

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.' To underline this commitment, in 2021, we further sharpened our focus on sustainability and defined a roadmap for 2025 and beyond that allows us to create – and drive – positive impact. As we keep pioneering in sustainability and join forces with the industry and peers to drive systemic change, we will continue to move to a comprehensive, consumer-facing sustainable article offering at scale, evolve our approach to circularity, and work toward achieving climate neutrality (CO₂e) across our entire value chain. We will continue to empower our employees to become sustainability ambassadors, just as we invite our consumers globally to engage and connect with us on the topic of sustainability. Lastly, we also aim to uphold the highest standards in the area of social compliance across our supply chain.

► [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 environmental sustainability strategy and leads the Sustainability Sponsor Board ('SSB'). The SSB is composed of senior representatives from different functions across the company and ensures cross-functional alignment, transparent end-to-end management, and execution of agreed-upon sustainability goals. We also maintain a separate compliance function which is operated as the Social and Environmental Affairs ('SEA') Team to monitor supplier-facing social and environmental compliance performance and human rights impacts, reporting to the CEO through the General Counsel. In 2022, we set up a cross-functional 'ESG Regulation Board' to ensure we stay well on track of upcoming regulation for management of environmental, social, and governance ('ESG') topics and disclosures. The sponsor for the ESG Regulation Board is also a member of the SSB to ensure best possible alignment between the two bodies. Notably, in 2023, various ESG progress updates were given to the Executive and Supervisory Boards. Ultimately, the variable compensation of the entire Executive Board has been linked to the ESG criterion 'Share of sustainable articles' since 2021.

► [SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK ► ADIDAS-GROUP.COM/COMPENSATION](https://adidas-group.com/compensation)

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 updated the Green Ambassador training for our retail colleagues, now covering even more comprehensive sustainability content, and rolled it out with the objective of informing, engaging, and inspiring our entire team and all consumers around the globe that we interact with on a daily basis. In

2023, around 130 training sessions were delivered, attended by more than 1,000 retail employees worldwide. 

Materiality

Throughout 2023, adidas monitored its non-financial topics that were identified through its 2022 full-scope materiality analysis. As a result of this monitoring process, the list of material topics has not changed compared to the previous year. The analysis in 2022 involved various internal stakeholders and was carried out taking two perspectives: an impact materiality perspective (inside-out) as well as a financial materiality perspective (outside-in), each of which was assessed both qualitatively and quantitatively.

For a list of all material topics, please refer to the non-financial statement.  [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, as has been securing feedback and acting on stakeholder concerns. This is indeed integral to our human rights and environmental impact due diligence activities and the shaping of our social and environmental strategies and plans. 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. We have guidelines that specify key principles for the development of stakeholder relations and detail 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 footwear 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 that transparent communication with our stakeholders on our sustainability ambitions and progress is critical. We use global reporting standards such as the guidelines of the Global Reporting Initiative ('GRI') and the Sustainability Accounting Standards Board ('SASB') to inform our external non-financial reporting. We regularly disclose additional information to public-facing social and environmental benchmarks, such as the Corporate Human Rights Benchmark, and reporting platforms, such as CDP, 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.

Over the last few years, we have placed particular emphasis on further evolving climate-related reporting beyond established disclosures, including CDP submissions, and have continued to stepwise include the 'Task Force on Climate-related Financial Disclosures' ('TCFD') recommendations addressing the framework's four thematic areas: governance, strategy, risk management, as well as metrics and 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. During 2023, we established a core team composed of experts from several business areas. Its objective is to start building more granularity to ensure high-quality data for more extensive external reporting for scenario analyses and setting up the base to support us to make informed business decisions – considering the medium- and long-term financial impacts of climate change across our value chain as well as the broader social and environmental impacts. ■ **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 2023, adidas was again subject to comprehensive corporate 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 2023

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 (among top 10 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 (14.8/100, upper score: 0)	CDP Forests ¹ (‘CC’ score, upper score: ‘A’)	World Benchmarking Alliance Gender Benchmark (among top 20 in our industry)
ISS Corporate Rating (Prime ‘B-’ Score, upper score: ‘A’)	Corporate Information Transparency Index (among top 3 across industries)	

¹ Accumulated separate scores for the disclosed commodities of leather ('C') and timber ('C').

adidas maintained its leadership position for supply chain environmental performance and, in 2023, was awarded first place in the Corporate Information Transparency Index ('CITI') by the Institute of Public & Environmental Affairs ('IPE'), acknowledging our efforts for improving environmental management and transparency for our supply chain in China. ■

Environmental impacts

■ In 2023, decarbonization, circularity, biodiversity, and water management were confirmed as key environmental impact areas for us to continue to focus on in our strategy. During 2023, we continued to increase the number of articles we define as sustainable, aiming at 90% of our articles to be sustainable by 2025, and to work toward achieving climate neutrality (CO₂e) across our entire value chain. We also assessed selected key materials potentially contributing to biodiversity risks and committed to a deforestation-free leather supply chain latest by 2030. We further evolved our approach to circularity to support the creation of an ecosystem that is necessary to scale circular solutions in our industry. This included focused engagement in cross-industry projects aimed at unlocking circularity, such as 'T-REX' and 'Sorting for Circularit.' We also continued to address water efficiency and quality in our supply chain, with an advanced chemical management program and ambitious targets in place.

We empower our employees to become sustainability ambassadors, just as we invite consumers globally to engage and connect with us on the topic of sustainability. Our established running movement 'Run for the Oceans' has evolved into 'Move for the Planet,' an initiative aiming to raise consumer awareness for climate change by supporting selected grassroots sports organizations. adidas has partnered up with not-for-profit organization 'Common Goal' to help communities in need engage in climate action through sport. This includes initiatives such as renewing a community's sports field using recycled materials and providing training on how to reduce plastic waste at sports facilities.

We believe that moving toward achieving the targets we have defined for 2025 and beyond will set us up for future success. Engaging closely with our suppliers remains critical to achieving our targets. We are therefore leveraging our long-term relationships with suppliers to ensure they can help us achieve our decarbonization targets and we are also working closely with partners to scale innovative materials, recycling technologies, and circular business practices across the value chain.

Targets for 2025 and beyond: Environmental impacts

Target year	Area	Target	Baseline
	Own operations		
	Emissions	Achievement of climate neutrality (CO ₂ e) ¹	
	Water	15% water intensity reduction (m ³ /m ²)	2019
	Waste	95% waste diversion rate	
	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
2025	Chemicals (Input)	80% of chemical formulations used by our suppliers for production achieve the highest level of conformance with ZDHC MRSI ('Level 3')	
	Wastewater (Output)	90% 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 ²	
	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 ¹	2017
2050		Achievement of climate neutrality (CO ₂ e)	

¹ Targets received approval by the Science Based Targets initiative (SBTi). We will re-submit these targets to SBTi for approval throughout 2024.

² Subject to reasonable assurance engagement of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

The table provides an overview of the targets we have set ourselves that will help us reduce our environmental impacts. 

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)¹⁴ by 30% by 2030, measured against a baseline of 2017, and
- achieving climate neutrality (CO₂e) across the entire value chain by 2050.

Our emission reduction targets by 2025 and 2030 have been approved by the 'Science Based Targets initiative' ('SBTi').¹⁵ Within the 2025 target, we commit to reducing absolute Scope 1 and 2 GHG emissions by 90%¹⁶ 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 1, 2, 3) of 30% by 2030 (baseline 2017) meets the SBTi's criteria for ambitious value chain goals, meaning they are in line with current best practices.

When it comes to decarbonization, we believe that data quality is critical. Therefore, in addition to developing a tool that enables us to quantify, monitor, and be transparent about our carbon footprint along our entire value chain, we have put considerable effort in gathering more primary data from our suppliers over the last few years. This has allowed us to gain more precise insights into carbon emissions, energy consumption, and the impact of our decarbonization initiatives.

As both the quality and availability of data improved significantly in 2023, we were able to update our methodology for measuring carbon footprint across our value chain. Consequently, we recalculated the 2022 data to ensure year-over-year comparability. This updated methodology continues to be fully aligned with international methodology standards, provided by e.g. the GHG Protocol and SBTi, and reduces the dependence on assumptions and generalizations typically presented by secondary data.

As in the previous year, the 2023 results show that our environmental impacts are distributed unequally across the value chain, with the most significant impacts generated in the supply chain, particularly in raw materials production and processing.

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 2023 decreased by 3% compared to the previous year. This reduction has been driven by the work done with our suppliers, such as continuing with the phase-out of coal in our manufacturing facilities and the increased use of renewable energy. Our innovation effort, that has also enabled us to use low-carbon manufacturing methods and materials, as well as decreased production volumes due to high inventory levels in the market translated into a 24% reduction in total absolute GHG emissions¹⁷ compared to the previous year.

