

OUR EMPLOYEES



Our people are crucial to our success. Achieving our goal to be the global leader in the sporting goods industry depends on the talents, enthusiasm and engagement of our employees.

In this section we define our HR functions and goals, and our HR programme. We also outline how we ensure worker-management communications through employee involvement in decision-making.

Employees have a responsibility to adhere to the Employee Code of Conduct; and as an employer we have the responsibility to ensure their health and safety. This includes preventive and precautionary measures covered by our Group policies. The way we reward our staff has to be fair and related to our, and their, achievements.

We aim to develop staff with opportunities for career progression, while striving to create a climate that celebrates diversity. And we look after our employees by promoting global mobility, helping staff achieve a healthy work-life balance, and offering access to a wide range of company sports activities.

HR FUNCTIONS AND GOALS

HR management is a core function within the Group's global organisation. Group HR is responsible for:

- HR management of all Group functions and brands
- Recruitment
- Development and training
- Talent and succession management
- Performance management
- Rewards, including reward and mobility management
- Emerging employee programmes and related HR marketing
- Company sports programme and work-life balance initiatives in Germany.

The head of Group HR is the Chief HR Officer, who reports to the CEO.

Group HR has three major strategic pillars that all worldwide initiatives support:

- To create a working environment that stimulates team spirit, passion, engagement and achievement
- To instil a performance culture based upon strong leadership
- To make the adidas Group the employer of choice.

As an industry leader, the adidas Group strives to be:

- A champion in leadership and talent management
- A world-class recruiter
- A top ten employer in every key market we operate.

HR PROGRAMME

Our people are critical to our continuing commercial success. With more than 31,000 employees working at more than 150 locations around the world, we need HR strategies that can be implemented globally. The first step is to identify the common challenges we face wherever we operate:

- **Talent management:** identifying, recruiting and retaining the best people and developing career opportunities for them that meet company needs
- **Employee-oriented leadership:** strengthening the alignment of management and employees by improving communication and enhancing employee feedback systems
- **Performance management:** instilling a result-driven management culture that supports two-way performance feedback for continuous learning and improvement
- **Motivation:** providing reward and incentive schemes in a working environment that promotes commitment, engagement and well-being

- **Communication:** increased transparency and efficiency in all our communications.

Rising to these challenges can enhance the adidas Group's business success.

EMPLOYEE INVOLVEMENT

Employee empowerment and participation play an important role in managing employee relations within the adidas Group.

The Group has established works councils at adidas in Germany and other European subsidiaries. The members of the works councils are elected by the workforce.

Currently, three representatives of the works council are also members of the Supervisory Board. The Supervisory Board advises and supervises the Executive Board in the management of the adidas Group. It is involved in all decisions of fundamental importance to the Group and is responsible for appointing and dismissing members of the Executive Board. This so-called 'co-determination' structure is mandatory under German law.

CORPORATE SOCIAL RESPONSIBILITY

Works council representatives participated in various local and international stakeholder meetings as well as in several conferences and seminars where the topic was largely 'Corporate Social Responsibility'. Examples of these meetings are:

- Regional meetings facilitated by Social and Environmental Affairs
- adidas Group stakeholder dialogue in Hong Kong with Group representatives (SEA, Sourcing, Communication) and business partners (suppliers as well as transport and logistics service providers)
- Meeting with representatives of the Hans-Böckler Foundation (affiliated to the German Trade Union Federation) to discuss general CSR-related topics; participants included adidas Group representatives from SEA, Corporate Communications and the Works Council
- Seminar on CSR organised by the Hans-Böckler-Foundation; participants included employee representatives of various companies and trade unions
- Conference on CSR organised by the Hans-Böckler-Foundation; participants included politicians, academic representatives, journalists, media (TV), employee representatives of various companies and trade unions.

GROUP WORKS COUNCIL GERMANY

This works council represents all our sites in Germany, including our Headquarters in Herzogenaurach.

In 2007, it was actively involved in a range of staff-related projects. Depending on the type and subject, the works

council played a critical role in exercising its development support, feedback, consultation and approval function.

The works council paid special attention to the following initiatives:

- Implementation and alignment of revised remuneration structures and bonus schemes
- Roll-out and implementation of the new Employee Code of Conduct
- Revised Personal Evaluation and Planning (PEP) system rolled out to all employees in 2007
- HR tools for personnel planning and development
- Alignment of relevant HR policies and agreements post Reebok integration.

In 2007, the Executive Management issued a formal note to Line Management to stress the important role and value of staff representatives for the company organisation.

WORKS COUNCIL REEBOK GERMANY

The relocation of the German Reebok Sales Organisation (separate legal entity) from Unterhaching to Herzogenaurach required elections to ensure a full-size works council for this establishment. The elections were held at the end of 2007. Two members of the works council of Reebok Germany are also members of the adidas Group works council.

