

SUSTAINABILITY

Being a sustainable business is about striking a balance between shareholder expectations and the needs and concerns of our employees, consumers, and communities, as well as the workers in our supply chain and the environment. We believe that acting as a responsible company will contribute to lasting economic success.

SUSTAINABILITY AS STRATEGIC FOCUS AREA

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, sustainability was defined as a strategic focus area of our strategy 'Own the Game.'

Consequently, 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 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 will 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. The table below provides an overview of the targets we have set for 2025, supporting our drive for positive environmental and social impact.  [SEE STRATEGY](#)  [ADIDAS-GROUP.COM/S/SUSTAINABILITY](https://adidas-group.com/s/sustainability)

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% consumption reduction [m ³ /m ²]	2019
	Waste	95% 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% intensity reduction at Tier 2 supplier facilities	2017
	Chemicals (Input)	80% of supplier facilities to achieve the highest level of compliance (level 3) with ZDHC 'Manufacturing Restricted Substances List' for 80% of the chemicals used for production	
	Wastewater (Output)	80% of suppliers that operate on-site effluents plants to achieve ZDHC 'Wastewater Foundational Level'	
	Product		
	Sustainable article offering	9 out of 10 articles will be sustainable, meaning that they are – to a significant degree – made with environmentally preferred materials	2020
	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)	

TARGETS FOR 2025 AND BEYOND: SOCIAL IMPACTS

Target year	Impact area	Target
2025	Own operations	
	Health and Safety	Lost-Time Incident Rate ('LTIR') below industry average ¹ ; Zero fatal accidents; Occupational Illness Frequency Rate ('OIFR'): Zero
	Supply Chain	
	Social impact ('S-KPI')	70% of Tier 1 strategic suppliers achieve at minimum '4S'; 100% of Tier 1 strategic suppliers achieve '3S' or better ²
	Fair wages	Progressive improvement in compensation, measured by fair wage benchmarks across our strategic Tier 1 suppliers ³
	Gender	Achieve gender wage parity for workers and their supervisors in our strategic Tier 1 suppliers ⁴
	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 ⁵

1 According to 'US Bureau of Labor Statistics Code.'

2 The S-KPI measures a set of social indicators, such as accident rates, worker satisfaction and worker empowerment. The target seeks to achieve 100% adherence to/70% overachievement against these foundational social impact measures, with '3S' being the minimum expected supplier performance.

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

4 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 Tier 1 strategic partners who complete self-assessments to identify and then close gender gaps in operating practices and procedures.

5 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.

MATERIAL TOPICS

■ We seek to ensure that we address the topics that are most salient to our business and our stakeholders, and the challenges ahead. To identify these topics, we openly engage with our stakeholders and consider their views and opinions in decisions that shape our day-to-day-operations. In addition, we regularly perform stakeholder consultations to confirm the selection of our material topics. We use insights gained from past assessments and from engagements we hold with multiple organizations throughout the year, review and categorize potential new topics and validate these through discussions with experts and stakeholders across the entire business. Ultimately, we want to better understand the importance a topic has for our business performance and stakeholders, but also gain more visibility about the impact we have on these topics. There were no material changes in 2021, compared to the list of topics in 2020. ► **SEE NON-FINANCIAL STATEMENT**

We also make use of the United Nations Sustainable Development Goals (SDGs) as a framework to map their correlation with our own commitment to sustainable development and human rights. We have been able to link prioritized SDGs with both the environmental priorities related to, for example, the selection of materials, manufacturing, use, and disposal of our products, and the needs and concerns of people in the adidas value chain. ■

CORRELATION BETWEEN UN SUSTAINABLE DEVELOPMENT GOALS AND OUR SUSTAINABILITY ROADMAP

3 GOOD HEALTH
AND WELL-BEING5 GENDER
EQUALITY6 CLEAN WATER
AND SANITATION7 AFFORDABLE AND
CLEAN ENERGY8 DECENT WORK AND
ECONOMIC GROWTH9 INDUSTRY, INNOVATION
AND INFRASTRUCTURE10 REDUCED
INEQUALITIES12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION13 CLIMATE
ACTION14 LIFE
BELOW WATER17 PARTNERSHIPS
FOR THE GOALS

