

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 [▶](#)

TRANSPARENCY

■ We believe transparent communication with our stakeholders is critical. We use global reporting standards such as the guidelines of the Global Reporting Initiative ('GRI') and the Sustainability Accountability Standards Board ('SASB') to inform our external non-financial reporting. We regularly disclose additional information to public-facing social and environmental benchmarks and reporting platforms and publish important sustainability updates about our work throughout the year on our corporate channels, including our corporate website. A key element is the publication of our global supplier factory list which is updated twice a year. In addition, we disclose the names of the factories of suppliers that process materials for our primary suppliers and subcontractors, where the majority of wet processes are carried out.

We acknowledge the value of climate-related reporting and for many years have been reporting into well-established frameworks. Based on its international accreditation, we are aiming to stepwise include the 'Task Force on Climate-related Financial Disclosures' ('TCFD') recommendations that enable companies to improve reporting of climate-related financial information, especially climate-related risks and opportunities. The TCFD is structured around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management as well as metrics and targets. We believe that with our long-standing commitment to and strategic focus on sustainability we are already covering elements of the four thematic areas in various sections of our Annual Report. adidas has a comprehensive roadmap with clear targets in place. The Sustainability Sponsor Board ensures end-to-end management to achieve these targets. As part of our risk identification process, we monitor physical risks related to climate change as well as risks and opportunities resulting from the transition to a low-carbon economy. To further refine and develop the core reporting elements in line with the TCFD recommendations, a cross-functional project team was set up. This team met throughout 2022 to establish solid governance processes around the TCFD and created a prioritized list of climate-related risks and opportunities. Further, relevant stakeholders took part in upskilling sessions, and, together with several experts, the Risk Management team conducted a qualitative climate-related risk and opportunity assessment. Given the complex nature of the topic, further preparation will be needed to build more granularity and to ensure high quality for more extensive external reporting for scenario analyses. ■


► SEE RISK AND OPPORTUNITY REPORT

EXTERNAL RECOGNITION

■ adidas continuously receives positive recognition from international institutions, rating agencies, NGOs, and socially responsible investment analysts for its holistic approach to managing sustainability. In 2022, adidas was again subject to comprehensive corporate environmental, social, and governance ('ESG') assessments, and took part in focused thematic disclosure benchmarks for environmental or social performance. As a result, adidas was represented in a number of high-profile sustainability indices, ratings, and disclosure benchmark evaluations.

EXTERNAL RECOGNITION 2022

| Environmental, Social, Governance (ESG) Performance | Environmental Performance | Social Performance |
|---|--|--|
| MSCI ESG Rating (‘AAA,’ upper score: ‘AAA’) | CDP Climate Change (‘A-’ score, upper score: ‘A’) | Corporate Human Rights Benchmark (first in our industry) |
| S&P Global ESG Evaluation (85/100, upper score: 100) | CDP Water (‘B’ score, upper score: ‘A’) | KnowTheChain Benchmark (among top 3 in our industry) |
| Sustainalytics ESG Risk Rating (14.7/100, upper score: 0) | CDP Forests (‘CC’ score, upper score: ‘A’) | World Benchmarking Alliance Gender Benchmark (among top 3 in our industry) |
| ISS Corporate Rating (Prime ‘B-’ Score, upper score: ‘A’) | Corporate Information Transparency Index (among top 3 across industries) | |

Following a thorough update of its ESG evaluation by rating agency S&P in 2022, adidas maintained its overall strong ESG Evaluation Score of 85, keeping us among the top ten in the entire S&P Global Rating Universe, despite it having doubled compared to last year. In its comprehensive assessment, S&P emphasized our industry-leading approach to innovation, supply chain management, and commitment to strong corporate governance values. For the first time in 2022, adidas responded to the CDP Forest assessment and managed to already score equal to the industry and European average, evidencing our ongoing developments to prevent deforestation and preserve biodiversity. 

ENVIRONMENTAL IMPACTS

Managing the environmental impacts along the entire value chain including our own sites is a key focus of our work. We are committed to decarbonization by reducing our absolute energy consumption as well as transitioning to clean energy. We are also committed to steadily increasing the use of more sustainable materials and manufacturing technologies in our products and expanding our circular services. We continue to address water efficiency and quality, with an advanced chemical management program in place. The following table provides an overview of the targets we have set ourselves that will help us reduce our environmental impacts.

TARGETS FOR 2025 AND BEYOND: ENVIRONMENTAL IMPACTS

| Target year | Area | Target | Baseline |
|-------------|---|---|----------|
| 2025 | Own operations | | |
| | Emissions | Achievement of climate neutrality (CO ₂ e) | |
| | Water | 15% water consumption intensity reduction (m ³ /m ²) | 2019 |
| | Waste | 95% waste diversion rate | 2019 |
| | Supply chain | | |
| | Energy | Adoption of renewable energy at strategic Tier 1 and Tier 2 supplier facilities to keep emissions flat | 2017 |
| | Water | 40% water consumption intensity reduction at Tier 2 supplier facilities | 2017 |
| | Chemicals (Input) | 80% of supplier facilities to use 80% of the chemicals for production achieving the highest level of conformance (level 3) with ZDHC MRSL | |
| | Wastewater (Output) | 80% of suppliers that operate on-site effluents plants to achieve ZDHC 'Wastewater Foundational Level' | |
| | Product | | |
| | Sustainable article offering ¹ | 9 out of 10 articles will be sustainable, meaning that they are – to a significant degree – made with environmentally preferred materials | |
| | Decarbonization | 15% reduction of GHG emissions per product | 2017 |
| 2030 | Entire value chain (from raw material production to own operations) | 30% reduction of GHG emissions | 2017 |
| 2050 | | Achievement of climate neutrality (CO ₂ e) | |

¹ Subject to reasonable assurance engagement of KPMG AG Wirtschaftsprüfungsgesellschaft.

DECARBONIZATION

The climate crisis presents the most pressing long-term challenge facing civilization. For that reason, adidas has set targets that will help us limit emissions aligned with the 1.5°C benchmark and contribute to a net-zero future. adidas has committed to:

- achieving climate neutrality (CO₂e) across its own operations (Scope 1 and 2) by 2025,
- reducing absolute greenhouse gas (GHG) emissions across the entire value chain (Scope 1, 2, 3)¹⁶ by 30% by 2030, measured against a baseline of 2017,
- achieving climate neutrality (CO₂e) across the entire value chain by 2050.

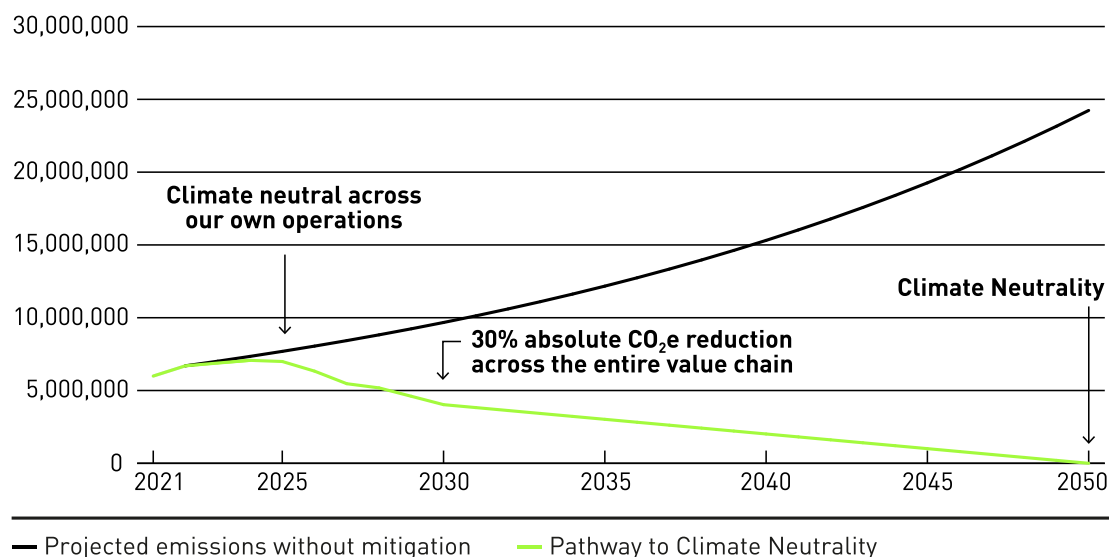
Our emission reduction targets by 2030 have been approved by the 'Science Based Targets initiative' ('SBTi'). Within the 2025 target, we commit to reducing absolute Scope 1 and 2 GHG emissions by 90% from a baseline of 2017. This target is consistent with the reduction pathways needed to prevent a rise in average temperatures of more than 1.5°C – the most ambitious goal of the Paris Agreement. Our GHG reduction target for value chain emissions (Scope 3) meets the SBTi's criteria for ambitious value chain goals, meaning they are in line with current best practices.

2030 Goal: GHG emissions reduction across entire value chain

-30%

ADIDAS PATHWAY TO CLIMATE NEUTRALITY

Metric tons CO₂e



¹⁶ The target boundary includes biogenic emissions and removals from bioenergy feedstocks.

Our 'Environmental Footprint Tool' enables us to quantify, monitor, and be transparent about our carbon footprint not only across our own operations, but along our entire value chain. This covers all stages from extraction, production and processing of materials, product assembly, own operations, and logistics to the use phase and the disposal of our products at the end of their lifetime. Results for 2022 clearly show again that our environmental impacts are distributed unequally across the value chain, with the most significant impacts generated in the supply chain, particularly raw materials production and processing. We are moving ahead with our ambition to fully integrate the tool into our existing data-tracking systems to enable real-time simulations.


The following table shows the total annual GHG emissions across our value chain. The average Scope 1, 2, and 3 annual GHG emissions per product for 2022 decreased compared to the previous year. This reduction was majorly driven by our focus on innovation that enabled us to, for example, reduce emissions through low-carbon manufacturing and materials. In 2022, 96% of all polyester we used was recycled polyester, ensuring we are on the right path to achieving our target to only use recycled polyester. By continuing to focus on our decarbonization strategy which includes further material innovation, switching to cleaner energy sources at our supplier facilities, enabling low-carbon design for our products, and achieving climate neutrality (CO₂e) across our own operations, we will ensure we stay on track to achieve our target of 15% emission reduction per product by 2025 (baseline 2017).

BREAKDOWN OF ANNUAL GHG EMISSIONS ¹²


| | 2022 | 2021 |
|--|------------------|------------------|
| Scope 1 emissions (in tons CO₂e) | 21,856 | 12,908 |
| Administrative offices | 10,752 | 2,520 |
| Distribution centers | 5,128 | 4,807 |
| Own retail stores | 5,439 | 5,068 |
| Showrooms | 537 | 513 |
| Scope 2 emissions, market-based (in tons CO₂e) | 142,293 | 125,502 |
| Administrative offices | 13,354 | 8,087 |
| Distribution centers | 21,647 | 10,316 |
| Own retail stores | 104,480 | 105,482 |
| Showrooms | 2,812 | 1,617 |
| Scope 3 emissions (in tons CO₂e) | 7,523,545 | 7,055,633 |
| Purchased goods and services | 6,019,108 | 5,405,832 |
| Upstream transportation and distribution | 332,390 | 288,425 |
| Business travel | 36,158 | 7,723 |
| Use of sold products | 989,052 | 1,201,214 |
| End-of-life treatment of sold products | 146,838 | 152,439 |
| Total emissions (in tons CO₂e) | 7,687,695 | 7,194,043 |
| GHG emissions per product, total emissions/production volume (kg CO₂e per product) | 6.4 | 6.5 |


1 Values reported cover production seasons SS22 and FW22. Within Scope 3, 'Purchased goods and services' considers the production and processing of raw materials for which impacts are estimated based on quantities of materials and life-cycle analysis data. All key production processes are considered. Primary, secondary, and tertiary packaging material quantities are included. The quantities are estimated based on sales volumes, using composition and weight assumptions from the 'Product Environmental Footprint Category Rules' ('PEFCR'). Furthermore, 'Purchased goods and services' also considers the assembly phase, for which impacts are estimated by applying emission factors to reported energy consumption from Tier 1 strategic suppliers. Sourcing volume data is used to estimate the impact of non-strategic suppliers (<20%). 'Upstream transportation and distribution': Quantities of goods for specified distribution routes are combined with transport emissions factors. 'Business travel': Calculations are based on the business travel data system. 'Use of sold products': Emissions caused by washing, drying, and ironing of sold products throughout their lifetime based on data on average care cycles from PEFCR and life-cycle analysis datasets. 'End-of-life treatment of old products': Emissions caused by disposal of sold products are estimated based on sales volumes and typical waste disposal routes (e.g., landfill and incineration). Scope 1 and 2: Impacts are estimated calculated based on reported environmental quantities in the Health and Safety, Environment, and Energy (HSEE) own operations workplace governance data collection systems.

