

The **Audit Committee** held four meetings in the year under review (2021: four meetings). The Chief Financial Officer and the auditor were present at all meetings and reported to the committee members in detail. The Audit Committee follows the recommendation of the Code and regularly confers with the auditor at Audit Committee meetings without the Executive Board being present.

In addition to the monitoring of the accounting process, the committee's work focused on the audit of the 2021 annual financial statements and the consolidated financial statements, including the combined Management Report and the non-financial statement of adidas AG and the Group, as well as the proposal regarding the appropriation of retained earnings. Following a detailed presentation of the audit reports by the auditor, the Audit Committee decided to recommend to the Supervisory Board to approve the 2021 annual financial statements and consolidated financial statements. Furthermore, the Audit Committee prepared the audit of the non-financial statement.

In the year under review, the Audit Committee dealt intensively with the continued development and monitoring of the effectiveness of the Risk Management System, the Internal Audit System, the Internal Control System, and the Compliance Management System. Other matters discussed in detail were the assignment of the audit mandate to the auditor appointed by the Annual General Meeting and the determination of the audit fees and key audit matters. In accordance with § 111 section 2 sentence 4 AktG, the Audit Committee furthermore commissioned the auditor with the audit of the content of the non-financial statement with limited assurance and, for the first time, with an audit with reasonable assurance of the statements on the 'share of sustainable articles offered' ('9 out of 10') KPI contained therein. In addition, the Audit Committee monitored the independence and qualification of the auditor, while also taking into account the non-audit services provided by the auditor. With regard to the quality of the audit, the Audit Committee determined on the basis of the auditor's report on its own quality assurance system, the findings of the German Auditor Oversight Body (Abschlussprüferaufsichtsstelle – APAS), and its internal quality review, that there were no indications of quality issues in the 2021 audit. Finally, the Audit Committee discussed the quarterly financial results and the half-year financial report. Furthermore, in the year under review, the Audit Committee had in-depth discussions about the transition regarding the external rotation of the auditor in 2023 and dealt thoroughly with the audit plan and risk management report. At each committee meeting, the Audit Committee was also informed about the findings and developments of the Internal Audit department as well as in the area of compliance.

Furthermore, the meetings of the Audit Committee covered topics such as data protection and information security, business partner due diligence, adidas Global Business Services as well as sustainability issues at adidas (including the Executive Board compensation target 'share of sustainable articles offered' – '9 out of 10'). Other topics were the German Supply Chain Act, the KPIs of the non-financial statement, and amendments to the Code. The provisions of the Corporate Sustainability Reporting Directive and the impact of currency effects on the business of adidas, including the associated hedging strategy and pension obligations, were also discussed by the Audit Committee.

The **Nomination Committee** did not meet in the year under review.

As in previous years, the **Mediation Committee** to be established in accordance with the German Co-Determination Act (Mitbestimmungsgesetz – MitbestG) did not have to be convened in the year under review.

ELECTION AND COMPOSITION OF THE SUPERVISORY BOARD

The long-serving Supervisory Board member Roland Nosko resigned as employee representative from the Supervisory Board with effect from the end of August 31, 2022. With effect from September 1, 2022, and for the period until the end of the 2024 Annual General Meeting, Birgit Biermann was appointed by court as new employee representative on the Supervisory Board. This was also the reason for changing the composition of the General Committee, and Michael Storl was elected as new General Committee member with effect from October 12, 2022. ► [SEE SUPERVISORY BOARD](#)

The members of the Supervisory Board are individually responsible for undertaking any necessary training and further education measures required for their tasks. To assist them in their role, the company offered Supervisory Board members who joined the Supervisory Board during the year under review, or who assumed new responsibilities within the Supervisory Board, an introduction to the work of the Supervisory Board and/or to new areas of responsibility within adidas AG. The Supervisory Board members were given detailed resources on the business and subject areas that are relevant to their particular tasks. In addition, the Supervisory Board attended a company presentation that included the latest innovations and new product launches from adidas and its cooperation partners. Furthermore, the company regularly informs the Supervisory Board about current legislative changes and external training opportunities and provides the Supervisory Board with relevant specialist literature.

CHANGES TO THE EXECUTIVE BOARD

In August 2022, the Supervisory Board and Kasper Rorsted mutually agreed on the resignation of Kasper Rorsted from his position as Chief Executive Officer. In November 2022, the Supervisory Board appointed Bjørn Gulden as new Executive Board member and Chief Executive Officer with effect from January 1, 2023. In agreement with the Supervisory Board, Kasper Rorsted resigned from his position as Chief Executive Officer upon expiry of November 11, 2022, and left the company. Harm Ohlmeyer was appointed as interim Chief Executive Officer for the period from November 12, 2022, to December 31, 2022. Moreover, we extended the mandate of Brian Grevy, responsible for Global Brands, by five years effective February 2023 and the mandate of Roland Auschel, responsible for Global Sales, by two years effective January 2023 until December 2024. ► [SEE EXECUTIVE BOARD](#)

CORPORATE GOVERNANCE

The Supervisory Board regularly monitors the application and further development of the corporate governance regulations within the company, in particular the implementation of the regulations of the Code. The Supervisory Board and its committees discussed at their meetings the requirements of the German Stock Corporation Act and the Code in regard to corporate governance. Further detailed information on corporate governance within the company can be found in the Declaration on Corporate Governance. ► [SEE DECLARATION ON CORPORATE GOVERNANCE](#)

Following an in-depth discussion, the current Declaration of Compliance pursuant to § 161 AktG was resolved upon by the Executive Board and Supervisory Board of adidas AG in December 2022 and was made permanently available on our website. ► [ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](https://adidas-group.com/s/corporate-governance)

In the year under review, there were no conflicts of interest among the members of either the Supervisory Board or the Executive Board. In the opinion of the Supervisory Board, the brand ambassador agreement between adidas International, Inc., and the Supervisory Board member Jackie Joyner-Kersey does not constitute a conflict of interest with regard to her role on the Supervisory Board.

proposal of the Executive Board on the appropriation of retained earnings. Additionally, it resolves on the Supervisory Board's resolution proposals to be presented to the Annual General Meeting. Moreover, the Supervisory Board examines the combined non-financial statement for the company and the Group and/or any separate non-financial reports. Certain business transactions and measures of the Executive Board with fundamental significance are subject to prior approval by the Supervisory Board or by a Supervisory Board committee. The respective details are set out in § 9 of the Rules of Procedure of the Supervisory Board of adidas AG. Furthermore, the requirement of prior Supervisory Board approval is stipulated in some resolutions by the Annual General Meeting.

The Supervisory Board is also responsible for the appointment and dismissal of the Executive Board members as well as for the allocation of their areas of responsibility. The respective proposals are prepared by the General Committee. When appointing new Executive Board members, the Supervisory Board provides for the best possible, diverse and mutually complementary Executive Board composition for the company and, together with the Executive Board, ensures long-term succession planning. The Supervisory Board takes a structural approach in its succession planning for the Executive Board. This is based on multiple planning horizons. Accordingly, the company has established a number of management groups (Core Leadership Group [CLG], Extended Leadership Group [ELG], and High Potentials). This ensures a sustainable approach to identifying and evaluating successor candidates for Executive Board positions, while also accommodating the company's diversity concept. The Supervisory Board discusses succession planning on a regular basis.

Furthermore, the Supervisory Board determines the Executive Board compensation system, examines it regularly and decides on the individual overall compensation of each Executive Board member. The Supervisory Board, together with the Executive Board, annually prepares a clear and comprehensible report on the compensation granted and due in the previous financial year in accordance with § 162 AktG. Further information on Executive Board compensation, the current compensation system, the compensation report, and the auditor's report in accordance with § 162 AktG can be found on the company's website. ► [ADIDAS-GROUP.COM/S/COMPENSATION](https://adidas-group.com/s/compensation)

FURTHER INFORMATION ON CORPORATE GOVERNANCE

More information on topics covered in this report can be found on our website, including:

- Articles of Association
- Rules of Procedure of the Executive Board
- Rules of Procedure of the Supervisory Board
- Rules of Procedure of the Audit Committee
- Supervisory Board committees (composition and tasks)
- CVs of Executive Board members and Supervisory Board members
- Objectives of the Supervisory Board regarding its composition (including competency profile for the full Supervisory Board)

► [ADIDAS-GROUP.COM/S/CORPORATE-GOVERNANCE](https://adidas-group.com/s/corporate-governance)

Apart from the members' individual skills, the Rules of Procedure of the Supervisory Board and of the Audit Committee also set out the tasks and responsibilities as well as the procedure for meetings and passing resolutions. These Rules of Procedure are available on our website. The Supervisory Board Report provides information on the activities of the Supervisory Board and its committees in the year under review. ► [SEE SUPERVISORY BOARD REPORT](#) ► [ADIDAS-GROUP.COM/S/BODIES](https://adidas-group.com/s/bodies)

The members of the Supervisory Board are individually responsible for undertaking any necessary training and professional development measures required for their tasks and are supported by adidas AG in this regard. The company informs the Supervisory Board regularly about current legislative changes as well as opportunities for external training and provides the Supervisory Board with relevant specialist literature. In this regard, the Supervisory Board has also examined in detail the latest developments in corporate governance, especially the new requirements of the Code 2022 and the sustainability issues relevant to adidas.