EUROPEAN WORKS COUNCIL

The European Works Council (EWC) currently consists of nine delegates from six European countries. Germany, as the country with the largest number of employees, has four delegates on the council, including one member from the works council Reebok Germany.

The fruitful collaboration between the European and HQ works council and the SEA team continued in 2007. Members of the HQ works council, the EWC and representatives of the Trade Unions are regularly updated on progress of the compliance programme.

At the annual EWC summit, the main topics discussed were:

- Management updates on sales and staff development in the European region
- Implementation status of global HR tools (Performance/ Compensation System)
- Harmonisation of internal agreements
- The management letter on recognition of staff representatives
- The Employee Code of Conduct.

The European Works Council held elections in March 2007.

EMPLOYEE PARTICIPATION OUTSIDE EUROPE

Creating effective communication channels throughout the regions at Liaison Office (LO) and factory level is a constant challenge.

Our internet-based 'Ask the Management' forum gives employees throughout all regions an opportunity to raise concerns and post questions to top management.

More direct communications are being established in the sourcing offices throughout Asia. We are setting up employee committees who regularly meet with management to review staff issues. This initiative was piloted in the Guangzhou LO. Now in its fifth year, the committee has incorporated elected representatives from apparel, accessories and gear as well as the footwear sourcing department.

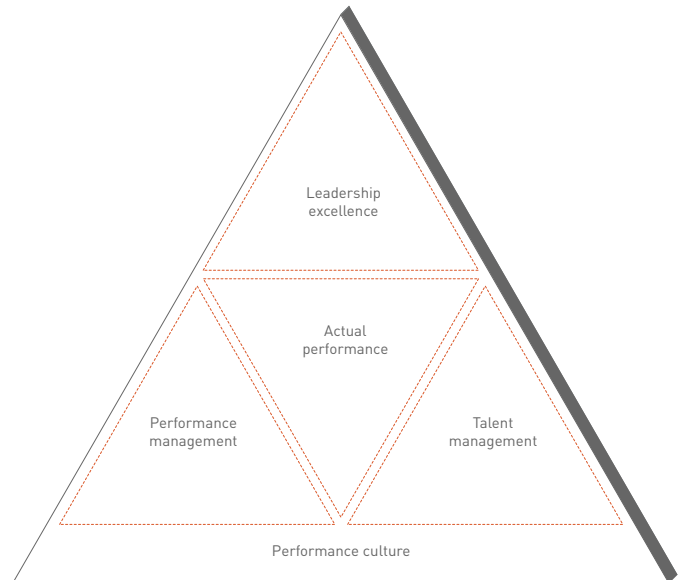
The committee has dealt with a number of issues, including:

- Organising transport to our operations centres
- Providing medical insurance for staff located in different cities
- Improving the housing accumulation fund and social retirement fund coverage
- Introducing flexible working hours in the LO
- Choosing the venues and activities for company outings
- Conducting sports matches for staff and proposing other activities.

In 2007, the committee held four representative meetings, one of which was without management participation. Ten employees were elected in May 2007 to represent 388 local adidas, Reebok and Rockport employees.

Our Hong Kong office has also set up a staff committee that discusses relevant topics for employees.

DEVELOPING OUR PEOPLE



Core elements of the adidas Group performance culture.

We aim to identify, recruit and retain the best people by providing development and career opportunities on a Group-wide level. We achieve this through our strategic HR pillars that focus on:

- Creating a positive work environment
- Instilling a culture of performance
- And being the employer of choice.

GO FOR GOLD

Just like athletes, employees of the adidas Group need a training plan and a coach to build on their strengths, overcome their own challenges and improve their technique to achieve their goals. We 'Go for Gold' and base our efforts on the three success drivers of our performance culture: 'Leadership Excellence', 'Performance Management' and 'Talent Management'.

LEADERSHIP EXCELLENCE

Leadership in what we do and how we do it is key to our success. Our executives and managers enforce Leadership Excellence and instil a culture of performance. They are the main drivers and sponsors of the company's performance and talent management.

PERFORMANCE MANAGEMENT

Performance Management is the platform of our success. Evaluation tools such as PEP (Performance Evaluation and Planning) measure an employee's current performance based on job and competency requirements. Employee performance levels serve as an indicator for base salary development and variable compensation, supporting our goal of paying for performance. PEP also covers the setting of

individual business targets and the planning of training and development activities. For both individual and team performance improvement, we offer targeted support based on need; for example, skill training in team development, managing people and objectives as well as coaching and strategic management. All aiming for one goal: to train and develop our employees to be 'Fit for Today'.