¹⁴ The target boundary includes biogenic emissions and removals from bioenergy feedstocks.

¹⁵ We will resubmit these targets to SBTi for approval during 2024.

¹⁶ In line with SBTi requirements, we allow ourselves, if needed, a reduction of a maximum of 10% of all emissions in the target year, to be achieved through offsetting.

¹⁷ Calculation excludes emissions resulting from 'Use of sold products' in alignment with the guidance provided by the 'Science Based Targets initiative'.

Breakdown of annual GHG emissions^{1,2,3}

	2023	2022
Scope 1 emissions (in tons CO₂e)	21,779	21,856
Administrative offices	9,863	10,752
Distribution centers	5,831	5,128
Own retail stores	5,160	5,439
Showrooms	925	537
Scope 2 emissions, market-based (in tons CO₂e)	142,457	142,293
Administrative offices	16,349	13,354
Distribution centers	20,311	21,647
Own retail stores	102,003	104,480
Showrooms	3,794	2,812
Scope 3 emissions (in tons CO₂e)	5,894,811	7,635,784
Purchased goods and services	4,503,000	6,041,553
Upstream transportation and distribution	247,684	343,556
Business travel	43,753	36,158
Use of sold products	957,429	1,057,515
End-of-life treatment of sold products	142,945	157,002
Total emissions (in tons CO₂e)	6,059,047	7,799,933
GHG emissions per product, total emissions/production volume (kg CO₂e per product)	6.3	6.5

1 Values reported cover production seasons SS23 and FW23. 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 calculated based on 7% of reported environmental quantities [primary data] in the Health and Safety, Environment, and Energy (HSEE) own operations data collection systems and 21% by estimations. The estimations are calculated by scaling up the primary data collected at the facility or site level to a company-wide level on the basis of gross lease area (in square meters).

2 Intensity factor to calculate emissions per product excludes emissions resulting from 'Use of sold products' to align with our GHG reduction target for 2030 as approved by the SBTi.

3 Figures for Scope 3 emissions in 2022 were revised following a methodology update. Scope 3 emissions in 2022 applying the previous methodology totaled 7,523,545 tons CO₂e.

During 2023, some of our suppliers purchased Energy Attribute Certificates ('EACs'). The reduction of emissions resulting from these EACs were not factored into our footprint calculation, due to the current lack of consensus on concepts on the operationalization and accounting approach. Instead, we continued to collaborate with the industry to find more robust solutions that allow for Scope 3 interventions that further incentivize investments and overall long-term decarbonization of the industry. ▶

Reducing land-related emissions ('FLAG')

◀ adidas recognizes the importance of reducing land-related emissions. Therefore, in 2023, we started to quantify our emissions resulting from Forest, Land, and Agriculture ('FLAG') operations according to the SBTi FLAG Guidance. The results of our calculations (based on 2022 data) show that FLAG emissions represent only a minor proportion of adidas' total GHG emissions, with the main impacts stemming from sourcing cow leather, cotton, and natural rubber. The result of 7% FLAG emissions¹⁸ falls below the SBTi

¹⁸ The result of 7% FLAG emissions was not part of an assurance engagement by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft.

threshold for required FLAG target setting, but adidas will continue to work on reducing those emissions. 

Measuring our product footprint

 adidas recognizes the pivotal role of data and transparency as catalysts for increasing awareness and informed decision-making to mitigate the environmental impact of our products. This impact, largely resulting from decisions made during the design phase, underlines the importance of strategic interventions. In 2023, we achieved a critical milestone with the development of an in-house, state-of-the-art tool that allows us to measure the environmental footprint of any footwear or apparel product within our portfolio. Aligned with international standards, the methodology adheres to ISO 14067:2018 and has undergone rigorous third-party verification. This tool is seamlessly integrated into our existing creation systems, connecting and leveraging available life cycle assessment (LCA) data, ultimately speeding up the calculation process and enhancing accuracy.

This tool enables us to create higher transparency about product carbon footprints for consumers. In 2023, we managed to disclose the carbon footprint for selected articles and will continue to do so for an increasing number of articles in 2024.

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. As 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

 Greenhouse gas emissions resulting from energy use during manufacturing of products at our supplier factories are one of the major contributors to the carbon footprint of our entire value chain. Consequently, working with our suppliers and helping them reduce their emissions is critical for achieving our decarbonization targets. As our supply chain is large and diverse, we benefit from setting and communicating clear ambitions and tangible goals for suppliers, while supporting them with expert know-how and training, and ultimately also measuring and rewarding them for progress made.

In 2022, we set clear expectations for developing a holistic approach to decarbonization in our 'adidas Decarbonization Manifesto' for our strategic suppliers at Tier 1 and Tier 2:

- **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 selected from the adidas low-carbon technology portfolio.

During 2023, we translated the high-level direction of our Manifesto into actionable goals and revised the framework we use to track performance of suppliers, helping us monitor how each supplier is contributing to our decarbonization efforts. These goals include increasing the use of renewable or low-carbon energy

sources, improving energy efficiency, and demonstrating progress toward targets that are aligned with the SBTi. We incentivize suppliers for their performance, including product allocation priority, opportunity for existing, high-performing partners to gain market share, entry opportunity for new, disruptive supplier partners, as well as first-mover advantage and sustainability leadership position.

Key highlights of our suppliers' progress during 2023 are as follows:

- **Phasing out coal-fired boilers:** Since 2022, we have prohibited our suppliers from installing new coal-fired boilers, heaters, or power generation systems, and remain committed to phasing out coal-fired boilers at all direct supplier facilities at Tier 1 and Tier 2 by 2025. By the end of 2023, more than 48 boilers have been modified or replaced (2022:18) to use 100% low-carbon fuel such as biomass or natural gas. Furthermore, six of our suppliers have now completely phased out the use of coal in their production.
- **Increasing adoption of on-site renewable energy for electricity generation:** We have been asking our suppliers to install on-site renewable energy sources, such as rooftop solar projects, for the last few years, and we are seeing steady progress. The total capacity of rooftop solar projects at our key suppliers increased by 44% compared to the previous year to 267 MWp in 2023.
- **Preparing suppliers to purchase electricity from off-site renewable energy (RE) sources:** After seeing first positive environmental effects from implemented PPAs and Green Tariffs at some supplier facilities in 2022, we expanded the coverage and scale of our renewable electricity target in 2023. We supported our suppliers by conducting upskilling sessions on PPAs, Green Tariffs, and Energy Attribute Certificates ('EACs') or Renewable Energy Certificates ('RECs') and connecting them with providers of these solutions. As a result, 35 supplier factories are now using more than 50% of their electricity from RE. Overall, our suppliers sourced more than 447,268 MWh from off-site renewable energy projects in 2023, reflecting an increase of 38% compared to the previous year.
- **Driving industry collaboration to support suppliers achieving their SBTi targets:** In 2023, we initiated a strategic partnership with the Indonesian Chamber of Commerce and Industry and saw 20 of our Indonesian suppliers successfully graduating from their technical training program, which is designed to help them achieve their SBTi-approved targets. We connected with various industry experts such as World Resources Institute (WRI), CDP, World Wildlife Fund (WWF), and Indonesia Business Council for Sustainable Development (IBCSID) to help them establish their SBTi targets. Through the program, our suppliers identified and quantified their Scope 1, 2, and 3 GHG emissions and built roadmaps on how to reduce emissions. 

Own operations

- ☛ We are committed to reducing our GHG emissions in our own operations, i.e., our administrative offices, distribution centers, and own retail stores. In 2023, this equaled to a coverage of 3,491,966 m² of gross leased area.

We are following a clear roadmap across own operations to achieve our GHG emission-reduction targets, focusing on both steadily increasing environmental performance data coverage and continuing to implement eco-efficiency standards and processes through a holistic management system ('Integrated Management System' – 'IMS'). We are working on measures such as improving energy efficiency, implementing on-site RE production, and sourcing renewable electricity. We continued to invest in our own operations and offered 'Green Funds' to subsidize local energy efficiency and on-site renewable energy projects. One such measure in 2023 was an on-site solar project combined with electrification of gas infrastructure used for heating at our distribution center in Caspe, Spain. For 2024, we plan several

projects for implementation at our headquarter campus in Herzogenaurach, Germany, and at other own operation sites globally.

We further improved our coverage of energy data collection within our own operations. During 2023, we managed to increase our primary data coverage for our own retail sites by a further five percentage points compared to the previous year to 41% globally. Data coverage for administrative offices and distribution centers is at 100%, while data for showrooms and smaller offices was mostly estimated.