2 Intensity factor does not include emissions from 'Use of sold products' to ensure alignment with our GHG reduction target for 2030 as approved by the 'Science Based Targets initiative.'


Despite reducing our GHG emission intensity, as shown in the table, due to an increase in the number of products we created and shipped, and due to the return of employees to the offices after the pandemic, we see a slight increase in the total absolute GHG emission compared to the previous year. 

Measuring our product footprint

 In order to create new and elevated consumer experiences, we are developing and implementing tools that bring more transparency to our product creation process, enabling our development and innovation teams to identify materials as well as create products and concepts with lower carbon footprints. At the same time, this helps us provide consumers with greater transparency for more informed purchase decisions. Following the launch of our most climate-friendly shoe in collaboration with Allbirds, we continued to scale our capabilities to calculate and communicate our product footprints visible to consumers. During 2022, we introduced the Adizero Lightstrike with a carbon footprint of 3.5 kg CO₂e per pair, achieving a 42% reduction compared to the previous version, and the Supernova 2 with a footprint of 8.9 kg CO₂e per pair, an 11% reduction.

Identifying ways we can make lower-impact products requires a detailed and thorough approach that includes not only optimizing our own operations but also the manufacturing of each of our products. And since most of our carbon emissions occur outside our direct control, we collaborate with our suppliers located across the globe, helping them improve their carbon footprint during production processes. 

Supply chain

 We continued to work with our suppliers to ensure they are continuously optimizing their environmental footprint in energy use and carbon emissions. Strategic suppliers producing most of our products and materials are enrolled in our environmental program, which means we partner closely with them and provide suitable training to achieve their targets and progressively improve their footprint.

adidas aims to have the supply network with the lowest carbon footprint in the industry. At the start of 2022, we reached a major milestone on our path to meeting that goal, when we shared a set of clear expectations, the adidas Decarbonization Manifesto, with our strategic Tier 1 and Tier 2¹⁷ suppliers. This Manifesto clearly presents how we expect our suppliers to support our decarbonization efforts. Our expectations include:

- **Environmental stewardship:** Suppliers should set targets that get approved by the SBTi by 2024.
- **Materials:** 100% of new material offered to adidas must be of sustainable content and produced using low-carbon-intensive processes.
- **Product:** Suppliers should aim for an aggressive adoption of more sustainable and low-carbon materials spanning from creation to manufacturing.
- **Transparency:** Suppliers should build in-house capacity to provide full transparency and traceability, from raw material to finished product, and connect to the adidas sustainable material tracing tool that is used to trace the source of origin.
- **Energy sources:** Suppliers should adopt clean energy, including rooftop solar energy, energy sourced through renewable energy purchase power agreements (PPAs), and other renewable alternatives, and also achieve a phase-out of coal by or before 2025.
- **Manufacturing processes:** Suppliers should adopt low-carbon technologies from the adidas low-carbon technology portfolio.

Becoming the industry's lowest-carbon-footprint supply network is a team sport. Meeting the conditions of our Manifesto will form the basis for continuing business operations with our suppliers beyond 2025. We have put measures in place to incentivize high-performing and committed supplier partners. These measures include:


- Product allocation priority,
- Opportunity for existing, high-performing supplier partners to gain market share,
- Entry opportunity for new, disruptive supplier partners,
- First-mover advantage and sustainability leadership position.

¹⁷ Tier 1 suppliers are responsible for product assembly, Tier 2 suppliers are our material manufacturers.

We encourage all our suppliers to enroll in the 'UNFCCC Climate Action Training' program. This, in addition to other upskilling initiatives conducted by our in-house team, helps suppliers develop their own decarbonization pathways, since they are best placed to understand their own circumstances and find the most appropriate measures for their future reduction in GHG emissions. Beyond that, we have driven various initiatives to help suppliers scale their use of renewable energy and increase their energy efficiency:

- **Phasing out coal-fired boilers:** With only one exception for administrative reasons, we have been successful in ensuring our suppliers refrained from installing new coal-fired boilers, heaters, or power generation systems from 2022 onwards, and remain committed to phasing out coal-fired boilers at all Tier 1 and Tier 2 direct supplier facilities by 2025. We asked these suppliers to conduct coal phase-out feasibility studies and provide us with a clear roadmap for replacing coal. During 2022, all relevant suppliers have confirmed their commitment to replace or modify their coal-fired boilers by 2025, and 18 boilers have already been converted to non-coal fuel or decommissioned this year.
- **Increasing adoption of on-site renewable energy for electricity generation:** Electricity is the other major source of emissions in our manufacturing process. We are therefore asking our suppliers to obtain their electricity from on-site and off-site renewable energy sources and have incorporated renewable energy ('RE') and decarbonization performance of our suppliers in our supplier assessment process. Rooftop solar projects are one of the major contributors to such on-site RE electricity. Total rooftop solar capacity across our key suppliers has doubled to 186 MWp in 2022, putting us ahead of our internal roadmap. We will continue to increase rooftop solar capacity over the next few years.
- **Preparing suppliers to purchase electricity from off-site renewable energy sources:** We are also encouraging our suppliers to source renewable energy through off-site options such as PPAs, green tariffs and Energy Attribute Certificates ('EACs') or Renewable Energy Certificates ('RECs'). We provided supplier training workshops in multiple countries to upskill suppliers on how to source off-site RE and to communicate our expectations on scaling up RE. In 2022, our suppliers in China secured a total of 25,000 MWh of renewable energy through recently launched green power contracts.
- **Advocating for policy to scale up renewable energy:** Many of the key operating countries in our supply chain do not have the policies required to support PPAs or to maximize rooftop solar potential. We engaged with the governments of Vietnam, Indonesia, and Cambodia, as well as their respective electricity utilities, to communicate our concerns and recommendations with a view to facilitating PPAs and removing the barriers to rooftop solar. We also actively collaborated with other stakeholders such as Euro-Cham, Am-Cham, USAID, and fashion industry associations on their policy advocacy work across multiple countries during 2022.
- **Continuing to increase energy efficiency:** We use a supplier self-governance model for energy efficiency. Our efforts in recent years to improve our suppliers' ability to measure, monitor, and conserve their energy use have enabled us to transfer full responsibility to our suppliers for their own efforts and achievements, while adidas continues to track and monitor their energy efficiency performance. In 2022, strategic suppliers enrolled in our environmental program successfully achieved an annual improvement in energy efficiency of almost 4% compared to the baseline of 2019, leading to an accumulated improvement of almost 12% over the last three years. 

Own operations


 Own operations refer to administrative offices, distribution centers, and our own retail stores. In 2022, this equaled a coverage of 3,730,035 m² of gross leased area. Our efforts are underpinned by the clear targets we have set. By 2025, we aim to achieve climate neutrality (CO₂e) across own operations. To achieve this target, we will steadily increase our overall environmental performance data coverage and continue to implement eco-efficiency standards through a holistic integrated management system (IMS) at key sites. All of these efforts will support us on our way to achieving a 30% reduction in GHG emissions across our entire value chain by 2030, measured against the baseline of 2017.

2025 Goal for Own Operations

Climate Neutrality (CO₂e)

We defined a clear roadmap to achieve our emission reduction targets for our own operations, including measures such as implementing on-site renewable energy production, improving energy use efficiency, and sourcing renewable energy through green tariffs in Europe. In 2022, we continued to invest in own operations and offered Green Funds to subsidize local energy efficiency and on-site renewable energy projects. These initiatives included the on-site solar renewable energy projects in Herzogenaurach, Bogota, Caspe, and Stockport. We also improved energy efficiency through LED retrofits, HVAC (heating, ventilation, and air conditioning) equipment upgrades, energy monitoring, sensors, and automatization. Additionally, in response to the natural gas crisis, we implemented significant energy-saving measures in Europe, e.g., reducing building temperatures to a minimum and planning shutdown sequences for district heat networks.

In 2021 we began collecting electricity consumption data for our own retail stores. During 2022, we managed to increase our primary data coverage for own retail by 15 percentage points to 36% globally compared to last year. Data coverage for administrative offices and distribution centers is at 100%, while data for showrooms and small offices was estimated. In 2022, our total energy consumption across own operations globally was 510,539 MWh (2021: 512,050 MWh), equivalent to a total of 164,149 tCO₂e (2021: 138,411 tCO₂e). While we continue our transition toward renewable electricity in Europe through green tariffs, in 2022 we decided to switch our focus from short-term initiatives, such as the purchasing of EACs for Europe and North America, to focus on more impactful measures, e.g., securing long-term contracts such as PPAs starting in 2023. We have also expanded our scope of GHG Scope 1 and 2 reporting through the first-time inclusion of company vehicles in 2022, and as a result see an absolute increase compared to the previous year.

- **Implementing sustainable processes:** Our Integrated Management System ('IMS') helps us to reduce potential negative impacts and secure all relevant ISO management certifications for key locations, such as environmental management (ISO 14001), health and safety management (ISO 45001) and energy management (ISO 50001). We aim to further expand these certifications to more key sites through implementation of the standards as well as internal and external audits, as these support our efforts to achieve our energy, water, waste, and health and safety targets. As of 2022, 64 sites (2021: 64) were certified for ISO 14001, 112 sites (2021: 63) for ISO 45001, and 322 sites (2021: 327) for ISO 50001 (applies to locations with more than 50 employees or space exceeding 4,500 m²).
- **Continuing Green Building certification:** We continue to use 'Green Building' certifications in the interior design and construction of own retail stores – including 'LEED' ('Leadership in Energy and Environmental Design') and 'BREEAM' ('Building Research Establishment Environmental Assessment Method') certifications. As Green Building certification is used for strategically relevant projects, a set of internal eco-efficiency standards has been continuously implemented for all projects that mirror the priorities of the LEED certification. The ultimate goal is to achieve energy reduction through investment in high-energy-efficient equipment and energy monitoring. In 2022, our distribution center Suzhou X in China, one of the biggest highly automated distribution centers, was awarded LEED Platinum certification for Building Design and Construction, the highest level of sustainability recognition. The key Green Building features at Suzhou X include, but are not limited to, rooftop solar, LED lighting and control, top-vent air conditioning, HVLS ventilation fans, a building management and energy management system, rainwater collection, and a recycling system. 

WATER EFFICIENCY

■ We continued to expand our water-reduction efforts by including additional, high-consuming Tier 2 suppliers in our environmental program. In 2022, Tier 1 suppliers achieved a 20% reduction in water intensity (liters/worker-hour of operation) and Tier 2 suppliers a 29% intensity reduction (m³/total product output value in US-\$), compared to the 2017 baseline. By 2025, we aim to achieve an overall reduction in water intensity of 40% against the 2017 baseline. This will be accomplished with the aid of new technologies and through continued support for our suppliers in the form of environmental good practice guidelines with examples for water-saving initiatives.

