managers and workers (see the industry locks below) on the Company’s human rights policy commitment(s). The training covers at least the ILO core labour standards.	<p>All new employees are given induction training to familiarize them with adidas Group policies and procedures, including our ethical conduct of conduct and adherence to our Labour Charta. They are also provided briefings by individual functions, including SEA. Face-to-face training is complemented by social media and electronic platforms, which suits the young age profile of our employees. Web postings and blogs on human rights and human rights related topics are also employed to raise awareness of the company’s programmes. See, for example, http://blog.adidas-group.com/2014/12/embedding-human-rights-into-business-practices/</p> <p>Within the adidas Group, familiarity with the requirements of the company’s Fair Play (ethical business) code of conduct is mandatory. All employees must participate in and pass online training on the code. Our supplier training programmes – whether conducted in-house or externally – are tailored to specific rights or standards, rather than more general training on “human rights”, although we are exploring the possibility of creating a standard online course on human rights for our business partners</p>

	<p>and have entered into discussions with the UN on this topic.</p> <p>Our global legal teams have received formal briefings on the application of the UN Guiding Principles on Business and Human Rights and the corresponding human rights requirements detailed in the OECD Guidelines for MNCs. Individuals within SEA have also participated in formal human rights training provided by Human Rights Education Associates (www.HREA.org). Topical training is also given. For example earlier in 2016, all members of SEA's Asia-based labour monitoring programme received updates and training on modern day slavery issues.</p>
<p>Score 2 The Company also indicates that all workers are trained on its human rights policy commitment(s). The training covers at least the ILO core labour standards.</p>	<p>For specific supply chain-related topics, such as labour rights, workplace safety and environmental concerns there are thousands of individuals trained each year either through in-house programmes, given directly by SEA or through external training providers approved by SEA. See our Sustainability Progress Reports which describe training activities.</p> <p>For example, with respect to workplace safety, we have supported (along with other international brands) the development of <i>EHS+ Centers</i> in Asia. These specialist centers were developed by the Institute for Sustainable Communities, a US non-profit, in partnership with local academic institutions and deliver high quality occupational health and safety training for managers in global supply chains. See http://www.iscvt.org/ehs-network-activates-supplier-leadership/. We have partnered with the ILO Better Work programme on Freedom of Association training and the development of supervisory skills training for factory line managers, which includes cultural awareness and fair treatment. There are numerous other examples of training run for our business partners, from health (HIV, Hepatitis B, pre- and post- natal care), safety, to nutrition, strike management (including use or involvement of security services), development of effective human resource management systems, development of OHS systems, etc.</p>
<p>AP For Score 1, relevant managers and workers include procurement and audit teams.</p>	<p>See responses above.</p> <p>Colleagues in our internal product Sourcing teams and in the Sourcing teams of our Licensees and Agents are provided training by SEA on our <i>Workplace Standards</i> and supporting Employment, Health & Safety and Environmental Guidelines.</p> <p>Such training is incorporated into the company's training academies.</p>

B.1.6. Monitoring and corrective actions

The Company monitors the implementation of its human rights policy commitment(s) across its operations and business relationships and follows up on corrective actions and necessary changes to policy or processes. *(Note: In order to get any Score under this indicator, the human rights policy commitment must include the ILO core labour standards at a minimum.)* (Sources: GRI G4-HR11, GRI G4-LA15, SASB CN0501-05, SASB CN0501-06 and SASB CN0103-21)

<p>Score 1 The Company describes how it monitors its implementation of its human rights policy commitment(s), which include the ILO core labour standards at a minimum, which covers the Company globally and relevant business relationships (see the industry locks below).</p>	<p>For our direct supply chain we have social and environmental KPIs that assess the effectiveness of our suppliers’ management systems to protect labour rights, worker safety and the environment.</p> <p>For our licensee partners and agents that manage our indirect supply chain, we use a score card, that evaluates and score’s a business entities performance in applying our <i>Workplace Standards</i> and associated guidelines.</p> <p>All audits conducted in our supply chain are visible to us through the Fair Factory Clearinghouse (FFC) database. We were a founding member of the FFC, which promotes the sharing of social compliance, environmental and safety audits among global brands. See http://www.fairfactories.org. SEA reports monthly to the Executive Management, highlighting critical issues, investigations and remedial efforts in relation to individual factories and other country-specific cases for our direct and indirect supply chains, as well as our materials supply chain. This is the primary vehicle through which human rights concerns are shared with senior management. We are a founding member of the Fair Labor Association, a US not-for-profit which periodically reviews and provides accreditation of our social compliance programme, using the FLA Charter and Code of Conduct as its benchmark. The FLA code of conduct has been independently reviewed by Shift, another US not-for-profit, to ensure alignment with the UN Guiding Principles.</p>
<p>Score 2 The Company also describes its corrective action process(es) and numbers of incidences or provides an example of its corrective action process(es) in practice and any necessary changes to policies or processes.</p>	<p>For our direct supply chain, where Social and Environmental Affair (SEA) monitoring staff identify gaps in our suppliers’ management systems or specific non-compliance issues, suppliers are required to develop corrective action plans to address them in a sustainable manner within a set period of time. SEA team members closely monitor the development and implementation of these corrective action plans through follow-up audits and record progress, and verification status in the Fair Factories Clearinghouse (FFC) database.</p> <p>Published examples of the types of issues we track and remedy in our supply chains is given in the FLA Tracking Charts, which form part of an independent assurance process for our huamn and labour</p>

	<p>rights monitoring programme. See http://www.fairlabor.org/transparency/tracking-charts</p> <p>For our licensee partners and agents that manage our indirect supply chain, SEA team members use annual report cards to identify gaps in the business entities' practices and performance in applying our <i>Workplace Standards</i> and associated guidelines. Corrective Action Items are jointly developed to bridge those gaps.</p> <p>Indirect supply chain factories that are working with our licensees and agents are audited by External Monitors (EM). These EMs are assessed and approved by the adidas Group in order to ensure consistent application of our standards. Audits are conducted, at a minimum, of once every 12 months or more frequently when additional follow up assessments are required to monitor progress against corrective action plans.</p>
<p>AP For Score 1, the description includes how it monitors its suppliers and the proportion of suppliers monitored. For Score 2, the Company also describes how it also uses external monitors.</p>	<p>The details of our auditing coverage are given in the Performance section of our annual Sustainability Progress Reports. To date we have published reports for the past 13 years. These are posted on our Group website. http://www.adidas-group.com/en/sustainability/reporting-policies-and-data/sustainability-reports/</p> <p>All factories which are publicly disclosed fall within our monitoring coverage. Supplier lists can be found at: http://www.adidas-group.com/en/sustainability/supply-chain/supply-chain-structure/</p>
<p>B.1.7. Engaging business relationships</p> <p>The Company takes human rights considerations into account when deciding to engage (or terminate) business relationships. <i>(Sources: UN Guiding Principles 13 and 19, UNGPRF A2.4, HRIB 2014 7.1.1.</i></p>	
<p>Score 1 The Company describes how human rights performance is taken into account in the <i>identification</i> of potential business relationships and how it can affect decisions to enter into or select business relationships.</p>	<p>Human Rights are embedded into adidas Group's <i>Workplace Standards</i>. Our <i>Workplace Standards</i> and supporting guidelines on employment, health & safety, and environment are integral part of all agreements with our suppliers, agents, and licensees. Prior to being approved for production all new suppliers are required to undergo an assessment, known as an SEA Initial Assessment (IA).</p> <p>If serious breaches of the <i>Workplace Standards</i> are identified in a new supplier, they are not authorised to begin manufacturing of adidas Group products until they have demonstrated comprehensive and sustainable remediation of the issues. See our <i>Sustainability Progress Reports</i>, for example, the rejection rates from our initial screening through IA's and the types of non-compliance issues commonly found in our Initial Assessments.</p>

<p>Score 2 The Company also describes how the human rights <i>performance</i> of business relationships interacts with decisions to renew, expand or terminate business relationships.</p>	<p>In order to maintain their status and their business relationship with the adidas Group, existing approved suppliers must demonstrate ongoing compliance with the <i>Workplace Standards</i>. This is assessed via annual Performance Audits. The results of these assessments are incorporated into rating tools used by the adidas Group sourcing teams. They help to determine strategic suppliers and influence sourcing decisions based on social and environmental KPI performance. It is important for our key business partners to understand how their social and environmental KPI score impacts the business relationship. This transparency and integration with sourcing decisions is fundamental to the success of our efforts to drive improvements in workplace conditions.</p> <p>When a supplier repeatedly fails to meet our <i>Workplace Standards</i>, we apply the sanctions as outlined in our <i>Enforcement Guidelines</i>, which can ultimately result in the termination of the business relationship (http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/). These sanctions include; stop-work notices, third-party investigations, warning letters, reviewing orders, and the commissioning of special projects to remedy particular compliance problems</p> <p>In all cases of terminations, whether for compliance or purely business reasons, the adidas Group has also developed <i>ethical termination guidelines</i> taking into account human rights considerations (http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/).</p> <p>Licensees are also assessed for their performance on implementing the <i>Workplace Standards</i> in their supply chains through the development of annual Strategic Compliance Plans & Report Cards.</p>
<p>AP For Score 1, the description includes how this applies to the identification of suppliers and the human rights issues considered.</p> <p>For Score 2 the Company also describes how it works with suppliers to improve human rights performance and provides an example.</p>	<p>See above.</p>

B.1.8. Framework for engagement with potentially affected stakeholders

The Company identifies affected and potentially affected stakeholders and engages in regular dialogue on human rights issues with them. In doing so, it pays particular attention to those at heightened risk of vulnerability or marginalisation and prohibits bribes or other favours that may divide communities. (Sources: UN Guiding Principle 18, UNGPRF C2 and C2.1, GRI G4-25 and GRI G4-26)

Score 1 The Company describes its systems and/or processes to identify affected and potentially affected stakeholders, including those at heightened risk of vulnerability or marginalisation (where applicable) **OR** it describes the frequency and triggers for engagement on human rights issues by type or by stakeholder group.

Our policy towards our stakeholders is clear: we actively engage, we listen, we seek to understand their ideas and concerns and, where it is within our ability, we act. Relationship management ranges from passive to more active engagement, i.e. from informing to involving them. We engage with our stakeholders in a number of ways:

- Formal stakeholder consultation meetings/stakeholder dialogues with our industry peers, with workers, union representatives, non-governmental organisations (NGOs) and our business partners.
- Meetings with socially responsible investment (SRI) analysts
- Internal reporting and induction programmes with our employees
- Responding to enquiries from consumers, interest groups and the media
- Collaborating with other brands in joint initiatives or business forums
- Outreach to graduates and the academic community.

Please see our *Partnership Approach* which explains how we engage with Stakeholders.

<http://www.adidas-group.com/en/sustainability/partnerships/partnership-approach/> and for more detail please refer to our specific guidelines on Stakeholder Relations; see http://www.adidas-group.com/media/filer_public/2013/07/31/stakeholder_relations_guideline_2012_en.pdf

adidas Group's stakeholder outreach has run for almost 20 years and there is mature body of relationships with critical stakeholder groups in the international community, including human rights and labour advocacy groups, such as Amnesty International, Human Rights Watch, Workers Rights Consortium, Clean Clothes Campaign, Maquila Solidarity Network, SOMO, Anti-Slavery International, Walk Free, and Transparency International, some relations are more local to countries or regions. For example Mekong Club in Hong Kong. In the environmental area, engagements with global NGOs include WWF, Greenpeace, Chemsec, as well as specific local NGOs for example Institute of Public and Environmental Affairs (IPE) and the Green Choice Alliance (a coalition of 30 NGOs) in China.

Stakeholder engagement can be topical, for example when dealing with child rights, engagement has taken place with Save the Children, UNICEF, ILO (international programme on the elimination of child labour) and SOMO. When addressing, as we have in recent times, migrant labour issues and in particular the refugee situation in Turkey we have conducted stakeholder outreach with local groups (Red Crescent, FLA's local rep,) and well as international agencies (UNICEF, UNHCR) and government (Ministry of Labour). Stakeholders are typically selected based on their experience, understanding and knowledge and, when appropriate, the resources or leverage they could bring to bear on addressing the specific human rights risk. Stakeholder engagement has to be purposeful and outcome driven.

Stakeholder engagement is conducted at many levels, including directly with vulnerable groups. When we first developed our migrant labour policy and programme in 2003-4 we selected a high risk country (Malaysia) where the garment industry was using migrant workers. We then conducted a series of interviews and roundtables with workers from sending countries (such as Bangladesh, Burma and Vietnam) using independent NGOs (such as Action Aid), and parallel engagements with sending country embassies (to understand the protections and support offered to this vulnerable group), with government agencies (Labour Department), the Malaysian Law Society and with local migrant workers NGOs. This stakeholder process informed and shaped our policies and approach going forward. In later years our learnings were shared with the Institute of Business & Human Rights and helped inform their development of the Dhaka Principles.