In 2023, our total energy consumption across own operations globally was 494,489 MWh (2022: 510,539 MWh), equivalent to total emissions of 164,236 tCO₂e (2022: 164,149 tCO₂e). While we continue our transition toward renewable electricity in Europe, in the past few years we decided to switch our focus from short-term initiatives, such as the purchasing of EACs for Europe and North America, to more impactful measures, e.g., securing long-term renewable electricity contracts such as PPAs. As a result, we saw no significant change in reported Scope 1 and 2 GHG emissions despite an overall decrease in energy consumption compared to 2022. In 2023, we signed a virtual PPA for Europe: For a period of ten years, adidas will be supplied with approximately 50,000 MWh of renewable electricity per year produced by a new solar project in Spain, starting in 2025. This will contribute to the long-term reduction of emissions from our European operations.

Our IMS helps us to secure all relevant ISO management systems 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 they support our efforts to achieve our energy, water, waste, and health and safety targets. As of 2023, 70 sites (2022: 64) were certified for ISO 14001, 140 sites (2022: 112) for ISO 45001, and 324 sites (2022: 322) for ISO 50001 (applies to locations with more than 50 employees or space exceeding 4,500m²).

We continue to use certifications that require consideration of environmental aspects for interior design and construction of own retail stores – including 'Leadership in Energy and Environmental Design' ('LEED') and 'Building Research Establishment Environmental Assessment Method' ('BREEAM') certifications. While we aim to obtain these external certifications for strategically relevant projects, we also apply a set of internal eco-efficiency standards that mirror the priorities of the LEED certification for all other projects. In 2023, seven of our own retail stores across the globe received LEED certification, with our retail store in Cape Town, South Africa, being awarded the highest level of recognition, LEED Platinum, for its advanced energy metering, indoor water use reduction and enhanced indoor air quality strategies. ▶

Water efficiency

◀ adidas has been running water reduction programs for years and has built a strong awareness of the importance of this topic among its Tier 1 suppliers. Since 2021, we have been using a self-governance model that requires suppliers to take responsibility for their reduction efforts, while adidas continues to track and monitor their consumption. We continued to expand and focus our water reduction efforts by including additional Tier 2 suppliers with high water use in our environmental program. In 2023, Tier 2 suppliers achieved a 33% reduction in water intensity (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.

At our own operations globally, we aim to strengthen water efficiency and wastewater projects in the coming years. By the end of 2023, our water intensity at administrative offices and distribution centers totaled 0.138 m³/m² (2022: 0.145m³/m²). In the year under review, we saw a decrease of the absolute

volume of water withdrawal compared to 2022 due to reduced operations at some locations. Overall, we achieved an accumulative reduction of 28% (2022: 25%) compared to the 2019 baseline ($0.193 \text{ m}^3/\text{m}^2$), and, with that, exceeded the target we set ourselves for 2025. 

Chemical management

 We are dedicated to leading our supply chain to implement more sustainable chemical management practices using globally recognized guidelines throughout our production processes. We apply an end-to-end approach that includes using safe chemicals, eliminating potentially harmful substances, and ensuring proper discharge of treated wastewater that meets the highest standards.

As a founding member and signatory contributor, we maintained our strong collaboration with the Zero Discharge of Hazardous Chemicals (ZDHC) Foundation and supported them by actively participating in various task teams dedicated to the development of guidelines and trainings. In 2023, we were the only sportswear brand to achieve the highest of three possible performance levels ('Aspirational Level') in the ZDHC 'Brands to Zero' program, demonstrating effective implementation of the ZDHC guidelines and tools within our supply chain, improving by one level compared to the previous year.

- **Fostering sustainable input chemistry:** In our efforts to further accelerate more sustainable chemistry, we introduced the 'adiFormulator' program in 2023 to enable direct engagement with 40 critical chemical formulators with the aim of accelerating the adoption of chemicals with the highest level of conformance with the Manufacturing of Restricted Substances Lists ('MRSL') ('Level 3' chemicals). Formulators successfully completed the transition to the revised ZDHC MRSL version and introduced approximately 1,000 new 'Level 3'-certified formulations that are predominantly used in the footwear production and printing process in our supply chain. Through this program, in 2023, 67% of chemical formulation used by our suppliers achieved the highest level of conformance with ZDHC MRSL ('Level 3') (2025 target: 80%¹⁹). Going forward, we remain dedicated to further enhancing this program to drive exceptional performance in 2024.

adidas is committed to being more than 99% PFAS-free. In 2023, an industry-wide supplier informed us that paint containing PFAS was incorrectly used for individual components of zippers in our PFAS-free apparel range. Upon learning this, we have taken appropriate steps to ensure that we will return to being 99% PFAS-free as of Fall/Winter 2024.

- **Upgrading targets for cleaner wastewater discharge:** Ensuring clean wastewater discharge is of paramount importance to us. We consistently surpassed our 2025 targets, with 84% of our supplier facilities meeting the ZDHC wastewater foundational level in 2023, resulting from our proactive approach to evaluating effluent treatment plants and implementing corrective measures. Following a continuous overperformance, we increased our target from initially 80% to now aiming for 90% of facilities that should meet this level by 2025. We have done so despite the fact that we anticipate revisions of the ZDHC wastewater guideline next year, for which we do not yet have full visibility of the new parameters to report on. We will continue to guide our suppliers through capacity building and best practice sharing to ensure a smooth transition to the application of the new guidelines. 

¹⁹ Target was revised for clarity in 2023. Progress toward target as previously defined was that 69% of suppliers used at least 60% 'Level 3' chemicals.

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 of non-hazardous waste. These guidelines specify that the non-recyclable waste materials should not be directly landfilled. We developed a waste diversion program to use non-recyclable manufacturing waste in energy production in collaboration with co-processing partners in our major sourcing countries. 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 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 2023.

At own operations, during 2023, we continued to focus 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 2023, 98% (2022: 89%) of our own operations by square meters are monitoring and tracking waste. By the end of 2023, a total of 26,382 tons (2022: 32,246 tons) of waste was generated, and we achieved an accumulated diversion rate of 89% (2022: 88%) 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 decreased to 1% in 2023 as part of our efforts to counterbalance covid-related supply chain challenges, the vast majority of our transportation continued to take place via sea freight and truck. ▶

Materials

Our sustainable article offering has steadily increased over the last years. 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.

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%.²⁰ This standard has been applied since 2022.

In 2023, almost eight out of ten of our articles were sustainable according to this definition, and consequently exceeded our planned annual milestone set for this year. This achievement was supported by progress across all categories. More than 90% of all apparel and accessories and gear articles were already sustainable. Our sustainable footwear offering nearly doubled compared to the previous year, despite the technical difficulty to develop sustainable solutions at scale. On top, we experienced challenges with regard to the availability of more sustainable, high-performing, and economically scalable materials in 2023.

²⁰ This standard has been 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.

Critical to this success was the progressive evolution of foundational capabilities to create more transparency and higher accuracy for material and product data. This required investments into our IT infrastructure and now enables automated measurement of sustainable components for each of our articles. Progress toward this target was successfully verified by a third party for the second consecutive year under the most reliable form of auditing ('reasonable assurance'), increasing awareness across the entire company and supporting our system readiness for future requirements.]

■ The most commonly used materials are listed in the following table.

Selection of key material types used for adidas products 2023¹

Material	Share of total material volume in %	Share of material group in %
Polyester	37	
Recycled polyester		99.0
Rubber	17	
Recycled rubber		1.5
Natural rubber		10.0
Cotton	14	
Third-party certified cotton		97.3
Organic cotton		2.7
Recycled cotton		0.1
Ethylene-vinyl acetate (EVA)	10	
Biobased EVA		2.0
Recycled EVA		1.9
Leather	3	
Third-party certified leather		99.9

¹ Figures are based on the Spring/Summer 2023 and Fall/Winter 2023 seasons, with the exception of polyester [Fall/Winter 2023 and Spring/Summer 2024 seasons].

- **Recycled polyester:** Polyester is the most widely used material in adidas products. In 2017, we set ourselves the ambitious target to replace 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 2023, 99% (2022: 96%) of all the polyester we used was recycled. This includes '[Parley Ocean Plastic](#)', which is plastic waste collected from remote islands, beaches, coastal communities, and shorelines, preventing it from polluting the oceans, as a replacement for virgin polyester. With that, we are on track to use only recycled polyester by the end of 2024. 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.

Share of recycled polyester in 2023

99%

- **More sustainable cotton:** Since the end of 2018, 100% of the cotton we use has come from more sustainable sources, including organic, recycled, and other third-party certified cotton. During the 2022/23 cotton season, adidas participated in the 'Organic Cotton Accelerator's Farm Program' and sourced organic cotton from smallholder farmers in India.