STAKEHOLDER DIALOGUE AND TRANSPARENCY

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 to debate social and environmental topics on a global 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, strengthening chemical management practices, and raising standards in the cotton 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 to ensure 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 Pact
- German government-led Partnership for Sustainable Textiles ('Textilbündnis')
- Leather Working Group ('LWG')
- Textile Exchange
- 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') working group

We believe transparent communication with our stakeholders is critical. For that reason, 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 are 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 chosen sustainability as a focus area in its company strategy 'Own the Game' and therefore a comprehensive roadmap with clear targets is in place. The Sustainability Sponsor Board ensures end-to-end management of this strategy. 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 in 2021. This team will proceed with establishing solid governance processes around the TCFD and will particularly focus on establishing climate-related scenario analyses. 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.  **SEE RISK AND OPPORTUNITY REPORT**

GOVERNANCE STRUCTURE

A robust governance structure ensures timely and direct execution of programs that drive the achievement of our new set of targets for 2025 and beyond. The head of Sustainability is responsible for the development, coordination and execution of our sustainability strategy and reports to the member of the Executive Board responsible for Global Operations. This person 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 developed a 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. Thousands of colleagues have gone through the training in 2021. 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. [▶ SEE OUR PEOPLE](#)

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 2021, 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.

Notably, following a thorough assessment by rating agency S&P in 2021, adidas was awarded with an overall ESG Evaluation Score of 85, placing us among the top ten in the entire S&P Global Rating Universe. In its comprehensive assessment, S&P emphasized our industry-leading approach to innovation, supply chain management, and consumer engagement. [▶ SEE OUR SHARE](#)

EXTERNAL RECOGNITION 2021

Environmental, Social, Governance Performance (ESG)	Environmental Performance	Social Performance
MSCI ESG Rating (AAA, upper score: AAA)	CDP Climate Change (B 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 (13.3/100, upper score: 0)	Corporate Information Transparency Index (among top 10 in our industry)	World Benchmarking Alliance Gender Benchmark (among top 3 in our industry)

ENVIRONMENTAL IMPACTS

Managing the environmental impacts at our own sites and along the entire value chain is a key focus of our work. We are committed to decarbonization by reducing our absolute energy consumption and CO₂e emissions as well as transitioning to clean energy. We are also committed to steadily increasing the use of more sustainable materials in our products and expanding our circular services. We continue to address water efficiency and quality, with an advanced chemical management program in place.

DECARBONIZATION

According to the United Nations, climate change presents the most pressing long-term challenge facing civilization. For that reason, it was critical for us to set science-based decarbonization targets that help limit global temperature rise. adidas committed to achieving climate neutrality (CO₂e) across its own operations by 2025, reducing absolute greenhouse gas (GHG) emissions across its entire value chain by 30% by 2030, measured against a baseline of 2017, and, with that, paving the way for climate neutrality (CO₂e) across its entire value chain by 2050. We support global initiatives that aim to drive change for our industry, such as the Fashion Pact and the UN Fashion Industry Charter for Climate Action ('UNFCCC'). We also committed to the Science Based Targets initiative ('SBTi') in 2020 and received SBTi approval of our targets in spring of 2021.

2030 Goal: GHG emissions reduction across entire value chain by















30%

Moving toward achieving our ambitious target requires reliable data. We developed an 'Environmental Footprint Tool' that enables us to quantify, monitor, and be transparent about our environmental impacts 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 disposal of our products at the end of their lifetime.

The tool has been instrumental in understanding our impact caused by GHG emissions, and to setting appropriate GHG emission reduction targets. We believe it is essential to thoroughly track and measure our progress toward our targets and to conduct scenario analyses to make fact-based decisions. In 2022, we aim to fully integrate the tool into our existing data-tracking systems to enable real-time simulations. At the same time, we acknowledge that the tool will experience further developments to meet the required, more complex methods to calculate our footprint in the future.