Moreover, the Supervisory Board as well as the Audit Committee, General Committee, and Nomination Committee regularly assess the efficiency of their work. As the improvement measures for increasing the efficiency of the Supervisory Board's work resolved upon in 2020 were deemed to have been implemented successfully in the 2021 financial year, the Supervisory Board conducted another efficiency examination of its work in October 2022 and concluded that the Supervisory Board as a whole as well as its respective committees are efficient, and resolved upon specific measures to further improve the organization of the Supervisory Board's work.

The compensation of the Supervisory Board members is set out in the Compensation Report.

► [ADIDAS-GROUP.COM/S/COMPENSATION](https://adidas-group.com/s/compensation)

COMMITMENT TO THE PROMOTION OF EQUAL PARTICIPATION OF WOMEN AND MEN IN LEADERSHIP POSITIONS

When filling leadership positions in the company, the Executive Board takes diversity into account and aims for an appropriate participation of women in particular. The Supervisory Board is also convinced that an increase in the number of women in leadership positions within the company is necessary to ensure that, in the future, a larger number of suitable female candidates will be available for Executive Board positions. The Executive Board and Supervisory Board therefore recognize the enormous importance of the company's initiatives to foster diversity and inclusion and to promote women to leadership positions.

► [SEE OUR PEOPLE](#)

With Amanda Rajkumar joining the Executive Board, the target set by the Supervisory Board of 1/7 respectively 14.29% for the representation of women on the Executive Board with the deadline of June 30, 2022, had already been fulfilled. At the same time, the requirements set forth in § 76 section 3a AktG introduced with the Second Leadership Positions Act (Führungspositionengesetz – FÜPoG II) are fully met, which requires that at least one woman and at least one man be appointed as members of the Executive Board.

In addition, the Executive Board has set targets and deadlines for female representation in the first two management levels of adidas AG.

As the targets for the first management level and the second management level had already been exceeded on December 31, 2021, with 38% and 31%, respectively, the Executive Board defined a percentage share of female representation of 39% for the first management level and 31% for the second management level. The Executive Board set December 31, 2023, as deadline for achieving these two targets. As at the balance sheet date, the percentage share of women amounted to 44% for the first management level and 37% for the second management level. Moreover, the global share of women in leadership positions amounted to 39%, which means that the target of 39% was met.

In accordance with § 96 section 2 sentence 1 AktG, at least 30% of the members of the Supervisory Board must be female and at least 30% must be male. As the Supervisory Board had not objected to an overall fulfillment of the aforementioned quota pursuant to § 96 section 2 sentence 3 AktG, the minimum quota must be fulfilled by the Supervisory Board overall, with the numbers of male and female members rounded up or down to full numbers (§ 96 section 2 sentences 2 and 4 AktG). This means that the

Supervisory Board of adidas AG must be composed of at least five women and five men. These minimum quotas were achieved. As at December 31, 2022, six of the company's 16 Supervisory Board mandates were held by women.

Within the framework of the employee strategy already launched in 2021, the company will continue to intensify its efforts for Diversity, Equity, and Inclusion in order to remain an attractive employer in the future. There will be a particular focus on a long-term approach to equity in leadership positions – both through hiring and through appropriate succession planning. ► [SEE OUR PEOPLE](#)

AVOIDING CONFLICTS OF INTEREST

The members of the Executive Board and Supervisory Board are obligated to disclose any conflicts of interest to the Supervisory Board without delay. Substantial transactions between the company and members of the Executive Board or related parties of the Executive Board require Supervisory Board approval. Contracts between the company and members of the Supervisory Board also require Supervisory Board approval. The Supervisory Board reports any conflicts of interest, as well as the handling thereof, to the Annual General Meeting. In the year under review, the members of the Executive Board and the members of the Supervisory Board did not face any conflicts of interest. A brand ambassador agreement exists between adidas AG and Jackie Joyner-Kersey. The Supervisory Board is of the opinion that this does not constitute a conflict of interest. In particular, the brand ambassador agreement does not represent a material business relationship for either adidas or Jackie Joyner-Kersey. The Supervisory Board passed a unanimous resolution approving this agreement without the participation of Jackie Joyner-Kersey. ► [SEE SUPERVISORY BOARD REPORT](#)

SHARE TRANSACTIONS CONDUCTED BY THE EXECUTIVE BOARD AND SUPERVISORY BOARD

An overview of the transactions of the Executive Board and the Supervisory Board pursuant to Article 19 of the Regulation (EU) No 596/2014 (Market Abuse Regulation) notified to adidas AG in 2022 is published on our website. ► [ADIDAS-GROUP.COM/S/MANAGERS-TRANSACTIONS](https://adidas-group.com/s/managers-transactions)

RELEVANT MANAGEMENT PRACTICES

Our business activities are aligned with the legal systems of the various countries and markets in which we operate. We are also aware of our considerable social and environmental responsibility.


We will significantly increase our commitment to sustainability in the years ahead. In addition to the continued digital transformation of the company, we are working closely with our partners in the global supply chain to reduce energy consumption and increase the proportion of green energy we use. By 2025, nine out of every ten adidas articles should be made from more sustainable materials, while the carbon footprint per product should be reduced by 15% in comparison to baseline year 2017. adidas aims for [climate-neutral](#) operation at its locations by 2025 and to reach complete climate neutrality by 2050.

Further information on company-specific practices, which are applied in addition to statutory requirements, such as our Code of Conduct ('Fair Play'), on compliance with working and social standards within our supply chain, environmentally friendly resource management in our manufacturing processes, and our social commitment is available in this Annual Report and on our website. ► [SEE OUR PEOPLE](#)


► [SEE SUSTAINABILITY](#) ► [ADIDAS-GROUP.COM/SUSTAINABILITY](https://adidas-group.com/sustainability)

COMPLIANCE AND RISK MANAGEMENT

Compliance with laws, internal and external provisions, and responsible risk management are part of corporate governance at adidas. Our Compliance Management System is linked to the company's Internal Control and Risk Management System. As part of our global 'Fair Play' concept, the Compliance Management System establishes the organizational framework for companywide awareness of our internal rules and guidelines and for the legally compliant conduct of our business. It underscores our

- **Succession management:** Our succession management approach aims to ensure stability and certainty in business continuity through the development of strong internal talent pipelines for critical leadership positions. We achieve this through a globally consistent succession process that identifies these critical leadership positions and matches our top talent as successors to these roles. We also drive the succession process through achievable development plans that prepare the identified successors for their next steps. Our leadership groups and top talent pool serve as the succession pipeline for the executive roles in our organization.
- **Leadership groups:** Our leadership groups consist of the 'Core Leadership Group' ('CLG') and the 'Extended Leadership Group' ('ELG'). The 'CLG' partners with the Executive Board, leading the execution of our business strategy while the 'ELG' collaborates across markets and functions, leading the execution of our strategic initiatives. Furthermore, the 'ELG' drives continuous improvement and consistency throughout the organization.
- **High-potential programs:** We invest in selected high-performing and high-potential employees through three dedicated programs: 'Global High Potential Group' ('GHIPO'), 'Local High Potential Group' ('LHIPO'), and 'Future High Potential Group' ('FHIPO') program. Our 'GHIPO' and 'LHIPO' programs enable us to identify and develop global and local high-potential leaders who have the ability to take on more complex and demanding responsibilities at a higher leadership level. The programs are designed to build peer relationships and to give participants cross-functional and cross-cultural exposure. The 'FHIPO' program enables us to identify and develop selected high-potential employees at an early stage in their careers. The program is designed to build on participants' skills, further evolve their capabilities, strengthen their behaviors, and expand their business perspective. Through continuous investment into the development and growth of our 'HIPOs,' we are strengthening our global, regional, local, and functional succession pipelines at different levels. Until the end of 2022, a total of 93% of the 'GHIPO,' 74% of the 'LHIPO,' and 37% of the 'FHIPO' participants successfully made positive career steps through upward, lateral, cross-cultural, or cross-functional moves. 

CREATING A PREMIER EMPLOYEE EXPERIENCE

 Ensuring a positive and impactful employee experience is a key focus of our people strategy. We do this through listening to feedback from our employees, offering opportunities for flexibility, and focusing on well-being.