- **Responsibly sourced leather:** adidas has used leather for decades due to its unique properties such as durability and physical performance. As a member of the Leather Working Group ('LWG') since 2006, adidas has defined standards for our leather suppliers, including LWG certification, compliance with our Restricted Substances List 'A-01,' exclusion of hides from India and China, and exclusion of all exotic leathers and furs. Currently, more than 99% of our leather volume is audited in accordance with the LWG protocol, with most of our hides being sourced from tanneries with the highest possible rating ('Gold'). LWG is currently working on enhancing this audit protocol to create an industry-first traceability standard for leather. In 2023, adidas committed to a deforestation and conversion-free ('DCF') leather supply chain latest by 2030.
- **Innovative materials:** In 2023, adidas launched products with a material using new technology ('LanzaTech') that turns greenhouse gases into feedstock for polyester. Waste gases are sourced from industrial emissions and fermented to ethanol, which is one of the elements needed to make polyester. These elements substitute the conventional building blocks made with fossil fuel feedstock. The 2023 Australian Open tennis collection and a total of around 380,000 pieces of apparel and footwear, were produced with material using this technology across several business units including running and training. In the fall, we successfully launched a small collection of Gazelle shoes with 'Mylo,' a material made on the basis of mycelium, through a collaboration drop with Sean Wotherspoon.

We are aware that textile products release microfibers during manufacturing processes and also during product use, due to washing or UV exposure. These microfibers can have a negative environmental impact on soil, air, and water. There still is, however, little research done to understand the root causes. 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 microfiber release and, in the future, aims to advise the textile industry on mitigating the impact of fiber fragmentation. In 2023, TMC published position papers on microfibers in wastewater as well as a study on fiber fragmentation of recycled polyester in fabrics. Both contribute to better understanding the complexity of this topic and, as a result, will help define our approach going forward. ▶

Circularity

◀ adidas has been a pioneer in creating products with a circular end-of-life solution, known as 'made to be remade' ('MTBR'). This journey began with the introduction of the Futurecraft.Loop shoe in 2019, a 100% mono-material performance running shoe that was made according to circular design principles. We successfully scaled this concept from a prototype back in 2019 to a fully commercial MTBR apparel and footwear collection across multiple categories through 2023. The program will expire in 2024. During the last few years, we learned that the implementation of circular services requires tight collaboration with partners along the entire value chain including collection, sorting, and recycling of waste.

In addition to circular products, adidas also carried out several pilots on circular services in previous years, such as sneaker cleaning in stores globally, rental, and take-back programs. In 2023, we focused on the topic of repair to extend the lifespan of our products. We maintained a repair service at our Terrex store in Munich and launched a rental program pilot in our new concept store in Berlin.

At adidas, we define circularity as maintaining the value of products and materials at their highest level for as long as possible, and as such align with the UN Environmental Programme's definition as laid out in their report 'Sustainability and Circularities in the Textile Value Chain.' Establishing and expanding circularity on a global scale within our industry is a complex challenge that requires strong collaboration among multiple stakeholders. This includes direct and indirect value chain partners, ranging from collectors and sorters to pre-processing partners and recyclers, as well as suppliers and innovators.

In 2023, we evolved our approach to circularity acknowledging the need for systemic change. Using frameworks established by industry organizations, and anticipating upcoming regulatory requirements, we identified actions to be implemented across our entire value chain operations. We aim to support the creation of an ecosystem necessary to bring closed loops to scale in our industry and we will be sharing our knowledge and reviewing lessons learned from past circular service pilots and the MTBR product design criteria. In addition, we are expanding our engagement in EU-funded cross-industry circular research projects such as 'Textile Recycling Excellence' ('T-REX') and the 'New Cotton Project,' as well as partnering with 'Fashion For Good' in the 'Sorting For Circular Economy' project series, all aimed at unlocking end-to-end textile circularity.

- **'Textile Recycling Excellence' ('T-REX'):** This project brings together 13 major actors from across the entire value chain, under the coordination and leadership of adidas, to create a harmonized blueprint and business opportunities for closed-loop sorting and recycling of household textile waste in the EU. The key objective is to transform end-of-use textiles from waste into a desired feedstock and a commodity for new business models, thus proving the economic viability of a scalable circular economy for textiles in Europe.
- **'New Cotton Project':** adidas has been a partner in this EU-funded project which is an industry and multi-stakeholder effort to scale the chemical recycling technology of Infinitex Fiber Company with the ambition to expand circularity of cotton textile waste. The project will be completed in 2024 and has been impactful in scaling closed-loop textile sorting and recycling.
- **Projects with 'Fashion for Good':** In addition to EU-funded projects, we were actively involved in several projects with Fashion for Good in 2023. adidas is the lead sponsor of the 'Sorting For Circular Economy' project in the US, an initiative of Fashion for Good and the Circle Economy. Going beyond, through a series of projects, adidas has continuously collaborated with other organizations to develop a 'Sorting for Circular Economy' framework, a comprehensive guide to mapping the garment life cycle, capturing textile waste, and unlocking its recycling potential. We believe that this guide can be a valuable tool for the fashion industry to transition toward circularity.
- **'FastFeetGrinded':** adidas also partnered with FastFeetGrinded to test shoe recycling processes with the aim of developing a scalable solution for the footwear industry. The pilot involves deconstructing shoes into macro components for repurposing and reuse.

We actively engage with circular economy experts and organizations to stay up to date on the latest developments and incorporate innovative approaches into our circularity initiatives. We have launched initiatives in various markets to educate consumers about circularity and encourage them to wear products longer. We published a series of blog articles to upskill consumers on proper cleaning of shoes in the US, and in Germany we partnered with one of our online retailers to create trainings for consumers on how to best care for their shoes. These activities demonstrate our commitment to circularity and driving change within the fashion industry aiming to move forward on the circular journey with our value chain partners. 

Biodiversity

 adidas is aware of the potential impacts and dependencies its business operations can have on ecosystem services and nature assets. 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 2023, we continued to assess and better understand where exactly our impacts lie and started to formulate our approach to managing biodiversity challenges in our value chain. Particular focus was given to the potential risk of deforestation because it represents the greatest lever for reducing the loss of biodiversity. In our value chain, a potential risk of deforestation is linked to the sourcing of nature-derived commodities used in our products and packaging, such as leather, natural rubber, and timber. Following scientifically validated frameworks from the Science Based Targets Network ('SBTN') and the Accountability Framework, we identified first concrete actions to be taken across our entire value chain, such as mapping our supply chain beyond our Tier 3 suppliers and setting time-bound commitments for deforestation-free supply chains.

In 2023, we prioritized leather and have already set a target. Roadmaps for natural rubber and timber-derived materials are under development.

- **Leather:** In 2023, we committed to source all bovine leather from DCF supply chains by 2030 or earlier. This commitment is based on the 'Deforestation-Free Call to Action for Leather' by Textile Exchange and the LWG, which aims to catalyze change within the entire bovine leather value chain through collective action. To achieve the 2030 target, we will follow a two-phase roadmap. The first phase encompasses mapping the leather supply chain beyond the tannery to the origin of the hide at the slaughterhouse. This additional transparency will allow a risk assessment and, in a second phase, lead to articulating more specific requirements that will be set for the earlier production stages to ensure that the leather we source is not linked to deforestation. Consequently, in 2023, we started a comprehensive mapping of our entire leather supply ecosystem down to the slaughterhouse and, where possible, to the farm level. This assessment has been carried out with the support of an external party and is currently under evaluation. This mapping will form the basis for our next steps.

In addition, we have also been working with the WWF on their 'Deforestation Toolkit,' a project that brought together relevant actors in the leather supply chain, from the slaughterhouse owners to the buying companies. This toolkit will provide guidance to all actors on an aligned deforestation-free strategy and ensure robust commitments. Finally, as part of LWG in 2023, we also focused on traceability, with adidas sponsoring the first phase of the LWG 'Traceability Roadmap.' This roadmap has three pillars: traceability assessment, deforestation due diligence, and chain of custody. adidas experts actively participated in working groups with other brands and diverse stakeholders from the leather supply industry. In addition, adidas piloted a traceability blueprint using blockchain technology with the UN Economic Commission for Europe.