Results for 2021 clearly show that our estimated environmental impacts are distributed somewhat unequally across the value chain, with the most significant impacts generated in the supply chain (more than 90%), particularly raw materials production and processing. Collaborating with our extended supply chain partners to help them reduce their GHG emissions and continuing to seek more sustainable versions of the raw materials that we use for our products has thus become core to our program.

ENVIRONMENTAL FOOTPRINT¹

Environmental impact of adidas throughout the value chain ¹	 T4+	 T3	 T2	 T1	 Logistics	 Own Operations	 End of Life	Total 2021
	Raw materials production	Spinning	Manufacturing, dyeing, and finishing processes	Assembling	Inbound and outbound logistics	Offices, distribution centers, own production sites, own retail, and business travel	End-of-life treatments	Including all stages of product life cycle
2021 [MtCO ₂ e]	1.4	0.5	2.9	0.6	0.3	0.1	0.2	6.0
GHGs	 23%	 9%	 49%	 10%	 5%	 2%	 2%	

¹ Values reported cover production seasons SS21 and FW21. Raw materials production and processing (Tier 4+, Tier 3, Tier 2): 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'). Assembling (Tier 1): 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%). Logistics: Quantities of goods for specified distribution routes are combined with transport emissions factors. Own Operations: Impacts are estimated based on reported environmental quantities in the workplace governance data system and business travel data system. End of Life: Emissions caused by disposal of our products by consumers are estimated based on sales volumes and typical waste disposal routes (e.g., landfill and incineration).

SUPPLY CHAIN

As a substantial portion of environmental impact occurs, at different intensities, throughout the supply chain, sourcing at adidas is not only about ensuring high product quality and timely delivery. It also means working with our suppliers to ensure they are continuously optimizing their environmental footprint in the area of energy use and carbon emissions, water, wastewater, chemicals, and waste. Strategic suppliers at Tier 1 and Tier 2 level 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.


In 2021, we engaged with our suppliers enrolled in the environmental program and empowered them to develop decarbonization business plans on their own, considering they best understand their respective situation and can find the most appropriate measures for their future GHG emission reduction plans. In addition, we encouraged all suppliers to enroll in the 'UNFCCC Climate Action Training' to equip them with the knowledge they need to effectively mitigate climate change and achieve climate neutrality (CO₂e). Beyond that, we drove various initiatives to help suppliers scale the use of renewable energy and increase their energy efficiency.

- **Increasing adoption of renewable energy:** We have seen progress following our 2025 target to keep emissions flat on 2017 levels through increased adoption of renewable energy. After we had conducted feasibility studies with positive results in 2020, we encouraged suppliers in our environmental program to install rooftop solar panels and successfully increased the rooftop solar power in our supply chain to 93 MWp in 2021. We have also contractually secured additional capacity and aim at achieving coverage of 50% of the total potential in 2022. We will continue to identify and strengthen additional potential in 2022 to gradually include more of our Tier 2 suppliers.

- **Phasing out coal-fired boilers:** Eliminating the use of coal-fired boilers at all direct supplier facilities at Tier 1 and Tier 2 will result in a proportionally high positive environmental impact. We committed to not installing any new coal-fired boilers, heaters, and power generation from 2022 onward, as well as to phasing out existing on-site coal-fired equipment at all direct suppliers at Tier 1 and Tier 2 level by latest 2025. Enforcement methods are in place in case of non-achievement. We are supporting our suppliers with on-site coal-fired equipment for the phase-out by completing feasibility studies, outlining replacement alternatives, and defining a clear roadmap and developing adequate training for 2022.
- **Preparing suppliers to purchase renewable energy in Vietnam:** adidas has continued to work closely with key suppliers in Vietnam, providing the technical guidance and expertise to enroll and access the first off-site renewable project. Once approved, the pilot program will feature direct power purchase agreement ('DPPA') mechanisms between renewable energy developers/power generation companies and private power buyers/consumers. DPPA mechanisms are surging around the world as a new driver and catalyst for renewable energy projects.
- **Continuing to increase energy efficiency:** Further optimizing energy efficiency remains important going forward. We moved to a supplier self-governance model in 2021, which means that suppliers take full responsibility for their efforts and achievements, while adidas keeps tracking and monitoring their energy efficiency performance. We successfully achieved a 3% reduction, comparing to 2019 baseline.
- **Developing industry-wide training in Asia:** We co-developed an online climate action training program with 'Deutsche Gesellschaft für Internationale Zusammenarbeit' ('GIZ') that was rolled out to all Tier 1 and Tier 2 suppliers covered in our environmental program in 2021. The training's objective is to upskill the fashion supply chain on GHG emissions, show how to set targets, and identify reduction measures such as adopting renewable energy and improving energy efficiency. Through annual on-site audits we will track progress to ensure that the suppliers have qualified staff in place.