At own operations globally, we also aim to continue to strengthen water efficiency and wastewater projects in the coming years. By the end of 2022, our water intensity at administrative offices and distribution centers totaled 0.145 m³/m² (2021: 0.128 m³/m²). This year, we have again included new administrative offices into our reporting and, with that, continued to expand our data coverage. In combination with the gradual return of employees to the office after the pandemic, we see an increase of the absolute volume of water consumption compared to 2021. Overall, we achieved an accumulative reduction of 25% (2021: 34%) compared to the 2019 baseline (0.193 m³/m²), and with that exceeded the target we set ourselves for 2025. ■


CHEMICAL MANAGEMENT

■ It is necessary to use a range of chemicals to facilitate innovation and deliver high-performance products. For years, adidas has been implementing a holistic chemical management program in its supply chain, spanning the use of positive input chemistry, monitoring the chemical output of manufacturing and reporting supplier performance data publicly.

As a founding member and participating company, we continue to work closely with the Zero Discharge of Hazardous Chemicals ('ZDHC') Foundation and to promote the application of their guidelines and Manufacturing Restricted Substances Lists ('MRSL') across our suppliers. We are proud to have reached 'Progressive Level'¹⁸ in the ZDHC 'Brands to Zero' program in 2022, which measures the level of suppliers' adoption and implementation of ZDHC guidelines and tools.


- **Ensuring robust input chemical management:** We are continuously working to promote sustainable chemistry in our product creation by accelerating the adoption of chemicals that meet the highest level of ZDHC MRSL conformance (Level 3). In 2022 we partnered with ZDHC and TESTEX, a certification organization, to hold workshops for some 160 suppliers in our major sourcing countries (China, Vietnam, and Indonesia). These events increased supplier awareness of ZDHC MRSL conformance and improved their competence in Level 3 certification and registration of chemical products on the ZDHC Gateway platform. Proactively involving key chemical formulators to these conversations underlines our ambition to motivate the entire industry to use more sustainable chemicals. We also launched the 'ZDHC Supplier to Zero' program in 2022 to assist suppliers in adopting safer chemistries. At the end of 2022, at least 50% of chemicals used at 46% of supplier facilities were ZDHC MRSL Level 3. At the manufacturing level, we continue to ban the intentional use of priority chemical groups classified as particularly hazardous under ZDHC standards and the EU REACH Candidate List of Substances of Very High Concern ('SVHC'). We are working to find suitable alternatives and phase out harmful chemicals from our supply chain. adidas has successfully achieved a 99% phase-out of polyfluorinated and perfluorinated chemicals (PFCs) since 2017.
- **Monitoring output chemical management:** With regard to eliminating the discharge of hazardous chemicals, we believe it is critical that our suppliers adopt the 'ZDHC Wastewater Guidelines' in order to monitor the quality of directly discharged wastewater. In 2022, we successfully maintained our high standard of compliance, with 89% of these suppliers achieving ZDHC Wastewater 'Foundational Level'

¹⁸ 'Progressive Level' is the second best of the three levels awarded in the ZDHC 'Brands to Zero' program.



through the implementation of our Effluent Treatment Plant evaluation tool. In 2023, this tool will be integrated into the ZDHC supplier platform to support a wider group of facilities and will be adopted by other ZDHC brands as well. 

WASTE MANAGEMENT


 We make continuous efforts toward optimizing waste diversion across our supply chain with the aim of increasing the value of waste within the life cycle, e.g., through recycling or reuse. We have developed waste management guidelines to help our suppliers improve waste segregation in manufacturing, prioritizing, recycling and reuse for non-hazardous waste. These guidelines specify that the non-recyclable waste materials should also not be directly landfilled. In 2019, in collaboration with co-processing partners in our major sourcing countries, we developed a waste diversion program to use non-recyclable manufacturing waste in energy production. Co-processing is a proven and sustainable solution that can reduce pollution, reduce consumption of natural resources, reduce landfill space, and ultimately contribute to a smaller carbon footprint. To further optimize the waste diversion, we have scaled up this solution across the globe, especially in sourcing countries with immature co-processing infrastructure. Globally, the suppliers enrolled in our environmental program collectively achieved a 96% landfill diversion in 2022, exceeding our target of 95% for this year. With the promising result in 2022, we are currently working on setting a more ambitious target for future waste diversion.

At own operations, during 2022, we also focused on improving the quality of waste-related data from our administrative offices and distribution centers by upskilling team members on the data collection process of waste streams. This resulted in a higher data quality but also a lower diversion rate. As of 2022, 89% (2021: 74%) of our own operations by square meters are monitoring and tracking waste. By the end of 2022, a total of 32,246 tons (2021: 32,951 tons) of waste was generated, and we achieved an accumulated diversion rate of 88% (2021: 92%) for administrative offices and distribution centers. 

TRANSPORTATION

 We regularly track the environmental impact related to the transport of our goods. Compared to the previous year, performance remained relatively stable. While the use of air freight increased in 2022 as part of our efforts to counterbalance covid-related supply chain challenges to 2.0%, the vast majority of our transportation continued to take place via sea freight and truck, with 81.4% via sea freight and 16.6% via truck, almost unchanged compared to the previous year. 

MATERIALS

 We are moving to a comprehensive sustainable article offering at scale. Our ambition is that 90% of our articles will be sustainable by 2025. We define articles as sustainable when they show environmental benefits versus conventional articles due to the materials used, meaning that they are – to a significant degree – made with environmentally preferred materials. The majority of the environmentally preferred materials currently used are recycled materials or more sustainable cotton. Additionally, innovative materials such as biobased synthetics and more sustainably grown natural materials are used on a small scale already and will become increasingly relevant in the future.

Share of more sustainable articles by 2025

90%

To qualify as a sustainable article, environmentally preferred materials have to exceed a certain predefined percentage of the article weight. The applied criteria for environmentally preferred materials and the percentage of the article weight are defined based on standards reflecting the latest industry developments, competitor benchmarks, and expert opinions: For apparel, the environmentally preferred material content is required to be at least 70% of the article weight, for accessories and gear at least 50%, and for footwear at least 20%.¹⁹ This standard has been applied for the year 2022 onward. By the end of 2022, we managed to have seven out of ten of our articles sustainable.]

■ The table below shows materials that are among the most used ones for our products.

SELECTION OF MATERIAL TYPES USED FOR ADIDAS PRODUCTS 2022¹


| Material | Share of total materials used in % | Share of material group in % |
|-------------------------------------|------------------------------------|------------------------------|
| Polyester | 35 | |
| Recycled polyester | | 96.0 |
| Rubber | 17 | |
| Recycled rubber | | 1.1 |
| Natural rubber | | 10.8 |
| Cotton | 15 | |
| Third party certified cotton | | 96.2 |
| Organic cotton | | 3.7 |
| Recycled cotton | | 0.1 |
| Ethylene-vinyl acetate (EVA) | 12 | |
| Biobased EVA | | 0.5 |
| Recycled EVA | | 0.7 |
| Leather | 2 | |
| Third party certified leather | | 99.9 |

¹ The share of total materials used and share of material groups for rubber, EVA, and leather are based on the Fall/Winter 2022 and Spring/Summer 2022 seasons. The share of material groups for polyester and cotton are based on the Fall/Winter 2022 and Spring/Summer 2023 seasons.


- **Recycled polyester:** Polyester is the most widely used material in adidas products. In 2017, we set ourselves the ambitious target of replacing all virgin polyester with recycled polyester in all products where a solution exists by the end of 2024. We set clear internal milestones for our product creation teams and have seen progress throughout the last several seasons. In 2022, 96% (2021: 91%) of all the polyester we used was recycled. With that, we are on track to use only recycled polyester by the end of 2023 – one year ahead of schedule. While recycled polyester has been in use for a long time, it is still not the standard in the textile industry, with only 15% of polyester produced worldwide being recycled polyester.
- **Parley Ocean Plastic:** Since 2015, adidas has partnered with the environmental organization 'Parley for the Oceans' and uses 'Parley Ocean Plastic' as a replacement for virgin polyester. Parley Ocean Plastic is plastic waste collected from remote islands, beaches, coastal communities, and shorelines, preventing it from polluting the oceans. In 2021, we continued to roll out Parley Ocean Plastic in key categories, both in 'Performance' and 'Lifestyle' products across footwear, apparel, and accessories and gear. In 2022, we produced close to 27 million pairs of shoes containing Parley Ocean Plastic. (2021: close to 18 million).


¹⁹ This standard was applied from 2022 onward. Percentage of sustainable articles (by count) offered at the points-of-sale (average of Fall/Winter season of the current financial year and Spring/Summer season of the following financial year). When calculating the article weight, trims are excluded for apparel, footwear, and accessories and gear. Only articles with verified environmentally preferred material contents are included. Licensed articles are excluded. Without Reebok.

- **More sustainable cotton:** adidas has steadily increased the sourcing of more sustainable cotton throughout the last several years. Since the end of 2018, 100% of the cotton we use has come from more sustainable sources.
- **Responsibly sourced leather:** adidas uses leather on account of its unique performance properties in products where it is the optimum material for the purpose. Currently, more than 99% of our leather volume is audited in accordance with the Leather Working Group ('LWG') protocol, and most of our hides are sourced from tanneries with the highest LWG rating (LWG Gold). We believe the existing LWG audit protocol and chain of custody provide a strong foundation on which to create a robust and scalable traceability solution for leather hides. For this reason, adidas is working with the LWG to broaden the scope of the audit to include traceability to the slaughterhouse by 2030. This will allow higher transparency on important environmental impacts such as deforestation from the origin of the material.
- **Natural materials:** In 2022, adidas collaborated with innovative material startups such as Infinited Fiber Company, Spinnova, and Pond to develop materials from natural resources that we can use in our products. Together, we are striving to replace fossil-based plastics with plant-based raw materials, without compromising product performance. In the fall, we successfully launched a small apparel collection made with at least 60% fibers from recycled cotton waste and 40% organic cotton in partnership with Infinited Fiber Company and the EU-funded New Cotton project. This three-year project aims to collect, sort and regenerate textile waste into a new man-made cellulosic fiber that looks and feels like cotton, based on Infinited Fiber Company's textile fiber regeneration technology. Also in the fall, we launched our 'made with nature' Ultraboost, which features a knitted upper made with lyocell, a material made from cellulose fibers derived from sustainably grown wood.

Synthetic fibers are widely used in our industry due to their unique performance properties, such as elasticity, light weight, and high durability. We are aware that products made from synthetic fibers can have a negative environmental impact during both material production and product use. We acknowledge that fiber fragmentation is a complex challenge for our industry, but it is one we are proactively addressing. adidas is a co-founder of 'The Microfibre Consortium' ('TMC'), which has developed a test method for assessing fiber release and in future aims to advise the textile industry on mitigating the impact of fiber fragmentation. In 2022, TMC published position papers on microfiber degradability and wastewater management that are fully consistent with our internal guidelines and contribute to the industry's knowledge on this topic. 

CIRCULAR SERVICES

 In addition to using recycled content or other more sustainable material in our products, we are rethinking entire processes to design products that have a circular end-of-life solution and are 'made to be remade' (MTBR), meaning they can be completely recycled after use and the material can be reused. We successfully scaled this concept from prototype back in 2019 to a fully commercial MTBR footwear offer across multiple categories in 2022 (including Ultraboost, Stan Smith, Terrex Free Hiker, and NMD Hype) and have meanwhile expanded the concept to apparel. In 2022, we introduced the adidas by Stella McCartney tracksuit made of viscose that can be returned and recycled into new fibers.