- **Employee listening:** After the successful launch of the 'Employee Listening Survey' ('ELS') to all corporate and retail employees in 2021, we expanded the survey into distribution centers ('DCs') in the first quarter of 2022. This was the first time the entire DC population had had the opportunity to complete such a survey, and the participation rate was 53%. With the holistic results gathered from the entire organization, we were able to identify three key global themes to drive our next steps: Feedback, trust, and career advancement. Throughout 2022, these themes remained at the heart of our strategic HR initiatives and inspired the creation of our 'ELS' Ambassadors, i.e., representatives of regions and functions who ensure our global themes are integrated into local initiatives, while also addressing specific findings in their market or function. The 'ELS Ambassadors' will be integral in the rollout of the next iteration of the 'ELS,' planned for the first quarter of 2023.
- **Health management:** We strongly believe that physical, mental, and social well-being are of equal importance and are the cornerstone of sustainable performance. With this holistic approach, we aim to provide the best possible conditions for our employees to ensure their well-being, safety, and health. Focusing on prevention, education, and support, our comprehensive and inclusive portfolio caters for the diverse needs of our employees. Our employees have access to a wide range of sports activities, events, and facilities. We have corporate gyms at many locations around the world, including Herzogenaurach, Portland, Gurgaon, Shanghai, Dubai, and Manchester. Many of our office buildings

have lockers and showers, allowing employees to cycle to work and include sports in their working day. To meet employee needs in a hybrid work set-up, programs are both local and virtual to support teamwork and a healthy lifestyle. Offerings range from hybrid sports classes, medical and psychosocial consultations (in-person and virtual), and tools for digital disconnection, to carefully curated sessions on life topics. Today, with a gradual extension, almost all adidas employees around the world have access to an Employee Assistance Program. In addition, 2022 saw the launch of several pilots across Germany aimed at elevating our approach to health. These include a certified peer program on psychological first aid, an ergonomic program for our distribution center employees, and a tailored three-year plan for our dual students and apprentices to support a healthy start to their working life.


- **Return to office:** In 2022, we were able to reopen several offices around the world, including our Herzogenaurach headquarters, where we introduced our new hybrid workplace concept as of May. We implemented a range of measures, such as vaccination centers, crisis management support, and training to ensure the ongoing safety of our people and to limit the risk of infections in the workplace. In our own retail stores, we implemented safety protocols and trainings to ensure the safety of all employees and customers, and we will continue to do so. For more than two years, China had maintained the world's strictest covid measures. During the severe lock down period in Shanghai, we implemented a special assistance program for all employees. We also provided food, expat support, and unlimited psychological care for employees in all other cities in mainland China.
- **Health and safety:** Managing the health and safety of our global workforce remains a priority for us. Our infrastructure, assets, and operations comply with ISO 45001, and we regularly conduct internal and external audits to ensure a healthy, safe and secure work environment for all employees. We monitor our performance closely in order to measure our progress toward our targets and to identify areas for potential improvement. Our training and guidelines on health and safety have been successfully implemented and scaled throughout the organization. In 2022, we recorded a Lost Time Incident Rate ('LTIR') of 0.44 [2021: 0.40], as well as, unchanged to the previous year, a zero Occupational Illness Frequency Rate ('OIFR') and zero fatalities for own employees. For external, contracted workforce, we recorded an improved LTIR of 0.67 [2021: 0.97], and one work-related fatal accident [2021: 0]. We initiated thorough investigations to understand the exact root cause enabling us to take all measures and actions necessary to prevent similar accidents in the future.
- **Work-life integration:** We aim to harmonize the commercial interests of the company with the professional, private, and family needs of our employees. Our work-life integration initiatives and programs include the provision of flexible working times and locations, personal development, and leadership competence related to work-life integration, as well as family-oriented services:
 - **Family and childcare:** In addition to providing flexible working opportunities and sabbaticals, we maintain a family-friendly environment and infrastructure. At our headquarters in Herzogenaurach, we provide parent-child offices and a bilingual childcare facility, 'World of Kids,' with 270 places. We also run children's camps to support working parents during school holiday. In Herzogenaurach alone, 445 children attended these camps during 2022. The ongoing pandemic required a considerable degree of flexibility to meet individual needs in some locations. In China, for instance, adidas provided food and 1.5-hour lunch breaks during lockdown to help employees care for their families.
 - **Parental leave:** For parental leave and re-entry, programs are in place to provide employees with advice early on and options for their return to work, also taking into consideration flexible working hours and work locations. In Germany, employees on parental leave are guaranteed their original positions, which are only filled temporarily. In the US, in addition to regular parental

leave for new parents (up to ten weeks at home, 70% of their salary), adidas offers an extra two weeks of paid parental leave. Furthermore, our special parental bonding leave provides parents with the opportunity to stay home for up to six months within the first twelve months after the child's birth or placement. While unpaid, it offers parents the opportunity to stay home longer and take care of their new arrival and new life together. Latin America provides for an extended parental leave approach across the market, with mothers having 24 paid weeks in total to spend with their children, while fathers/partners have 20 paid days in total. In addition, mothers can work fewer hours for one month immediately before and after their maternity leave period.

- **Flexible work:** Our worldwide off-campus-working approach, which allows our employees to work up to 40% of their working hours from home, was expanded in January 2022 to enable short-term remote working from another location (domestic or international). This new approach is called 'Work from Anywhere.' Having experienced the importance of social and personal interaction first-hand during the pandemic, we want to provide flexibility to support employees' unique needs and experiences.
- **Commitment to impact:** Together with our employees and partners, we act on our core belief that through sport we have the power to change lives by fostering genuine connections with the communities we serve and affect. To maximize this positive impact, we create volunteering programs and company-matched fundraisers that encourage our people to actively engage and bring our core belief to life.


In 2022, teams across all markets took part in multifaceted volunteering initiatives under a new 'Community & Social Impact' framework, listening to the respective communities' needs and promoting a culture of co-creation. Our projects ranged from sports coaching in safe places for women and girls trying out new and diverse activities to skills-based support such as mentoring refugees to help them unlock their potential in the labor market. Collectively, adidas employees performed 3,570 hours of voluntary work¹⁴, engaged in 28 different virtual or real-world projects, and/or supported 34 non-profit organizations or social ventures. In 2022, adidas continued to run fundraising campaigns where we matched employee donations. Our employee fundraiser 'Support for Ukraine' raised more than € 120,000 by matching our employees' contributions and was one example of how we demonstrated our collective and united support as one adidas family in 2022. 

INSTALLING A MINDSET OF CONTINUOUS LEARNING


 We continue to promote a high-performance culture by developing our employees. We offer a wide range of learning and development opportunities, including online learning resources and interactive learning experiences that provide personal and professional growth opportunities for our workforce. Our investments in digital learning and development opportunities, such as LinkedIn Learning, Udemy, Circus Street, and Arizona State University, offer equitable access to learning content and just-in-time upskilling and/or reskilling. In 2022, more than 59,000 employees worldwide invested a total of 1,175,000 hours in training courses and workshops – an average of 19.7 hours.


The key pillars of our extended learning and development offerings are informal learning and mentoring. Our informal learning is supported by platforms where employees can network and connect across the organization based on shared learning goals and/or interests. When participating in our informal learning offerings, more than 90% of employees said it made them feel more connected to the people and culture at adidas and would recommend the program to others.

¹⁴ Excludes 'ERG' and individual hours of voluntary work. While for 2021 we only reported projects curated and managed by the adidas Global Community & Social impact team, 2022 numbers include global data.

In addition to our 'Board Mentoring Circle,' which ran until June 2022, we also continued to partner with former track and field athlete Edwin C. Moses on a mentoring experience for selected employees to help elevate their ability to reinforce and support our cultural aspirations. Participants comprised a small and diverse cohort of high-potential leaders across North America. 

REWARDING INDIVIDUAL AND TEAM PERFORMANCE

 The key focus of our rewards strategy is to attract, retain, and motivate individuals through remuneration and benefits that are inclusive, fit for purpose, and competitive in the marketplace – thus enabling us to achieve our strategic objectives. To promote a high-performance culture, it is essential that we focus on performance management to ensure fair and equitable reward and recognition.