In 2021, we expanded on our water reduction efforts to include additional, high-consuming Tier 2 suppliers in our program. Through the application of new technologies, among others, we aim to achieve a 40% reduction in water intensity against the 2017 baseline by 2025. In 2021, Tier 1 suppliers achieved a 15% reduction in water intensity, and Tier 2 suppliers an 18% reduction. We moved toward a supplier self-governance model in 2021, which means that suppliers take full responsibility for their efforts and achievements, while adidas is still tracking and monitoring performance. Guided by our ambition to support our suppliers in the best possible way, we have developed environmental good practice guidelines with water-saving initiatives.

We also continued to work toward optimizing landfill diversion, achieving a 93% waste diversion rate at the end of 2021 for suppliers enrolled in our environmental program. This success was supported, among others, by a program we set up in 2019 in major sourcing countries including Cambodia and Vietnam to use production waste as an energy source in the cement industry. While this solution has its limitations due to a lack of logistics in some countries, it enabled us to identify suppliers that had a low diversion rate, challenging them to engage with service providers for waste processing. adidas has developed a waste management guideline, waste co-processing due diligence guideline and environmental good practices guideline showing how to improve waste segregation to increase its market value, and minimize overall waste generation.

As we accelerate our sustainability efforts, we continue to support our supplier partners to improve their performance and ensure that this is underpinned by sound environmental management systems and accurate data disclosure. 

CHEMICAL MANAGEMENT

adidas has been building and implementing a holistic chemical management program in its supply chain for years. We have defined an end-to-end-approach spanning the management of chemical input, monitoring the chemical management in our supply chain, and reporting supplier performance data publicly, to controlling the finished end product.

- **Ensuring robust input chemical management:** To avoid hazardous chemicals entering into our supply chain we require our suppliers to increase the usage of chemicals that have achieved the highest level of conformance (level 3) of the Zero Discharge of Hazardous Chemicals ('ZDHC') Manufacturing Restricted Substances List ('MRSL'). In 2021, we guided our suppliers to report their chemical inventory and consumption through a ZDHC-approved third-party online platform on a monthly basis. Suppliers were provided with performance reports through which we could enhance overall visibility on chemical inventory management in our supply chain. By the end of 2021, 42% of supplier facilities achieved chemical use compliant with ZDHC MRSL level 3, taking us closer to our 2025 target of 80% of facilities to be compliant.
- **Monitoring output chemical management:** Pollution abatement is critically important for the textile industry, which is why we have also set targets for suppliers for managing their wastewater discharge performance. To support facilities in their continuous improvement on wastewater discharge quality, we rolled out an effluent treatment plant evaluation that supports them to strengthen their quality controls on wastewater discharge. We are also partnering with ZDHC to integrate this assessment tool into their industry platform. Despite the challenges our facilities experienced during the pandemic due to country lockdowns and severe disruption of on-site wastewater sampling, we observed a significant improvement with 87% of our suppliers achieving ZDHC Wastewater 'foundational level' in 2021. With that, we have already exceeded our 2025 target of 80% of our suppliers operating on-site effluent plants to achieve ZDHC Wastewater 'foundational level.'
- **Collaborating with the industry to improve chemical management processes:** Together with industry partners, we supported ZDHC on the development of their technical industry guideline. The publication of this guideline further strengthened industry collaboration on driving one standard on chemical management practice for suppliers. We also joined an industry collaboration to better understand and get more visibility on the hazardous chemicals that may exist in recycled materials. ↗

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 2021 as part of our efforts to counterbalance covid-19-related supply chain challenges, the vast majority of our transportation continued to take place via sea freight, with 97% of footwear, 93% of apparel and 72% of accessories and gear being shipped via sea freight in 2021.