Besides various product launches we also continued with our circular services in 2022, which have the objective of prolonging the life of the product. In our Munich Terrex store, we launched a repair service, and in several flagship stores such as Berlin, London, Dubai, or Shenzhen we are offering sneaker cleaning services. 

BIODIVERSITY

adidas is aware of the potential impacts and dependencies its business operations can have on ecosystem services and nature assets. As a consequence, biodiversity has been recognized as a material topic for external reporting in 2022. In our industry, preserving and restoring biodiversity is a complex challenge that requires strong collaboration between multiple actors, including direct and indirect suppliers, certifiers, and innovators. In 2022, we began working on a systematic approach to address biodiversity challenges in our value chain. Using scientifically validated frameworks we identified actions to be taken across our entire value chain activities related to the five drivers of nature change as identified by the Science Based Targets Network ('SBTN')²⁰. As a first step, we aim to work with our suppliers to develop a deforestation-free roadmap for nature-derived materials. We will further assess our strategic facilities for potential impacts on protected areas, key biodiversity areas and the International Union for Conservation of Nature ('IUCN') Red List of Threatened Species. Finally, for downstream impacts in our value chain, adidas will evaluate future contributions to biodiversity-enhancing projects.

In line with our ambition to source our nature-derived materials more responsibly, we launched our standards for animal-derived materials in 2022. They demonstrate our commitment to sourcing animal-derived materials in an ethical and sustainable manner that respects animal welfare and species conservation. We do not source or process raw materials from endangered or threatened species as defined by the IUCN in its Red List. All down used in our products is either virgin down certified by the Textile Exchange's Responsible Down Standard ('RDS') or recycled down. Regarding the sourcing of wool, we are committed to increase the share of wool that is certified by Textile Exchange's Responsible Wool Standard ('RWS') to 100% by the end of 2024.

We have also started to explore how we can increase biodiversity in our own facilities. In an exploratory phase, the adidas headquarters has taken steps to map the current biodiversity status of the campus, the steps to reduce the impacts and to define measures to increase the number of species present on the campus.

PACKAGING

We are committed to using more sustainable packaging materials and reducing the impact of packaging by optimizing box sizes and number of shipments.

Most of our paper-based packaging, such as shoe boxes and shipping boxes, is made with recycled content. Practically all plastic packaging (polybags) used to protect finished products during shipping is made from 100% recycled LDPE (low-density polyethylene). The only current exception are the DCs where e-commerce returns are repackaged, and no local vendor of recycled LDPE polybags is available yet (less than 1% of polybags). For many years already, all the carrier bags handed out in adidas retail stores have been made with recycled paper.


PRODUCT SAFETY

Product safety is an imperative. As a company we have to manage the risk of selling defective products that may result in injury to consumers. To mitigate this risk, we have company-wide product safety policies in place that ensure we consistently apply physical and chemical product safety and conformity standards.



The creation of respective adidas standards and policies is a collaborative, cross-functional approach involving experts from the Corporate Legal and Global Operations departments to ensure all aspects of a specific product are covered. This includes subsequent updates and training activities. Application and monitoring are ensured through our Global Operations function. One of these policies is the Restricted Substances Policy ('A-01' Policy) that we pioneered in 1998. It covers the strictest applicable local

²⁰ Land/water/sea use change, Resource exploitation, Climate change, Pollution, and Invasive Species & Other are identified as drivers of nature change by Science Based Targets Network.


requirements and includes best-practice standards as recommended by consumer organizations. The policy is updated and published internally and externally at least once a year based on findings in our ongoing dialogue with scientific organizations, and it is mandatory for all business partners. Both our own quality laboratories and external institutes are used to constantly monitor material samples for compliance with our requirements. Materials that do not meet our standards and specifications are rejected. As a result of our ongoing efforts, we did not record any product recalls in 2022.

Over the last several years, we have substantially contributed to the AFIRM 'Restricted Substances List,' which constitutes a harmonized restricted substances list across the industry. While the uptake of the list as an industry best practice matured further, and AFIRM membership continues to grow, various tools have been developed further in 2022, such as a harmonized Test Request Form, the third-party Lab Evaluation Questionnaire, or the Supplier Online Training Videos. All these will be issued to the public and available to other companies from the textile and sporting goods industry and their suppliers. We also continued our participation in several major public stakeholder consultation processes initiated by the European Commission (e.g., European Chemicals Agency) and US state legislative initiatives to inform governmental entities on implications and opportunities of drafted legislation. 

SOCIAL IMPACTS

 **Through our economic activities we create value and make positive contributions to society. However, being a company of our scale and global presence, we also have a social impact on communities. adidas recognizes its responsibility to respect human rights and the importance of managing the appropriate due diligence to fulfill this obligation as a business. We do this by striving to operate responsibly along the entire value chain, by safeguarding the rights of our own employees and those of the workers who manufacture our products through our Workplace Standards, and by applying our influence to effect change wherever human rights issues are linked to our business activities.** 

HUMAN RIGHTS


 Since its inception in 1997, our human and labor rights program has been built on the back of intense stakeholder outreach and engagement, seeking to understand and define the most salient human rights issues to address as a company. As part of our broader risk management processes, we are taking steps to increase the scope and application of Human Rights and Environmental Due Diligence ('HREDD') efforts. We have defined those areas and assessment processes that need to be evaluated and strengthened in preparation for the implementation of the 'German Act on Corporate Due Diligence Obligations in Supply Chains,' which took effect in the beginning of 2023. As part of our HREDD efforts, in 2022, we focused on the following key areas, among others: creating and implementing our Human Rights Policy, addressing country-specific risks associated with our sponsorship of the FIFA World Cup Qatar 2022, and addressing modern slavery risks in our supply chain through continued programs to ensure responsible recruitment of migrant workers.

In 2022, we launched our Human Rights Policy, which embeds our commitment to respecting and promoting the fulfillment of human rights and establishes an ongoing due diligence process to identify, address, evaluate, and communicate the risks of involvement with adverse human rights impacts through our own operations, products, or services, or via our business relationships. We have engaged in extensive consultation in the development of this policy, involving a wide range of internal stakeholders, including key business functions and employee representatives, as well as external stakeholders, civil society, business and human rights experts. Stakeholder feedback has informed the content of our Human Rights Policy and the measures taken to support its implementation and has further enhanced our understanding of the most salient issues to address as a company.


We continue to support improvements in the ongoing and independent accreditation of our supply-chain-facing social compliance program by the Fair Labor Association ('FLA'). We have also maintained our commitment to the 'Sporting Chance Principles' and our seat on the Advisory Council of the Centre for Sport and Human Rights.


As a sponsor, we intensified our engagement with stakeholders over the hosting of the FIFA World Cup Qatar 2022, paying close attention to the advocacy community's concerns over migrant labor rights. This culminated in our publishing of a statement in August 2022, which called on FIFA, the Supreme Committee for Delivery and Legacy (responsible for organizing the World Cup), and the Qatar Ministry of Labor to come together to discuss a remedy fund for workers. We continued to support several global trade unions with their plans for a migrant workers information center in Qatar, which is now slated to be launched as a World Cup legacy project in 2023. We also followed through with planned due diligence and labor rights training for our wholesale partners in Doha and again made public our list of suppliers responsible for World Cup production.

Since the military coup in Myanmar in February 2021, adidas has closely monitored the situation in the country and expressed concern about reports of violence, severe human rights, and labor rights risks for workers, and the fragile state of social and economic stability in the country. Given the increased risk of adverse human rights impacts in the country, we have closely followed the call of the international advocacy community and international due diligence standards – including the UN Guiding Principles and the OECD – and have heightened our due diligence processes for the few suppliers we have in this country. We will continue to engage with international and local stakeholders and collaborate with industry peers and associations to monitor the evolving operating environment and local context. This includes monitoring the status of international sanctions and trade agreements.

To implement responsible recruitment practices in the supply chain, adidas has continued its partnership with the International Organization for Migration ('IOM') through its 'Corporate Responsibility in Eliminating Slavery and Trafficking' ('CREST') initiative. In early 2022, IOM CREST launched a new resource for businesses, the 'Migrant Worker Guidelines for Employers,' which provides guidance on how to recruit and employ migrant workers in their supply chains ethically and responsibly. adidas was consulted and provided input on the development of this resource. 

Transparency and recognition

 Through our annual Modern Slavery Statements, annual progress updates, and other public disclosures on our corporate website and relevant third-party channels, we have shared the actions we have taken to address forced labor in our global supply chain, documenting risks and remedies. In 2022, we completed a review of our Modern Slavery Risk Assessment to ensure we accurately identify the potential risks and to set priorities for further action and engagement in 2023.


In recent years, we have received external recognition for our approach to managing human rights. For example, we hold overall industry leadership position in the Corporate Human Rights Benchmark of the World Benchmarking Alliance (WBA), leadership position on the KnowTheChain forced labor benchmark as the highest-scoring European company, and rank in the top three in the first ever WBA Gender Benchmark.  [ADIDAS-GROUP.COM/SUSTAINABILITY](https://www.adidas-group.com/sustainability)

SUPPLY CHAIN


WORKING CONDITIONS

Our commitment to ensuring fair labor practices and safe working conditions in our manufacturing facilities throughout our global supply chain is fundamental to our human rights approach. Our active efforts are guided by the adidas Workplace Standards, which is our supply chain code of conduct that is aligned with the FLA 'Workplace Code of Conduct' and 'Principles of Fair Labor and Responsible Sourcing.' The adidas Workplace Standards are embedded as a contractual obligation in the manufacturing agreements to ensure workers are employed in fair, safe, and healthy workplaces that are environmentally sound. In addition, they follow ILO and UN conventions relating to human rights and to fundamental principles and rights at work, as well as the model code of conduct of the World Federation of the Sporting Goods Industry ('WFSGI').

We also seek to extend our reach by cascading responsibilities to our contractual partners in order to capture and address potential and actual risks related to possible labor rights violations upstream and downstream of our supply chain. Specific reference to the code provisions of the ILO core labor conventions is provided in the adidas Guidelines on Employment Standards. The Social and Environmental Affairs ('SEA') senior management team reviews and approves all policies and implementation processes of the labor rights program.

In addition to regularly monitoring our supply chain to ensure compliance with the adidas Workplace Standards, in 2022, we continued to focus on our own purchasing practices in accordance with our 'Responsible Sourcing Policy' to ensure that they do not negatively impact our manufacturing partners' ability to comply with our standards. As a subscriber to the Better Buying Institute, an independent organization that assesses sourcing practices of participating brands, we continued to collaborate with our Sourcing team, who took actions to further improve our purchasing practices based on the feedback we received in the Better Buying reports. In addition, in partnership with Better Buying, we developed an e-learning training about responsible purchasing practices, which was launched to adidas' Global Operations employees. 

Managing the impact of covid-19

From the very outset, adidas has sought to mitigate the impact of the coronavirus pandemic on the workers in its global supply chain, providing guidance on infectious disease control, occupational safety, and improvement of workers' welfare. We continued to uphold our standard manufacturing terms, including worker rights protection, and assisted key manufacturing partners in securing bank financing to help them weather the covid-19 crisis. In 2022, we saw a stepwise relaxation of government restrictions in all countries except for China, which maintained its zero-covid policy. Suppliers in some parts of China were impacted by lockdowns and by restrictions on the movement of people and materials to and from the factories. During this time, we continued to ensure legal compliance with respect to pay and benefits for all workers affected by operational changes due to covid-19, and we closely monitored the working conditions at every manufacturing facility. 

TARGETS FOR 2025

Our social compliance program continues to evolve and is built around three core concepts with targets for 2025 in place.