At a local level we have continuous engagement with workers and especially women workers which dominate our supply chain, to understand their needs and issues. Such engagement takes place through on-site and off-site interviews, either directly using our field staff or, at times, through third party NGOs. For example since 2001 we have engaged Phulki a women's rights NGO in Bangladesh, to interview female workers each month and provide us with candid feedback on their working conditions, issues and aspirations. (see <http://www.phulkibd.org/projectdetails.php?id=8>)

Other vehicles for stakeholder engagement include purpose-built fora, such as the FOA Protocol, which allows for regular engagement between adidas Group, our suppliers and Indonesia's main trade unions over working conditions and representational rights. (see

	http://www.swedwatch.org/sites/default/files/swedwatch - fair play - eng.pdf)
Score 2 The Company meets both the requirements under Score 1 and provides an analysis of the input/views given by the stakeholders on human rights issues OR provides examples of the engagement.	There are numerous types of stakeholder engagement which have taken place each year, across many different countries and with different interest groups be they employees, workers, trade unions, international NGOs, local NGOs, investors, politicians, government agencies, local community leaders, etc. Selected cases have been reported in past Sustainability Reports. Examples of formal stakeholder dialogues/meetings can also be found at: http://www.adidas-group.com/en/sustainability/partnerships/partnership-approach/#/2001/2013/ Relevant examples include: http://www.adidas-group.com/media/filer_public/2013/07/31/europe_stakeholder_report_london_may_2011_en.pdf and http://www.adidas-group.com/media/filer_public/ce/65/ce650eaa-fa88-4ab8-aa38-0e323e158714/adidas_stakeholderdialogue_july2015_final.pdf
AP For Score 2, the Company also facilitates dialogue with affected or potentially affected stakeholders by providing relevant information about its supply chain and its exposure to human rights risks.	Transparency has been the hallmark of our social programme, with our public disclosure of suppliers and deep engagement with local and international advocacy groups, as well other stakeholders, about global supply chains, human rights and how best to prevent and mitigate issues. We have been at the forefront of developing and defining remedial processes. For example, our early work on migrant labour rights helped inform and shape the <i>Dhaka Principles</i> , see http://www.dhaka-principles.org/ Similarly our engagement over child labour rights at the end of 1990s helped shape and influence IPECs work, and the roll of the ILO in the establishment of independent monitoring processes globally; one of the precursors to the establishment of the Better Work programme. We were also closely engaged and shared our lengthy experience with supply chain due diligence with John Ruggie, in the consultation rounds that helped inform the content of the UNGP.

B.2. HUMAN RIGHTS DUE DILIGENCE

B.2.1. Identifying: Processes and triggers for identifying human rights risks and impacts	
The Company identifies its human rights risks and impacts on an on-going basis, including when these are triggered by key moments of the Company's activities (e.g. policy change, market entry, new project, amongst others). (Sources: UN Guiding Principle 17 and 18, UNGPRF B2 and C3 and HRIB 2014 1.2.2.)	
Score 1 The Company describes the process(es) to identify its human rights risks and impacts in certain locations or	Human rights risks are managed through a layered process which includes high level <i>Operational Reviews</i> of potential adverse impacts on rights-holders, specific <i>Country Risk Appraisals</i> , supply chain <i>compliance monitoring</i> (both our direct and indirect supply chain), independent assurance by partner

<p>activities, covering its own operations (i.e. impacts to which it may cause or contribute) as well as through relevant business relationships (i.e. impacts to which it may be directly linked) (see the industry locks below).</p>	<p>organisations (for example the Fair Labor Association programme evaluation and unannounced audits) and focused reviews or engagements, that reflect stakeholder concerns or new market entry situations.</p> <p><i>Operational Reviews (ORs)</i> - human rights risk mapping, which seeks to identify potential adverse human rights impacts arising from company-wide policies and business practices. The ORs examine both day-to-day operations, as well as broader supply chain impacts. They are managed by our in-house human rights counsel. Where issues are identified, this triggers a deeper engagement with the responsible department(s) and outreach to external stakeholders to build a fuller picture, and to identify appropriate follow-up actions.</p> <p>For example, the results of the 2013-4 Operational Review triggered our 2015 London Stakeholder Dialogue. This is explained further in the Briefing Note in Appendix 3 of the published stakeholder report; see http://www.adidas-group.com/media/filer_public/ce/65/ce650eaa-fa88-4ab8-aa38-0e323e158714/adidas_stakeholderdialogue_july2015_final.pdf</p> <p>The ORs are internal documents; they are not published.</p> <p><i>Country Risk Assessments (CRAs)</i> - completed annually, these CRAs include a review of salient human rights issues at a national level, they incorporate local stakeholder feedback and reference available published information from government and non-government sources, such as ILO reports, US State Department Human Rights Country Reports, etc. These assessments inform work priorities and guide prevention and mitigation strategies, especially in relations to our supply chain compliance monitoring. These are internal documents and are not publicly disclosed.</p> <p><i>Compliance Monitoring (CM)</i> – key industry risks such as child labour, excessive hours, forced labour, freedom of association, health and safety, and women’s rights are already deeply embedded in our monitoring programme, which seeks to uphold our <i>Workplace Standards</i> and supporting policies and guidelines which have been built around human rights norms and international labour standards. Our supply chain monitoring includes direct auditing, worker feedback mechanisms, partnerships with external organisations (such as ILO Better Work, the Bangladesh Safety Accord, Fair Labor Association, etc.) and stakeholder outreach, including close engagement with government regulators and civil society groups at a country level. The results of our compliance monitoring efforts are publicly disclosed. For more information see http://www.adidas-group.com/en/sustainability/supply-</p>
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	<p>chain/monitoring/</p> <p><i>Operational-level grievance mechanisms</i> are available internally to flag issues related to any ethical breach, which is managed by Group Legal & Compliance through our 'Fair Play' Code of Conduct (see http://www.adidas-group.com/media/filer_public/2f/5e/2f5e4b6c-0dbc-423f-a4b8-a354e1b16a64/coc_english_2014.pdf) or is a matter handled by the Group's Privacy Officer, or an employment concern addressed through Group Human Resources.</p> <p>In summary, adidas Group is examining human rights risks on more or less a continuous basis and relying on feedback and engagement with our stakeholders to inform our risk evaluation, whether this is inputting to our annual country risk appraisal, or tailored engagements with specific stakeholder groups (for example on Mega Sporting Events), or with the investor community, or on or off-site worker interviews, or engagement with government agencies on human rights topics. These are all material consideration in our human rights risk assessments.</p>
<p>Score 2 The Company also describes the global systems in place to identify its human rights risks and impacts on a regular basis across its activities, in consultation with affected or potentially affected stakeholders and internal or independent external human rights experts. This includes how the systems are triggered by new country operations, new business relationships or changes in the human rights context in particular locations, and also includes risks and impacts to which the Company may be directly linked.</p>	<p>See response to Score 1 for our general approach.</p> <p>In those cases where we plan to enter a new sourcing country, additional in-depth assessments may be warranted, as took place prior to production commencing in Myanmar. A <i>focused review</i> was conducted to evaluate human rights and socio-political issues and risks. The process ran for 2 years and involved extensive engagement with key stakeholders, and resulted in the adoption of new tools and approaches to prevent harm to rights-holders, particularly over land rights. See http://blog.adidas-group.com/2015/02/made-in-myanmar/</p> <p>For new supplier relationships we have a well-developed pre-screening tool which we call <i>Initial Assessments (IAs)</i>. Through IAs we evaluate prospective suppliers against a set of Zero Tolerance Issues and Threshold Issues. The general findings from our IAs is published in our annual Sustainability Progress Reports and can also be viewed under the header 'Dealing with Non-Compliances' at http://www.adidas-group.com/en/sustainability/supply-chain/monitoring/</p>
<p>AP For Score 1, relevant business relationships include its suppliers.</p>	<p>See above</p>

<p>B.2.2. Assessing: Assessment of risks and impacts identified (salient risks and key industry risks)</p> <p>The Company assesses its potential human rights risks and actual human rights impacts for new activities and regularly reviews these for on-going activities. <i>(Sources: UN Guiding Principle 18, UNGPRF B1, B2 and C3, HRIB 2014 1.2.2., GRI G4-HR11 and GRI G4-LA15)</i></p>	
<p>Score 1 The Company describes its process(es) for assessing its human rights risks and what it considers to be its salient human rights issues. This description includes how geographical factors are taken into account.</p>	<p>See response to B2.1 above, regarding our assessment of human rights risks, the use of Country Risk Assessments and Compliance Monitoring.</p> <p>Through our periodic operational reviews the following have been highlighted as salient human rights risks: freedom of association & collective bargaining, working hours, safety & health, fair wages, child labour, forced labour, resource consumption, water (including chemical management), access to grievance mechanisms, diversity, mega sporting events, procurement and data protection & privacy.</p>
<p>Score 2 The Company publicly discloses the results of the assessment. If the Company’s salient human rights issues do not include any of the key industry risks (see the industry locks below), it describes why these were not considered salient for its activities.</p>	<p>We have not published our internal assessments. However attention to specific (salient) issues has evolved through several decades of addressing stakeholder concerns, including diversity within our employee base, as well as the enforcement of our code of conduct which was built around international human rights norms. A summary of salient issues is given above.</p>
<p>AP For Score 2, key industry risks: child labour, excessive hours, forced labour, freedom of association, health and safety, and women’s rights.</p>	<p>See above</p>
<p>B.2.3. Integrating and Acting: Integrating assessment findings internally and taking appropriate action</p> <p>The Company integrates the findings of its human rights assessments into relevant internal functions and processes to identify appropriate actions to prevent, mitigate and/or remediate its salient human rights issues. <i>(Sources: UN Guiding Principle 19, UNGPRF C4)</i></p>	
<p>Score 1 The Company describes the processes to integrate and act on the findings of its human rights assessments.</p>	<p>adidas Group is in a continuous process of engagement, assessment and feedback on salient issues – both within our business and with our external stakeholders - the findings feed into our active programmes and drive specific prevention and mitigations measures.</p> <p>This is best explained through several examples.</p> <p>Supply Chain: For our direct supply chain we have social and environmental KPIs that assess the effectiveness of our suppliers’ management systems to protect labour rights, worker safety and the</p>

environment. For our licensee partners and agents that manage our indirect supply chain, we use a score card, that evaluates and score's a business entities performance in applying our Workplace Standards and associated guidelines. All audits conducted in our supply chain are visible to us through the Fair Factory Clearinghouse (FFC) database. We were a founding member of the FFC, which promotes the sharing of social compliance, environmental and safety audits among global brands. See [\[link\]](#)

At the end of each month, SEA reports to the Executive Management, highlighting critical issues, investigations and remedial efforts in relation to individual factories and other country-specific cases for our direct and indirect supply chains, as well as our materials supply chain. This is the primary vehicle through which human rights concerns are shared with senior management and reported progress is tracked.

Ours is a continuous learning process, one where critical reviews are conducted to inform and improve our processes and approach. For example, we are a founding member of the Fair Labor Association, a US not-for-profit which periodically reviews and provides accreditation of our social compliance programme, using the FLA Charter and Code of Conduct as its benchmark. The FLA code of conduct has been independently reviewed by Shift, another US not-for-profit, to ensure alignment with the UN Guiding Principles.

We have followed a similar review process to drive improvements through a score card system for our own licensees, which are contractually obligated to create compliance programmes that mirror our in-house system. See 'Closing the Gap on Licensee performance' at http://www.adidas-group.com/media/filer_public/e8/32/e832823b-8585-4e26-8990-07b80e3ae71c/2014_sustainability_report_make_a_difference.pdf

Operations: In 2013 we conducted an *operational review* to identify potential adverse human rights impacts arising out of our general business operations. This was independent of our long-established and mature supply chain work, which is described elsewhere in this submission. The operational review highlighted three areas for further investigation and engagement from a human rights perspective: our role as a sponsor on mega sporting events; local procurement practices (outside of our product supply chain work); and data (protection), privacy and social media, given the expansion of our e-commerce offering as a company.