- **Natural rubber:** We also initiated a supply chain mapping exercise for natural rubber to identify the countries of origin of this feedstock. The gaps identified in this analysis will be addressed over the next years to ensure we have complete visibility of our supply chain and to enable us to work with our suppliers toward our goal of sourcing DCF natural rubber.
- **Timber-related commodities and alternatives:** In alignment with our DCF commitment, we have worked with Canopy Planet to structure our commitments on timber-related materials. This includes supporting the conservation of forests and ecosystems, further assessing our sourcing of man-made cellulosic fibers and paper packaging, and working toward eliminating sourcing from ancient and endangered forests. We continue to prioritize recycled or DCF-certified paper packaging. Through the 'Fashion for Good' innovator platform, we are collaborating with various innovators to explore alternatives to virgin materials, such as from agricultural waste. Our involvement in such innovation pilots supports the fashion industry in finding solutions to avoid increasing pressure on forest-derived materials.

- **Animal-derived materials:** We follow standards for 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 International Union for Conservation of Nature ('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.

In 2023, we also assessed potential biodiversity risks connected to other commodities in our supply chain, and our own as well as our strategic suppliers' operations for potential impacts on protected areas, key biodiversity areas, and the International Union for Conservation of Nature ('IUCN') Red List of Threatened Species.

In 2023, we continued our work on biodiversity at our headquarters in Germany and completed a campus-wide inventory, created a master plan, and implemented initial measures to improve biodiversity on campus. Results will be used to develop new plans to reflect observations and implement science-based biodiversity actions. We also raised employee awareness of biodiversity, regenerative agriculture, and deforestation and conversion through several internal upskilling sessions, collaborative workshops, and employee activations around the globe. [\[1\]](#)

Packaging

- We are committed to using more sustainable packaging materials and reducing the impact of packaging by optimizing box sizes and number of shipments, although this only accounts for a small proportion of total emissions, around 1%.

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 exceptions 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 carrier bags handed out in adidas retail stores have been made with recycled paper. [\[2\]](#)

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 both our 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 of compliance with our policies are ensured through Global Operations.

One of these policies is the Restricted Substances Policy ('A-01' Policy) 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 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 2023.

Over the past few years, we have substantially contributed to the 'Restricted Substances List' of Apparel and Footwear International RSL Management ('AFIRM'), 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 2023, such as a harmonized test request form, the third-party lab evaluation questionnaire, and the offer of additional languages for the supplier online training videos. In addition, a [PFAS](#) phase-out guidance supported by an online webinar for suppliers has been published. All these tools will be issued to the public and made available to other companies from the textile and sporting goods industry and their suppliers. We also continued to participate 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. To respond to the increasing legislation from US states, such as the recently enacted Federal US Environmental Protection Agency (EPA) law for [PFAS](#), we have strengthened our status sharing for US retailers and our outreach to strategic suppliers, also enhancing our tracking functionality retroactively. 

Social Impacts

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, from raw material production to our own operations, by safeguarding the rights of our own employees and those of workers who manufacture our products through our Workplace Standards, and by using our influence to bring about positive change wherever adverse human rights impacts are linked to our business activities.

Human rights

In 2023, we took further steps to advance our Human Rights and Environmental Due Diligence ('HREDD') efforts in support of our ambition to have a system in place to identify and manage high-risk human rights issues across the entirety of our value chain by 2025. This included expanding the scope of our human rights and environmental risk management system to encompass other business areas such as Global Brands, Procurement, and Human Resources, in addition to our product sourcing activities. As part of this expanded risk management system, we have further developed our governance framework to assign accountability for human rights and environmental risk management at a functional level and established internal risk assessment and reporting procedures. Our cross-functional internal ESG Regulation Board oversees compliance with current and emerging regulations, and we have conducted upskilling training sessions on a range of topics, including the company-wide application of the German Act on Corporate Due Diligence Obligations in Supply Chains.

The Act, which went into effect on January 1, 2023, regulates the responsibility of German companies to respect human rights in their global supply chains and calls on companies to identify, assess, and prioritize risks and address them by taking steps to minimize or eliminate adverse impacts. To the best of our knowledge and belief, we have aligned our internal due diligence processes and reporting systems to comply with the requirements of the Act, which seeks to strengthen human rights and environmental protection in the following areas: child labor, forced labor and discrimination, land grabbing, occupational health and safety, the right to fair wages, the right to form unions, and environmental violations. In the first half of 2024, adidas will submit a Human Rights and Environmental Due Diligence Report to the German authorities and publish it on its corporate website to fulfill its annual public reporting obligation.

We are committed to providing for or cooperating in the remediation of adverse human rights and environmental impacts that we have caused or contributed to, and we seek to promote or cooperate in the mitigation and remediation of adverse impacts to which we are linked through our business relationships. In 2023, to strengthen this approach and complement our due diligence processes, we updated our 'Third Party Complaint Procedure for Human Rights and Environmental Impacts' to address both actual and potential adverse human rights and environmental impacts in our direct and indirect supply chain.

In 2023, we introduced additional tools and systems to enhance our assessment of high-risk issues such as forced labor and child labor in upstream supply chains and other human rights risks arising from business activities undertaken in conflict-affected countries. This included the introduction of a US regulatory compliance database, which allows individual business entities and production locations to be screened against trade sanctions and forced labor risk data. We automated this process by linking our in-house sustainable material traceability system to this platform, enabling us to track the risk of forced labor in our supply chain. We also continued to roll out an internal reporting tool to identify and evaluate the potential presence of ILO forced labor indicators. We started in China, where all our Tier 1

manufacturing partners, our nominated Tier 2 material suppliers, and targeted Tier 3 spinning mills were assessed against these ILO indicators. None of the suppliers assessed showed evidence of forced labor. This tool is now being applied globally to ensure ongoing regulatory compliance across the entire supply chain.

In response to the ongoing war in Ukraine and continued political instability in post-coup Myanmar, we continue to carry out a heightened version of human rights due diligence. In Ukraine, while physical access to conduct on-site audits remains restricted, we have actively engaged with our supplier to conduct remote worker interviews and monitor the human rights situation. In Myanmar, we continuously engage with international and local stakeholders to monitor the evolving human rights situation. To enhance these efforts, we joined the Multi-Stakeholder Alliance for Decent Employment in the Myanmar Apparel Industry ('MADE'), a project that is co-funded by the European Union and aims to uphold and monitor human rights and social and environmental standards in Myanmar supplier factories and promote responsible business practices.

An enhanced human rights due diligence was also conducted in the context of adidas' business wind-down in Russia, a country that has faced a wide range of international sanctions. The assessment considered the impact on employees and retail staff affected by the winding down of business operations and store closures.

Throughout 2023, we maintained close contact with FIFA's Human Rights and Anti-Discrimination team and, together with other sponsors, held monthly calls to discuss the advancement of proposals for a legacy fund linked to the 2022 FIFA Men's World Cup and to FIFA's post-event evaluation of the effectiveness of its complaint mechanism in Qatar. This engagement also included reaching out to FIFA regarding their tracking of human rights impacts in the lead-up to the 2023 FIFA Women's World Cup and the development of a human rights framework for cities hosting the 2026 FIFA Men's World Cup in the Americas.

We continue to implement responsible recruitment practices in the supply chain. In 2023, we updated our Responsible Recruitment Policy to reflect the renewed industry commitment to the 'Employer Pays' principle to ensure that workers receive a timely refund in the event they have paid fees and incurred costs to obtain and maintain their job. As part of our ongoing engagement with Tier 2 manufacturers in our supply chain in Asia on the responsible recruitment and employment of foreign migrant workers, we piloted a digital worker voice tool with ten material suppliers in Taiwan. The pilot sought to amplify worker feedback and monitor and remedy grievances and complaints. ▶

Transparency and recognition

▶ We continue to transparently report on the actions we have taken to identify and mitigate risks of forced labor and adverse human rights impacts in our global supply chain through our annual Modern Slavery Statements to regulators in jurisdictions such as the UK and Australia, our annual modern slavery progress updates, and other public disclosures on our corporate website and relevant third-party channels. We are also committed to maintaining our achieved 100% response rate in the Business and Human Rights Resource Centre ('BHRRC') company response mechanism, which encourages companies to publicly address human rights issues raised by civil society. We continue to receive external recognition for our transparent approach to managing human rights. For example, we are ranked among the top ten apparel and footwear companies in the Corporate Human Rights benchmark of the World Benchmarking Alliance ('WBA') and maintain a leadership position in third place in the KnowTheChain benchmark on forced labor. ▶ ➤ 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 Fair Labor Association ('FLA') 'Workplace Code of Conduct' and 'Principles of Fair Labor and Responsible Sourcing.' These 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 seek to extend our reach by cascading responsibilities to our contractual partners 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 regular compliance monitoring, in 2023 we continued to focus on our own purchasing practices in accordance with our 'Responsible Sourcing and Purchasing Policy' to ensure that our sourcing activities do not negatively impact our manufacturing partners' ability to comply with our social and environmental standards. To best understand potential impacts, we have sought feedback from our manufacturing partners, both anonymously and openly, through our subscription to the Better Buying Institute, an independent organization that assesses and reports on the sourcing practices of participating brands, and through our own engagement with our suppliers. Based on this feedback, we have continued our efforts to improve our purchasing practices. In addition, in partnership with Better Buying, we expanded the use of our e-learning training on responsible purchasing practices to more than 4,000 employees in Global Operations. In 2023, the training was also shared with the majority of adidas licensee partners to further improve their understanding of effective responsible purchasing policies. 