TALENT MANAGEMENT

With our Talent Management tools and processes, we identify employees at all levels who have the potential to become leaders in the business – our talents. To prepare them for new and more complex future roles, they take part in targeted development programmes covering:

- Innovative and state-of-the-art input in the area of management and leadership
- Individual preparation for new competency requirements
- Fostering of global networking
- Knowledge transfer into the current and future business.

Actively managing internal succession is key to our competitive position.

REMUNERATION

Our Global Salary Management System (GSMS) sets employees' salaries in a clear, understandable and measurable way. It relates to performance evaluation and uses a clearly defined system for setting salaries in line with market requirements and performance levels. Managers and the HR department can evaluate where each employee currently is within the system based on his/her current salary and where he/she should be.

The adidas Group also offers several attractive variable compensation components:

- **Pay for Performance bonus programme/Profit Sharing:** More than 80% of all employees receive a variable salary component with an average of 20% of their remuneration linked directly to individual and/or Group performance.
- **Long-Term Incentive Programmes (LTIP):** These include brand- or business-specific three-year plans for senior managers that are based on the achievement of financial as well as compliance targets.
- **Management Share Option Plan (MSOP):** Beneficiaries of the MSOP (members of the Executive Board and senior management) may exercise stock options granted to them in five tranches since 1999 if at least one of two performance criteria is met.
- **Other benefits:** These include our 401-K Pension Plans in the USA and the Pension Plans for our employees in Germany. In 2007, 1,396 employees participated in the latter, which represents an increase of 20.9% compared to the previous year.

HEALTH AND SAFETY

Everyone has the right to a safe working environment. This has been recognised the world over and as a global Group, our operations have to comply with a wide range of different legal and cultural imperatives. Naturally, practices and procedures will vary from one facility to another, but the core requirements remain the same.

These core requirements are fully explained in our Corporate Guidelines for Health, Safety and Environment, which are used by all our administrative offices. In addition, our larger administration facilities and the Group's small number of production sites have comprehensive risk, health, safety and environmental management systems coordinated by local facility management.

The Group's health and safety management also focuses on travel security as well as health, safety and precautionary measures related to communicable diseases such as avian flu and SARS.

Below are some recent health and safety initiatives within the adidas Group:

MAJOR INCIDENT RESPONSE

Our new Group-wide 'major incident response' policy sets out clear definitions, responsibilities, actions and the internal and external communications needed to handle major incidents effectively. Its purpose is to minimise risks towards our employees and our business at any level at any time.

HIV-AIDS POLICY

In 2006 the adidas Group launched a Group-wide HIV-AIDS policy which is available to all employees via the company's intranet site. The policy is based on guidance from the International Labour Organization (ILO) and field testing by the adidas Group liaison office in Thailand. It contains:

- General guidance on HIV-AIDS
- An employee guide
- Guidelines for HR managers on workplace care and support.

ONLINE LEGAL SAFETY TRAINING

Under German labour safety law, our Headquarters in Herzogenaurach must train its employees at least yearly on workplace health hazards and safety measures. Department supervisors are responsible for implementing this training.

The adidas Group intranet now offers online courses on emergency procedures and fire safety measures as well as guidelines for office and monitor ergonomics. Each course takes only 30 minutes, and the programme is very flexible with regards to when and how much of it can be undertaken. Within one month of the launch of the training programme, we had already trained one third of the workforce on legal safety requirements.

PRODUCTION SAFETY TRAINING

Together with the Textile and Clothing Trade Association, 22 senior managers from our Scheinfeld production site and the warehouse in Uffenheim, Germany, were trained on their special responsibilities for safety at work in a one-day workshop. Topics included:

- The legal safety obligations of a supervisor
- How to draft a hazard analysis
- Effective training of production employees.

Practical exercises in small groups completed the workshop.

SAFETY DAY

Every two years, a Safety Day takes place at all German locations. The day is organised by the Labour Safety Committee together with the police, the trade association, the health insurance and local businesses. For this year's Safety Day, we supported the prevention campaign 'Skin Care', and the day's events centred on healthy eating and road safety.

With more and more employees cycling to work, 'Pimp my Bike' was this year's main topic. A bicycle obstacle course was set up so that people could test their cycling skills. The police demonstrated how to deter bike theft, and explained the importance of having safe brakes and proper lights and wearing the right protective equipment.

The day's programme closed with practical examples about the hazards of multi-outlet power strips (common in most office kitchens) and with obligatory fire-fighting drills.