	<p>With respect to the first topic, we immediately followed up by running a stakeholder dialogue to canvas views on the responsibilities of sponsors with respect to the adverse human rights impacts of mega sporting events. See http://www.adidas-group.com/media/filer_public/ce/65/ce650eaa-fa88-4ab8-aa38-0e323e158714/adidas_stakeholderdialogue_july2015_final.pdf. In parallel with this we also began a deep engagement with FIFA and with concerned NGOs (such as Transparency International, Amnesty International and the International Trade Union Confederation) over the handling of human rights impacts associated with upcoming football World Cup events, including those planned for Russia in 2018 and Qatar in 2022. At the executive Board level, we have supported and promoted an independent review of FIFA activities by John Ruggie, former UN Secretary-General's Special Representative for Business and Human Rights, and are supporting FIFA with advice on corporate practices related to human rights due diligence. We have also been active on-the-ground in countries such as Qatar, to evaluation the situation and engage with local stakeholders, including the government.</p> <p>In 2016 adidas Group partnered with other sponsors, concerned NGOs and the Institute for Business and Human Rights (IHRB) to explore the possibilities of developing a credible and independent centre which will to guide and advise sports bodies and host governments on the human rights impacts of sporting events. The goal being to secure a positive legacy for local communities. See http://www.ioe-emp.org/index.php?id=2834 and https://www.wiltonpark.org.uk/event/wp1428/. These efforts build on earlier engagements we have had on the human rights issues linked to international sporting events, dating from French World Cup in 1998, through to the Beijing Olympics in 2008 and the London Olympics in 2012. This has been captured by the research undertaken by IHRB and published in 2013; see http://www.ihrb.org/pdf/2013-10-21_IHRB_Mega-Sporting-Events-Paper_Web.pdf. It is also described in the Annex to our 2015 stakeholder dialogue report. See http://www.adidas-group.com/media/filer_public/ce/65/ce650eaa-fa88-4ab8-aa38-0e323e158714/adidas_stakeholderdialogue_july2015_final.pdf</p>
<p>Score 2 The Company also provides an example of the specific conclusions reached and actions taken or to be taken on at least one of its salient human rights issues as a result of assessment processes in at least one of</p>	<p>Through our multi-year engagement with a leading environmental NGO, the Institute for Public & Environmental Affairs (IPE) in China, we identified the need to strengthen the monitoring and support given to our Tier 2 partner factories, especially those that were not part of our mainstream compliance work. IPE uses an innovative approach to identify and electronically map regulatory breaches across the whole of China. We developed a comprehensive response to each case identified by IPE, including the development of an internal Standard Operating Procedure, to help quickly</p>

<p>its activities/operations (while accepting that some conclusions or actions may be needed to be confidential). <i>(Note: If no salient human rights issues were publicly identified in B.2.2 then Score 2 will not be met.)</i></p>	<p>resolve water and wastewater issues, which resulted in our being ranked as the highest performing brand in the garment and footwear industry in China. See http://www.ipe.org.cn/en/alliance/newssec.aspx</p> <p>The engagement with IPE was viewed as a learning opportunity and through the close-out of individual cases it enabled us to strengthen our existing environmental monitoring and chemical management programme, building greater familiarity with permitting and consent processes, including identifying critical gaps in local government oversight, it also drove deeper engagement from our Sourcing teams in creating the necessary leverage and support to speed up remedial efforts and build supplier capacity. Progress was tracked and transparently shared (in our monthly risk reports) with the adidas Group’s executive level.</p> <p>This fits with our broader programme of work on Chemical Management and our efforts on environmental disclosure in our global supply chain. See http://www.adidas-group.com/media/filer_public/4c/41/4c413279-93d1-4d4a-a317-ff50f5bfd717/december_2015_-_progress_report_on_chemical_management_summary.pdf</p>
<p>AP For Score 1, this includes describing how it integrates and acts on findings related to its supply chain. For Score 2, the Company also provides an example of the specific conclusions reached and actions taken or to be taken on at least one of its salient human rights issues as a result of assessment processes.</p>	<p>See above</p>
<p>B.2.4. Tracking: Monitoring and evaluating the effectiveness of actions to respond to risks and impacts</p> <p>The Company tracks the effectiveness of actions taken in response to its risks and impacts assessed and acted on to integrate that information into improving processes and systems on an ongoing basis. <i>(Sources: UN Guiding Principle 20, UNGPRF C5 and GRI G4-DMAc)</i></p>	
<p>Score 1 The Company describes the system(s) for tracking the actions taken in response to risks and impacts assessed and for evaluating whether the actions have been effective or have</p>	<p>SEA monitors and reports human and labour rights risks, and takes actions accordingly:</p> <ul style="list-style-type: none"> • Country Level Risk Assessment: Country Profiles • Business Entity Level Risk Assessments: Business Entity Strategic Compliance Plan and Report Cards • Factory Level Risk Assessments: Regular audits, KPI Assessments, factory risk rating analysis,

<p>missed key issues or not produced the desired results.</p>	<p>Strategic Compliance Plans</p> <ul style="list-style-type: none"> • Crisis Protocol: Used by Business Entities and factories to report on the details on high risk issues • Monthly Reporting: to executive management within adidas Group • Grievance Mechanism: Workers and other parties can reach SEA through Hotline Posters, and Third Party Grievance Mechanisms <p>Taking our Supply Chain monitoring as an example:</p> <p>For our direct supply chain we have social and environmental KPIs that assess the effectiveness of our suppliers' management systems to protect labour rights, worker safety and the environment. For our licensee partners and agents that manage our indirect supply chain, we use a score card, that evaluates and score's a business entities performance in applying our Workplace Standards and associated guidelines. All audits conducted in our supply chain are visible to us through the Fair Factory Clearinghouse (FFC) database. We were a founding member of the FFC, which promotes the sharing of social compliance, environmental and safety audits among global brands. See [link]</p> <p>At the end of each month, SEA reports to the Executive Management, highlighting critical issues, investigations and remedial efforts in relation to individual factories and other country-specific cases for our direct and indirect supply chains, as well as our materials supply chain. This is the primary vehicle through which human rights concerns are shared with senior management and reported progress is tracked.</p> <p>Ours is a continuous learning process, one where critical reviews are conducted to inform and improve our processes and approach. For example, we are a founding member of the Fair Labor Association, a US not-for-profit which periodically reviews and provides accreditation of our social compliance programme, using the FLA Charter and Code of Conduct as its benchmark. The FLA code of conduct has been independently reviewed by Shift, another US not-for-profit, to ensure alignment with the UN Guiding Principles.</p> <p>We have followed a similar review process to drive improvements through a score card system for our own licensees, which are contractually obligated to create compliance programmes that mirror our in-house system. See 'Closing the Gap on Licensee performance' at http://www.adidas-group.com/media/filer_public/e8/32/e832823b-8585-4e26-8990-</p>
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	<p>07b80e3ae71c/2014_sustainability_report_make_a_difference.pdf</p> <p>Although we have established systems and practices that address human and labour rights concerns, as well as environmental and chemical safety, risks can still occur, and we manage them on a case-by-case basis.</p> <p>We continue to identify, track and respond to new issues and risks as they arise, both at a country level and as a matter of general practice. For example we have extended our due diligence efforts to tackle land rights issues, as a result of our pre-approval work for the development of Myanmar as a new sourcing country. See http://blog.adidas-group.com/2015/02/made-in-myanmar/.</p> <p>Building on our experience with the Bangladesh Accord on Fire and Building Safety, in 2014 we launched a fire risk assessment tool to map the fire and safety risk in our global supply chain, especially high-rise structures.</p>
<p>Score 2 The Company also provides an example of the lessons learned on effectively tracking the effectiveness of its actions on at least one of its salient human rights issues as a result of the due diligence process. <i>(Note: If no salient human rights issues were publicly identified in B.2.2 then Score 2 will not be met.)</i></p>	<p>Perhaps a useful example, one that tracks our experience in protecting the rights of the child and women’s rights over the span of nearly 20 years in Pakistan, is given in the publication <i>Joining the Dialogue: Vulnerable Children and Business</i> http://www.csr-asia.com/report/Joining_the_dialogue-Vulnerable_children_and_business.pdf See case study at pages 44-49. The primary lessons learned were this: the unintended consequences of industrializing the cottage industry which deprived women work opportunities given the cultural and religious norms of the country, the value of the follow-up research from UNICEF in this regards, which showed that women working provided a direct and positive impact on child wellbeing and access to education. This in turn helped shape our support for the establishment of women’s stitching centres, and nurseries to enable women to work, which complimented our efforts through the funding of school infrastructure in the community.</p>
<p>B.2.5. Communicating: Accounting for how human rights impacts are addressed</p> <p>The Company communicates externally how it addresses its human rights impacts in a manner that is accessible to its intended audiences, especially affected stakeholders who have raised concerns, providing enough information to evaluate the adequacy of the response(s) and does not pose risks to affected stakeholders, personnel or legitimate requirements of commercial confidentiality. This concerns company self-reported impacts only. Third-party allegations will be considered in the Serious Allegations Measurement Theme. <i>(Sources: UN Guiding Principle 21 and UNGPRF C2)</i></p>	
<p>Score 1 The Company describes its</p>	<p>We have multiple channels for communicating our human rights impacts, policies and approaches,</p>

<p>process(es) to communicate externally with its intended audiences on how it addresses the human rights impacts of its own activities (i.e. impacts to which it has caused or contributed) as well as via its business relationships (i.e. impacts to which it has been directly linked), with particular attention on communicating with affected stakeholders who have raised concerns.</p>	<p>including our annual Sustainability Progress Report, individual stakeholder meetings and correspondence, structured stakeholder dialogues, collaborative engagements with NGO, multi-stakeholder and partner organisations, one-on-one worker interviews and meetings, etc. We also make use of FAQs and blogs, as an accessible way for the public and our internal staff, to understand our human rights work and specific programme initiatives related to worker rights, safety and the environment. See, for example, http://blog.adidas-group.com/2014/12/embedding-human-rights-into-business-practices/ and http://www.adidas-group.com/media/filer_public/2013/11/14/human_rights_responsible_business_practices_qa_july_2011_en.pdf</p> <p>Whenever we have issues which are impacting a specific stakeholder group, we will work intensively to ensure those concerns are addressed and the appropriate prevention or mitigation is applied. See earlier example on assessing and developing an appropriate response to concerns over the human rights impacts of mega sporting events, which has included extensive dialogue and communications to concerned stakeholder groups. See our response to Section B.2.3 of this submission.</p> <p>To ensure clear and effective communications with local stakeholders, affected communities and other vulnerable groups, the SEA department has embedded local staff in all key sourcing countries. The team operates in 18 languages, but will also employ translators where needed for special investigations, stakeholder outreach or communicating outcomes or mechanisms to improve human rights impacts. For example, we have contracted Arabic translators in Turkey to support our communications with Syrian refugees at risk of exploitation in the supply chain.</p> <p>Communications and issues management are developed from the bottom up, through regular monitoring activities (on and off-site worker engagement) and operational complaint mechanisms, where correspondence will be in the local language. In those cases where complainants are literate, phone calls and direct face-to-face meetings will be used to capture issues and provide feedback. Higher level summaries of remedial efforts and outcomes related to adverse human rights impacts, especially where international NGOs are involved, will normally be in English. See for example the annual publication of the status and resolution of complaints received through our Grievance Mechanism (http://www.adidas-group.com/media/filer_public/38/e3/38e3dc79-3e7d-4613-b636-dcfc7fe8dd91/summary_of_human_rights_complaints_handled_by_the_adidas_group_2015.pdf). For our investors and the 3A community (Analysts, Academics and Activists) often communications</p>
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	<p>will be bi-lingual; in English and German. This is the case for our annual Sustainability Progress Reporting.</p> <p>Based on engagement and feedback from stakeholders, we have, over the past 20 years, defined the appropriate level of communications needed for a given target audience. Some require formal communications, a written account, etc., and others more informal channels, or personalized engagement. As well as communicating actions and outcomes, it is critical that affected groups understand that as corporation we engage and listen, have empathy, understanding and ultimately solutions-orientated.</p>
<p>Score 2 The Company provides an example of how it has ensured the form and frequency of the information communicated actually reflects its impacts and in a way accessible to its intended audience OR provides an example of how it has ensured the information is sufficient to evaluate the adequacy of its response to the impact OR provides an example of how it has ensured the communication(s) have not posed risks to affected stakeholders, personnel or legitimate requirements of commercial confidentiality.</p>	<p>At an operational level, when a labour or human rights issue is being addressed, adidas Group may have to involve and engage with multiple different parties over a span weeks, months or years.</p> <p>A recent example would be the partial closure of a factory in Vietnam, following a fire which destroyed a warehouse and the main production area. This led to the layoff of the majority of the workforce, including pregnant workers and workers on maternity leave. In this case, the SEA department engaged directly with the laid-off workers, the factory management, government and international labour rights groups who have been tracking the lawfulness of the factory's actions. adidas has also been liaising and communicating with other brands, who are the main buyers in the downsized factory. Worker engagement was done through one-on-one discussions with the affected individuals, as was the engagement with the factory management and government officials. Communications with the international trade unions was through email correspondence and the preparation of reports and responses to specific questions and concerns. When we heard of the reported harassment and detention of local labour advocates, who were advising the laid-off workers, a formal letter was sent to the provincial government, asking that the police cease and desist from interfering from the worker's right to freely associate with human rights defenders.</p> <p>See the Yupoong Vietnam case which is included in our 2015 Summary of Third Party Complaints. See http://www.adidas-group.com/en/sustainability/managing-sustainability/human-rights/</p>
<p>AP For Score 1, the description includes communications covering human rights impacts involving suppliers.</p>	<p>See above</p>

C. REMEDIES AND GRIEVANCE MECHANISMS

C.1. Grievance channels/mechanisms to receive complaints or concerns from workers

The Company has one or more channel(s) or mechanism(s) (its own, third party or shared) through which workers can raise complaints or concerns, including in relation to human rights issues. The channel/mechanism(s) is not used to undermine the role of legitimate trade unions in addressing labour-related disputes. (Sources: UN Guiding Principles 28, 29 & 30 and UNGPRF C6.1 & C6.2)