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 our 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 the 'FLA Fair Compensation Tool,' a factory self-reporting tool that has been widely adopted by the industry 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 social impact KPI ('S-KPI') tool to measure suppliers' social impact performance through a set of social indicators, such as accident rates, worker satisfaction, and worker empowerment. By 2025, we aim to have 90% of strategic Tier 1 suppliers achieve a minimum of '4S,' (on a scale of 1-5, with 5 being the best) and 100% of strategic Tier 1 suppliers achieve '3S' or better. ■

Improving fair wages and gender equality 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 to 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, and achieve gender wage parity for workers and their supervisors at our strategic Tier 1 suppliers.

- **Fair compensation:** We are currently conducting a multi-year wage benchmarking exercise with our strategic suppliers.²¹ Data is being gathered from three different time periods: our 2020 benchmark year, our 2023 mid-term year, and our 2025 final year. The data reported for the 2020 benchmark year data was collected from 2021-2023, the 2023 mid-term year data will be collected in 2024, and the 2025 data will be collected in 2026. In 2023, we completed the 2020 benchmarking by collecting wage data in China, Thailand, and Pakistan.²² In line with the benchmarking completed in Cambodia, Indonesia, and Vietnam in the previous year, we compared factory wage data to external benchmarks, such as the applicable legal minimum wage, the FLA Country Average, which is an industry average based on suppliers working with FLA member companies, and the Global Living Wage Coalition ('GLWC') benchmark, where available.

Results of our entire benchmarking period 2020 show that the wages paid by the suppliers in scope for this exercise (representing around 80% of all strategic suppliers) exceed all of the aforementioned benchmarks. In line with the FLA Fair Compensation formula, all wages reported below include regular wages, paid leave, applicable and eligible incentives, benefits in kind and cash benefits, and exclude all legally required taxes and social insurance contributions.

- **Cambodia** (ten factories): In our major sourcing country for apparel, wages paid by adidas suppliers surpassed the legal gross minimum wage by 56% and the applicable net FLA Country Average by 33%. In the case of Cambodia, 90% of the factories assessed are unionized, while 10% have a collective bargaining agreement (CBA) in place.
- **China** (14 factories): The factories assessed in China are located within ten different gross minimum wage groups. Across all minimum wage groups, factories' net wages surpassed their applicable minimum wage requirement by between 13% and 159%. Currently, two of our data collection in-scope factories with an available and applicable GLWC benchmark surpassed their GLWC benchmark by 2% and 34%, respectively. In China, 79% of these factories have a state-backed trade union, and 43% a CBA in place.
- **Indonesia** (13 factories): The factories assessed in Indonesia are located within ten different legal gross minimum wage groups, which vary widely in terms of minimum wage requirements. Across all minimum wage groups, wages paid surpassed the legal minimum wage by between 9% and 66%; 92% of factories are unionized and have a CBA in place.
- **Pakistan** (two factories): The data shows that wages paid by adidas suppliers surpassed the legal gross minimum wage by 42% and the applicable net FLA Country Average by 16%. Currently, none of the factories in scope in Pakistan are unionized.
- **Thailand** (four factories): The factories assessed in Thailand are located within three different gross minimum wage groups. Across all minimum wage groups, wages paid surpassed the legal gross minimum wage by between 36% and 44%. Currently, none of the factories are unionized.

²¹ Strategic suppliers as of January 2020.

²² Data as reported in the 2022 Annual Report included 2020 benchmarking results from wage data collected in 2021 in Cambodia, Indonesia, and Vietnam (approximately 65% of our selected factories are located in these three countries). The reporting in this 2023 Annual Report reflects the full 2020 benchmarking results from all wage data collected between 2021-2023 from all of our factories in scope for this exercise located in our three initial countries (Cambodia, Indonesia, Vietnam), in addition to in-scope factories in China, Pakistan, and Thailand. A small number of factories in four different countries were initially considered for data collection and reporting. Due to the minor production volume they represent in their country and to protect their confidentiality, they have been subsequently removed from the scope.

- **Vietnam** (17 factories): Our factories are located within three legal gross minimum wage groups. The wages paid by factories in these zones surpass the minimum wage by between 72% and 78% and the GLWC benchmark by 18%, where applicable (zone 1 only). 100% of the factories have a state-backed trade union and a CBA in place.

We remain on track to complete our benchmarking process and, by the end of 2024, will be able to compare our 2020 wage data against the 2023 results. This will allow us to assess wage progress over time. We will continue our efforts to support the levers we have identified as being most influential in driving the wage-setting process. These are: legal obligations, responsible purchasing practices, productivity, industrial relations, and government engagement. We will also deploy a Gender Pay Parity Capacity Building Program across our supply chain in collaboration with other companies. This program will focus on raising our suppliers' awareness and understanding of the gender pay gap, in particular equal pay for equal work.

- **Gender equality:** We continue to implement measures that advance gender equality in our supply chain and meet our objectives to bring a gender lens to our strategic suppliers' operations to ensure that all workers will have equal opportunities and rights. In 2023, such measures included the launch of the 'Gender Equality Worker' survey, data verification of supplier self-assessment responses, and conducting the second annual supplier self-assessment. More than 44,000 workers participated in the worker survey, designed to evaluate worker experience and perception on gender equality in the workplace, obtain worker feedback on gender equality practices in factories, and provide strategic suppliers with a reference point for continuous improvement. All strategic suppliers have also submitted initial improvement plans to address gaps identified in the gender equality self-assessment tool and will continue to update their roadmaps for improvement. ▶

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 audit results, the Sourcing and SEA teams jointly decide on the course of action, ranging from training 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. ▶ ► [ADIDAS-GROUP.COM/SUSTAINABILITY](#)

▶ In 2023, adidas began a partnership with Better Work, which is a collaboration between the ILO and the International Finance Corporation ('IFC') that provides a range of due diligence and capacity building programs to suppliers in the 13 countries where Better Work operates. In addition to supply chain engagement, Better Work actively works to promote a constructive dialogue between the invested multi-stakeholders in those countries concerning buyer practices and workers' rights e.g., civil society organizations, governments, worker representatives, and union groups.

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 2023, remains accredited based on FLA's annual evaluations, in which adidas was rated as a top performer.

At the end of 2023, adidas worked with 357 independent supplier facilities²³ (2022: 424) that manufacture products for our company in 40 countries (2022: 44). The reduction in the number of facilities reflects the consolidation of sourcing operations in line with our strategy to form long-term relationships with our core manufacturing partners. 63% of our manufacturing partners' facilities (2022: 63%) are located in the Asia-Pacific region. In 2023, we worked with 37 licensees (2022: 39) manufacturing products in 251 factories (2022: 287) across 33 countries (2022: 34). [►](#)

Onboarding of new suppliers

[►](#) In 2023, our primary focus was on maintaining partnerships with our existing manufacturing partners rather than onboarding new ones. Consequently, the number of initial assessments – the first approval stage for a new entry into our supply chain – in prospective supplier factories remained with 66 at a similar level to the previous year (2022: 58). Of these, 19 factories (2022: 20) were either rejected directly after the initial assessment identified zero-tolerance issues or were 'rejected 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 (64%) of all initial assessments were undertaken in Asia (2022: 71%), with China accounting for 20% (2022: 26%).

Overall, at the end of 2023, the first-time rejection rate of new factories visited was 29% and thus lower than in the previous year (2022: 34%). Manufacturing partners with threshold issues are typically given three months to remediate them before being re-audited for final acceptance. Through active support and capacity building, all initially rejected factories successfully closed their non-compliance issues and were onboarded. As a result, in 2023, there were no factories subject to 'final rejection.'

²³ 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.