TARGETS FOR 2025: SOCIAL IMPACTS

| Impact area | Target |
|--|--|
| Supply Chain | |
| Social impact ('S-KPI') | 90% of strategic Tier 1 suppliers achieve at minimum '4S'; 100% of strategic Tier 1 suppliers achieve '3S' or better ¹ |
| Fair wages | Progressive improvement in compensation, measured by fair wage benchmarks across our strategic Tier 1 suppliers ² |
| Gender | Achieve gender wage parity for workers and their supervisors in our strategic Tier 1 suppliers ³ |
| Entire value chain (from raw material production to own operations) | |
| Human Rights and Environmental Due Diligence ('HREDD') | System in place to identify and manage high-risk human rights issues in 100% of value chain ⁴ |

1 The S-KPI measures a set of social indicators, such as accident rates, worker satisfaction, and worker empowerment. Due to positive progress in our suppliers' overall performance in 2022, we have upgraded our 2025 target for the number of suppliers expected to achieve a '4S' rating. The overall target seeks to achieve 100% adherence to or 90% overachievement against these foundational social impact measures, with '3S' being the minimum expected supplier performance.

2 The fair wage benchmarks include industry wages, minimum wages and living wages. These benchmarks are set and tracked through a 'FLA Fair Compensation Tool,' which has broad industry adoption and is being rolled out progressively to strategic Tier 1 suppliers.

3 The measurement of wage parity for production line workers and their immediate supervisors (i.e., line leaders) forms part of a broader gender strategy rollout to applicable strategic Tier 1 suppliers who complete self-assessments to identify and then close gender gaps in operating practices and procedures.

4 In conducting due diligence we seek to identify, prevent or mitigate potential adverse human rights or environmental impacts, with priority given to addressing the most severe impacts.

Measuring supplier social impact performance

In 2022, we launched our new social impact KPI ('S-KPI'). The S-KPI measures suppliers' social impact performance through a set of social indicators, such as accident rates, worker satisfaction, and worker empowerment. By 2025, our initial target was to have 70% of strategic Tier 1 suppliers achieve a minimum of '4S,' and 100% of strategic Tier 1 suppliers achieve '3S' or better. As we have seen very positive progress in our suppliers' overall performance following the end of the pandemic, we have upgraded our 2025 target accordingly and now expect that 90% of our strategic Tier 1 suppliers will achieve a minimum of 4S or better by 2025. For a detailed description of this new KPI and the progress towards this target in 2022, and adjusted targets, please see later in this chapter. ▢

Improving gender fairness and wages at our suppliers' factories

▢ We are committed to upholding responsible sourcing practices, increasing gender equality, and creating pay equity, with the goal of providing fair compensation for workers in our supply chain, regardless of their gender. By 2025, we aim to see a progressive improvement in compensation, measured by fair wage benchmarks, across our strategic Tier 1 suppliers. We also want to achieve gender wage parity for workers and their supervisors in our strategic Tier 1 suppliers.

- **Fair compensation:** In 2022, we completed wage data collection²¹ among our strategic suppliers in Cambodia, Indonesia, and Vietnam, representing 62% of all strategic suppliers. We compared this wage data against external benchmarks, such as the applicable legal minimum wage, the FLA Country Average²², which represents the industry average, the Global Living Wage Coalition's ('GLWC') benchmark²³ if available, and the World Bank International Poverty Line. It is important to note that our collected data coincides with the first year of covid-19, a time period where wages were impacted by the disruptions caused by the pandemic, particularly in countries where suppliers experienced long periods of work suspensions and/or shorter hours of operations.

The data collected shows that payment of wages in these factories did surpass all of the aforementioned benchmarks. In detail, the data collected for eight factories in Cambodia, the major sourcing country for apparel, shows that wages paid by adidas suppliers surpassed the legal gross minimum wage by 50% and the applicable net FLA Country Average²⁴ by 29%. The eleven factories in Vietnam, the major sourcing country for footwear, are located within three minimum wage zones. Therefore, their wage data analysis is grouped by their respective minimum wage requirements: In all three zones, wages paid at adidas factories all surpassed the applicable legal minimum wages by at least 65%, up to 78%. Where applicable, wages also surpassed the net GLWC Benchmark by 18%. Our eight surveyed factories in Indonesia are located within five different legal minimum wage groups. As such, their wage data analysis results are reported under their respective minimum wage requirements. Across all zones, wages paid surpassed the legal minimum wage by between 7% and 45%.

In addition, we continued to support the evolution of the FLA's data collection tools by participating in the FLA's Fair Compensation Practitioners Working Group. In 2022, the primary focus of this work was improving the FLA's 'Fair Compensation Dashboard,' which is used to analyze, report, and visualize wage data. The year 2022 also saw the continued activation of the five levers that heavily influence wages as outlined in our 'Fair Compensation Strategy': legal obligations, responsible sourcing and purchasing practices, worker productivity, government involvement, and industrial relations. Specifically, we activated our gender pay parity efforts and continued to focus on closing benefit and wage-related gaps identified through our compliance activities. In 2023, we will continue to benchmark our strategic suppliers in the rest of the world, identify and prioritize factories that may require wage improvements and establish KPIs to help track and measure progress against our five levers.

- **Gender equality:** We aim to bring a gender lens to our strategic suppliers' operations ensuring that all workers enjoy the same opportunities, rights, and obligations. To support this aim, in 2022 we launched our 'Gender Strategy for Business Partners' to guide and help our strategic suppliers in this process. In addition, we introduced and shared guidelines alongside a self-assessment tool to help them develop and implement their own gender strategy. The tool is designed to help suppliers identify gender-related gaps in their operating practices and procedures and provide the building blocks they need to develop their own gender strategy. In 2023, suppliers will develop improvement plans aimed at closing potential identified gaps. These insights will help us to track their progress against their plans.


²¹ Wage data for 2020 was collected in 2021 and 2022 and is self-reported by suppliers. The data presented here was collected in 2021 and covers 62% of our strategic factories in the three countries. We are planning to report data collected in 2022 in the next reporting cycle.

²² An applicable FLA Country Average is currently only available by country, and not for each applicable minimum wage group and/or region for countries with multiple minimum wage requirements.


²³ A 2020 GLWC benchmark is only available for Vietnam. The GLWC published its first reference value in 2021; it will be used in future benchmarking, and as more GLWC benchmarks become available, they will be incorporated into our analysis and reporting.

²⁴ Average of all 2020 wage data collected in Cambodia through FLA Fair Compensation Dashboard as of July 2022.


Increasing transparency on human rights across our value chain

As part of our broader risk management processes, we will increase the scope and application of our HREDD efforts. By 2025, we aim to have a system in place to identify and manage high-risk human rights issues in 100% of our value chain. In conducting due diligence, we seek to identify, prevent, and mitigate potential adverse human rights or environmental impacts, with priority given to the most severe impacts. In 2022, we enhanced the mapping of subcontractors of our Tier 1 manufacturing partners. In addition, as part of our effort to cascade HREDD processes within our supply chain, we made our key Tier 1 manufacturing partners accountable for implementing their own due diligence efforts, and we tracked that implementation via our S-KPI tool. This also required our supplier partners to commission social compliance audits in their subcontractor facilities. 


MONITORING AND ASSESSING PERFORMANCE

 We regularly assess our manufacturing partners on their ability to provide fair, healthy, and environmentally sound workplace conditions by conducting announced and unannounced audits by our own team and by accredited external auditors. Any cases of non-compliance identified during audits are given a clear time frame for remediation. Potential new manufacturing facilities are assessed in a similar way, and orders can only be placed if approved by the SEA team. Based on the results of these assessments, the Sourcing and SEA teams jointly decide on the course of action, ranging from trainings to enforcement actions, such as sending warning letters or hiring external consultants to help improve workplace systems or practices. We also operate several grievance channels allowing workers or third parties to submit complaints about violations of the adidas Workplace Standards and human rights generally. All third-party complaints received through our grievance channels are reviewed and investigated, and the outcome is reported on our corporate website.

Manufacturing facilities' conditions are also inspected by independent auditors through our participation in the FLA, demonstrating our commitment to independent manufacturing facility inspections and external verification of our programs. Our program has been accredited three times by the FLA and, in 2022, remains accredited based on FLA's annual evaluations. In addition to labor rights assurance, the FLA also provides external parties with an independently managed 'Third Party Complaint' mechanism. adidas was the subject of two FLA complaints over the course of 2022.

At the end of 2022, adidas worked with 424 independent supplier facilities²⁵ (2021: 509) that manufacture products for our company in 44 countries (2021: 46). The reduction in facilities reflects the completed divestiture of Reebok and associated impacts on sourcing operations. The core adidas supply chain has remained stable in line with our strategy to form long-term relationships with our manufacturing partners. 63% of our manufacturing partners' facilities (2021: 67%) are located in the Asia-Pacific region. The number of licensees we worked with was reduced significantly due to the divestiture of Reebok. In 2022, 39 licensees (2021: 60) manufactured products in 287 factories (2021: 418) across 34 countries (2021: 39). 

Onboarding

 Against the backdrop of the Reebok divestiture, our primary focus in 2022 was on maintaining partnerships with our existing manufacturing partners rather than onboarding new ones. Consequently, we saw a marked reduction in the number of initial assessments – the first approval stage for a new entry into our supply chain – in 58 prospective supplier factories (2021: 142). Of these, 20 factories (2021: 48) were either rejected directly after the initial assessment identified zero-tolerance issues or were 'rejected

25 Independent supplier facilities refer to individual Tier 1 facilities (factories) of our manufacturing partners that adidas has a manufacturing agreement with, and their Tier 1 subcontractor facilities, excluding own factories and licensee facilities. Facilities that work with our licensees are reported separately. Some of these facilities may produce both for adidas directly and for licensees.

with a second visit' due to identification of one or more threshold issues, which means they were rejected but given the chance to remediate the non-compliance issues within a specific timeframe. The vast majority (71%) of all initial assessments were undertaken in Asia (2021: 86%), with China accounting for 26% (2021: 42%).

Overall, at the end of 2022, the first-time rejection rate of 34% of all new factories visited remained in line with the previous year (2021: 34%). Providing focused support to those factories that we have onboarded has aided us in maintaining a 'final rejection rate' of under 5% in 2022. The remediation of non-compliance issues prior to their onboarding is beneficial for workers as it raises the bar in terms of better workplace conditions. Manufacturing partners that have threshold issues are normally given three months to remediate those issues before being re-audited for final acceptance.

SUPPLY CHAIN PERFORMANCE DATA

| | 2022 | 2021 |
|---|-------|-------|
| Onboarding of new suppliers | | |
| Total number of first-time rejections ¹ | 20 | 48 |
| First-time rejection rate | 34% | 34% |
| Total number of final rejections | 4 | 2 |
| Final rejection rate ² | 5% | 1% |
| Worker satisfaction | | |
| Implementation of 'Workers Voice' grievance platform at strategic manufacturing partners | 100% | 99% |
| Satisfaction rate from workers who raised a grievance through 'Workers Voice' | 77% | 71% |
| Trainings | | |
| Number of training sessions (fundamental, performance, advanced) | 187 | 149 |
| Monitoring | | |
| Total number of audits (initial assessment, performance audits, environmental assessments) ³ | 1,222 | 1,176 |
| Enforcement⁴ | | |
| Number of warning letters (first warning) | 6 | 11 |
| Number of warning letters (second warning) | 0 | 2 |
| Number of warning letters (third and final warning) | 0 | 0 |
| Number of business relationship terminations for compliance reasons | 0 | 1 |

1 Factories that were directly rejected after the first visit, i.e., with no chance of being visited a second time, and factories that were rejected after initial assessments but which were given a chance for a second visit.

2 Factories that were directly rejected after the first visit, i.e., with no chance of being visited a second time, and factories that were rejected after being visited a second time.

3 Total number of audits includes audits done in licensee factories. Performance audits conducted in approved factories that have passed the initial assessment (this includes on-site and desktop assessments). Environmental assessments include ZDHC wastewater test assessments according to the 'ZDHC Wastewater Guidelines.'