<p>Score 1 The Company indicates that it has one or more channels/mechanisms, or participates in a shared mechanism, accessible to all workers to raise complaints/concerns, including about human rights issues related to the Company AND the Company describes how it ensures the channel(s)/mechanism(s) is/are accessible to relevant stakeholders, including in local languages.</p>	<p>We have in place a number of grievance mechanisms which complement our stakeholder engagement and other due diligence processes. For example, we have very mature grievance channel available for workers – through worker hotlines in each country, manned either by internal staff or independent NGOs, who speak the workers’ local language. The hotline services have been the subject of regular reviews and assessments to understand their efficacy and value.</p> <p>We have been continuously upgrading these reporting channels and have introduced an SMS complaint mechanism for adoption by our suppliers. This is being progressively rolled out across our supply chain and to date around 58 of our strategic suppliers in Vietnam, Indonesia and Cambodia, with the total workforce of around 270,000, have adopted the system. Dozens more suppliers will adopt this system in China in 2016. See http://blog.adidas-group.com/2013/05/marketing-a-new-milestone-in-the-management-of-our-supply-chain-%E2%80%93-the-sms-worker-hotline-project/ and http://blog.adidas-group.com/2015/04/how-we-bring-factory-management-and-workers-closer-together/</p> <p>Individuals, worker representatives and worker rights organisations, can also access the <i>adidas Group Third-Party Complaint Process</i>, as well as the independently managed FLA Third Party Complaint Process (see http://www.fairlabor.org/third-party-complaint-process)</p> <p>As part of our engagement with Human Rights Watch we have taken steps to strengthen the protection of whistleblowers and to encourage the reporting of adverse working conditions within our suppliers’ factories. See ‘Subcontracting and the Role of Brands’ at https://www.hrw.org/report/2015/03/11/work-faster-or-get-out/labor-rights-abuses-cambodias-garment-industry</p>
<p>Score 2 The Company also publicly discloses data about the practical operation of the channel(s)/mechanism(s)</p>	<p>For a general overview of the SMS mechanism, see http://blog.adidas-group.com/2013/05/marketing-a-new-milestone-in-the-management-of-our-supply-chain-%E2%80%93-the-sms-worker-hotline-project/ and http://blog.adidas-group.com/2015/04/how-we-bring-factory-management-and-workers-closer-together/.</p> <p>Example. Since 2001 we have been working with a Phulki, a small women’s NGO in Bangladesh, to monitor</p>

<p>and provides an example from at least one location.</p>	<p>women’s rights and general working conditions in Bangladesh. Phulki staff visit our factories monthly and has built long-term relations with many of the women workers. They offer a confidential channel for complaints and also operate our Worker Hotline for the country. See http://www.phulkibd.org/projectdetails.php?id=8</p>
<p>AP For Score 2, the Company also encourages and supports their suppliers to establish their own channel(s) / mechanism(s) for workers to raise complaints / concerns, including about human rights issues related to the supplier OR describes the practical operation of the channel(s)/mechanism(s) used by its suppliers.</p>	<p>Suppliers are encouraged to develop effective worker-management systems and grievance mechanisms to address worker issues. See guidance given in our <i>Employment Standards Guideline</i>.</p> <p>Given their importance in upholding worker rights, these mechanisms are included as a measurable in our annual KPI assessment. In 2012 we introduce an innovative SMS-complaints mechanism platform to our suppliers which is being progressively rolled out across our supply chain (see Score 1 above).</p>
<p>C.2. Grievance channels/mechanisms to receive complaints or concerns from external individuals and communities</p> <p>The Company has one or more channel(s) / mechanism(s) (its own, third party or shared) through which individuals and communities who may be adversely impacted by the Company can raise complaints / concerns, including in relation to human rights issues. (Sources: UN Guiding Principles 28, 29 and 30 and UNGPRF C6.1 and C6.2)</p>	
<p>Score 1 The Company indicates that it has one or more channel/mechanisms, or participates in a shared mechanism, accessible to all external individuals and communities who may be adversely impacted by the</p>	<p>adidas Group has a well-developed <i>Complaint Process for Breaches to the adidas Group Workplace Standards or Violations of International Human Rights Norms</i>. See http://www.adidas-group.com/media/filer_public/3a/a8/3aa87bcf-9af9-477b-a2a5-100530e46b19/adidas_group_complaint_process_october_2014.pdf. Affected individuals, or communities, can bring issues directly to the attention of adidas Group, or avail themselves of alternative channels for their complaints, including the FLA-managed Third Party Complaint system, or the OECD’s Contact Point, details of which are also given in the above Complaint Process.</p>

<p>Company, particularly in high risk locations AND provides an example from one operational site.</p>	
<p>Score 2 The Company indicates that its mechanism(s) is (are) accessible to all potentially affected stakeholders at all operations. The Company describes how it makes the channel/mechanism(s) accessible to relevant stakeholders, including in local languages.</p>	<p>The Complaint Process is accessible to all external stakeholders who have a grievance to share. Typically, where complaints arise at a community level, these are normally directed through local Social & Environmental Affairs staff, who are conversant in the local language and active at a community level, through their visits and meetings with local factory employees.</p>
<p>AP For Score 1, the Company indicates that its channel(s)/ mechanism(s) is (are) accessible to all external individuals and communities. For Score 2, the Company also encourages and supports their suppliers to establish their own channel(s) / mechanism(s) for complaints / concerns from local communities, including about human rights issues related to the suppliers.</p>	<p>Community outreach and engagement is a requirement for any manufacturing operations. We encourage our suppliers to proactively engage with their local communities, including prompt handling of complaints.</p>
<p>C.3. Users are involved in the design and performance of the channel(s)/mechanism(s) The Company (or the initiative, in the case of a shared channel/mechanism) engages with potential or actual users on the design and performance of the channel /mechanism. (Sources: UN Guiding Principle 31(h) and UNGPRF C6.2)</p>	

<p>Score 1 The Company describes how potential users are involved in the design or review of the performance of the channel/mechanism or assesses their levels of satisfaction with it AND the Company provides an example of doing so in an operational site.</p>	<p>adidas Group has managed complaints since the end of the 1990s, when we first launched our supply chain code of conduct.</p> <p>In 2013 we decided to upgrade the complaint process, based on our experience and involvement with the 2012 London Olympics. The updated complaint mechanism was modelled on the London Olympic complaint process which was developed with input from a diverse base of stakeholders, including ourselves, trade unions, government agencies and local NGOs. The adidas Group complaint process incorporated learnings from the London Olympics and the pre-existing elements of the complaints processes we had operated in past years. Our new Complaints Process was publicly shared with the international NGO community, through its posting on the BHRRC site. We also sought feedback from Human Rights Watch on the content of the complaints mechanism. This led to the re-issuing of an updated complaint process in 2014, with additional language on non-retaliation.</p> <p>At an operational level, we have run worker hotlines managed directly by ourselves, or NGO partners. These are provided in the workers own language(s). We have used feedback and analysis of these hotlines, including assessment of the performance and efficacy of the NGO partners to progressively improve these systems or, when required, to replace them. In China, for example, we had an NGO provider for our hotline services that covered workers employed in over 400 factories, but after a critical review of their responsiveness to worker complaints, the advice be given to workers and an analysis of the declining number of callers, including interviews with workers using this system, we replaced the provider with our own team members. This also triggered the development of simpler and more visible communications (posters) for the workers, to encourage the use of the hotline, when issues could not be resolved through the available in-house grievance channels managed by the supplier factory.</p> <p>Our approach to the role and value of worker complaint mechanisms has changed over time. We have invested more effort in building our supplier partners own operational grievance channels, as the first line in managing worker complaints. The new electronic based systems we are progressively rolling out that allow us to look into the worker complaints lodged at a factory, in real time and to actively intervene if we see critical issues not been addressed. This is in parallel, to our own dedicated worker hotlines which continue to operate.</p>
<p>Score 2 The Company also describes how it involves potential users in the review of the design or</p>	<p>We evaluate the effectiveness of grievance channel/mechanism of our supplier through our KPI assessment where we have specific questions related to this topic. Our team will interview factory workers to verify whether the existing grievance channel is effective in addressing complaint from workers. The KPI system covers all of our core strategic suppliers which represent 80% of our global production.</p>

<p>performance of the channel/mechanism to assess how effective the channel(s)/mechanism(s) is AND the Company provides evidence of doing so in at least 50% of its operations or production sites.</p>	<p>Our <i>Third Party Grievance Mechanism</i> was originally developed with the input of trade unions, NGOs and other stakeholders involved in the London Olympics. In addition to this, we sought the review and input of Human Rights Watch, which resulting in the addition of a statement on non-retaliation.</p>
<p>AP For Score 2, the Company also describes how it monitors that its suppliers involve potential users in the initial design or the review of the design or performance of the channel(s)/mechanism(s).</p>	<p>For the SMS tool we evaluate the uptake and number of complaints registered and resolved. Tool development took place through beta-testing of the mechanism.</p> <p>We are currently at the pilot phase in launching a worker satisfaction survey in each factory, to capture feedback on the suppliers own grievance handling systems.</p>
<p>C.4. Procedures related to the mechanism(s) / channel(s) are publicly available and explained The Company describes how complaints / concerns are received, processed and addressed as well as how these may be escalated. (Sources: UN Guiding Principles 19 and 31 (c), UNGPRF C6.3)</p>	
<p>Score 1 The Company describes how complaints and concerns for workers and all external individuals and communities are received, processed and addressed, including timescales for responses and for each stage as well as who is handling the complaint.</p>	<p>adidas Group has a well-developed <i>Complaint Process for Breaches to the adidas Group Workplace Standards or Violations of International Human Rights Norms</i>. See http://www.adidas-group.com/media/filer_public/3a/a8/3aa87bcf-9af9-477b-a2a5-100530e46b19/adidas_group_complaint_process_october_2014.pdf. This describes the timelines (page 5) and processes for the handling of third party complaints, including external individuals, worker representatives and communities. The same processes apply to the handling of worker complaints, where these are directly managed at a country level by SEA staff members.</p> <p>When workers lodge a complaint through the hotline services a record is made of each complaint, the information available to support the complaint and the hotline operator becomes the primary point of contact for the follow-up investigation and response. The complaints are lodged and tracked in the Fair Factory Clearinghouse data system by the labour monitoring team. These become open issues until satisfactory closed out.</p>

	<p>A general description of our approach to handling grievances is also given in our <i>Human Rights and Responsible Business Practices FAQ</i> at http://www.adidas-group.com/media/filer_public/2013/11/14/human_rights_responsible_business_practices_qa_july_2011_en.pdf</p>
<p>Score 2 The Company describes how complaints or concerns for workers and all external individuals and communities may be escalated to more senior levels or independent parties.</p>	<p>The <i>Complaint Process for Breaches to the adidas Group Workplace Standards or Violations of International Human Rights Norms</i>. (See http://www.adidas-group.com/media/filer_public/3a/a8/3aa87bcf-9af9-477b-a2a5-100530e46b19/adidas_group_complaint_process_october_2014.pdf) describes how complaints are handled and how they can be escalated. At page 10 it states that if any party is unhappy with the way the complaint has been handled they “should raise the issue with adidas Group’s SEA department. SEA will review the case and communicate the information to the Group’s General Counsel/Chief Compliance Officer for a final decision. If the complainant is still dissatisfied with the outcome of their complaint and the actions taken by the adidas Group, then they do have recourse to other independent complaint processes,” as described in the Complaint Process.</p>
<p>C.5. Commitment to non-retaliation over concerns/complaints made The Company is committed to non-retaliation for raising complaints/concerns, including in relation to human rights issues (<i>Sources: UN Guiding Principles 22 & 31 and UNGPRF C6.2 and C6.3</i>)</p>	
<p>Score 1 The Company commits to ‘no retaliation’ against workers or others (including those that represent them) for raising human rights related concerns.</p>	<p>Our policy on non-retaliation is included in our <i>Complaint Process for Breaches to the adidas Group Workplace Standards or Violations of International Human Rights Norms</i>. See http://www.adidas-group.com/media/filer_public/3a/a8/3aa87bcf-9af9-477b-a2a5-100530e46b19/adidas_group_complaint_process_october_2014.pdf which at page 11 reads:</p> <p>“In executing our anti-retaliation policy, our central concern will always be to safeguard the rights and wellbeing of any person who has lodged, in good faith, a grievance with the adidas Group.</p> <p>If a person or organization believes that they have been subject of retaliation as a result of registering a complaint with the adidas Group, they should contact us immediately and provide the specific details of what has occurred. We will investigate and if there is clear evidence of retaliation against them, we will take action to remedy the situation. This may require, for example, the issuing of a warning letter to a business partner, if it is found that they have retaliated against a worker, or a worker representative, for disclosing workplace issues, or it may demand the intervention of government, when a legal or administrative remedy is required.</p> <p>As retaliation can take many forms (loss of job, demotion, involuntary transfer, harassment, intimidation, etc.) we will deal with each incidence on a case-by-case basis and look for tailored solutions.”</p> <p>See also our general approach to Human Rights Defenders at http://www.adidas-</p>