MORE SUSTAINABLE MATERIALS


We are committed to steadily increasing the use of more sustainable materials in our production, products, and stores. We push toward sustainable innovation and circular business solutions.

As part of 'Own the Game' we aim to move to a comprehensive sustainable 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.


To qualify as a sustainable article, environmentally preferred materials have to exceed a certain pre-defined 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 developments in our industry, competitor benchmarks, and expert opinions: For apparel, the environmentally preferred material content is required to amount to at least 70% of the article weight, for accessories and gear at least 50%, and for footwear at least 20%.¹⁵ This standard will be applied for the years 2022 onwards.

For 2021, the first year of reporting in the new strategic cycle, we applied a different standard¹⁶ and were able to increase the percentage of sustainable articles by eight percentage points for the Spring/Summer 2022 season compared with the Spring/Summer 2021 season.¹⁶

By the end of 2022, we aim to have seven out of ten of our articles sustainable.  [SEE COMPENSATION REPORT](#)

 The following materials build the foundation of the environmentally preferred materials we use:

- **More sustainable cotton:** adidas has steadily increased the sourcing of [more sustainable cotton](#) throughout the last several years and already manages to source 100% more sustainable cotton since the end of 2018.
- **Recycled polyester:** To increase the use of recycled polyester is yet another way we seek to improve our environmental footprint while still making high-performance products for athletes. Polyester is the most common single-used material in adidas products and, by 2024, we aim to replace all virgin polyester with recycled polyester in all products where a solution exists. We set clear internal milestones for product creation teams and have seen progress throughout the last several seasons. 91% of all polyester used in 2021 was recycled. With that, we are on track to use only recycled polyester from 2024 onward.
- **Parley Ocean Plastic:** Since 2015, adidas has partnered up with the environmental organization 'Parley for the Oceans' and uses 'Parley Ocean Plastic' as an eco-innovative replacement for virgin polyester. In 2021, we continued to roll out Parley Ocean Plastic across key categories, both in 'Performance' and 'Lifestyle' products across footwear, apparel, and accessories. In 2021, we produced close to 18 million pairs of shoes containing Parley Ocean Plastic.  [SEE GLOBAL BRANDS](#)

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 out of synthetic fibers can have a negative environmental impact during the production of materials and their use phase, and acknowledge fiber fragmentation as a complex challenge for our industry – one we are proactively addressing. adidas is co-founder of 'The Microfibre Consortium' ('TMC'), which has developed a test method and in future aims to give guidance to the textile industry to mitigate the impact of fiber fragmentation. 

¹⁵ 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). For the calculation of the article weight, trims are excluded for apparel and accessories and gear. Only articles with verified environmentally preferred material contents are included. Licensed articles are excluded. Without Reebok.

¹⁶ For apparel and accessories and gear, the environmentally preferred material content is based on the article weight (at least 25% recycled content or 50% sustainable cotton; excluding trims), for footwear (only upper part) it is based on material components (at least 25% of the components used contain 50% or more recycled content) or article weight (at least 25%). The percentage of sustainable articles (by count) offered at the points-of-sale in Spring/Summer 2021 amounted to 60.6%. Only articles with verified environmentally preferred material contents are included. Licensed articles are excluded. Without Reebok.

CIRCULAR SERVICES

■ In addition to using recycled content or more sustainable material for our products, we steadily expand our circular service offering. Since we introduced Futurecraft.Looped – our first fully recyclable running shoe – as a beta program in 2019, it has developed into a concept within the business that spans multiple categories, and April 2021 saw the first commercial launch with the Ultraboost ‘Made To Be Remade’ (‘MTBR’). The shoe features a prominently displayed QR code that can be scanned using the adidas app and is guiding consumers through the take-back process. Other MTBR models launched this year are the Stan Smith MTBR and Terrex Free Hiker MTBR, and MTBR apparel products for Running and adidas Stella McCartney. Additional products will follow in 2022, such as the Terrex MTBR Anorak.