4 Includes warning letters issued by licensees excluding warnings to facilities for the non-disclosure of subcontractors, which are issued either directly through business entities or by the adidas Legal department where there is a breach of contract obligations under a manufacturing agreement. A third and final warning results in a recommended termination.


Worker satisfaction and grievance opportunities

A robust grievance mechanism is the fulcrum on which workers can raise their concerns and secure remedies. Since 2017, we have reduced our reliance on local worker hotlines as a complaint mechanism by building an application-based 'Workers Voice' platform: a bespoke, manufacturing-facility-based digital grievance channel for workers. We have progressively improved and expanded the use of this grievance mechanism, and in 2022, more than 440,000 workers employed in 134 manufacturing facilities across 17 countries had access, reflecting 100% coverage of our strategic manufacturing partners. Access to a digital complaint mechanism has proven invaluable during covid-19. Close to 48,000 human and labor rights complaints (2021: around 52,000) were filed through the Workers Voice platform in 2022, with 99% of these complaints being closed by the end of 2022. The top complaints received in 2022 were related to concerns over general facilities (more than 16,000), internal communication (more than 11,000), and benefits (more than 6,000).


Input received through the Workers Voice platform are tracked by adidas, using KPIs and dashboard reviews, case satisfaction ratings, and on-site worker interviews. This allows us to evaluate the efficacy of the grievance channels, see major cases in real time, and undertake timely interventions, where necessary. It also helps us understand the main challenges and labor rights issues in a manufacturing facility and track how the facility's management and their HR teams resolve cases and communicate their findings. Our evaluation contributes to the facility's overall social impact rating (S-KPI). adidas provides ongoing capacity building to enhance the facility teams' capability to improve the effectiveness of the grievance mechanism. The case satisfaction rate, which allows workers to input their level of satisfaction with the resolution of complaints, has almost doubled from 39% in 2019 to 77% in 2022. The increase in satisfaction is partly related to a significant improvement in the response time that it took the factory management to address workers' grievances, which decreased from 49 hours in 2020 to less than 17 hours in 2022 due to improvements in communication and transparency in the workplace. The management teams in the manufacturing facilities have continuously engaged with the facility's workers through newsletters and broadcast messages, which has improved the workers' engagement and the overall culture in factories.

Complementing the various grievance channels, we expanded the 'Worker Pulse' project, a digitalized short survey launched in 2020 to capture workers' perception and awareness of their labor rights on focused areas such as communication, harassment, and abuse, as well as grievance systems. It builds on what we learned from a previous survey process we initiated in 2016. In 2022, we undertook these digital surveys in 133 manufacturing facilities (2021: 123) across 17 countries (2021: 16), with more than 85,000 workers participating (2021: 66,000) through a mobile-phone-based application. At its core were six statements for which the level of agreement or disagreement was assessed. Topics included the willingness to speak up, to recommend the factory to work at to friends, or the level of comfort when raising a suggestion or complaint or when talking to supervisors. Results show a steady increase in the number of favorable respondents across all questions since 2020, from roughly 78% to 87% on average. The percentage figures indicate the average response on a five-point Likert-type scale where 100% represents 'strong agreement' and 0% 'strong disagreement.' This increase in overall worker satisfaction is also a factor in the increase in the average S-KPI score for our manufacturing partners' facilities in 2022. This shows that when workers' voices are being heard and acted upon by the facility's management, it can have an impact in improving the overall working conditions within a manufacturing facility. Manufacturing partners are required to develop and track workplace improvement plans based on feedback from the Worker Pulse.


Alongside facility-led training, we have also offered tailored training under our 'Women Leadership Program,' first launched in 2016. Building on our team's learnings, we modified the training approach in 2022, adopting a hybrid model of in-person and online training to accommodate countries that were facing restrictions due to covid-19. In 2022, more than 1,100 supervisors at factories participated in the program (Cambodia, China, India, Indonesia, Myanmar, Philippines, Vietnam).

2022 also saw an expansion of our mobile-phone-based 'Digital Training' project, which was successfully rolled out at 123 manufacturing facilities in 18 countries in 2021. The digital tool assesses workers' awareness of their labor rights and remedies, e.g., fire safety, harassment and abuse, and use of grievance channels. More than 82,000 workers took part in 2022 (2021: 62,000) and averaged a score higher than 91 out of 100 in the post-test questions, thereby demonstrating very high levels of awareness. 


Manufacturing facility engagements and training sessions

 In 2022, our ability to physically visit our manufacturing partners continued to be limited in some locations due to the pandemic, while it was restored in other areas. We used these opportunities to maximize the impact of our facility engagements and training sessions. Through a combination of on-site and remote or virtual interactions throughout the year, we completed 657 individual facility engagements in 2022 (2021: 373), and 187 training sessions for manufacturing partners, licensees, workers, and adidas employees (2021: 149). Training sessions covered a broad range of topics, from our Workplace Standards, guidelines, and supporting policies, through to targeted training on specific labor, health and safety, and environmental topics. The amount of training delivered also reflected our focused efforts this year to educate our manufacturing partners on Worker Empowerment projects and the launch of our new S-KPI tool. Where virtual training sessions could be held, we continued to utilize this format to attract larger audiences, reaching a total of 4,535 people, slightly down from the 2021 figure of 5,321.

Wherever possible, we were also able to exchange multiple, shorter virtual interactions, with longer, and more comprehensive, on-site engagements. In addition to our continuous tracking of covid-19 impacts on our manufacturing partners' operations, we used these engagements to monitor remediation activities, KPI improvement plans, grievance investigations, and follow-up on worker satisfaction surveys.

We continued to work with our licensee partners in 2022 to ensure that they were implementing adidas Workplace Standards into their manufacturing partners' operations in a consistent manner. In addition, we provided our licensees with access to the FLA e-learning materials, which include training courses covering topics such as human rights, forced labor, responsible manufacturing, and worker engagement. 

Audits

 We audit our manufacturing partners regularly against the adidas Workplace Standards. In 2022, in addition to our own audits, we continued to use 'Social and Labor Convergence Program' (SLCP) assessments. In 2022, we have accepted 133 SLCP assessments in lieu of our own performance audits (2021: 142). The SLCP, as an industry assessment tool, will continue to evolve as it is adopted more widely across the sector, and its methodology is strengthened. With covid-19 continuing to place restrictions in some parts of the world on our ability to conduct our own on-site assessments in 2022, our monitoring approach had to remain agile to accommodate lockdowns and travel restrictions. Where possible, we continued to carry out our regular on-site assessments, while also continuing the use of remote desktop assessments first piloted in 2020.

NUMBER OF AUDITS BY REGION AND TYPE

| Region | Initial assessment ¹ | | Performance audit ² | | Environmental assessment ³ | | Total | |
|--------------------------|---------------------------------|------------|--------------------------------|------------|---------------------------------------|------------|--------------|--------------|
| | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Asia | 60 | 145 | 426 | 387 | 606 | 511 | 1,092 | 1,043 |
| Americas | 12 | 15 | 34 | 33 | 18 | 15 | 64 | 63 |
| EMEA | 9 | 8 | 35 | 40 | 22 | 22 | 66 | 70 |
| Total⁴ | 81 | 168 | 495 | 460 | 646 | 548 | 1,222 | 1,176 |

1 Every new manufacturing facility has to pass an initial assessment to prove compliance with the 'adidas Workplace Standards' before an order is placed. The data shown includes both initial assessments and initial assessment follow-ups, and includes on-site and desktop assessments.

2 Audits conducted in approved factories that have passed the initial assessment (including on-site and desktop assessments).

3 Includes environmental assessments and wastewater test assessments according to the 'ZDHC Wastewater Guidelines.'


4 Includes audits done in licensee factories.

A total of 709 social compliance audits (initial assessments, performance audits, and SLCPs) were conducted in 2022 (2021: 770), 15 of which were conducted remotely (2021: 67). Of the 481 on-site performance audits conducted, 78% were carried out on an unannounced basis whereby the manufacturing facility is not informed in advance of the exact date of assessment. The number of audits in factories manufacturing goods for licensees was reduced from 395 in 2021 to 295 in 2022, reflecting the reduction in the number of licensee partners connected to the Reebok divestiture.


To complement our broader sustainability efforts, as shown earlier in this chapter, we monitor our suppliers to ensure compliance with our environmental standards and guidelines and to validate their performance against annual environmental targets. In 2022, 259 facilities in 20 countries were assessed and evaluated for their environmental performance, which represented 251 of our key Tier 1 and Tier 2 manufacturing partners, and selected Tier 3 suppliers enrolled in our sourcing sustainability program.

As we continue to increase our focus on added-value advisory services and empowerment projects, which go beyond our regular audit routine, the number of internally managed audits decreased to 109 in 2022 (2021: 233), with 860 assessments performed by third-party monitors (2021: 741).²⁶

A total of 65% (2021: 54%) of all direct and licensee facilities were audited in 2022. 'High-risk' locations in Asia, which is the most significant sourcing region for adidas, were the subject of extensive monitoring in 2022, with an audit coverage of 84% (2021: 70%). As a general principle, manufacturing facilities located in high-risk countries are 100% covered in our auditing scope, which means they receive audits annually, while low-risk countries with strong government enforcement and inspectorate systems, such as Germany, are considered out of scope for our audit coverage.

We continue to measure suppliers' ability and performance in conducting their own, internal compliance monitoring and due diligence processes, which is captured in our S-KPI tool. This replaces the previously used self-governance audits, which were only required for our best performing. 

Audit results and S-KPI performance

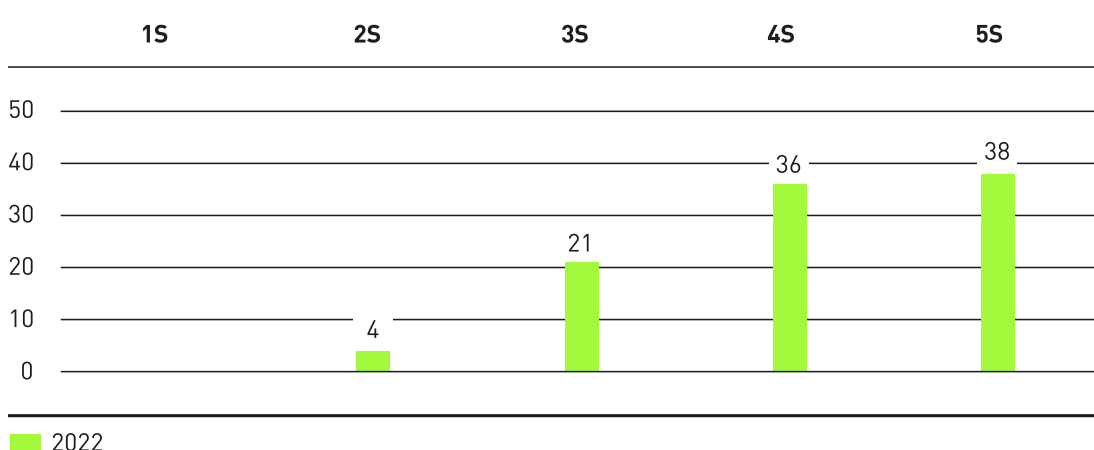
 2022 marks the first year where we have measured supplier performance using the S-KPI tool. The S-KPI assesses a factory's performance in delivering a safe and fair workplace by measuring effective due-diligence processes, as well as the ability to deliver positive social impact. In total, the S-KPI has 15 units of measures ('UOM'). These include compliance with threshold and zero-tolerance issues, completion of remediation plans, accident and absenteeism rates, as well as a range of worker empowerment measures such as resolution and satisfaction rate of workers' grievances, participation rate in worker satisfaction


²⁶ Including social and environmental assessments, excluding ZDHC wastewater assessments.

surveys, and the ratio of females in mid-managerial position. The S-KPI assesses a factory's performance in each of the UOMs, based on the information gathered and validated during social compliance audits which are uploaded to a dashboard for each supplier. The result is a final score (in %) which is converted to S-rating levels from 1-5, with 5S being the best. The thresholds are set as follows: 1S: 0-29%, 2S: 30-59%, 3S: 60-79%, 4S: 80-89%, 5S: 90-100%.