	group.com/media/filer_public/f0/c5/f0c582a9-506d-4b12-85cf-bd4584f68574/adidas_group_and_human_rights_defenders_2016.pdf
<p>Score 2 The Company indicates that it has never brought a retaliatory suit against persons or fired any workers who have brought or tried to bring a case against it involving credible allegation of human rights impacts or against the lawyers representing them and has never brought a case for defamation or similar actions against claimants or their lawyers.</p>	<p>adidas Group has never brought a retaliatory suit against persons or fired any workers who have brought or tried to bring a case against it involving credible allegation of human rights impacts or against the lawyers representing them and has never brought a case for defamation or similar actions against claimants or their lawyers.</p>
<p>C.6. Company involvement with State-based judicial and non-judicial grievance mechanisms</p> <p>The Company does not impede access to state-based judicial or non-judicial mechanisms for persons who make allegations of adverse human rights impacts and it operates on the presumption that it will not require individuals to waive their legal rights to bring a claim through a judicial process as a condition of participation in a grievance / mediation process. It also does not impede access by competent authorities investigating and adjudicating credible allegations of human rights impacts. It participates in non-judicial grievance mechanisms provided by the state where these are available to resolve grievances. <i>(Sources: UN Guiding Principle 27)</i></p>	
<p>Score 1 The Company publicly commits to not impeding access to state-based judicial or non-judicial mechanisms for persons who make allegations of adverse human rights impacts and indicates that it has not required affected</p>	<p>Where a complaint is received, it is adidas Group’s goal to facilitate a fair and speedy resolution, without impinging or impeding on the complainants right to access to other state based judicial or non-judicial mechanisms. In our <i>Complaint Process for Breaches to the adidas Group Workplace Standards or Violations of International Human Rights Norms</i> we explain that “It is possible that a complaint is settled early and goes no further. There may be a formal or legal process that can be pursued e.g. an internal grievance procedure, mediation or arbitration process, or labour tribunal or other legal procedure that is applicable.</p> <p>To be clear adidas Group does not require in any of the grievance processes which it manages or engages - be this workers complaints received directly through worker hotlines or messaging systems, or formal complaints lodged through its own Third Party Complaint system or the supporting FLA Third Party Complaint mechanism - to require</p>

<p>individuals or communities participating in grievance / mediation process to waive their legal rights to bring a claim through a judicial process as a condition of participating in the grievance / mediation process.</p>	<p>complainants to waive their legal right to making a complaint through available judicial mechanisms.</p> <p>This is clearly explained in the <i>Human Rights and Responsible Business Practices</i> FAQ at http://www.adidas-group.com/media/filer_public/2013/11/14/human_rights_responsible_business_practices_qa_july_2011_en.pdf</p> <p>In Q15 of the FAQ, the final paragraph reads: “Whatever mechanism is adopted to address a human rights impact or violation, the adidas Group acknowledges and upholds the rights of the affected parties to pursue matters through a judicial or non-judicial process of their choosing.”</p> <p>See pages 7-8 of the Complaint Mechanism which reads:</p> <p>“Will a complainant have to waive their legal rights?” No. An individual, group or community submitting a complaint are free to pursue their legal rights and access all available judicial mechanisms, in parallel with, or following adidas Group’s consideration of their complaint. Pursuing such a course of action may in fact be vital if matters of law, or of legal interpretation, are an important element of a complaint.”</p> <p>The complaint mechanism is under the Due Diligence header on our website at: http://www.adidas-group.com/en/sustainability/managing-sustainability/human-rights/#/policies-and-guidance/</p>
<p>Score 2 The Company also sets out the process by which it will co-operate with state-based non-judicial grievance mechanism complaints brought against it AND provides an example of issues resolved.</p>	<p>There have been very few occasions where adidas Group has been called on to participate in a state-based non-judicial mechanism, in relation to complaints brought directly against it as a company. For example, we participated in complaints lodged with the National Contact Point for the OECD Guidelines for MNCs in the Netherlands (in 2001) regarding labour issues in the football industry in India and in Germany (in 2002) regarding working conditions in Indonesia. These cases are reported here: http://www.oecd.org/investment/mne/2489243.pdf and https://www.oecd.org/corporate/mne/38033170.pdf</p>
<p>C.7. Remediating adverse impacts and incorporating lessons learned</p> <p>The Company provides for or cooperates in remediation where it has identified that it has caused or contributed to adverse human rights impacts (or others have brought such information to the company’s attention, such as through its grievance channel/mechanism). It also incorporates the lessons learned from remediation approaches into its channel(s)/mechanism(s) and processes. (Sources: <i>UN Guiding Principles</i>)</p>	

19, 22 and 31 and UNGPRF C6, C6.4 and C6.5 and GRI G4-LA16, GRI G4-HR12 and GRI G4-SO2)	
Score 1 The Company describes the approach it has taken to provide or enable remedy for any negative impacts which it has identified (by category or by example) and which it has caused or contributed to OR , if it has not identified any, the approach it would take if impacts were to be identified.	<p>Our effort towards addressing human rights concerns pre-dates the UNGP by many years.</p> <p>Over the past two decades, we have identified and sought to mitigate and remediate numerous issues which we have neither caused nor contributed to as a company, including freedom of association, child labour, migrant labour, pay and compensation, fire and building safety, discrimination, women’s rights, indigenous people’s rights, land rights, etc. Central to this effort has been our focus on protecting worker rights and delivering a fair, safe and healthy workplace, as well as improving the environment. Indeed our social and environmental compliance programme was designed around a code of conduct that from its outset incorporated UN human rights norms and international labour standards. It was also built on concepts of transparency and engagement with stakeholders, including suppliers.</p> <p>Early in the development of the social compliance programme we also identified internal company practices that could potentially impact suppliers and contribute to poor labour practices. This led to the progressive development of what we today call <i>Responsible Sourcing Practices</i>. Examples include: the introduction of water-based glues to reduce the release of harmful VOCs in footwear operations; balancing order flows to reduce the peaks and troughs in the order cycle – which impact working hours and wages; ensuring fair prices practices to ensure that all legally mandated wages and benefits were met; fixing pre-notification periods to provide suppliers with high order volumes enough pre-warning if orders are to be cut; the development of guidance for the handling of layoffs and closures, including financial and technical support to manage downsizing; the development of country manager approval systems to drive accountability and ensure the consequences of extended working hours were understood by both adidas Group’s internal Sourcing teams and our contract suppliers.</p>
Score 2 As well as describing the immediate remediation, the Company is able to describe changes to systems and procedures or new processes and practices adopted which are designed to prevent potential impacts, OR (if it	<p>Having identified areas where we could potentially contribute to adverse working conditions, we responded by adopting new practices and procedures to reduce those potential risks.</p> <p>For example, as well as replacing chemical adhesives with water-based glues, we began conducting annual chemical mass balance assessments in each shoe factory, to track and publicly report on the consumption of solvents and associated impacts on occupational safety. We have therefore been able to demonstrate a steady improvement in VOC levels (per pairs of shoes) against EU standards. See for example page 60 of our 2013 Sustainability Report at http://www.adidas-group.com/media/filer_public/2014/04/14/2013_performance_data_en.pdf .</p>

has not yet identified any impacts) the Company is able to describe the approach it would take to remediation and learning from a key industry risk(s) should it(they) arise in the future

We were challenged by Greenpeace to address (on a precautionary basis) persistent organic chemicals released to the environment through the dyeing of fabrics. In particular concerns over PFCs which are used as a water repellent on high performance outdoor clothing and shoes. Through the adoption of new standards, development processes and replacement chemistry, we have come close to eliminating 99% of all PFCs. This has been part of a larger chemical management systems approach followed by the Group, which has included our founding of a non-profit group to tackle hazardous chemicals, to set new standards for the industry, including materials restrictive substances limits (MRSLs) and the discharge of wastewater. See http://www.adidas-group.com/media/filer_public/2014/06/11/11062014_chemical_management_progress_at_the_adidas_group.pdf and <http://www.roadmapzero.com/about/> . These efforts have a significant and positive impact on occupational safety in the materials production facilities.

We adopted a Country Manager Approval System, with oversight from our labour monitoring team, to ensure greater accountability for sourcing decision. This means that order placements and urgent requests are closely vetted to ensure that they create a situation which would force a factory into excessive working hours, or to breach legal working hours limits, in order to deliver goods.

We also developed an internal Termination Guidelines to ensure the ethical termination of business relationship, including adequate pre-notification to vendors and support to reduce impacts on workers, including mandatory consultation with trade unions. The Termination Guidelines are reference on our website at: <http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/>

Early in our programme we identified child labour risks from the sourcing model followed in rural Pakistan, where footballs were hand-stitched in a cottage industry that had changed little since the end of WW2. To remove the risk of children being involved in home stitching, we moved production into purpose-built stitching centres; where age, wage and safety could be checked. We also introduced a triple-layer of tracking product components and monitoring working conditions.

As the largest exporter of footballs from Pakistan we also supported the creation of an independent monitoring body in partnership with the ILO IPEC programme. See http://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/publication/wcms_440155.pdf At a community level we sponsored a school programme to increase school attendance for both boys and girls. Over 28,000 children were included in the programme which was managed by a local NGO; see p. 14 of our 2014 Sustainability Report at: http://www.adidas-group.com/media/filer_public/e8/32/e832823b-8585-4e26-8990-

	<p>07b80e3ae71c/2014_sustainability_report_make_a_difference.pdf</p> <p>Two years after the creation of the first stitching centres in Sialkot we conducted an independent review to understand their impact on employment and using research from UNICEF we found that the dedicated stitching centres had reduced opportunities and income for rural women – those who had previously supplemented their household income by stitching footballs at home. This was because of religious and cultural norms; the women were unable to travel from their villages to work alongside men in the purpose-built centres. We therefore worked with our supplier partners over a 2 year period to create dedicated women’s stitching centres at a village level, with nearby crèches, to allow greater participation of women. This had a four-fold impact: it provided work for women, improved household income, reduced poverty and increased school attendance by their children.</p>
<p>AP For Score 1, key industry risks: child labour, excessive hours, forced labour, freedom of association, health and safety, and women’s rights.</p>	<p>See above examples</p>

D. PERFORMANCE: COMPANY HUMAN RIGHTS PRACTICES

D.2 APPAREL

ENABLING FACTORS & BUSINESS PROCESSES

D.2.1.a Living wage (in own production or manufacturing operations)

The Company pays all its workers a living wage, which is regularly reviewed and negotiated through collective bargaining with relevant trade unions where they are operating. There are numerous definitions of living wage but the core concept is to provide a decent standard of living for a worker and his or her family based on a regular work week not including overtime hours. A living wage is sufficient to cover food, water, clothing, transport, education, health care and other essential needs for workers and their entitled official dependents and provide some discretionary income. Workers also receive equal pay for equal work.

Score 1 The Company indicates its target timeframe(s) for paying all workers a living wage **AND** the Company describes how it determines a living wage for the regions where it operates, which includes involvement of relevant trade unions.

As a responsible business we do not want the workers employed in our supply chain to face hardship in their daily lives. Our aspiration, as set out in the core principles of our *Workplace Standards*, is that workers earn enough for their basic needs and also have income remaining to cover their discretionary spending as well as savings. Our business partners must take appropriate actions to progressively raise employee compensation and living standards through improved wage systems, benefits, welfare programmes and other services which enhance quality of life.

The question of calculating and paying fair wages within global supply chains is complex. Wages are determined by the general economic conditions and cost of living in a country, national laws, the size and availability of its workforce, a worker's skill level, the nature of the industry or sector and the competitiveness of the employer.

We do not determine what factories pay their workers but we oblige employers to pay compensation that is legally required or has been freely negotiated through a collective bargaining process. As a buyer, we influence a factory's ability to pay its workforce their wages in two ways:

- in the prices we pay for products;
- by sourcing and buying those products responsibly.

Our approach to payment of fair wages in global supply chains is built on three pillars and aligned with basic human rights concepts in mind.