- **Performance management:** #MYBEST is our global performance development approach and a key enabler of our high-performance culture. During the fourth quarter of 2021 and throughout 2022, we initiated a review of #MYBEST to include our new values and to explore the future of performance at adidas. In 2022, we sharpened our focus and simplified our approach: #MYBEST now has three elements to encourage regular high-quality conversations between employee and line manager, and to ensure goals are set and reviewed quarterly. A formal performance evaluation takes place twice a year, with employee development being the focus of every monthly 'Touch Base' conversation. We continue to work on making the performance evaluation and potential assessment processes more equitable and to further develop our line managers' capabilities to engage in meaningful performance standard conversations. As we implement the new values into #MYBEST in 2023, we will focus on the adoption of these values and how they are lived.
- **Total compensation management:** Compensation at adidas has a dual focus of ensuring employees are compensated fairly and equitably for the role they perform, while also creating a culture of rewarding performance. The adidas total compensation management philosophy enables educated compensation decisions based on external market reference and internal equity. It also takes into account the skills, experience, and responsibility of each individual. Our variable compensation programs engage and motivate employees by reflecting their activities' input, while driving a culture of high-performance. To do this, adidas offers the following variable compensation plans:
 - Short-Term Incentive programs,
 - Profit participation programs,
 - Long-Term Incentive Plan ('LTIP') for senior management.
- **Benefits:** At adidas, employee benefits take the form of monetary or non-monetary programs that supplement wages or salaries on a discretionary or non-discretionary basis. Programs can be offered globally, regionally, or locally and can be statutory or supplemental. They comply with legislation or local market practice and are based on benchmark data.
- **Cross-border employment:** adidas invests in international relocation to fill local skill gaps, enable knowledge transfer, develop talent for a more diverse workforce, enable location strategy, and enforce our learning culture. Our aim is to support the success of our business through a relocation of talent that will both enhance the employee experience and align with our business purpose.
- **Stock Purchase Plan:** Participation in the Stock Purchase Plan is open to employees in Germany, the US, the Netherlands, and Greater China (China mainland, Taiwan, and Hong Kong). This amounts to almost half our global workforce (excluding Retail). A total of 4,468 employees participated in the program in 2022 (2021: 5,230). 

SUSTAINABILITY

adidas' purpose 'Through sport, we have the power to change lives,' guides the way we run our company, how we work with our partners, create our products, and engage with our consumers. We will always strive to expand the limits of human possibilities, to include and unite people through sport, and to create a more sustainable world. We believe that acting as a responsible company will contribute to lasting economic success. However, achieving a truly sustainable business model is a marathon, not a sprint.

SUSTAINABILITY ROOTED IN OUR PURPOSE

Our commitment to sustainability is embedded into how we have done business for over two decades. It is rooted in our purpose 'Through sport, we have the power to change lives.' In 2021, we have doubled down on our commitment to sustainability and defined a roadmap for 2025 and beyond that allows us to create a positive impact across relevant areas, always focusing on the most material topics – for us and our stakeholders. We will continue to move to a comprehensive, consumer-facing sustainable article offering at scale, expand our circular services, and work toward achieving climate neutrality (CO₂e) across our entire value chain. We continue to empower our employees to become sustainability ambassadors, just as we invite consumers globally to engage and connect with us on the topic of sustainability. Lastly, we aim to uphold the highest social compliance standards in our supply chain.

We believe that moving toward achieving the targets we have defined for 2025 will set us up for future success. Yet we know that we cannot achieve these alone. We will leverage our long-term relationships with suppliers to ensure they can continue moving with us in alignment with our decarbonization efforts, and work closely with partners to scale innovative materials and recycling technologies.

► [ADIDAS-GROUP.COM/SUSTAINABILITY](https://adidas-group.com/sustainability)

GOVERNANCE

A robust governance structure ensures timely and direct execution of programs that drive the achievement of our set of targets for 2025 and beyond. The head of Sustainability reports directly to the member of the Executive Board responsible for Global Operations, who is responsible for the development, coordination, and execution of our sustainability strategy and also leads the 'Sustainability Sponsor Board,' which is composed of senior representatives from Global Brands, Global Operations, Digital, Sales, and other relevant functions across the company. The 'Sustainability Sponsor Board' ensures cross-functional alignment, transparent end-to-end management, and execution of agreed-upon sustainability goals within their functions. This includes reviewing and signing-off on policies as required. We also maintain a separate compliance function which is operated as the Social and Environmental Affairs ('SEA') Team to evaluate supplier-facing social and environmental compliance performance and human rights impacts, reporting, through the General Counsel, to the CEO.

We have set up regular sustainability networking calls for all employees involved in sustainability projects and programs in the organization to ensure company-wide alignment on all levels. On top of this, adidas continued to offer the company-wide sustainability training program available to all employees, educating them on how to think and act sustainably, enabling them to become sustainability ambassadors, and encouraging everyone to make personal and professional commitments to contribute to a cleaner planet. We also initiated sustainability training for our retail colleagues, with the objective of informing, engaging, and inspiring our entire team and all consumers we interact with on a daily basis, around the globe.

MATERIALITY

Throughout 2022, adidas conducted a full-scope materiality analysis to confirm non-financial topics relevant to the company's external reporting. The process was based on existing and future regulatory disclosure requirements applicable to adidas. These requirements, in combination with existing material topics, were the starting point for creating a long list of potentially material ESG ('environmental, social, and governance') topics. In a series of workshops with internal stakeholders, including responsible experts and senior management of relevant functions, we identified and validated related impacts, risks and opportunities for these topics. The analysis was carried out from an impact materiality perspective as well as from a financial materiality perspective, each of which was assessed both qualitatively and quantitatively. This has ultimately led us to form a two-dimensional materiality matrix and a list of material topics, which forms the basis of the non-financial statement presented in this report. Notably, all existing material topics were fully confirmed. The topic of biodiversity was identified as a new material topic. [▶ SEE NON-FINANCIAL STATEMENT](#)

STAKEHOLDER ENGAGEMENT

Engaging openly with stakeholders and establishing ways to increase transparency and disclosure has long been central to our approach. Our stakeholders are those people or organizations who affect or are affected by our operations, including our employees, consumers, suppliers and their workers, customers, investors, media, governments, and NGOs. The adidas 'Stakeholder Relations Guideline' specifies key principles for the development of stakeholder relations and details the different forms of stakeholder engagement. adidas participates in a variety of industry associations, multi-stakeholder organizations, and non-profit initiatives. Through these memberships, we work closely with leading companies from different sectors to develop sustainable business approaches and debate social and environmental topics on a global, regional, and local level. We use collaborations and partnerships to build leverage for systemic change in our industry, such as for efforts to mitigate the carbon footprint in our industry's supply chain, to strengthen chemical management practices, and to raise social and environmental standards in the textile and leather supply chain. In addition, we build awareness, capacity, and knowledge of laws and rights among factory management and workers by partnering with leading providers such as the International Labour Organization's ('ILO') 'Better Work' program, as well as with the United Nations International Organization for Migration ('IOM') with the objective of ensuring that the labor rights of foreign and migrant workers are upheld in the adidas supply chain.

Key memberships:

- Apparel and Footwear International RSL Management ('AFIRM') working group
- Better Cotton ('BC')
- Fair Factories Clearinghouse ('FFC')
- Fair Labor Association ('FLA')
- Fashion for Good
- Federation of European Sporting Goods Industry ('FESI')
- German government-led Partnership for Sustainable Textiles ('Textilbündnis')
- Leather Working Group ('LWG')
- Organic Cotton Accelerator ('OCA')
- Textile Exchange
- The Fashion Pact
- The Microfibre Consortium ('TMC')
- The International Accord for Health and Safety in the Textile and Garment Industry
- United Nations Fashion Industry Charter for Climate Action ('UNFCCC')
- World Federation of the Sporting Goods Industry ('WFSGI')
- Zero Discharge of Hazardous Chemicals ('ZDHC') Foundation [▶](#)

EU TAXONOMY

In 2020, the EU introduced Regulation (EU) 2020/852 to establish the EU Taxonomy framework ('Taxonomy'). The purpose of the Taxonomy is to provide a common language and a clear definition of what is considered 'sustainable' in order to direct investments towards sustainable economic activities. Thereby, the EU's climate and energy as well as 'European Green Deal' targets shall be supported.

The Taxonomy is a classification system for environmentally sustainable economic activities. An economic activity is considered Taxonomy-eligible if it is referenced by the Taxonomy and has the potential to help achieve at least one of the following six environmental objectives:

- 1) Climate change mitigation
- 2) Climate change adaptation
- 3) Sustainable use and protection of water and marine resources
- 4) Transition to a circular economy
- 5) Pollution prevention and control
- 6) Protection and restoration of biodiversity and ecosystems.

For an activity to be considered and reported as environmentally sustainable, i.e., Taxonomy-aligned, the following three prerequisites must be fulfilled:

- **Substantial contribution:** The activity makes a substantial contribution to one of the environmental objectives by meeting the technical screening criteria defined for this economic activity.
- **Do-No-Significant-Harm ('DNSH'):** The activity fulfills further criteria, which are intended to prevent significant harm to one or more of the other environmental objectives.
- **Minimum safeguards:** The company performing the activity must have implemented minimum safeguards relating to human rights, including labor rights, corruption, taxation, and fair competition.