Supply chain performance data

	2023	2022
Onboarding of new suppliers		
Total number of first-time rejections ¹	19	20
First-time rejection rate	29%	34%
Total number of final rejections	0	4
Final rejection rate ²	0%	5%
Worker empowerment		
Implementation of 'Workers Voice' grievance platform at strategic manufacturing partners	100%	100%
Satisfaction rate from workers who raised a grievance through 'Workers Voice'	77%	77%
Training		
Number of training sessions (fundamental, performance, advanced)	179	187
Monitoring		
Total number of audits (initial assessment, performance audits, environmental assessments) ³	1,224	1,222
Enforcement⁴		
Number of warning letters (first warning)	8	6
Number of warning letters (second warning)	1	0
Number of warning letters (third and final warning)	0	0
Number of business relationship terminations for compliance reasons	0	0

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). As of 2023 this includes audits under the SLCP and Better Work programs. Environmental assessments include ZDHC wastewater test assessments according to the 'ZDHC Wastewater Guidelines.'

4 Includes warning letters issued by licensees according to the ZDHC Wastewater Guidelines, 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 empowerment

Over the past few years, we have developed efficient feedback channels, tools to measure worker satisfaction, and training tailored to empower workers.

- **Feedback options:** 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 2023, more than 359,000 workers employed in 108 manufacturing facilities across 16 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 42,000 human and labor rights complaints (2022: around 48,000) were filed through the Workers Voice platform in 2023, with 99% of these complaints being closed by the end of 2023. The top complaints received in 2023 were related to concerns over benefits (more than 11,000), general facilities (more than 7,200), and internal communication (more than 7,100).

Input received through the Workers Voice platform is 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 2023. The increase in satisfaction is partly related to a significant improvement in the response time of factory management to address workers' grievances, which decreased from 49 hours in 2020 to less than twelve hours in 2023 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 encouraged feedback.

- **Worker satisfaction:** Complementing the various grievance channels, we expanded the 'Worker Pulse' project, a digitalized short survey 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 2023, we undertook these digital surveys in 109 manufacturing facilities (2022: 133) across 16 countries (2022: 17), with more than 71,000 workers participating (2022: 85,000) through a mobile-phone-based application. At its core, the survey presented six statements against 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 comfort level when raising a suggestion or complaint or when talking to supervisors. The results show a steady increase in the number of favorable respondents across all questions since 2020, from roughly 78% to an average of 90% in 2023. The percentages 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 resulted in an increase in the average S-KPI score for our manufacturing partners' facilities in 2023. 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.
- **Women leadership:** Alongside facility-led training, we also offered tailored training under our 'Women Leadership Program.' Building on our team's learnings, we modified the training approach in 2022, adopting a hybrid model of in-person and online training. We continued with this model in 2023 with more than 1,500 supervisors participating in factories in Cambodia, China, India, Indonesia, Myanmar, and Vietnam. We closely track the progress of workers graduating from this training initiative, and since 2016, approximately 170 female supervisors have been promoted to higher positions as a result of their participation in the program.
- **Labor rights:** In 2023, we also saw a continuation of our mobile-phone-based 'Digital Training' project, which had been successfully rolled out at 133 manufacturing facilities in 17 countries in 2022. 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 50,000 workers took part in 2023 (2022: 82,000) and averaged a score higher than 92 out of 100 in the post-test questions, thereby demonstrating very high levels of awareness of their core rights and available remedies. 

Manufacturing facility engagements and training sessions

Throughout 2023, we combined on-site and remote (i.e., virtual) interactions to maximize the impact of our facility engagements and training sessions. In total, we completed 644 individual facility engagements in 2023 (2022: 657) and 179 training sessions for manufacturing partners, licensees, workers and adidas employees (2022: 187), reaching a total of around 4,222 people. The training sessions continued to cover 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.

We continued to work with our licensee partners in 2023 to ensure they are implementing adidas Workplace Standards into their manufacturing partners' operations in a consistent manner. Our licensees continue to have access to the FLA e-learning materials, which include training courses covering topics such as human rights, forced labor, responsible manufacturing, and worker engagement. In 2023, we expanded this training by facilitating access to the Better Buying Institute's e-learning course on responsible purchasing practices. In addition to the training, Better Buying worked with a selected group of licensees' suppliers to complete the Better Buying Partnership Index survey, which helped evaluate the impact of the licensees' purchasing practices on suppliers and their workers and identify any improvement areas. 

Audits

We regularly audit our manufacturing partners against the adidas Workplace Standards, utilizing a range of audit tools. In 2023, in addition to our own audits, we began to incorporate assessments conducted by the ILO's Better Work program, a collaboration between the United Nations' ILO and the International Finance Corporation to improve working conditions within the apparel and footwear industry. adidas also continued to use 'Social and Labor Convergence Program' (SLCP) assessments (2023: 79, 2022: 133) in its monitoring activities to avoid repetitive social audits in shared facilities.

A total of 499 social compliance audits (initial assessments and performance audits) were conducted in 2023 (2022: 709), six of which were conducted remotely (2022: 15). Of the 329 on-site performance audits conducted, 82% 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 295 in 2022 to 267 in 2023, reflecting a reduction in the number of licensee suppliers.

Number of audits by region and type

Region	Initial assessment ¹		Performance audit ²		Environmental assessment ³		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
Asia	46	60	356	426	684	606	1,086	1,092
Americas	19	12	44	34	17	18	80	64
EMEA	5	9	29	35	24	22	58	66
Total⁴	70	81	429	495	725	646	1,224	1,222

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). As of 2023, audits under the SLCP and Better Work programs are included.

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

⁴ Includes audits done in licensee factories.

To complement our broader sustainability efforts, we monitor our suppliers to ensure compliance with our environmental standards and guidelines and to validate their performance against annual environmental targets. In 2023, 325 facilities in 24 countries were assessed and evaluated for their environmental performance, which represented 317 of our key Tier 1 and Tier 2 manufacturing partners, and selected

Tier 3 suppliers enrolled in our sourcing sustainability program. In addition, a total of 400 wastewater test assessments were conducted according to the ZDHC Wastewater Guidelines.

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 85 in 2023 (2022: 109), with 90% (739 assessments) of all assessments performed by third-party monitors (2022: 860).²⁴

A total of 72% (2022: 65%) of all direct and licensee facilities were audited in 2023. ‘High-risk’ locations in Asia, which is the most significant sourcing region for adidas, were the subject of extensive monitoring in 2023, with an audit coverage of 89% (2022: 84%). 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 also continue our efforts to cascade HREDD processes within our supply chain by holding our key Tier 1 manufacturing partners accountable for implementing their own due diligence processes. This includes measuring our suppliers’ ability and performance in conducting their own internal compliance monitoring, as well as their commissioning of social compliance audits in their subcontractor facilities, with implementation tracked via our S-KPI tool. This is complemented by ongoing steps to extend audit coverage to our nominated Tier 2 material suppliers and targeted Tier 3 spinning mills in China. ▶

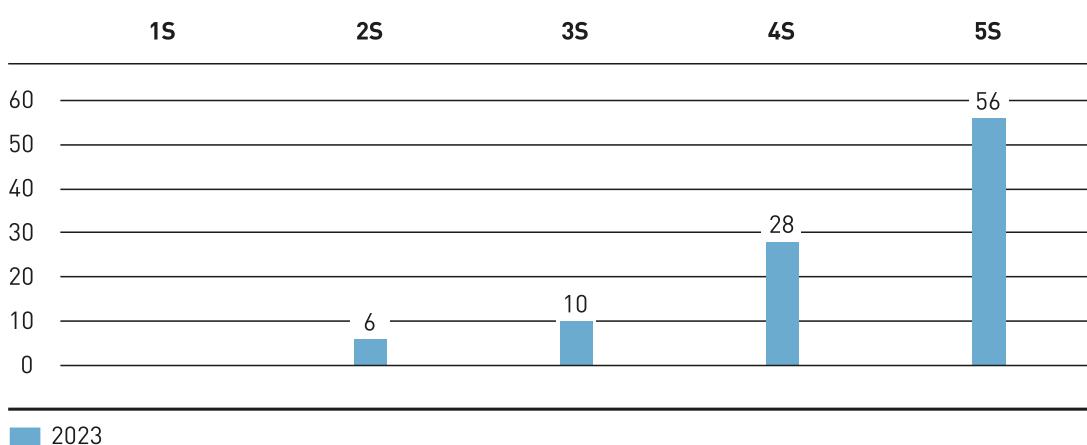
Audit results and S-KPI performance

■ 2023 marks the second year of measuring our 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 surveys, and the ratio of females in mid-managerial positions. The S-KPI assesses a factory’s performance in each of the UOMs based on the information gathered and, where applicable, 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%. For suppliers that have achieved a S-KPI of 5S, we reserve the possibility to exclude them from selected S-KPI compliance measurements for one year due to their low risk profile.