	<p>RESPECT: Do not infringe on the rights of workers, their employers and governments to set fair wages PROTECT: Conduct due diligence and act when business partners are not compliant with the law or our <i>Workplace Standards</i> PROMOTE: Facilitate ways and actions that influence wage progression and fair wages.</p> <p>Rather than focusing on the narrow definition of a living wage we benchmark our suppliers wage setting against the fair wage principles.</p> <p>The idea of a living wage is that workers and their families are able to afford a basic, but decent, standard of living that is considered acceptable by society at its current level of economic development. A fair wage goes deeper. It considers the fairness of the wage that a worker is paid by benchmarking whether wages:</p> <ul style="list-style-type: none"> • are paid regularly and on time, • include the legal minimum, • allow decent living standards, • reflect a worker’s performance and skills, • reward overtime, • follow price increases paid for the products they are making, • are linked to their employer’s profits and sales, • reflect changes in work technology, • are negotiated individually or collectively with workers, • are clearly and formally communicated to workers. <p>Please see corporate website: http://www.adidas-group.com/en/sustainability/supply-chain/critical-issues-copy/#/fair-wages/</p>
<p>Score 2 The Company also indicates that it either has met the targets or provides an explanation of why these were not met and its progress toward meeting the targets AND the targets are regularly reviewed and negotiated with relevant trade unions OR the</p>	<p>In 2014 we made a position statement that distinguished between the “living wage” and the “fair wage” public and identified our approach to payment of fair wages in global supply chains. More recently, in 2015, we aligned the adidas Group <i>Workplace Standards</i> with the Fair Labor Association’s (FLA) code language and refocused on prompt remediation of pay violations in audit corrective action plans. With every step we strive to further promote fair wages across our industry’s supply chain.</p> <p>During 2016, we will continue to work closely with our partners such as the Fair Labor Association, to</p>

<p>Company demonstrates progress towards determining a living wage for the regions where it operates, which includes involvement of relevant trade unions.</p>	<p>strengthen our prevention programmes and to close critical gaps in wage fairness identified in our ongoing collection of supply chain wage data. A 2016 outcome of the FLA Fair Compensation Strategy is to publicly compare and report compensation paid at suppliers to FLA affiliated companies with national wage levels as benchmarked by the Legal Minimum, World Bank Poverty line, Asia Floor Wage, national sectoral range, OECD, and others.</p>
<p>D.2.1.b Living wage (in the supply chain)</p> <p>The Company ensures its suppliers pay their workers a living wage, which is regularly reviewed and negotiated through collective bargaining with relevant trade unions where they are operating. There are numerous definitions of living wage but the core concept is to provide a decent standard of living for a worker and his or her family based on a regular work week not including overtime hours. A living wage is sufficient to cover food, water, clothing, transport, education, health care and other essential needs for workers and their entitled official dependents and provide some discretionary income. Workers also receive equal pay for equal work.</p>	
<p>Score 1 The Company includes living wage guidelines in its contractual arrangements with its suppliers or its supplier code of conduct and describes how these practices are taken into consideration in the identification and selection of suppliers OR the Company describes how it works with suppliers to improve their living wage practices.</p>	<p>All suppliers commit to adhere to the adidas Group <i>Workplace Standards</i>. The standard for Wages, Benefits and Compensation says that: “Workers have the right to compensation for a regular work week that is sufficient to meet workers’ basic needs and provide some discretionary income. Where compensation does not meet workers’ basic needs and provide some discretionary income, business partners must take appropriate actions to progressively raise employee compensation and living standards through improved wage systems, benefits, welfare programmes and other services.” See http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/</p>
<p>Score 2 The Company meets both of the requirements under Score 1 AND provides an analysis of trends in progress made.</p>	<p>An analysis of trends will be discussed with the CBHR assessors during the assurance process.</p>
<p>D.2.2. Company coherence – aligning purchasing decisions with human rights</p> <p>The Company ensures coherence between its purchasing policies and practices and its human rights commitment(s), so that such policies and practices do not undermine its human rights commitments or hinder the ability of its business relationships to meet the Company’s expectations and their own human rights responsibilities. <i>(Note: This can happen, for example, where the price for supplying temporary contract workers is so low that the contract does not allow for adequate payments to workers and a reasonable fee for the agency supplying the workers.)</i></p>	
<p>Score 1 The Company describes the</p>	<p>The adidas Group has a number of long-standing sourcing practices that are implemented within our</p>

<p>practices it adopts to avoid price or short notice requirements or other business considerations undermining human rights OR it describes the specific positive incentives it provides its business relationships to act with respect for human rights (e.g. price premiums, repeat business, increased orders or longer contracts with good performers).</p>	<p>direct supply chain relationships and aligned with human rights considerations. These include:</p> <ul style="list-style-type: none"> • Costing policies that acknowledge the cost of labour and time to produce the item i.e. Standard Minute Values • Buy Ready policy that avoids last minute changes in the development process. • Effective forecasting system that enables the suppliers to do effective planning • Systematic dialogue with suppliers on their capacity that enables level loading during peak months • Strategic supplier programmes developed for long-term business relationships <p>For our strategic partners, who account for more than 90% of global production, we have established social and environmental KPIs. Strategic suppliers are positively incentivized, with higher KPI scores resulting in greater order volumes.</p> <p>For external business partners, such as licensees, the adidas Group has developed a <i>Responsible Sourcing Guideline</i> that sets out our expectations. Adherence to the guidelines is evaluated annually, as part of our licensee’s performance review and report card.</p>
<p>Score 2 The Company meets both the requirements under Score 1 AND provides an example of how a particular tension between respect for human rights and other business interests was addressed.</p>	<p>In 2001 we conducted a survey and analysis of the primary reasons for excessive working hours in supplier factories. The root cause in any specific instance was complex but looking at the big picture the primary drivers appeared to be poor work planning and control over materials flows. The study found that a third of the time the cause rested with adidas Group’s own sourcing practices, late order requests, etc., a third were due to the factories internal process controls, work planning and human resource management (worker retention and turnover levels) and a third was due to late receipt or rejection of fabrics and other materials to complete work tasks and meet delivery deadlines. From this early research a number of tools were developed, such as <i>Country Manager Approval Forms</i> where the reasons for extended working hours had to be reported, justified, and vetted for legal compliance. This was combined with a requirement that the strategic partner factories disclose and keep up-to-date <i>monthly tracking sheets</i> for individual working hours for their employees, so trends and issues could be determined. These tools created greater transparency and accountability and drove down non-compliance with working hours’ limits.</p>

D.2.3. Mapping and disclosing Suppliers

The Company maps its suppliers and discloses its mapping publicly.

<p>Score 1 The Company indicates that it maps its suppliers beyond tier one, including direct and indirect suppliers, and describes how it goes about this.</p>	<p>The adidas Group has a documented mapping exercise of each supplier type/category across the supply chain, for both direct and indirect relationships. The document includes tier 2 suppliers, material suppliers and raw material suppliers, and defines the adidas Group’s audit coverage.</p> <p>These suppliers are disclosed and recorded in the Fair Factories Clearinghouse (FFC) database providing clear transparency of the adidas Group’s supply chain, including those of our licensees.</p>
<p>Score 2 The Company also discloses its most significant suppliers and explains how it defines its most significant suppliers.</p>	<p>The adidas Group fully discloses its global supplier list, including primary suppliers, subcontractors and licensee suppliers, which can be found at http://www.adidas-group.com/en/sustainability/supply-chain/supply-chain-structure/.</p> <p>Additionally, the adidas Group’s sourcing organisation defined a set of strategic suppliers for footwear, apparel, and accessories, where we have a long-standing relationship. These suppliers receive high volume orders and deliver a higher compliance performance. Strategic suppliers account for more than 90% of global order volumes.</p>

KEY INDUSTRY RISKS

D.2.4 CHILD LABOUR

D.2.4.a Age verification and corrective actions *(in own production or manufacturing operations)*

The Company verifies the age of job applicants and workers in its own operations. In addition, if the Company learns that it has child labour in its operations, it ensures that the children are enrolled in a remediation/education programme, rather than dismissing them from employment. If children are found to be involved in hazardous work, they are removed immediately from the situation and provided alternative work until they can be enrolled in or are immediately enrolled in a remediation/education programme. The objective is to ensure that children are not pushed into more dangerous survival strategies.

<p>Score 1 The Company indicates that it does not use child labour AND verifies the age of job applicants and workers in</p>	<p>Within the adidas Group <i>Labour Rights Charter</i> it is stated that “we follow a clear ‘zero tolerance to child labour’ policy in our business operations worldwide. We do not tolerate child labour in our supply chain either, where we take action against known cases of violation”. See http://www.adidas-</p>
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<p>its own operations.</p>	<p>group.com/media/filer_public/2013/07/31/adidas_group_labour_rights_charta_may_2011_en.pdf</p> <p>The global Human Resources organization issued employment policies which require the business entities to strictly adhere to local laws and requirements in regards to minimum ages and juvenile work. Compliance with these policies are regularly reviewed and audited by the Group Internal Audit function.</p> <p>It is to be noted that the overwhelming majority of job positions within the adidas Group require appropriate education for expected job performance that normally cannot delivered by under aged employees.</p>
<p>Score 2 The Company also describes how it develops, participates in or contributes to programmes for transition from employment to education, enabling children to attend and remain in education, if and when child labour is found in its operations and to improve working conditions for young workers where relevant.</p>	<p>See above.</p> <p>To our knowledge, we have never had a case of child labour within any of our own manufacturing operations.</p>
<p>D.2.4.b Age verification and corrective actions (in the supply chain)</p> <p>The Company ensures its suppliers verify the age of job applicants and workers. In addition, if the Company learns that it has child labour in its supply chain it ensures that the child/children are enrolled in a remediation/education programme, rather than dismissing them from employment. If children are found to be involved in hazardous work, they are removed immediately from the situation and provided alternative work until they can be enrolled in or are immediately enrolled in a remediation/education programme. The objective is to ensure that children are not pushed into more dangerous survival strategies.</p>	
<p>Score 1 The Company includes child labour guidelines, including not using child labour, verifying the age of job applicants and workers and remediation programmes, in its in its contractual arrangements with its suppliers or supplier code of conduct</p>	<p>Our suppliers are contractually bound to uphold our <i>Workplace Standards</i> and associated guidelines and policies. The Child Labour section of our <i>Employment Guidelines</i> offers specific guidance on the types of non-compliances that can occur in the workplace arising out of the employment of underage workers. Guidance is also given on how to safeguard juvenile workers, who are of a legal age to work, from extended working hours or hazardous work. See http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/</p>

<p>and describes how these practices are taken into account positively in the identification and selection of suppliers OR the Company describes how it works with suppliers to eliminate child labour and to improve working conditions for young workers where relevant.</p>	<p>If direct evidence of child labour were found during our pre-screening of a factory, the supplier would fail to qualify for use by adidas Group and we would notify the relevant authorities, or other existing brands sourcing from the factory, of our findings.</p> <p>Often for prospective new suppliers in high risk countries in the developing world, we find inadequate recruitment practices and ID checks and respond by providing guidance on ways to improve these systems to prevent the recruitment of underage workers. In such cases suppliers are then given three months to make improvement and if they are able to satisfy us that they have mitigated or prevented the risk of child labour they become 'SEA Accepted' and can receive orders. They must maintain this status through subsequent periodic monitoring and commit to continuous improvement. See our <i>Enforcement Guidelines</i> which defines the thresholds that suppliers must meet to be included and retained as an adidas Group supplier http://www.adidas-group.com/media/filer_public/2013/07/31/enforcement_guideline_nov_2006_en.pdf</p> <p>If through our social compliance audits we were to find underage workers in an existing supplier's factory, this would be considered a threshold issue which requires immediate remedial action. The remedial action typically includes:</p> <ol style="list-style-type: none"> 1. The factory to consult with the parents of the under-age worker to explore options of continuing their education 2. Factory to pay the child's schooling; or to pay for vocational training if worker is too old for schooling but too young to work 3. Continue to pay the wage during the education or training period, to ensure continued income to the family <p>A useful example, one that tracks our experience in protecting the rights of the child over the span of nearly 20 years is given in the publication <i>Joining the Dialogue: Vulnerable Children and Business</i> http://www.csr-asia.com/report/Joining_the_dialogue-Vulnerable_children_and_business.pdf. See case study at pages 44-49</p>
<p>Score 2 The Company meets both of the requirements under Score 1 AND provides an analysis of trends in progress made.</p>	<p>An analysis of trends will be discussed with the CBHR assessors during the assurance process.</p>
<p>D.2.5. FORCED LABOUR</p>	

<p>D.2.5.a Debt bondage and other unacceptable financial costs (in own agricultural operations)</p> <p>The Company refrains from imposing any financial burdens on workers by withholding wages or expenses that should be covered by the Company, including recruitment fees and related recruitment costs.</p>	
<p>Score 1 The Company indicates that it pays workers regularly, in full and on time and does not require workers to pay work related fees or costs AND indicates that all workers receive a payslip with their wages explaining any legitimate deductions.</p>	<p>Not applicable.</p> <p>adidas Group does not operate or own any agricultural businesses</p>
<p>Score 2 The Company also describes how it implements and monitors this practice in its own operations, particularly with employment agencies/labour brokers/recruitment intermediaries.</p>	<p>Not applicable.</p>
<p>D.2.5.b Debt bondage and other unacceptable financial costs (in the supply chain)</p> <p>The Company ensures its suppliers refrain from imposing any financial burdens on workers by withholding wages or expenses that should be covered by its suppliers, including recruitment fees and related recruitment costs.</p>	
<p>Score 1 The Company includes debt bondage guidelines, including refraining from imposing any financial burdens on workers by withholding wages or expenses including recruitment fees and related recruitment costs, in its contractual arrangements with its suppliers or supplier code of conduct and describes how these practices are taken into account positively in the identification and selection of suppliers OR the Company describes how it</p>	<p>Our suppliers are contractually bound to uphold our <i>Workplace Standards</i> and associated guidelines and policies. The Forced Labour section of our <i>Employment Guidelines</i> offers specific guidance on the types of non-compliances likely to cause debts and the potential for debt-bondage, controlling wages, etc. We require the timely payment of wages and prohibit the withholding of wages or the use of any financial penalty as an inducement to work. See http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/</p> <p>Additional guidance is given in the <i>Employment Guidelines</i> on Migrant Workers: Section 5.1.4 describes how suppliers have to take the issue of debt into account in the employment of migrants, including the financial burden imposed by unreasonable or exploitative recruitment fees.</p> <p>In our pre-screening of suppliers, forced labour is treated as a Zero Tolerance area, including any case</p>