Reporting scope for fiscal year 2022

The Delegated Regulation (Delegated Regulation (EU) 2021/2178) on Article 8 of the Taxonomy specifies the content, methodology, and presentation of information to be disclosed by financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments, or lending activities. Throughout 2022, the Platform on Sustainable Finance, which serves as the advisory body to the European Commission on the development of the Taxonomy, published a detailed draft report on the technical screening criteria concerning environmental objectives 3–6. As per this draft report, the adidas core business activities – the manufacturing of textiles and footwear as well as wholesale and retail sale thereof – are referenced by environmental objective number 4, 'Transition to a circular economy.' In addition, a final recommendation concerning the minimum safeguards criteria was issued by the Platform on Sustainable Finance in October 2022. However, by the end of fiscal year 2022, the Taxonomy has not been enacted in its entirety. Thus, the timing of the full-scope Taxonomy reporting obligation, the content details, and the exact interpretation of various components within the Regulation remained unclear at the time this report was prepared.²⁷ Therefore, the reporting requirements for 2022 are limited to the first two environmental objectives – 'climate change mitigation' and 'climate change adaptation' – which do not reference the main economic activities of our industry. However, in contrast to the previous year, it is necessary to provide information on the degree to which Taxonomy-eligible economic activities are Taxonomy-aligned and to disclose the corresponding turnover (net sales), capital expenditure ('CapEx'), and operating expenses ('OpEx') KPIs, accordingly. Furthermore, in 2022, the EU

²⁷ Due to the timing and resources required to prepare the adidas Annual Report 2022, we have only included Taxonomy-relevant publications issued before January 27, 2023.

enacted amendments (Delegated Regulation (EU) 2022/1214) to the Delegated Regulation, requiring companies to make specific disclosures on economic activities in connection with the fossil gas and nuclear energy sectors. Due to the operation of a district heating plant in Germany, we carried out related activities in 2022, however not to a material extent. Thus, the disclosure requirements as per Annex XII of the amendments to the Delegated Regulation are not applicable to adidas.

Description of adidas procedure toward compliant 2022 reporting

Building on the experience and learnings from the first-time reporting on Taxonomy-eligible activities from the previous year, a core team within the adidas Corporate Finance area had the responsibility for the 2022 reporting process. The main tasks of the team were to

- educate the functional and subject matter experts – mainly from the Accounting, Controlling, HR Workplaces, Supply Chain, and Retail teams – on the reporting requirements, with particular focus on Taxonomy-alignment criteria,
- define, orchestrate, and lead a structured process to collect all Taxonomy-relevant information from the subject-matter experts,
- analyze and verify reported information in terms of Taxonomy relevance, correctness, and completeness,
- ensure that all new and updated Taxonomy-relevant publications that have become available throughout the course of the year were adequately reflected in this report.

Determination of Taxonomy-eligible activities

As a first step in the 2022 reporting process, the core team identified the Taxonomy-eligible activities at adidas as referenced in the Taxonomy Regulation. A detailed review of the defined environmental objectives 'climate change mitigation' and 'climate change adaptation' confirmed that 'climate change mitigation' is the environmental objective relevant for adidas. The main economic activities of our business model however are not covered by the environmental objective 'climate change mitigation,' and consequently we have no turnover-generating Taxonomy-eligible economic activities to report. Furthermore, due to the multitude of potential eligible economic activities, the principle of materiality was further refined compared to the previous year and applied consistently. Accordingly, an economic activity category is determined eligible if the corresponding KPI value is at least € 10 million. As a result, eligible economic activities associated with the environmental objective 'climate change mitigation' are reported for activity categories associated with construction and real estate activities as follows:

- 7.3. Installation, maintenance, and repair of energy efficient equipment
- 7.7. Acquisition and ownership of buildings (building leases)

The eligible activities identified relate almost entirely to building leases.

– OpEx KPI

The Taxonomy definition of 'OpEx' refers to expenditure for research and development, short-term leases, maintenance and repair, as well as certain other expenditure²⁸. In 2022, this amounted to € 862 million (denominator of the OpEx KPI) at adidas (2021: € 692 million), which compares to € 22,511 million of net sales and € 10,260 million of OpEx disclosed in this report. In the context of our business model, which is the design, development, production, and marketing of a broad range of athletic and sports lifestyle products, we consider the Taxonomy 'OpEx KPI' denominator value to be insignificant. Consequently, and in line with the Regulation, we have decided not to publish the amount of eligible OpEx and hence the OpEx KPI numerator. The information has no significant value to the reader of this report as, for example, our expenditure for research and development would not be considered Taxonomy-eligible at this point. At the current stage, the numerator would only include minor OpEx related to information and communication activities. As a result of these considerations, we report the numerator value of our Taxonomy-eligible OpEx KPI as € 0 (2021: € 0). Consequently, no further information on the alignment of eligible OpEx can be provided in this report.

Full information on the Taxonomy KPIs according to Annex II of the Delegated Regulation can be found in this report. ► [SEE EU TAXONOMY TABLES](#)

Minimum safeguards

The minimum safeguards form part of the Taxonomy alignment criteria. Their purpose is to ensure that companies performing environmentally sustainable activities adhere to social norms and certain minimum governance standards. In its final report to the European Commission on minimum safeguards, the Platform on Sustainable Finance provided more details on the minimum safeguards criteria and outlined the specific conditions of non-compliance:

Human rights and labor rights:

- Lack of adequate human rights due diligence process (HRDD) as outlined in the UNGPs and OECD Guidelines for MNEs, and/or
- evidenced signals of breach of law or human rights

Taxation:

- Lack of tax governance and compliance as well as adequate risk management strategies and processes, and/or
- evidence of tax law violation

Corruption/bribery:

- Lack of anti-corruption processes, and/or
- cases of court conviction on corruption

Fair competition:


- Lack of promotion of employee awareness of the importance of compliance with all applicable competition laws and regulations, and/or
- cases of court conviction on violating competition laws

²⁸ By 'other expenditure,' we mean expenditure for facility management services, i.e., expenditure relating to the day-to-day servicing of property, plant, and equipment.


Following the publication of the report on minimum safeguards by the Platform on Sustainable Finance, our subject-matter experts from the Social and Environmental Affairs, Tax, and Legal areas assessed the details of the respective criterion. The key objective of this assessment was to determine the extent to which the herein mentioned governance standards and policy frameworks are already embedded in the existing adidas policies (e.g., adidas Human Rights policy), standard operating procedures (e.g., adidas Fair Play Code of Conduct), and the adidas compliance management system. The assessment paid particular attention to the requirements regarding human rights and labor rights to determine whether the six steps of the HRDD outlined in the UNGPs and OECD Guidelines for MNEs were implemented effectively, both in our own operations and in our supply chain.


Based on this assessment, there is no evidence that Taxonomy-eligible activities in 2022 failed to comply with any of the above-mentioned conditions. More information on our compliance with the respective criteria can be found in this report:

- Human rights and labor rights ► [SEE SOCIAL IMPACTS](#)
- Taxation ► [SEE OUR APPROACH TO TAX](#)
- Corruption/bribery ► [SEE RISK AND OPPORTUNITY REPORT](#)
- Fair competition ► [SEE RISK AND OPPORTUNITY REPORT](#)


Our commitment to sustainability is reflected in the ambitious targets and numerous initiatives that are outlined in this report. We consider the EU Taxonomy to be a potentially valuable instrument that will help us validate and adjust our sustainability ambitions over time, particularly when our core business activities become applicable under the environmental objective 'transition to a circular economy,' and a common interpretation of all aspects relevant to adidas has been established. A precise timeframe for these developments was not yet available at the time of this report. 

APPROACH TO TAX

 We are committed to being compliant with all tax regulations in all jurisdictions in which we operate. We consider the interests of our stakeholders in the business decisions we make in order to ensure the lasting success of our company.

We do not operate through artificial structures or structure our business in ways that are intended to result in tax avoidance. Where we have a presence in so-called low-tax jurisdictions, this is related to our business activities in those jurisdictions and is not created for the purpose of minimizing our tax burden. While tax is among the many considerations in making business decisions, it is not the main driver in our decision-making process. 

Tax management and governance

 Given the range of activities and locations we operate in, adidas is subject to a wide range of taxes across the world, including corporate income tax, VAT/GST, employee-related taxes such as payroll and fringe benefit tax, withholding taxes, property taxes, stamp duties, and other taxes. The purpose of our tax function is to support and enable business objectives while ensuring compliance and preventing or minimizing tax risks.

The approach to tax is defined by the Vice President Corporate Tax and is reflected in the tax strategy, objectives, policies, and internal controls. Economic and social impacts are considered in developing and executing our tax strategy. The Corporate Tax team reviews our tax strategy on an annual basis, with significant changes being approved by our Chief Financial Officer (CFO). The CFO is ultimately accountable for compliance with our tax strategy.

company. Risk Management evaluates, consolidates, and aggregates the identified risks and opportunities ('bottom-up assessment').