Complementing its recyclable product offering, adidas innovates with new business models as we expand our take-back services. We introduced ‘Choose to Give Back’ which is aimed at helping to extend the lifecycle of worn sportswear apparel and footwear. Under this program that started in October 2021 in the United States, products in any condition and made by any brand can be sent in. Products in good condition are resold through our collaborator, thredUP, with the aim of finding a new owner for as many products as possible. Going forward, we will scale the program and roll it out to more markets.

adidas has already made its first prototypes using innovative materials, proving that a reliance on finite fossil fuels, such as crude oil, might be reduced in the future. The adidas Stan Smith Mylo, presented in 2021, is created with a natural, renewable material made from mycelium, developed in collaboration with ‘Bolt Threads.’ adidas is also collaborating with startups, such as ‘Infinited Fiber,’ ‘Spinnova,’ and ‘Pond,’ to work on materials made of natural resources that we can use in our product. Together, we are striving to substitute fossil-based plastic materials with plant-based raw materials – all without compromising our performance proposition.

In collaboration with US running shoe manufacturer Allbirds, adidas developed its most climate-friendly performance running shoe ever with a carbon footprint (CO₂e) of merely 2.94kg (measured against a comparable running shoe: adizero RC3 at 7.86kg CO₂e emissions), offering a limited number for sale. For example, the upper is made with recycled polyester from adidas and only renewable energy is used to produce the shoe. ■ ► [SEE GLOBAL BRANDS](#)

PACKAGING

■ We are committed to reducing our plastic footprint globally. Where the use of plastics is still unavoidable, for example in transport packaging, adidas is working to find sustainable alternatives. For example, together with the global innovation platform ‘Fashion for Good,’ the company explored the development of a recycling infrastructure for used polybags as well as innovative recycling processes for polybags, testing the technical feasibility of polybag circularity.

In addition, the company succeeded in changing practically all of the polybags used to protect finished products during transport from our manufacturing facilities from virgin material to 100% recycled LDPE (low-density polyethylene) polybags by the end of 2021. Most of the few remaining virgin polybags cannot be replaced currently as no alternative is available in the production country and import restrictions are in place. ■

PRODUCT SAFETY AND INTEGRITY

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 or impair our image. 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 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. To ensure successful application of the policy across the business, we have integrated a 'Product Safety and Compliance' workspace into the Global Legal Sharepoint on our intranet which serves as a platform for all employees involved in product creation by providing them with the necessary information and guidance to develop, produce, and distribute products according to international regulations and best-practice standards. 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 2021.

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, a pilot for an assessment tool was launched in cooperation with international third-party laboratories in 2021, to evaluate the testing performance and accreditation level of the laboratories we work with. This approach will ultimately also be made available to other customers of the laboratories, such as 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.

OWN OPERATIONS

Own operations refer to administrative offices, distribution centers, and production sites, and together with our own retail stores in 2021 equaled a coverage of 3,654,401m² of gross leased area (GLA). Similarly to our supply chain program, we focus on working toward decarbonization, enhancing the efficiency of water use, and aiming for higher waste diversion rates.

2025 Goal for Own Operations


Climate Neutrality (CO₂e)

Our efforts are underpinned by clear targets we have set. By 2025, we aim to achieve climate neutrality (CO₂e) for both own operations and own retail stores. We will also continue to improve the water efficiency at our highest-consuming sites, aiming for a 15% reduction in water consumption per square meter for own operations, measured against 2019, while working to achieve a waste diversion rate of 95% at own operations. We aim to steadily increase our overall environmental performance data coverage and continue to push implementing eco-efficiency standards through a holistic integrated management system (IMS) at key sites. All of these efforts will support us on our way to achieve a 30% reduction of GHG emissions across our entire value chain by 2030, measured against the baseline of 2017.