<p>works with suppliers to eliminate imposing any financial burdens on workers.</p>	<p>where we see clear evidence of debt bondage or exploitative labour practices associated with the hiring of migrant workers.</p> <p>Workers may face a range of potential financial burdens including late payment of wages, unreasonable deductions (say for medical testing, uniforms) or overpriced canteen food or onsite accommodation, use of fines or penalties, and exploitative recruitment fees. We have established clear standards and expectations for suppliers which define the costs they should directly bear to minimize the financial impacts on workers, including establishing industry benchmarks for reasonable housing (dormitory) costs in China, encouraging the provision of free food or subsidized food to increase the workers disposal income (in Cambodia, China, Indonesia and Vietnam) and improve worker retention, conducted financial appraisals of suppliers to determine the reasons for late payments and assisted suppliers improve their management operations and cash flow, we have intervened with at risk suppliers by financing materials costs and taken other proactive sourcing measures to stabilize business operations, we have also supported the development of Worker Cooperatives to enable workers to secure more affordable food and household goods, as well as lower cost mortgages in Indonesia. With respect to the imposition of unreasonable or unacceptable recruitment fees we have worked directly with suppliers, such that they directly absorb costs, for example the government imposed tariff on migrant workers in Malaysia.</p>
<p>Score 2 The Company meets both of the requirements under Score 1 AND provides an analysis of trends in the progress made.</p>	<p>An analysis of trends will be discussed with the CBHR assessors during the assurance process.</p>

<p>AP D.2.5.c. Restrictions on workers (in own production or manufacturing operations)</p> <p>The Company refrains from restricting workers’ movement, including through the retention of passports or other personal identification or travel documents or ATM cards or similar arrangements for accessing wages.</p>	
<p>Score 1 The Company indicates that it does not retain the workers’ personal documents or restrict workers’ freedom of movement outside of work hours or require workers to stay at and pay for accommodation by the Company.</p>	<p>Within the adidas Group <i>Labour Rights Charter</i> it is stated that “We comply with all applicable laws and agreements on working time and paid leave. We respect the right to rest and leisure, including vacation with pay and the right to family life. Where possible we will aim to offer more flexible work patterns to enable our employees to balance company with personal demands manifested in our Group’s work life balance statement.” See http://www.adidas-group.com/media/filer_public/2013/07/31/adidas_group_labour_rights_charta_may_2011_en.pdf</p> <p>The global Human Resources organization issues employment policies which require the business entities to strictly adhere to local laws and requirements in regards to freedom of movement.</p>
<p>Score 2 The Company also describes how it implements and checks this practice in its operations, particularly with employment agencies/labour brokers/recruitment intermediaries.</p>	<p>Conformance with our employment policies is managed through our human resources organization which works directly with the management team in our own manufacturing operations.</p>
<p>AP D.2.5.d. Restrictions on workers (in the supply chain)</p> <p>The Company ensures its suppliers refrain from restricting workers’ movement, including through the retention of passports or other personal identification or travel documents or ATM cards or similar arrangements for accessing wages or other measures to physically restrict movement.</p>	
<p>Score 1 The Company includes guidelines on workers’ freedom of movement, including refraining from restricting workers’ movement through the retention of passports or other personal identification or travel documents or ATM cards or similar arrangements for accessing wages or other measures to physically restrict movement, in its contractual arrangements with its suppliers or supplier code of conduct and describes</p>	<p>Our suppliers are contractually bound to uphold our <i>Workplace Standards</i> and associated guidelines and policies. Section 3.2.3 of our <i>Employment Guidelines</i> specifically addresses the topic of Restricting Freedom of Movement and Unlawful Detention and cites examples where a supplier could breach a worker’s right to freedom of movement, which is a fundamental right under the UDHR. They include</p> <ul style="list-style-type: none"> • Limiting access to bathroom facilities or fresh drinking water is a restriction on freedom of movement and denies the basic needs of workers. • Restricting employees from exiting production areas or the factory grounds is a form of unlawful detention and forced labour. • Preventing migrant workers from leaving the area or country by retaining personal identification and travel documents or work permits is a form of forced labour. <p>See http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/.</p>

<p>how these practices are taken into account positively in the identification and selection of suppliers OR the Company describes how it works with suppliers to eliminate detention of worker’s documents or other actions to physically restrict movement.</p>	<p>With respect to the retention of worker passports, this was an issue we first encountered and addressed in the hiring of foreign workers in South Korea and Taiwan in 2001. Our early work on this topic included research into working conditions and government’ policing practices impacting foreign workers employed in the garment industry in Malaysia in 2004. That led to the return of all passports to migrant workers for their own safekeeping (in individual lockers) and the issuance of local IDs. Our experience in managing freedom of movement issues for migrants was shared with the Fair Labor Association in 2009, as part of multi-stakeholder engagements with civil society groups and the Bar Council in Malaysia on the topic of migrant labour. See http://digitalcommons.ilr.cornell.edu/cgi/viewcontent.cgi?article=1942&context=globaldocs</p>
<p>Score 2 The Company does both of the requirements under Score 1 AND the Company provides an analysis of trends in progress made.</p>	<p>An analysis of trends will be discussed with the CBHR assessors during the assurance process.</p>
<p>AP D.2.6 Freedom of Association and Collective Bargaining</p>	
<p><i>AP D.2.6.a. Freedom of Association and Collective Bargaining (in the Company’s own operations)</i> The Company respects the right of all workers to form and join a trade union of their choice and to bargain collectively. In addition, it provides workers’ representatives with appropriate facilities to assist in the development of effective collective bargaining agreement(s). The Company also prohibits intimidation, harassment, retaliation and violence against trade union members and trade union representatives.</p>	
<p>Score 1 The Company commits to not interfering with the right of workers to form or join trade unions and to bargain collectively and puts in place measures to prohibit any form of intimidation or retaliation against workers seeking to exercise these rights.</p>	<p>Within the adidas Group <i>Labour Rights Charter</i> it is stated that “We are committed to an open and constructive dialogue with our employees and, if applicable, with their representatives. Our employees are free to join organisations of their choice that represent them consistent with local organising laws. These organisations may, if recognised as the appropriate agent, engage in collective bargaining according to the applicable legal regulations. Employees who act as representatives are neither disadvantaged nor favoured in any way. In locations where employees have decided not to appoint representatives, we promote direct and open communication between employees and management. See: http://www.adidas-group.com/media/filer_public/2013/07/31/adidas_group_labour_rights_charta_may_2011_en.pdf</p> <p>adidas Group has a German and European Works Council established, which represent employee interests and 3 Works Council members and 2 trade union members are represented in the Group’s Supervisory Board.</p>

<p>Score 2 The Company also discloses the percentage of its workforce whose terms and conditions of work are covered by collective bargaining agreements.</p>	<p>Active CBAs are currently in place for employees in Germany, France, Finland, Lithuania, Greece, Norway, Portugal, Spain, Austria, Sweden, Latvia, South Africa, UAE, Korea, Brazil and Chile. This accounts for approximately 50 % of the global workforce, excluding retail.</p>
<p>AP D.2.6.b. Freedom of Association and Collective Bargaining (in the supply chain)</p> <p>The Company ensures its suppliers respect the right of all workers to form and join a trade union of their choice and to bargain collectively. In addition, the Company ensures its suppliers provide workers’ representatives with appropriate facilities to assist in the development of effective collective bargaining agreement(s). The Company also ensures its suppliers prohibit intimidation, harassment, retaliation and violence against trade union members and trade union representatives.</p>	
<p>Score 1 The Company includes freedom of association and collective bargaining guidelines, including the prohibition of intimidation, harassment, retaliation and violence against union members and union representatives, in its contractual arrangements with its suppliers or supplier code of conduct and describes how these practices are taken into account positively in the identification and selection of suppliers OR the Company describes how it works with suppliers to improve their practices in relation to freedom of association and collective bargaining.</p>	<p>Our suppliers are contractually bound to uphold our <i>Workplace Standards</i> and associated guidelines and policies, including those related to Freedom of Association.</p> <p>The adidas Group’s <i>Workplace Standards</i> are derived from ILO conventions and UN human rights norms. As such, Freedom of Association and the right to form and join a trade union of a worker’s own choosing is a right that we seek to respect and in accordance with the UN Guiding Principles we will take action if we see our suppliers breach their legal duty to uphold this right in practice.</p> <p>We encourage our suppliers to maintain a climate of non-interference with trade union activities and to implement effective systems of worker-management communication, including entering into good faith processes of collective bargaining where a union has been duly formed and can legally represent the views of the workforce as a bargaining unit.</p> <p>Please see our <i>Employment Guidelines</i>, which includes examples of non-conformance and best practice guidance (See http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/) and our <i>General Approach to FOA and Industrial Relations</i> (see http://www.adidas-group.com/en/sustainability/supply-chain/critical-issues-copy/#/fair-wages/freedom-of-association-and-industrial-relations/).</p> <p>There are many barriers to the formation of trade unions, not least being that two of the largest sourcing countries globally, namely China and Vietnam, prohibit by law the creation of independent trade unions. In those settings, our effort and engagement with workers has been directed at identifying parallel means for worker representation, through direct worker-led elections, as well as</p>

tracking the emergence of more representative State unions and the role of sectoral level collective agreements.

The true exercise of the right to freely associate requires non-interference from factory management, which adidas Group seeks to uphold and encourage, but it also requires an active and engaged trade union movement at a national level, one with effective organizing capabilities, which is free of government influence and control. In some of the countries where we source our products, we note that trade unions may, at times, be competing with one another, or be aligned with specific political parties. In some countries the organizing rules are unclear, which adds a further layer of complexity to representational rights for workers.

In order to exercise collective bargaining rights, trade unions must operate within the ambit of the national laws in forming a bargaining unit. The adidas Group has no legitimate role in the negotiations or collective agreements that take place between independent unions and factory management – which may develop specific rules and procedures, or agree wages and other benefits. Nonetheless, we supply guidance materials if these are requested by the two parties, and in many cases have provided introductions to local ILO trainers and other consultants who can assist management and workers to build their social dialogue mechanisms.

We have designed training modules to address FOA practices. Examples range from worker representative training in China, in partnership with labour NGOs (these allow for the free election of worker representatives to welfare committees), to the running of briefing sessions in partnership with trade unions and labour officials in the Philippines, to the development and dissemination of materials on strike management in Vietnam with the ILO.

Together with Oxfam, we have collaborated closely with local trade union federations in the development of a *Freedom of Association Protocol* for Indonesia. (see, for example, <http://column.global-labour-university.org/2014/05/putting-workers-agency-at-centre-in.html>) The adidas Group played a pivotal role in this process. We acted as the lead party in a supplier-brand caucus that has been formed to engage with Indonesia's trade union movement, to develop a basic framework for the exercise of trade union rights in the workplace. After one year of negotiations, agreement was finally reached on a protocol that was shared with other brands and suppliers in the sporting goods industry in Indonesia. The provisions in the protocol aim to close the gap in expectations and reduce misunderstandings between factory managers and trade union officials with

	<p>respect to trade union activities, rights of access and so on, thereby improving the overall industrial relations environment. Of all brands that have acted as co-signatures to this Protocol, adidas has the highest uptake by its suppliers.</p> <p>As a remedial requirement we have required suppliers to issue “Right to organize guarantees” to workers, declaring their freedom to form and join unions of their own choosing. We have done so where we have found evidence of a direct infringement of rights or a potential interference with workers freedom to exercise this right. Such guarantees have been issued in the past by suppliers in Indonesia, Sri Lanka, and the Philippines.</p> <p>For all major sporting events we detail the trade union status of each factory supplying those events, including identifying those factories from China and Vietnam that have state-mandated unions, as well as parallel worker representative groups. See, for example, our recent disclosure of the UEFA 2016 European Championship suppliers list (at http://www.adidas-group.com/media/filer_public/3a/4c/3a4c36b4-ed54-42b2-8804-a864283afd95/2016_euro_supplier_list_.pdf)</p>
<p>Score 2 The Company meets both of the requirements under Score 1 AND provides an analysis of trends in progress made.</p>	<p>Our code of conduct has been in place for almost 20 years and we continue to screen new suppliers for conformance with our <i>Workplace Standards</i>, including Freedom of Association. The identification of FOA non-compliances or the potential risk of non-conformance, in our pre-screening or Initial Assessments has shown a decline over the past 4 years, plateauing at 3% of all identified threshold issues.</p> <ul style="list-style-type: none"> • 2012 – 5% • 2013 – 4% • 2014 – 3% • 2015 – 3% <p>See Performance Data contained in the Annual Sustainability Progress Reports, published on our website at http://www.adidas-group.com/en/sustainability/reporting-policies-and-data/sustainability-reports/#/2012/</p> <p>It is difficult to gauge the degree to which our training and awareness raising for suppliers and workers converts to a greater number of trade unions being given an opportunity to form, or to operate more freely, or for a greater number of collective bargaining agreements to be successfully entered into, as such matters are dependent on the general climate and maturity of industrial</p>