In 2022, almost 75% of our key manufacturing facilities achieved a rating of '4S' or better, which significantly exceeded the original target that we set for 2025 (70% of suppliers rated 4S). This achievement shows the extraordinary efforts made by our supplier partners to master the requirements of the S-KPI, and the positive impact of the guidelines and training provided in the two-year lead-up to its launch. Given this outstanding achievement, we have upgraded our target for the upper band of performance for our suppliers, and now expect 90% of our strategic Tier 1 suppliers to achieve a minimum of 4S or better by 2025.

SOCIAL IMPACT PERFORMANCE RATING OF STRATEGIC SUPPLIER FACTORIES BY S-KPI IN %



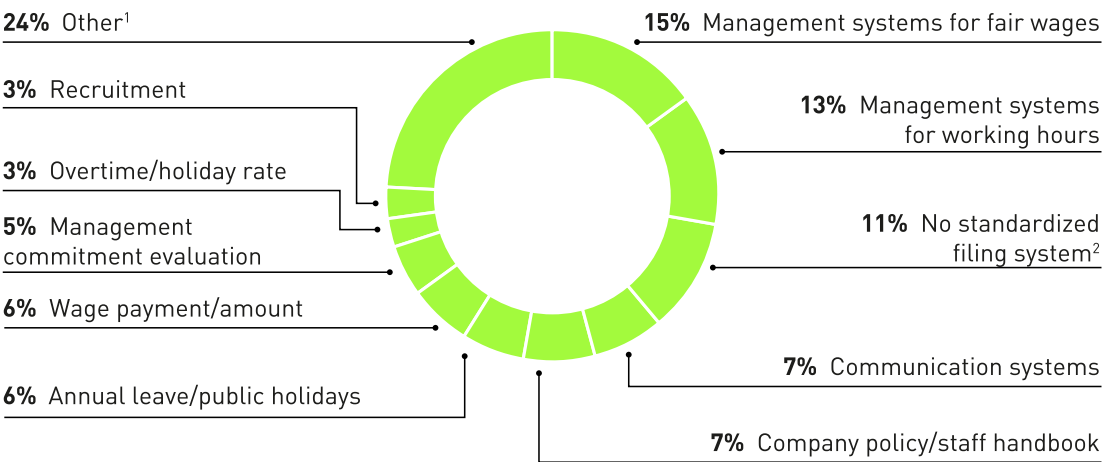
Of our key licensees, 100% achieved a Licensee Compliance Rating ('LCR') of at least 4S, and of these, 33% received a rating of 5S. This rating mechanism mirrors that of our S-KPI applied to manufacturing partners and reflects that these licensees have successfully demonstrated that they have embedded strong governance systems, supply chain management, and purchasing practices compliance requirements into their business practices. Licensees are also assessed on the existence of policies and systems to address stakeholder engagement, as well as levels of public reporting and communication. 

Non-compliances identified in active factories

 Our manufacturing partners' facilities are evaluated against a number of critical compliance issues. While threshold issues are considered serious but correctable non-compliances that can be addressed through remedial action within a specified timeframe, zero-tolerance issues – such as forced labor, child labor practices, or critical life-threatening health, safety, and environment conditions – immediately trigger a warning and potential disqualification of a supplier. During the course of each year, we continuously track non-compliances identified through manufacturing partners' performance audits, collaboration audits, self-governance assessments, and, since 2020, SLCP assessments. We follow up on all non-compliances and require our manufacturing partners to remediate these findings within a specified timeframe. The identified issues in 2022 remained largely the same as those reported in 2021.

- **Labor:** Besides identifying non-compliances with the Workplace Standards, our social compliance team focuses on the use and effectiveness of the facilities’ HR management systems, including any gaps in policies and procedures, related to specific risk areas, such as forced labor, child labor, freedom of association, or discrimination. As a result, the percentages shown indicate the systemic shortcomings of active facilities, where corrective action is required to reduce potential risks, rather than the confirmed presence of a specific case of non-compliance or breach, which requires remediation.

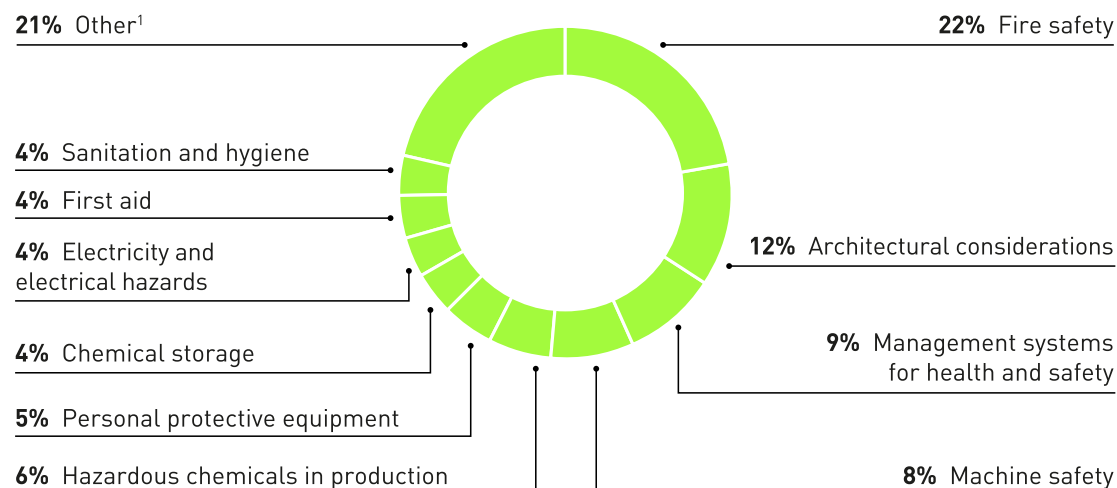
SHORTCOMINGS IN THE AREA OF LABOR IDENTIFIED DURING AUDITS IN 2022



1 'Other' includes, for example, overtime/holiday rate and other benefits/allowances.
2 'No standardized filing' indicates a factory does not keep relevant information/documents and records that demonstrate compliance with laws and regulations.

- **Health and safety:** Fire, electrical, and machine safety are critical areas for existing manufacturing facilities, and together they accounted for more than 30% of the non-compliances identified in 2022. The way chemicals were stored and used, including the handling of hazardous chemicals, accounted for 10% of non-compliance findings reported. A further 9% of the findings related to management systems, policies, and procedures, and specifically a lack of compliance with our Workplace Standards and expectation for effective occupational health and safety systems, including the recruitment and retention of qualified safety staff.

SHORTCOMINGS IN THE AREA OF HEALTH AND SAFETY IDENTIFIED DURING AUDITS IN 2022



¹ 'Other' includes, for example, material storage, housekeeping, or waste management.

Remediation of shortcomings


We follow up on all cases of non-compliance and require our manufacturing partners to remediate open issues within a specified timeframe. For the period 2019 through June 2022, 93% of the threshold issues identified in our monitoring assessments were found to be fully remediated. A small percentage of issues identified over this period remain open, the majority of which were found during assessments conducted in 2021 and in the first half of 2022. While in many cases the actual issues will have been resolved, our approach is to only 'close' these in our systems when we have verified evidence of completion and established that corrective actions taken are sustainable and sufficient to avoid reoccurrence.

Independent FLA audits

The FLA has assessed the supply chain of its member brands by utilizing a variety of monitoring models (e.g., in-person, virtual, or a hybrid approach of both in-person/virtual), despite the ongoing challenges posed by covid-19. This resulted in adidas receiving four 'Sustainable Compliance Initiative' ('SCI') Assessments from the FLA in 2022. In addition to manufacturing facility monitoring, the FLA focused its efforts on more areas, including enhancing virtual monitoring methodology, issuing specific country-related and topical guidance, supply chain mapping, grievance mechanisms, revising its third-party complaint mechanism, developing responsible termination guidelines, and continuing its work to measure and mitigate impacts of covid-19 on the industry's supply chain.

Enforcement


Warning letters are an essential part of our enforcement efforts and are triggered when we find ongoing serious non-compliance issues that need to be addressed by our manufacturing partners' facilities. We work closely with our manufacturing partners to help them improve their performance. However, where we face situations of severe or repeated non-compliances, which cannot be resolved, we do terminate business relationships with facilities. When making such a decision, we always seek to balance the adverse impacts arising from the unresolved non-compliances against the wider effects that a business termination can have on the rights and interests of the workers, especially if this triggers layoffs. In such circumstances, we may extend timelines to ensure a responsible exit is achieved.

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- **Warning letters:** In 2022, our close engagement with our manufacturing partners' facilities has helped reduce the number of active warning letters to six (2021: 13) across five countries. Compared to the previous year, the overall number of active first-warning letters decreased significantly, from eleven in 2021 to six in 2022; the total number of second warnings even decreased to zero in 2022 (2021: 2). Manufacturing facilities that receive second-warning letters are only one step away from being notified of possible termination of the manufacturing agreement and are subject to focused monitoring by our team. No third-warning letters (which result in business terminations) were issued to our manufacturing partners in 2022 (2021: 0).
 - **Terminations:** In 2022, there were no instances in which a supplier agreement was terminated for social compliance reasons (2021: 1). 

SUSTAINABLE FINANCE

The challenges posed by the impact of climate change and social developments in our societies and supply chains are huge. Responding to these will require dedicated funding of sustainability initiatives. In this section of the Report, we provide an overview on our sustainability bond as well as on our approach to comply with the requirements of the EU Taxonomy that has the objective to channel investments in the right direction. We will also report about responsibility regarding tax. Through taxes, governments have the monetary ability to pursue their objectives and take on the responsibility of further developing their countries.

SUSTAINABILITY BOND

In 2020, adidas successfully placed its first sustainability bond. Proceeds from the offering are used in accordance with our created Sustainability Bond Framework. adidas has committed to providing annual updates on the allocation of proceeds and the impact KPIs driven by the proceeds.  **SEETREASURY**

The following summary outlines selected environmental and social impact KPIs in accordance with chapter 7 'Reporting' of the 'adidas Sustainability Bond Framework.' The proceeds listed in the Allocation Report have contributed to these impact KPIs.

SUSTAINABILITY BOND: IMPACTS

| | 2022 | 2021 | 2020 |
|--|------------|----------------|----------------|
| Eligible category: sustainable materials | | | |
| Impact of investment or expenditure into using more sustainable materials | | | |
| Percentage of recycled polyester used for adidas apparel and footwear ranges ¹ | 96 | 91 | 71 |
| Percentage of more sustainable cotton sourced | 100 | 100 | 100 |
| Number of pairs of shoes produced containing 'Parley Ocean Plastic' | > 26m | > 17m | > 15m |
| Eligible category: sustainable processes | | | |
| Impact of investment or expenditure into improving our operations by establishing more sustainable processes | | | |
| Absolute annual CO ₂ e Scope 1 and Scope 2 net emissions (in tons) in own operations ² | 164,149 | 138,411 | — ³ |
| Number of buildings ⁴ of own operations holding certification for environmental management (ISO 14001)/health and safety management (ISO 45001)/energy management (ISO 50001) | 64/112/322 | 64/63/327 | 42/39/53 |
| Eligible category: community engagement | | | |
| Impact of investment or expenditure (on a global and local level) from actively supporting and positively impacting communities | | | |
| Number of funded ventures for 'Black Ambition,' a program that supports Black and LatinX entrepreneurs in launching start-up businesses | 31 | 34 | 34 |
| Number of grants for Black-owned small businesses as part of 'BeyGOOD,' an initiative aimed at bringing equity to those disproportionately impacted by social and racial injustice | 276 | — ⁵ | 316 |
| Number of scholarships granted to students at adidas' HBCU partner schools as part of adidas' 'United Against Racism' ambition | 55 | 55 | 108 |

¹ Percentage share of recycled polyester in 2021 and 2022 excluding Reebok.