- Risk Management discusses the assessment of substantial risks and opportunities with the members of the Executive Board and leaders directly reporting to them. The Executive Board members and their direct reports validate the assessment of risks and opportunities in their respective area of responsibility ('top-down assessment').
- Risk Management provides a consolidated report to the Executive Board summarizing the results of both bottom-up and top-down assessment as well as the risk and opportunity profile to highlight a potential threat to the company's rating and going concern. The Executive Board reviews the report, jointly agrees on a company assessment of risks and opportunities and decides if Risk Owners are required to take further action.
- Based on the Executive Board's decision, Risk Management creates the final risk and opportunity report that is also shared with the 'CLG.'
- The Executive Board presents in collaboration with Risk Management the final risk and opportunity assessment results to the Audit Committee of the Supervisory Board.

Material changes in previously reported risks and opportunities or newly identified material risks and opportunities as well as any issues identified that, due to their material nature, require immediate reporting are also reported outside the regular half-yearly reporting stream on an ad hoc basis to the Executive Board. To further improve the risk culture at adidas, we are also offering a risk management training to all our employees through our company intranet.


COMPLIANCE MANAGEMENT SYSTEM (ADIDAS FAIR PLAY)

■ We consider compliance with the law as well as with external and internal regulations to be imperative. The Executive Board sets the tone from the top, and every employee is required to act ethically and in compliance with the law as well as with internal and other external regulations while executing the company's business. We believe adidas Fair Play will prevent a majority of potential compliance issues. For that reason, we have specific measures to detect and respond to any concerns. We realize, however, that no compliance system can eliminate all violations.


The adidas Chief Compliance Officer oversees the company's Compliance Management System (CMS). We see compliance as all-encompassing, spanning all business functions throughout the entire value chain. Our central Compliance team works closely with Regional Compliance Managers and Local Compliance Officers to conduct a systematic assessment of key compliance risks on a yearly basis. In addition, the central Compliance team regularly conducts compliance reviews within selected entities.


The company's CMS is based on the OECD Principles of Corporate Governance. It refers to the OECD Guidelines for Multinational Enterprises and is designed to:


- support the achievement of qualitative and sustainable growth through good corporate governance,
- reduce and mitigate the risk of financial losses or damage caused by non-compliant conduct,
- protect and further enhance the value and reputation of the company and its brand through compliant conduct, and
- support 'Diversity, Equity, and Inclusion' ('DEI') initiatives by fighting harassment and discrimination.

The adidas Fair Play Code of Conduct is accessible on our website, includes guidelines for employee behavior in everyday work, and is applicable globally for all business areas. In 2020, we revised the Code of Conduct to ensure it remains up to date and reflects our business environment. 

► [ADIDAS-GROUP.COM/S/CODE-OF-CONDUCT](https://adidas-group.com/s/code-of-conduct)

 The Fair Play Code of Conduct and our CMS are organized around three pillars: prevent, detect, and respond.

 **Prevention:** The Compliance team regularly reviews and updates the CMS as necessary. In addition to the revised Fair Play Code of Conduct mentioned above, we also support all initiatives to prevent and fight harassment and discrimination in the workplace. Management also shares compliance-related communication, and the Compliance department provides mandatory training to all employees globally during onboarding and in regular, repeated cycles. The Compliance team and partners also provide targeted in-person compliance training as appropriate with senior management and newly promoted or hired senior executives across the globe in order to further enhance the compliance 'tone from the top,' as well as the 'tone from the middle.' We closely monitor the completion rates for these training measures. We also focused on further enhancing cooperation between the Compliance team and the Internal Audit, the Group Policies and Internal Controls, and the Risk Management department.

 **Detection:** adidas has whistleblowing procedures in place to ensure timely detection of potential infringements of statutory regulations or internal guidelines. Employees can report compliance concerns internally to their supervisor, the Chief Compliance Officer, Regional Compliance Managers or Local Compliance Officers, the relevant HR Manager, or, where applicable, the Works Council. Employees can also report externally via the independent, confidential Fair Play hotline and website, which also allow for anonymous complaints. The Fair Play hotline and website are available at all times worldwide, including the services of interpreters, if required. They are promoted digitally and with posters to reach all our locations around the world. The company's work to identify potential compliance violations continued in 2022.

 **Response:** Appropriate and timely response to compliance violations is essential. The Chief Compliance Officer leads all investigations in cooperation with an established team of Regional Compliance Managers and a global network of Local Compliance Officers. We track, monitor, and report potential incidents of non-compliance worldwide. In 2022, we recorded 521 potential compliance violations (2021: 485). Most importantly, insights gained from the investigation of past violations are used to continuously improve the CMS. Where necessary, we react promptly to confirmed compliance violations, through appropriate and effective sanctions ranging from warnings to termination of employment contracts. In addition, in 2022, the Compliance team strengthened its relationship with the Employee Relations (ER) organization, a key partner in many compliance matters, especially those related to harassment and discrimination.


POTENTIAL COMPLIANCE VIOLATIONS

	2022	2021
Financial, including theft	48	51
Malfeasance, including conflicts of interest and corruption	19	21
Competition	1	0
Behavioral	326	294
Other ¹	127	119

¹ Includes payroll issues, intellectual property, and leaks of confidential information, amongst others.

REPORTING OF POTENTIAL COMPLIANCE VIOLATIONS IN %

	2022	2021
Anonymous contact to hotline	55	47
Named contact to hotline	26	30
Compliance Officer and other	18	23

The company's Chief Compliance Officer regularly reports to the Executive Board on the further development of the compliance program and on major compliance cases. In addition, the Chief Compliance Officer reports to the Audit Committee on a regular basis. In 2022, the Chief Compliance Officer attended four meetings of the Audit Committee of the Supervisory Board to report on the further development of the compliance program, major compliance cases, and other relevant compliance topics. The Compliance department has revised its process for detecting compliance risks and included new risks, as well as captured some risk areas (e.g., e-commerce) more clearly. In addition, the description of the CMS has been sharpened. 

**DESCRIPTION OF THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM PROCESS
PURSUANT TO § 315 SECTION 4 GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH - HGB)**

The accounting-related internal control and risk management system of the company represents a process embedded within the company-wide corporate governance system. It aims to provide reasonable assurance regarding the reliability of the company's external financial reporting by ensuring company-wide compliance with statutory accounting regulations, in particular the International Financial Reporting Standards (IFRS) and internal consolidated financial reporting policies (Finance Manual). We regard the internal control and risk management system as a process based on the principle of segregation of duties, encompassing various sub-processes in the areas of Accounting, Controlling, Taxes, Treasury, Planning, Reporting, and Legal, focusing on the identification, assessment, mitigation, monitoring, and reporting of financial reporting risks. Clearly defined responsibilities are assigned to each distinct sub-process. In a first step, the internal control and risk management system serves to identify, assess, limit, and control risks identified in the consolidated financial reporting process that might result in the consolidated financial statements not being compliant with internal and external regulations.

Internal Control over Financial Reporting (ICoFR) serves to provide reasonable assurance regarding the reliability of financial reporting and compliance with applicable laws and regulations. To monitor the effectiveness of ICoFR, the Group Policies and Internal Controls department and the Internal Audit department regularly review accounting-related processes. Additionally, as part of the year-end audit, the external auditor assesses the effectiveness of selected internal controls, including IT controls. The Audit Committee of the Supervisory Board also monitors the effectiveness of ICoFR.

All adidas companies are required to comply with the consolidated financial reporting policies (Finance Manual), which are available to all employees involved in the financial reporting process through the company-wide intranet. We update the Finance Manual on a regular basis, dependent on regulatory changes and internal developments. Changes to the Finance Manual are promptly communicated to all adidas companies. Clear policies serve to limit employees' scope of discretion with regard to recognition and valuation of assets and liabilities, thus reducing the risk of inconsistent accounting practices within the company. We aim to ensure compliance with the Finance Manual through continuous adherence to the four-eyes principle in accounting-related processes. In addition, the local manager responsible for the accounting-related process within the respective company and the respective local Managing Director confirm adherence to the Finance Manual and to IFRS in a signed representation letter to the Accounting department semi-annually.

The accounting for adidas companies is conducted either locally or by our Global Business Services. Virtually all the IT Enterprise Resource Planning (ERP) systems used are based on a company-wide standardized SAP system. Following approval by the Finance Director of the respective adidas company, the local financial statements are transferred to a central consolidation system based on SAP SEM-BCS. At the corporate level, the regularity and reliability of the financial statements prepared by adidas companies are reviewed by the Accounting and Controlling departments. These reviews include automated validations in the system as well as the creation of reports and analyses to ensure data integrity and adherence to the reporting logic. In addition, differences between current-year and prior-year financial data as well as budget figures are analyzed on a market level. If necessary, adidas seeks the opinion of independent experts to review business transactions that occur infrequently and on a non-routine basis. After ensuring data plausibility, the centrally coordinated and monitored consolidation process begins, running automatically on SAP SEM-BCS. Controls within the individual consolidation steps, such as those relating to the consolidation of debt or of income and expenses, are conducted both manually and system-based, using automatically created consolidation logs. Any inadequacies are remedied manually by systematically processing the individual errors as well as differences and are reported back to the adidas companies. After finalization of all consolidation steps, all items in the consolidated income statement and in the consolidated statement of financial position are analyzed with respect to trends and variances. Unless already otherwise clarified, the adidas companies are asked to explain any identified material deviations.