	<p>relations in each country, including such factors as the make-up and nature of the trade unions, their relationship and engagement with industry sectors and individual manufacturers, the provisions of the national labour law, and the role of the government labour inspectorates and the judiciary in the monitoring and enforcement of the law.</p> <p>Generally, where there are no legal barriers facing union activities, we have seen very high rates of trade union formation. For example, 80% of our manufacturing partners in Cambodia are unionized (cf. with only 6% of Cambodia’s national workforce); 90% of our supplier partners in Indonesia are unionized (cf. 2% of general manufacturing in the country) with 80% of these having formal collective bargaining agreements in place; and 100% of our Brazilian suppliers are unionized and all have sectoral or individual collective bargaining agreements in place.</p> <p>We have supported and encourage the creation of alternative worker representation through democratic means, where free and independent trade unions are prohibited by law (e.g. Vietnam and China).</p> <p>We have been successful in resolving FOA issues and, where necessary, seeking the reinstatement of union officials who have been unfairly treated and dismissed. See for example our record of resolving FOA complaints, as part of our Grievance Mechanism at http://www.adidas-group.com/en/sustainability/managing-sustainability/human-rights/</p>
<p>AP D.2.7 Health and Safety</p>	
<p>AP D.2.7.a. Fatalities, lost days, injury rates (in own production or manufacturing operations)</p>	
<p>The Company discloses a set of quantitative information on health and safety related to its total workforce, namely: injury rate, fatality rate, lost days or near miss frequency rate.</p>	
<p>Score 1 The Company discloses quantitative information on health and safety for its employees related to injury rates or lost days (or near miss frequency rate) and fatalities.</p>	<p>Data on health and safety for the years 2013- 2015 have been reported in the adidas 2015 Group Sustainability report, at page 85. See: http://www.adidas-group.com/media/filer_public/9c/f3/9cf3db44-b703-4cd0-98c5-28413f272aac/2015_sustainability_progress_report.pdf</p>
<p>Score 2 The Company also provides an explanation of the figures provided or describes the resulting corrective</p>	<p>For our own manufacturing operations we closely evaluate any reported incidents or injuries and drive corrective actions based on the facts and finding from in-depth assessments carried out by the</p>

<p>actions or action plans OR sets targets related to rates of injury, lost days and fatalities AND, if the Company had already set targets related to the reporting period, it either has met the targets or provides an explanation of why not.</p>	<p>designated workplace health & safety experts. Our focus is to find and address root causes. Required remedial actions are executed by the local facility management.</p>
<p>AP D.2.7.b. Fatalities, lost days, injury rates (in the supply chain) The Company discloses a set of quantitative information on health and safety related to suppliers workers, namely: injury rate, fatality rate, lost days (or near miss frequency rate).</p>	
<p>Score 1 The Company discloses quantitative information on health and safety for employees at suppliers related to injury rates or lost days (or near miss frequency rate) and fatalities.</p>	<p>In accordance with our <i>Health and Safety Guidelines</i> (see http://www.adidas-group.com/media/filer_public/2013/07/31/health_safety_guidelines_english.pdf) and subject to specific local legal requirements, our suppliers must establish formal systems for the collection and evaluation of occupational health and safety information including any employee related workplace injuries, lost days and fatalities. Our suppliers must notify us within 24 hours of any serious accidents or fatalities on site, provide access for inspections and share with us any pertinent information from government' safety or police investigations. Given the diversity of countries, supplier turnover, varying local safety reporting standards and the range of different production types we do not aggregating safety data. Instead we focus on tracking individual cases and looking at ways to guide and improve safety practices through advisories and the sharing of investigative reports by our safety professionals.</p>
<p>Score 2 The Company describes how these practices are taken into account positively in the identification of suppliers OR describes how it engages with suppliers to improve their practices in relation to health.</p>	<p>We have a comprehensive set of <i>Health and Safety Guidelines</i> and qualified safety professionals within our Social & Environmental Affairs team who conduct training and provide advisory services on occupation health and safety, fire and building safety, machine safety, chemical handling, etc. We have also played an instrumental role in the establishment of safety training centres in Asia working closely with the Institute for Sustainable Communities. See http://www.iscvt.org/ehs-network-activates-supplier-leadership/</p> <p>In our pre-screening new suppliers, we will disqualify any factory which is found to be operating in an unsafe way, or whose work practices are life-threatening or likely to cause serious injury to workers. Where we identify any structural fault or deviation with building permit requirements, we normally require an independent engineering report and certificate before accepting a factory into our supply chain.</p>

AP D.2.8 Women's Rights	
AP D.2.8a Women's Rights (in own production or manufacturing operations)	
<p>The Company recognises the relevance of women's rights for the industry, given the prevalence of women workers and the different dimensions of inequality they often face. The Company has measures in place to implement its policy commitment to eliminate discrimination against women through: providing equal pay for equal work, and measures to ensure equal opportunities throughout all levels of employment, which may include setting up women's committees that report to management to address and resolve issues. In addition, the Company has in place measures to eliminate health & safety concerns that are particularly prevalent among women workers (e.g. sexual harassment, impact of pesticides on pregnant women).</p>	
<p>Score 1 The Company describes its processes to prohibit harassment, intimidation and violence against women OR it describes how it takes into account differential impacts on women and men of working conditions, including to reproductive health OR it describes how it provides equality of opportunity for women in the workforce that are monitored and maintained throughout all levels of employment.</p>	<p>The adidas Group <i>Labour Rights Charter</i> states the following: "Equal opportunities for all employees and a prohibition on discrimination based upon one's membership in a lawfully protected category are fundamental principles of our corporate policy. No person is to be unfairly disadvantaged, favoured or ostracised because of ethnic or racial status, colour, nationality, descent, religion, caste, gender, gender identity, age, physical characteristics or appearance, genetic information, sexual orientation, physical or mental disability, union membership, military or veteran status, political affiliation, HIV/AIDS, parental status or any other category protected by applicable local law. Harassment of any kind is forbidden. We expect our employees to be honest and fair in their dealings with colleagues and third parties. We believe Diversity is a key success factor for our business." See http://www.adidas-group.com/media/filer_public/2013/07/31/adidas_group_labour_rights_charta_may_2011_en.pdf</p> <p>The Charter provision is further detailed by the adidas Group policy on equal employment. This policy lays down that the adidas Group and all its entities are, in accordance with the respective local legislation and laws, an equal opportunity employer and make employment decisions on the basis of merit. Under no circumstances adidas Group will discriminate individuals on the basis of race, colour, religious creed, national origin, sex, sexual orientation, age, ancestry, disability or others.</p>
<p>Score 2 The Company meets all of the requirements under Score 1.</p>	<p>A comprehensive overview on Group's diversity approach is given on its website: http://www.adidas-group.com/en/sustainability/employees/diversity-and-inclusion/</p>

<p>AP D.2.8b Women’s Rights (in the supply chain)</p> <p>The Company recognises the relevance of women’s rights for the industry, given the prevalence of women workers and the different dimensions of inequality they often face. The Company ensures its suppliers have measures in place to implement its policy commitment to eliminate discrimination against women through: providing equal pay for equal work, and measures to ensure equal opportunities throughout all levels of employment, which may include setting up women’s committees that report to management to address and resolve issues. In addition, the Company ensures its suppliers have measures in place to eliminate health & safety concerns that are particularly prevalent among women workers (e.g. sexual harassment and physical security).</p>	
<p>Score 1 The Company describes its processes to prohibit harassment, intimidation and violence against women OR it describes how it takes into account differential impacts on women and men of working conditions, including to reproductive health OR it describes how it provides equality of opportunity for women in the workforce that are monitored and maintained throughout all levels of employment.</p>	<p>adidas Group does not have a standalone “Women’s Rights Guideline”. Gender issues are captured in our <i>Workplace Standards</i>, through our prohibition of discrimination and promotion of equality. Specific tailored guidance on women’s rights issues can be found in our <i>Employment Guidelines</i>, which references the elimination of all forms of discrimination against women and the protection of specific rights for women, with various sections addressing wages, working hours, benefit, leave entitlements, etc. for women who are pregnant, on maternity or who are lactating mothers, as well as detailed guidance on handling sexual harassment, privacy, and disciplinary practices where these affect female workers. These guidelines provide examples of common areas of non-compliance and best practice for suppliers to follow. See http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/</p>
<p>Score 2 The Company meets all of the requirements under Score 1.</p>	<p>See above</p>
<p>D.2.9 Working hours</p>	
<p>AP D.2.9.a Working hours (in own production or manufacturing operations)</p> <p>The Company ensures its suppliers respect applicable international standards and national laws and regulations concerning maximum working hours and minimum breaks and rest periods. The Company also assesses the ability of suppliers to comply with its commitments to respect working hours and minimum breaks and rest period when allocating work or setting targets in its purchasing orders.</p>	
<p>Score 1 The Company indicates that it respects applicable International standards and national laws and regulations concerning</p>	<p>The adidas Group’s <i>Labour Rights Charter</i> requires all group entities, including our own manufacturing operations, to “comply with all applicable laws and agreements on working time and paid leave. We respect the right to rest and leisure, including vacation with pay and the right to family life. Where possible we will aim to offer more flexible work patterns to enable our employees to balance</p>

<p>maximum hours and minimum breaks and rest periods in its own operations.</p>	<p>company with personal demands manifested in our Group’s work life balance statement” See: http://www.adidas-group.com/media/filer_public/2013/07/31/adidas_group_labour_rights_charta_may_2011_en.pdf</p> <p>The global Human Resources organization has issued employment policies which require the business entities to strictly adhere to local laws and requirements in regards to working hours.</p>
<p>Score 2 The Company also describes how it implements and checks this practice in its operations.</p>	<p>Compliance with these policies are regularly reviewed and audited by the Group Internal Audit function.</p>
<p>D.2.9.b Working hours (in the supply chain) The Company ensures its suppliers respect applicable international standards and national laws and regulations concerning maximum working hours and minimum breaks and rest periods. The Company also assesses the ability of suppliers to comply with its commitments to respect working hours and minimum breaks and rest period when allocating work or setting targets in its purchasing orders.</p>	
<p>Score 1 The Company includes working hours guidelines, including respect for applicable international standards and national laws and regulations concerning maximum hours and minimum breaks and rest periods, in its contractual arrangements with its suppliers or supplier code of conduct and describes how these practices are taken into account positively in the identification and selection of suppliers OR the Company describes how it works with suppliers to improve their practices in relation to working hours.</p>	<p>Our suppliers are contractually bound to uphold our <i>Workplace Standards</i> and associated guidelines and policies. Section 3.6 of our <i>Employment Guidelines</i> specifically addresses the topic of working hours and is aligned with international human rights norms and ILO labour standards. It also sets out the duty to employees to abide by local law (p.26), to properly manage and ensure overtime is always voluntary (pages 30, 32 and 35), that workers receive appropriate breaks and rest (p19), that working hours restriction are followed, for example those that apply to juveniles and pregnant workers (pages 62-63, and that working hours are properly and transparently recorded. See http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/.</p> <p>Excessive working hours is treated as a threshold issue in the pre-screening of new suppliers. If excessive hours are identified adidas Group would normally work with suppliers to develop appropriate human resources and productivity initiatives, to address the working hours issues. For our strategic partners, working hours tracking reports must be submitted monthly by our suppliers and shared with SEA for our review, to check overall work patterns.</p>
<p>Score 2 The Company meets both of the requirements under Score 1 AND provides an analysis of trends in progress made.</p>	<p>An analysis of trends will be discussed with the CBHR assessors during the assurance process.</p>

E. PERFORMANCE: SERIOUS ALLEGATIONS

General Statement on Managing Allegations and Complaints

We are always prompt and transparent in our response to any alleged breach of human rights, labour rights, environmental or safety matters, detailing the facts, our understanding of the issue and the root cause, if this known.

For many years we have provided public statements and other formal responses to allegations, which have featured in the media or are posted on our website. See for example our response to Greenpeace (<http://www.adidas-group.com/en/media/news-archive/sustainability-news/2012/response-greenpeace-report-on-the-use-of-chemicals-in-the-outdoor-industry/>).

We have also provided a 100% response rate to requests from *Business and Human Rights Resource Centre* for comment on allegations raised by civil society groups.

We are committed to annually report on our handling of complaints related to human rights concerns, including those issues and allegations that are in the public domain. Since 2014 we have issued at the end of each year a short summary, which outlines complaints received from external parties, the nature of the allegations and their resolution. See <http://www.adidas-group.com/en/sustainability/managing-sustainability/human-rights/>