LOOKING AFTER OUR PEOPLE

GLOBAL MOBILITY

Global presence and success in worldwide markets require a workforce willing and able to work around the world. For those employees who are interested in working in different countries, we have a programme of international assignments to worldwide locations within the adidas Group. Most of these take place between Germany, USA, China, Hong Kong and the Netherlands. The adidas Group provides training and cultural preparation to familiarise the relocating professionals and their families with their new living and working environments. In brief:

- The Headquarters of the adidas Group employs more than 500 international employees from 50 countries
- Between 100 and 150 international assignments at various locations begin annually
- About 450 employees are currently on international assignments.

WORK-LIFE BALANCE

Every employee's quality of life should be improved by working for the adidas Group. So we have a responsibility to address work-life balance. We aim to harmonise the commercial interests of the adidas Group with the private and family needs of our employees, thereby assuring the mutual benefit of both. The programme includes family oriented services, flexible work time and place, people development and leadership competence related to work-life balance. More information about this topic can be found in the Employees section of our corporate website at www.adidas-Group.com/sustainability

Hertie Stiftung, the third largest private foundation in Germany, audited our programme to identify and initiate ways to improve family-oriented personnel management. We were re-audited in 2004 and awarded the official certificate as a Family-Friendly Employer.

COMPANY SPORTS

We offer our employees a wide range of sports activities at our major sites including team sports such as football and basketball, fun and fitness courses such as fencing and Tae Bo, and health and wellness courses such as yoga, healthy back, and swimming. Employees in Herzogenaurach, Portland and Canton have access to a company gym.

Our Company Sports department in Herzogenaurach also organises several sports events such as mountain biking, horseback riding, kayaking, skiing and ski tours and biathlon. Special events such as a one-week sports camp for employees' children, trans-alpine mountain bike tours, and the yearly Berlin marathon weekend (with a suitable training programme prior to the event) are also available. In 2007, the Company Sports department offered about 130 courses and more than 30 events which were attended by more than 2,800 participants.

EMPLOYEE CODE OF CONDUCT

We have a Group-wide Employee Code of Conduct in place to help strengthen general governance. The code serves as the cornerstone of ethical and social behaviour in day-to-day operations, and is aligned with the core values of the company.

The code is part of a Global Compliance Programme and is implemented by compliance managers worldwide, with the involvement of the works council.

The code covers key issues such as:

- How to treat business partners and third parties (including conflicts of interest)
- Handling information
- Complaints
- Special rules for dealing with financial matters.

All line managers must ensure compliance with the code. Employees who violate the Code of Conduct while conducting Group business will be subject to disciplinary measures, and may have their employment terminated. All employees are trained to apply the code through a global e-Learning tool which was launched at the end of 2007.

DIVERSITY

Over the years, the adidas Group workforce has evolved to reflect the growing diversity of our communities, our varied fields of activity as well as our truly global marketplace. We will remain committed to understanding, valuing and incorporating this diversity into the corporate culture of the adidas Group.

We believe that diversity helps us to sustain a competitive advantage, to foster motivation and to ensure organisational success and stability. Our approach to diversity is to:

- **Acknowledge** the richness of commonalities and differences we share; the intrinsic worth of each unique employee; that our products and our contribution to sports and the athletes who compete therein are enhanced through these multiple and different perspectives.
- **Aspire** to create respect for and appreciation of each other; to further increase diversity within the adidas Group and to foster a spirit of openness and partnership among our employees and within our communities.
- **Act** to assure an environment that welcomes, respects and embraces diversity; to capitalise on the value of a diverse workforce; and to achieve excellence through our products and our people.

While our recruitment is not quota based, we do have gender-balanced recruitment of trainees and apprentices. Over the past three years, the adidas Group has moved its global male/female ratio in management positions from 79/21 to a 70/30 ratio. Our overall male/female ratio globally has remained fairly constant over this period at about 52/48.

FOCUS 2007: EMPLOYEE ENGAGEMENT

A fundamental part of our HR strategy is to create an environment that stimulates team spirit, passion and engagement. Engaging employees is crucial to our success: we know that companies with high employee engagement levels outperform their markets.

We are conducting online engagement surveys so employees can give anonymous feedback to management, be it appreciative or critical. In 2007, we covered Europe and Asia as well as some global Group functions. Although we are on average scoring in the 'Performance sector', we analyse the feedback carefully per country, division and department and work with line management to address areas of improvement.

We also have a web-based scheme – 'Ask the Management' – that allows employees to post questions to senior management. There are six different 'Ask the Management' forums across the Group, with the Global Operations one being the most used, often with 50-60 questions posted each month.

And more of our main locations are hosting 'All-employee meetings', where senior management address topics of interest and answer questions. There were more than ten such meetings organised across all brands, Group functions and regions in 2007.

We encourage employees to use any or all of these channels to voice their concerns, questions or suggestions. The more feedback we receive, the more we are able to improve our practices and be a better employer.