All financial systems used are protected against malpractice by means of appropriate authorization concepts, approval concepts, and access restrictions. Access authorizations are reviewed on a regular basis and updated if required. The risk of data loss or outage of accounting-related IT systems is minimized through central control and monitoring of virtually all IT systems, centralized management of change processes, and regular data backups.

Furthermore, the adidas internal control and risk management system includes non-accounting-related controls which serve to provide reasonable assurance regarding the effectiveness and efficiency of operations, reliability of non-financial reporting, and compliance with applicable laws and regulations. The internal control and risk management system regarding the non-accounting-related activities focuses also on the identification, assessment, mitigation, monitoring, and reporting of relevant risks. It is as well embedded within the company-wide corporate governance system and encompasses various sub-processes in the areas of Brands, Operations (including Procurement and IT), Sales, or Human Resources.

All adidas companies are also required to comply with the non-accounting-related policies ('Policy Manual'), which are available to all employees involved in the various processes through the company-wide intranet and are updated and communicated on a regular basis.

The effectiveness of the non-accounting-related controls is also regularly monitored by the Group Policies and Internal Controls department and the Internal Audit department. The reporting of internal control results to the Audit Committee of the Supervisory Board includes the effectiveness of non-accounting-related controls as well.

Nothing came to our attention that would cause us to doubt the appropriateness and effectiveness of the entire internal control and risk management system. However, due to the limitations of any internal control and risk management system, absolute certainty about the appropriateness and effectiveness of these systems cannot be guaranteed.³¹

³¹ The statement in relation to German Corporate Governance Code A5 was not audited in terms of content as part of the audit of this Group Management Report.

performance. In addition, global competition for highly qualified personnel remains fierce. As a result, the loss of key personnel in strategic positions and the inability to identify, recruit, and retain highly qualified and skilled talent who best meet the specific needs of our company pose risks to our business performance.

We are taking various measures to ensure that we maintain a culture that fosters 'DEI.' Through several specialized programs, 'DEI' is embedded into our recruitment processes. Our 'Global DEI Council' drives the increase of representation, retention, and advancement of diverse talents within our global workforce. Furthermore, our workforce takes part in 'DEI' learning programs. To ensure effective leadership across the company we offer a portfolio of leadership development experiences designed for every level of management across all markets and functions. To optimize staffing levels and resource allocation (i.e., having the right people with the right skillsets in the right roles at the right time), we adjust resource allocation where required to reflect developments in business performance, the economic environment and our company's strategic priorities. Organizational transformations and reorganizations are supported by change activations with our leadership teams and organizational design consultancy. We continuously invest in improving employer branding activities, and our global recruiting organization constantly enhances our internal and external recruiting services and capabilities. Our global succession management helps create internal talent pipelines for critical leadership positions and therefore reduces succession risk.

RISKS RELATED TO MEDIA AND STAKEHOLDER ACTIVITIES

Adverse or inaccurate media coverage on our products or business practices as well as negative social media discussion may significantly harm adidas' reputation and brand image, lead to public misperception of the company's business performance and eventually result in a sales slowdown. Similarly, certain activities on the part of key stakeholders (e.g., non-governmental organizations, governmental institutions) could cause reputational damage, distract top management, and disrupt business activities. Despite the termination of the adidas Yeezy partnership in 2022, due to its former size and relevance, related stakeholder reactions and negative media coverage could still be possible.

To mitigate these risks, we pursue proactive, open communication and engagement with key stakeholders (e.g., consumers, media, the financial community, non-governmental organizations, governmental institutions) on a continuous basis. In addition, we have established clear crisis communication processes to ensure a quick and effective response to adverse developments. We have also strengthened social media capabilities and created various digital newsrooms around the globe that enable continuous monitoring of social media content related to the company's products and activities and allow early management of potentially damaging social media discussion. On a case-by-case basis, we seek external advice from experts in communication and stakeholder management.

IT AND CYBER SECURITY RISKS

Theft, leakage, corruption, or unavailability of critical information (e.g., consumer data, employee data, product data) and systems could lead to reputational damage, regulatory penalties, or the inability to perform key business processes. Key business processes, including product marketing, order management, warehouse management, invoice processing, customer support, and financial reporting, are all dependent on IT systems. Significant outages, application failures, or cyber security threats to our infrastructure, or that of our business partners, could therefore result in reputational damage, regulatory penalties, or cause considerable business disruption or impact to business-critical data.

To mitigate these risks, our IT organization proactively engages in system preventive maintenance, service continuity planning, adherence to IT policies and maintenance of a comprehensive information security program. Information security governance, data security, security architecture design, continuity

management, and employee awareness programs help us to protect the company adequately. We have also secured limited insurance coverage for damage resulting from cyber security incidents.

BUSINESS PARTNER RISKS

adidas interacts and enters into partnerships with various third parties, such as athletes, creative partners, innovation partners, retail partners, or suppliers of goods or services. As a result, the company is exposed to a multitude of business partner risks.

We work with strategic partners in various areas of our business (e.g., product creation, manufacturing, research, and development) or distributors in a few selected markets whose approach might differ from our own business practices and standards, which could also negatively impact the company's business performance and reputation. Similarly, failure to maintain strong relationships with our partners could negatively impact the company's sales and profitability. Risks may also arise from a dependency on particular partners. For example, the overdependency on a supplier or customer increases the company's vulnerability to delivery and sales shortfalls, respectively, and could lead to significant margin pressure. Business partner default (including insolvency) or other disruptive events such as strikes may negatively affect the company's business activities and result in additional costs and liabilities as well as lower sales for the company. Unethical business practices or improper behavior on the part of business partners could have a negative spillover effect on the company's reputation, lead to higher costs or liabilities or even disrupt business activities.

To mitigate business partner risks, adidas has implemented various measures. For example, we generally include clauses in contractual agreements with partners that allow us to suspend or even terminate our partnership in case of improper or unethical conduct. In addition, we work with a broad portfolio of promotion partners to reduce the dependency on the success and popularity of a few individual partners. We utilize a broad distribution strategy, which includes further expansion of our direct-to-consumer business to reduce the risk of overreliance on key customers. Specifically, no single customer accounted for more than 5% of the company's sales in 2022. To reduce risk in the supply chain, we work with suppliers who demonstrate reliability, quality, and innovation. Furthermore, in order to minimize any potential negative consequences such as a violation of our Workplace Standards by our suppliers, we enforce strict control and inspection procedures at our suppliers and also demand adherence to social and environmental standards throughout our supply chain. In addition, we have selectively bought insurance coverage for the risk of business interruptions caused by physical damage to suppliers' premises. To reduce supplier dependency, the company follows a strategy of diversification. In this context, adidas works with a broad network of suppliers in different countries and, for the vast majority of its products, does not have a single-sourcing model.

COMPLIANCE RISKS

As a globally operating company, adidas is subject to various laws and regulations. Non-compliance with such laws and regulations could lead to penalties and fines and cause reputational damage. For example, non-compliance with laws and regulations concerning data protection and privacy, such as the EU General Data Protection Regulation (GDPR), may result in substantial fines. In addition, publication of failure to comply with data protection and privacy regulations could cause reputational damage and result in a loss of consumer trust in our brands. We also face the risk that members of top management as well as our employees breach rules and standards that guide appropriate and responsible business behavior. This includes the risks of fraud, financial misstatements or manipulation, anti-competitive business practices, bribery, corruption, discrimination, and harassment in the workplace.

Our Compliance Management System (CMS) helps us to prevent, detect, and adequately respond to these risks. Our Global Policy Manual provides a framework for basic work procedures and processes, and our Fair Play Code of Conduct stipulates that every employee and our business partners shall act ethically in

compliance with the laws and regulations of the legal systems where they conduct company business. In addition, our Regional Compliance Managers and Local Compliance Officers guide and advise our operating managers regarding fraud and corruption topics. Furthermore, we utilize controls such as segregation of duties in IT systems and data analytics technology to prevent or detect fraudulent activities. We are also working with external partners and law firms to ensure we are informed about legal requirements across the globe, and we take appropriate action to ensure compliance. To mitigate the risk of non-compliance with laws and regulations concerning data protection and privacy, we developed a global privacy management framework that introduces the company's privacy principles and provides guidance for the use and deletion of personal information. This framework applies to all adidas businesses worldwide and also sets our expectations of third-party business partners for managing personal information for or on behalf of adidas. Our Global Privacy Officer and the Global Privacy department drive the operational establishment of the framework and monitoring capabilities to track and report its implementation. During the implementation, they are continuously providing further implementation guidance and training.