- **Moving toward decarbonization:** We defined a clear roadmap to achieve our emission reduction targets, including measures such as implementing on-site renewable energy production, improving energy use efficiency, sourcing renewable energy,¹⁷ and renewable energy certificates.¹⁸ In 2021, we kept investing in own operations and offered Green Funds to subsidize local projects to improve energy efficiency as well as on-site renewable energy production. During 2021, we implemented 13 decarbonization initiatives that included, for example, three on-site solar renewable energy projects in Herzogenaurach and Moscow, and energy efficiency projects at distribution centers such as LED retrofit, HVAC (heating, ventilation, and air conditioning) equipment upgrade, and energy monitoring systems. In 2021, for the first time, we collected electricity consumption data for our own retail stores globally. Data coverage with primary data for own operations was 98%, and for own retail 21%. In 2021, total energy consumption across own operations globally was 512,050 MWh, equivalent to a total of 138,411 tCO₂e (12,908 tCO₂e in Scope 1 and 125,502 tCO₂e in Scope 2), equivalent to 0.038 tCO₂e/m² (25,731 tCO₂e for own operations, 112,680 tCO₂e own retail stores (including own showrooms)). We continue our transition toward renewable sources. 100% of our electricity consumption in Europe and North America comes from renewable energy sources in part supported by certificates for renewable energy.
- **Improving water efficiency:** In 2021, we invested in the installation of more efficient sprinkler systems, water submeters, and a wastewater segregation system at our headquarters in Portland. We will keep investing in water efficiency and wastewater projects in the coming years. In 2021, our water consumption at own operations totaled 0.128 m³/m², and we achieved an accumulative water reduction of 34% compared to 2019.
- **Increasing waste diversion rates:** Data collection for waste streams and volumes contributable to adidas remains a challenge, as our offices are mostly located in shared buildings for which we do not have direct control over waste management. As of 2021, 74% of our own operations are monitoring and tracking waste. By the end of 2021, a total of 32,951t waste was generated and we achieved an accumulated diversion rate of 92% for own operations, measured against 2019.
- **Implementing sustainable processes:** The Integrated Management System (IMS) helps us to secure relevant ISO management certifications for key locations, such as environmental management (ISO 14001), health and safety management (ISO 45001), energy management (ISO 50001), and – introduced in 2021 and planned to obtain for 2022 – facility management (ISO 41001). adidas aims to further expand these certifications to more key sites through implementation of the standards and both internal and external audits, as these support us to achieve our energy, water, waste, and health and safety targets. As of 2021, 64 sites were certified for ISO 14001, 63 sites for ISO 45001, 327 sites for ISO 50001 (applies to locations with more than 50 employees or space exceeding 4,500m²).

¹⁷ Renewable energy is accounted for with zero emissions.

¹⁸ Decrease in emissions from electricity consumption in part as a result of the purchase of 'Renewable Energy Certificates.'

- **Continuing Green Building certification:** 'Green Building' certifications are a key enabler to reduce carbon emissions and enhance resource efficiency in the construction of facilities. adidas has been using predominantly 'LEED' ('Leadership in Energy and Environmental Design') and 'BREEAM' ('Building Research Establishment Environmental Assessment Method') certifications for new construction and renovations for own retail stores as well as corporate facilities. As 'Green Building' certification is used for strategically relevant projects, a set of internal eco-efficiency standards have been implemented for all projects which 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.
- **Tracking occupational health and safety:** Health and safety, especially regarding the workplace and our people, has always been a priority at adidas. We ensure that our infrastructure, assets, and operations are compliant with the ISO standard 45001, by providing a safe, secure, and healthy work environment. Monitoring our performance closely helps us keep track of our progress and identify areas where we need to increase our efforts. We have implemented training and guidelines and scaled these through the entire organization. In 2021, we recorded zero fatal accidents (2020: 0), a Lost Time Incident Rate of 0.40 for employees (2020: 0.53), and 0.97 for external workforce (2020: 0.67), as well as a zero Occupational Illness Frequency Rate ('OIFR'). 

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.