² Own operations include administrative offices, distribution centers, production sites, and retail stores. Excluding Reebok.

³ 2020 data not comparable due to new and increased scope in 2021 (addition of retail stores). 2020 absolute annual CO₂e Scope 1 and Scope 2 net emissions in own operations (administrative offices, distribution centers, production sites): 26,756 tCO₂e, including Reebok. 2021 and 2022 data excluding Reebok.

⁴ At year-end.

⁵ Grants distribution for Black-owned small businesses as part of 'BeyGOOD,' which is managed by a third party, postponed to 2022.

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.

Assessment of Taxonomy alignment of Taxonomy-eligible activities

Annex I of the Delegated Regulation lays out the substantial contribution and DNSH criteria in connection with the eligible economic activities for the environmental objective 'climate change mitigation.' Since the identified Taxonomy-eligible activities relate to the purchase of output from potentially Taxonomy-aligned activities, performing the Taxonomy assessment was dependent on the input of the relevant information from third-party suppliers. Due to the expected time and resource investment necessary for assessing all eligible activities, we prioritized the assessment of those eligible activities that were most material in terms of volume and value and/or were more likely to be Taxonomy-aligned due to the availability of the necessary information. Accordingly, we concentrated our efforts on assessing the eligible building leases in connection with warehouses, own retail stores, and corporate offices. The applicable substantial contribution and DNSH criteria, which are mentioned in section 7.7 of Annex I of the Delegated Regulation, predominantly relate to the primary energy consumption as well as the climate-related risks and mitigation solutions, respectively, in connection with the leased buildings. The substantial contribution criteria evidence most relevant for adidas in this regard is the existence of an Energy Performance Certificate (EPC) class A. Many eligible building leases are outside of Europe, which requires the alignment of this EU-centric energy performance certification with standards and frameworks typically in use in non-EU countries (e.g., LEED certification). In line with the generally low share of available non-residential buildings adhering to these energy performance standards across our markets, only a few eligible leases in 2022 fulfil this criterion, particularly the eligible retail leases where adidas has very limited ability to influence the design and/or re-development of malls, where many of our stores are located. Also, certain eligible retail lease locations are heritage sites for which it is not possible to obtain EPC class A certification. However, we have certain eligible lease contracts in connection with major warehouse investments in Suzhou (China) and Cheb (Czech Republic), as well as with a major corporate office investment in Amsterdam (Netherlands) which fulfil the substantial contribution criteria. This reflects our commitment to de-carbonize our own operations as well as our more pronounced ability to influence the design and development of major real estate investments in connection with our operational infrastructure. ► [SEE OWN OPERATIONS](#)

The only applicable DNSH criterion for building leases relates to the environmental objective 'climate change adaptation' and refers to the performance of a robust climate risk and vulnerability assessment as per Appendix A to Annex I of the Delegated Regulation. The objective of this criterion is, firstly, the assessment of the materiality of climate risks affecting the performance of the eligible activity, taking different climate projections into account depending on the expected lifespan of the activity. Secondly, the effectiveness of adaptation solutions to mitigate the physical climate risk for the activity needs to be assessed. We prioritized in the assessment the most relevant eligible activities regarding this DNSH criterion and used existing information on climate risks and corresponding mitigation solutions that was gathered as part of our regular business processes (e.g., for insurance purposes). As a result, not all information was available for a complete and conclusive assessment exactly as per the methodology and scope prescribed by the Regulation. We therefore assessed the building leases to be not Taxonomy aligned.

For the remaining eligible activities under category 7.3, a Taxonomy alignment assessment with the respective criteria laid out in Annex I of the Delegated Regulation was conducted in a structured manner to an extent considered prudent and meaningful. While the eligible activities fulfil the substantial contribution criteria, none is considered Taxonomy-aligned as a result of the DNSH assessment.

Determination and reporting of Taxonomy KPIs

- **Turnover KPI:** No Taxonomy-eligible turnover/net sales were identified.
- **CapEx KPI:** In comparison to the disclosed CapEx value of € 695 million in this report, the Taxonomy definition of 'CapEx' results in a total value of € 1,587 million (denominator of the 'CapEx KPI') at adidas (2021: € 1,188 million). The denominator contains, in accordance with the definition of the Taxonomy and as disclosed in this report, additions to buildings, technical equipment and machinery, other equipment, furniture and fixtures, right-of-use assets, and other intangible assets, before depreciation, amortization, and re-measurements. For the calculation of the numerator of the CapEx KPI, we analyzed the additions in relation to the identified eligible activities as described above. In this process we conducted several control measures such as plausibility checks as well as reconciliations to avoid double-counting of additions. In total, the corresponding numerator of the eligible CapEx KPI amounts to € 867 million (2021: € 604 million), resulting in a CapEx KPI of 55% eligible and 45% non-eligible CapEx. Most of the eligible CapEx in 2022 (98%) relates to the leasing of buildings, which amount to € 853 million, with the remaining eligible CapEx relating to the installation of energy efficiency equipment. While a total of € 230 million of eligible CapEx complies with the substantial contribution criteria, € 0 million of eligible CapEx is reported as Taxonomy-aligned.

In summary, the corresponding numerator of the aligned CapEx KPI amounts to € 0 million, resulting in a CapEx KPI of 0% aligned and 55% non-aligned CapEx.

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING YEAR 2022

| | CapEx € in millions | Proportion of total CapEx | Substantial contribution to climate change mitigation | | Com- pliance with DNSH criteria | Com- pliance with minimum safeguards | Taxonomy- aligned CapEx € in millions | Taxonomy- aligned proportion of total CapEx |
|---|---------------------------|---------------------------------|---|------|--|--|---|---|
| | | | € in millions | | y/n | y/n | | |
| Economic activities | | | | | | | | |
| A. Taxonomy-eligible activities | | | | | | | | |
| A.1. Environmentally sustainable activities (taxonomy-aligned) | 0 | 0% | | | | | | |
| A.2. Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) | 867 | 55% | 230 | 27% | n | y | 0 | 0% |
| 7.3. Installation, maintenance and repair of energy equipment | 14 | 1% | 14 | 100% | n | y | 0 | 0% |
| 7.7. Acquisition and ownership of buildings (building leases) | 853 | 54% | 216 | 25% | n | y | 0 | 0% |
| B. Taxonomy non-eligible activities | 720 | 45% | | | | | | |
| Total (A + B) | 1,587 | 100% | | | | | | |

– 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.

Pursuant to our tax policies, the local Directors and Management of each legal entity are responsible for ensuring compliance with tax regulations. The local teams are supported by the company's Corporate Tax team and tax advisors. The Corporate Tax team exercises global governance and is accountable for our approach to tax. Its main responsibility is to provide global tax advisory, to identify and manage opportunities and risks, and to ensure tax compliance worldwide. Through partnering with business functions, the Corporate Tax team aims to understand the needs and perspectives of various stakeholders internally and externally and to support business objectives while ensuring continued compliance with tax regulations. Inquiries from and communication with external stakeholders regarding our tax affairs are managed in accordance with our Global Communication Guidelines.


Our Executive Board is updated on tax matters periodically, including a risk review process every six months that also forms part of our tax governance framework. Our CFO and/or the Executive Board, advised by the Corporate Tax team, is ultimately responsible for decisions on topics such as entering into significant or one-off transactions that may give rise to an increase in tax risk (e.g., mergers and acquisitions).

Our 'Fair Play Code of Conduct' sets out the options available to employees who detect unlawful or unethical behavior, including anonymous notification or whistleblowing procedures. The adidas AG audit includes the audit of disclosures in respect to tax.



Interactions with tax authorities

We seek a cooperative relationship with tax authorities. We respond to information requests, whether formal or informal, and, on a case-by-case basis, decide whether to take the initiative in communicating business developments of particular significance to the local tax authorities. During 2022 we were not involved in the public policy regarding tax law or tax law changes in any of the jurisdictions in which we operate.

Tax planning

We ensure that the tax profile of our activities is aligned with the substance of the operating structures of our business. Accordingly, transactions have commercial and economic substance, and we do not put in place arrangements that are contrived or artificial. Our 'Transfer Pricing Policy' requires that intragroup transactions be carried out on an arm's-length basis. As a result, our profits are derived and taxed in the jurisdictions where value is created. 

NON-FINANCIAL STATEMENT

In accordance with §§ 315b, 315c HGB in combination with §§ 289b to 289e HGB, adidas publishes a combined non-financial statement for adidas AG and the Group in this combined Management Report. The content of the non-financial statement can be found throughout the entire combined Management Report with relevant parts being indicated accordingly. This content was subject to an either separate reasonable assurance engagement, marked with , or limited assurance engagement, marked with , of KPMG AG Wirtschaftsprüfungsgesellschaft. These parts are not covered by the Audit of the Consolidated Financial Statements and of the Group Management Report. Links and references are not part of the non-financial statement and have not been assessed. ► [SEE LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR](#)

adidas applied the Global Reporting Initiative ('GRI') guidelines as an external reporting framework. The content of the non-financial statement combined with further information in this report and on our corporate website is prepared with reference to the GRI Standards. The GRI content index can be found online. ► [REPORT.ADIDAS-GROUP.COM](https://report.adidas-group.com)

DESCRIPTION OF BUSINESS MODEL

- ▶ SEE GLOBAL SALES
- ▶ SEE GLOBAL OPERATIONS

ENVIRONMENTAL APPROACH

- More sustainable materials and circular services
 - ▶ SEE SUSTAINABILITY
 - ▶ SEE INTERNAL MANAGEMENT SYSTEM
 - ▶ SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK
- Decarbonization
 - ▶ SEE SUSTAINABILITY
- Water consumption (supply chain)
 - ▶ SEE SUSTAINABILITY
- Waste diversion (supply chain)
 - ▶ SEE SUSTAINABILITY
- Biodiversity
 - ▶ SEE SUSTAINABILITY

PRODUCT RESPONSIBILITY

- Product safety and integrity
 - ▶ SEE SUSTAINABILITY

HUMAN RIGHTS

- Fair labor conditions
 - ▶ SEE OUR PEOPLE
 - ▶ SEE SUSTAINABILITY
- Supplier relationships
 - ▶ SEE GLOBAL OPERATIONS

EMPLOYEE MATTERS

- Diversity, Equity, and Inclusion
 - ▶ SEE OUR PEOPLE
 - ▶ SEE INTERNAL MANAGEMENT SYSTEM
 - ▶ SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK
- Experience and engagement
 - ▶ SEE OUR PEOPLE
 - ▶ SEE INTERNAL MANAGEMENT SYSTEM
 - ▶ SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK
- Learning
 - ▶ SEE OUR PEOPLE
- Rewards
 - ▶ SEE OUR PEOPLE

CONSUMER MATTERS

- Membership
 - ▶ SEE GLOBAL SALES
 - ▶ SEE INTERNAL MANAGEMENT SYSTEM
 - ▶ SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK

ANTI-BRIBERY AND CORRUPTION

- Ethical business practices
 - ▶ SEE RISK AND OPPORTUNITY REPORT

TAX

- Approach to tax
 - ▶ SEE SUSTAINABILITY

SUSTAINABLE FINANCE

- EU Taxonomy
 - ▶ SEE SUSTAINABILITY
 - ▶ SEE EU TAXONOMY TABLES