HAZARD RISKS

As climate change intensifies, the likelihood and intensity of natural disasters such as storms, floods, droughts, pandemics, or heat waves increases, and so does adidas' potential risk. In addition, our business activities could be impacted by port congestions, strikes, riots, or terrorist attacks. All of the above could damage our offices, stores, or distribution centers or disrupt our operational processes leading to loss of sales, higher cost, and a decrease in profitability.

To manage and mitigate these risks, we continuously monitor potential threats and have implemented business continuity plans including but not limited to fallback solutions for transportation, dynamic capacity management of containers and carriers, and reallocation of production. We also maintain high safety standards in all our locations and have secured insurance coverage for property damage and business interruptions.

LITIGATION RISKS

adidas might be involved in legal disputes and proceedings in different jurisdictions. Legal action taken against adidas due to the company's use of technologies or other intellectual property that are owned by a third party may result in the loss of rights to use those technologies or rights, imposed royalty payments, withdrawal of products from the market, legal costs, or reputational damage.



Our Legal Intellectual Property and Trademark team is actively defending adidas' intellectual property and associated rights and regularly exchanging with internal business partners to ensure that designs and innovations are cleared for use and protected. Furthermore, we engage with qualified external consultants and lawyers in case legal actions are taken against the company.


PROJECT RISKS

To effectively support further business growth and improve efficiency, adidas continuously invests in new projects such as the creation, implementation, expansion, harmonization, or modernization of IT systems, distribution centers, or office buildings. Ineffective project management could delay the execution of critical projects and lead to higher expenditures. Inadequate project planning and controlling as well as executional mistakes or ineffective change management could cause inefficiencies, delays, or business disruption, resulting in higher costs and sales shortfalls. Inappropriate project governance, prioritization, and oversight of the project portfolio may lead to suboptimal resource allocation and undesired project results.

ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE COMBINED NON-FINANCIAL STATEMENT³²

To the Supervisory Board of adidas AG, Herzogenaurach

We have performed an independent limited assurance engagement on the non-financial statement of adidas AG, Herzogenaurach (further "Company" or "adidas"), that is combined with the non-financial statement of the parent company (further "combined non-financial statement"), for the period from January 1 to December 31, 2022. The parts of the combined non-financial statement are integrated in the company's annual report and marked accordingly with  .

Furthermore, we have performed a reasonable assurance engagement on the quantitative and qualitative disclosures related to the KPI "Sustainable article offering" in the section "Environmental impacts – Materials" in the chapter "Sustainability" of the combined non-financial statement. These are marked accordingly with  in the combined non-financial statement.

As described in the section "Social Impacts – Supply Chain – Working Conditions" in the combined non-financial statement, 1,222 social compliance and environmental audits at suppliers were performed by inhouse technical staff as well as external third-party monitors commissioned by adidas business entities and licensees. The reasonableness and accuracy of the conclusions from the performed audit work were not part of our assurance engagement.

MANAGEMENT'S RESPONSIBILITY

The legal representatives of the Company are responsible for the preparation of the combined non-financial statement in accordance with §§ 315c in conjunction with 289c to 289e HGB (Handelsgesetzbuch, German Commercial Code) and with Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of June 18, 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (further "EU Taxonomy Regulation") and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the Company as disclosed in Section "Sustainable Finance – EU Taxonomy" of the combined non-financial statement.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the combined non-financial statement and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, the legal representatives are responsible for the internal controls they deem necessary for the preparation of the combined non-financial statement free from material misstatement, whether due to fraud (manipulation of the combined non-financial statement) or error.

The EU Taxonomy Regulation and the supplementing Delegated Acts contain wordings and terms that are still subject to substantial uncertainties regarding their interpretation and for which not all clarifications have been published yet. Therefore, the legal representatives have included a description of their interpretation in Section "Sustainable Finance – EU Taxonomy" of the combined non-financial statement. They are responsible for its tenability. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations is subject to uncertainty.

³² Our engagement applied to the German version of the combined non-financial statement 2022. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

INDEPENDENCE AND QUALITY ASSURANCE OF THE ASSURANCE PRACTITIONER'S FIRM

We have complied with the independence and quality assurance requirements set out in the national legal provisions and professional pronouncements, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

PRACTITIONER'S RESPONSIBILITY

It is our responsibility to express a conclusion with limited assurance on the combined non-financial statement and with reasonable assurance on the quantitative and qualitative disclosures related to the KPI "Sustainable article offering" in the section "Environmental impacts – Materials" in the chapter "Sustainability" of the combined non-financial statement based on our work performed.

ENGAGEMENT TO OBTAIN LIMITED ASSURANCE

We conducted our work in the form of a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information", published by IAASB. Accordingly, we have to plan and perform the assurance engagement in such a way that we obtain limited assurance as to whether any matters have come to our attention that cause us to believe that the combined non-financial statement of the Company for the period from January 1 to December 31, 2022 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation of the wordings and terms contained in the EU Taxonomy Regulation and in the supplementing Delegated Acts by the legal representatives as disclosed in Section "Sustainable Finance – EU Taxonomy" of the combined non-financial statement. We do not, however, issue a separate conclusion for each disclosure.

As the assurance procedures performed in a limited assurance engagement are less comprehensive than in a reasonable assurance engagement, the level of assurance obtained is substantially lower. The choice of assurance procedures is subject to the auditor's own judgment.

Within the scope of our engagement we performed, amongst others, the following procedures:

- Inquiries of group-level personnel who are responsible for the materiality analysis in order to understand the processes for determining material topics and respective reporting boundaries for adidas
- Inquiries of personnel who are responsible on group-level to obtain an understanding of the procedures used to identify relevant economic activities according to the EU Taxonomy
- A risk analysis, including media research, to identify relevant information on the company's sustainability performance in the reporting period
- Reviewing the suitability of internally developed Reporting Criteria
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures, including data consolidation, on environmental, employee and social matters, respect for human rights, and combating corruption and bribery
- Inquiries of group-level personnel who are responsible for determining disclosures on concepts, due diligence processes, results and risks, performing internal control functions and consolidating disclosures
- Evaluation of the design and the implementation of systems and processes for the collection, processing and monitoring of disclosures on turnover, capital expenditure and operating expenditure for the taxonomy-eligible and taxonomy-aligned economic activities
- Inspection of selected internal and external documents

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- Analytical procedures for the evaluation of data and of the trends of quantitative disclosures as reported at group level by all sites
 - Evaluation of local data collection, validation and reporting processes as well as the reliability of reported data based on a sample of the sites in Herzogenaurach, Germany and Spartanburg, United States
 - Performing evidence-based assurance procedures, in particular testing of internal and external evidence
 - Evaluation of the process for the identification of taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the combined non-financial statement
 - Assessment of the overall presentation of the disclosures

The legal representatives have to interpret vague legal concepts in order to be able to compile the relevant disclosures according to Article 8 of the EU Taxonomy Regulation. Due to the innate risk of diverging interpretations of vague legal concepts, the legal conformity of these interpretations and, correspondingly, our assurance thereof are subject to uncertainty.

ENGAGEMENT TO OBTAIN REASONABLE ASSURANCE

For the selected non-financial information on the KPI “Sustainable article offering”, we conducted our assurance engagement in accordance with the International Standard on Assurance Engagements ISAE 3000 (Revised) as reasonable assurance engagement. This standard requires that we have to comply with our professional duties and that we plan and perform the assurance engagement in such a way that we, respecting the principle of materiality, reach our conclusion with a reasonable level of assurance. The selection of the assurance procedures is subject to the own professional judgment of the assurance practitioner.

In addition to the assurance procedures mentioned above, we performed the following assurance procedures:

- Evaluation of the design and implementation of systems and processes for identifying, processing and monitoring the underlying data, including the consolidation of data for the selected non-financial information on the KPI “Sustainable article offering”
- Performance of control-based assurance procedures to assess the design and effectiveness of controls over the identification, processing and monitoring of the underlying data for the selected non-financial information for the KPI “Sustainable article offering”
- Performance of evidence-based assurance procedures on the selected non-financial information on the KPI “Sustainable article offering”, in particular testing internal and external evidence and performing procedures on a sample basis in relation to the underlying data.

In our opinion, we obtained sufficient and appropriate evidence for reaching a conclusion for the assurance engagement.

CONCLUSION

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of adidas AG for the period from January 1 to December 31, 2022 has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and with the EU Taxonomy Regulation and the supplementing Delegated Acts as well as the interpretation disclosed in Section “Sustainable Finance – EU Taxonomy” of the combined non-financial statement.