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 provide annual updates on the allocation of proceeds and the impact KPIs driven by the proceeds. ► **SEE TREASURY**

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

	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	91	71
Percentage of more sustainable cotton sourced	100	100
Number of pairs of shoes produced containing 'Parley Ocean Plastic'	> 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	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)	64/63/327	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	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	— ⁵	316
Number of scholarships granted to students at adidas' HBCU partner schools as part of adidas' 'United Against Racism' ambition	55	108

¹ Percentage share of recycled polyester in 2021 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.

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

Over the course of 2020 and 2021, the EU has developed and issued the EU Taxonomy Regulation. In order to direct investments toward sustainable projects and activities that support the achievement of the EU's climate and energy as well as the 'European Green Deal' targets, the taxonomy has the objective to provide a common language and a clear definition of what is considered 'sustainable.'

The Delegated Regulation 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.


Based on the current publications, the main economic activities of our industry sector are not classified as taxonomy-eligible¹⁹ with regard to the first two environmental objectives, climate change mitigation and climate change adaptation, as laid out in the Delegated Regulation on Climate. Details on the remaining four environmental objectives are expected to be published in 2022. Due to the first application of the EU Taxonomy Regulation, there are still considerable uncertainties with regard to the interpretation of its components. We are well aware of these circumstances and provide further details on the interpretation

¹⁹ Taxonomy-eligible economic activity' means an economic activity that is described in the delegated acts adopted pursuant to Article 10(3), Article 11(3), Article 12(2), Article 13(2), Article 14(2), and Article 15(2), of Regulation (EU) 2020/852, irrespective of whether that economic activity meets any or all of the technical screening criteria laid down in those delegated acts. 'Taxonomy-non-eligible economic activity' means any economic activity that is not described within these delegated acts. For 2021, adidas is only required to report on the proportion of taxonomy-eligible and non-eligible economic activities of net sales, CAPEX and OPEX.

where necessary. Due to the timing and resources required to create the adidas Annual Report 2021, we have only reflected taxonomy-relevant publications issued before January 31, 2022.

For the year 2021, adidas did not identify any taxonomy-eligible turnover. However, adidas performed an analysis to identify the proportion of taxonomy-eligible (i.e., what has the potential to be classified as 'sustainable') operating expenses ('OPEX') and capital expenditure ('CAPEX') that can be linked to the first two environmental objectives with reference to the total values according to the EU taxonomy definitions. The taxonomy provides different definitions of the terms 'OPEX' and 'CAPEX' than what we are disclosing in this report.

- **'OPEX KPI':** The taxonomy definition of 'OPEX' including expenditure for research and development, short-term leases, maintenance and repair costs as well as other expenditure²⁰ results in a total value of € 692 million (denominator of the 'OPEX KPI') at adidas. In comparison to the disclosed € 21.234 billion of net sales and € 8.892 billion of 'OPEX' in this report, we consider the EU Taxonomy 'OPEX' value as insignificant with regard to our business model. Consequently, and in line with the regulation, we are not publishing the numerator of the 'OPEX KPI.' The information would not add 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 activities such as the renovation of buildings and professional services related to the energy performance of buildings, etc. As a result of these considerations, we report an 'OPEX KPI' numerator value of € 0.
- **'CAPEX KPI':** In comparison to the disclosed CAPEX value of € 667 million in this report, the taxonomy definition of 'CAPEX' results in a total value of € 1.188 billion (denominator of the 'CAPEX KPI') at adidas. The denominator contains, in accordance with the definition of the EU 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 and allocated them to activities listed in Annex 1 and 2 of the regulation, where eligible. In this process we conducted several control measures such as plausibility checks as well as reconciliations to avoid double-counting of additions. The numerator of the 'CAPEX KPI' amounts to € 604 million and mainly contains eligible expenditure in relation to leasing, the construction and the renovation of buildings, as well as the company car fleet, all related to the first environmental objective 'climate change mitigation' (Annex 1). Consequently, the 'CAPEX KPI' results in 51% of taxonomy-eligible and 49% of non-eligible activities.

Within our strategy 'Own the Game,' sustainability builds a strategic focus area and we are committed to pushing the boundaries going forward, which is reflected in the ambitious targets and numerous initiatives outlined in this report. 

²⁰ 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.