In 2023, almost 84% of our 108 key manufacturing facilities achieved a rating of 4S or better, which is a significant improvement compared to 2022 (75%). We see a positive trend, with almost all of the higher-performing manufacturing facilities (4S or 5S in 2022) maintaining or improving their S-KPI rating in 2023. With this performance, we are confident that we will meet the 2025 target for the upper performance band for our suppliers and now expect 90% of our strategic Tier 1 suppliers to achieve a minimum of 4S or better by 2025.

²⁴ Including social and environmental assessments, excluding ZDHC wastewater assessments (400).

Social impact performance rating of strategic supplier factories by S-KPI in %

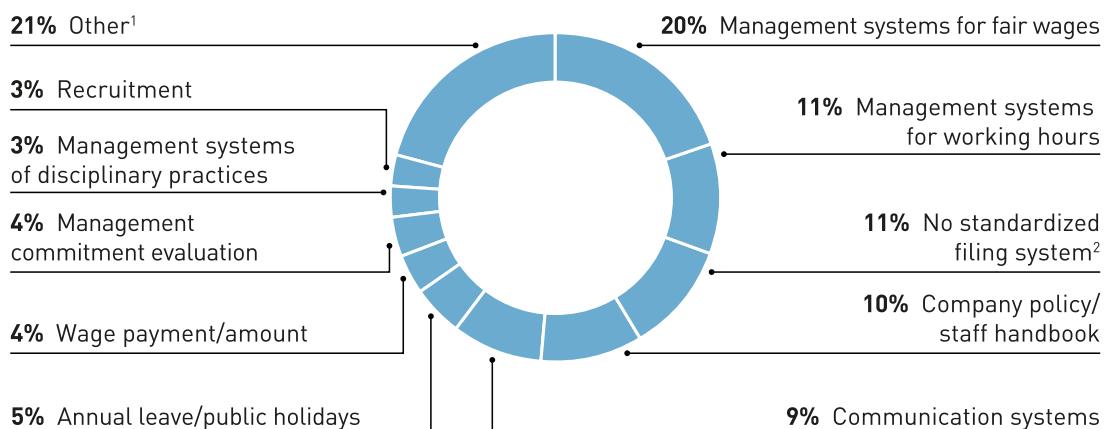


All of our key licensees (i.e., our long-term partners and/or those with the largest business volumes) achieved a Licensee Compliance Rating ('LCR') of at least 4S in 2023, and of these, 75% received a rating of 5S. This rating reflects that these licensees have successfully demonstrated that they have 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-compliance and require our manufacturing partners to remediate these findings within a specified timeframe. The identified issues in 2023 remained largely the same as those reported in 2022.
- **Labor:** Besides identifying non-compliance 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 2023

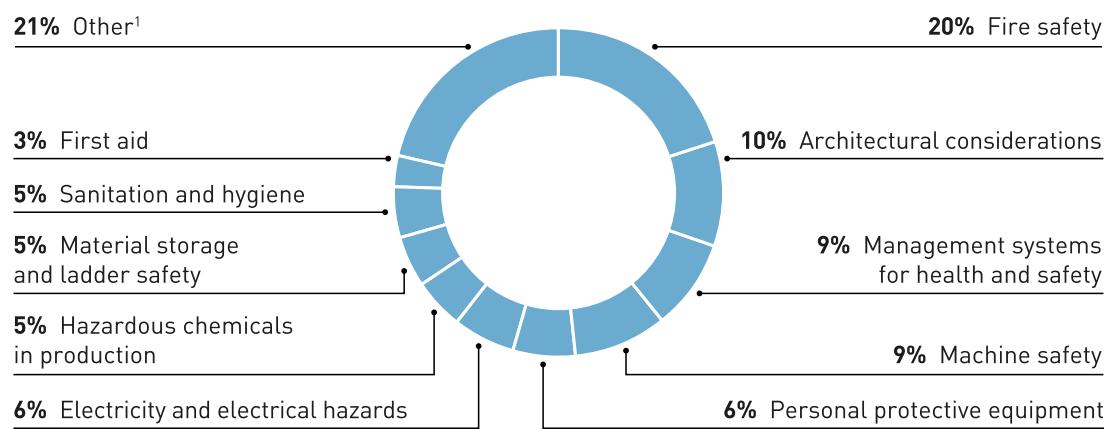


¹ 'Other' includes, for example, overtime/holiday rate and other benefits/allowances.

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, as well as machine and ladder safety are critical areas for existing manufacturing facilities, and together they accounted for almost 40% of the non-compliance identified in 2023. The way chemicals were stored and used, including the handling of hazardous chemicals, accounted for 5% 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 2023



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. 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. To support remediation and ensure effective management systems are in place, we undertake capacity building

especially for any identified high-risk issues. For instance, in 2023, we launched an occupational health and safety program to improve electrical safety for workers and factory maintenance staff, including written guidelines and supplier training. [\[1\]](#)

Independent FLA audits

Each year, the FLA independently assesses the supply chain of its member brands. It does this using a variety of monitoring models (e.g., in-person, virtual, or a hybrid approach of both in-person/virtual) that result in tailored 'Sustainable Compliance Initiative' ('SCI') assessments. adidas received three such FLA assessments in 2023. 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. [\[1\]](#)

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-compliance that cannot be resolved, we terminate business relationships with facilities. When making such a decision, we always seek to balance the adverse impacts arising from the unresolved non-compliance 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.

- **Warning letters:** In 2023, our close engagement with our manufacturing partners' facilities helped limit the need to issue warning letters, with a total of nine (2022: six) across seven countries. Compared to the previous year, the overall number of active first warning letters remained at a similar level, from six in 2022 to eight in 2023; the total number of second warnings was one in 2023 (2022: 0). Manufacturing facilities that receive a second warning letter 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 termination of the contract) were issued to our manufacturing partners in 2023 (2022: 0).
- **Advisory letter:** For suppliers to whom we do not have a direct contractual relationship, we rely on advisory letters as an enforcement measure: In 2023, two advisory letters were issued to Tier 2 facilities after their management failed to commit to complying with our environmental requirements.
- **Terminations:** In 2023, there were no instances in which a supplier agreement was terminated for social compliance reasons (2022: 0). [\[1\]](#)

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, we provide an overview on our sustainability bond as well as on our approach to complying with the requirements of the EU Taxonomy, the objective of which is to channel investments in the direction of sustainable economic activities. 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 the Sustainability Bond Framework we created. adidas has committed to providing annual updates on the allocation of the proceeds and the impact KPIs driven by the proceeds until fully allocated. As of September 2023, adidas had realized full allocation of the net 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 ■

	2023	2022	2021
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	99	96	91
Percentage of more sustainable cotton sourced	100	100	100
Number of pairs of shoes produced containing 'Parley Ocean Plastic'	> 2m	> 26m	> 17m
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 ¹	164,236	164,149	138,411
Number of buildings ² of own operations holding certification for environmental management (ISO 14001)/health and safety management (ISO 45001)/energy management (ISO 50001)	70/140/324	64/112/322	64/63/327
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	32	31	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	1,000	276	- ³
Number of scholarships granted to students at adidas' HBCU partner schools as part of adidas' 'United Against Racism' ambition	55	55	55

1 Own operations include administrative offices, distribution centers, production sites, and retail stores.

2 At year-end.

3 Grants distribution for Black-owned small businesses as part of 'BeyGOOD,' which is managed by a third party, postponed from 2021 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' to direct investments toward sustainable economic activities. The Taxonomy will thereby support the EU's climate, energy, and 'European Green Deal' targets.

The Taxonomy is a classification system for environmentally sustainable economic activities. An economic activity is considered Taxonomy-eligible if it is described in one of the delegated acts of the Taxonomy and has the potential to support the achievement of 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':** By fulfilling further criteria, it can be demonstrated that the activity does not do significant harm to any of the other environmental objectives.
- **Minimum safeguards:** The company performing the activity must have implemented and adhere to minimum safeguards relating to human rights, including labor rights, bribery/corruption, taxation, and fair competition.

Reporting scope for fiscal year 2023

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. With the introduction of Delegated Regulation (EU) 2021/2139 in 2021 and its amendment in 2023 (Delegated Regulation (EU) 2023/2485), the EU clarified the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation and/or climate change adaptation and for determining whether that economic activity does not cause any significant harm to any of the other environmental objectives. Furthermore, in 2023, the EU enacted the Delegated Regulation (EU) 2023/2486 establishing the Taxonomy eligibility and alignment criteria of economic activities for the remaining four environmental objectives mentioned above. However, for the first year of application, for adidas the reporting on the financial year 2023, only the proportion of Taxonomy-eligible and non-eligible activities in their total turnover (net sales), capital expenditure ('CapEx'), and operating expenditure ('OpEx') KPIs need to be disclosed for the remaining four environmental objectives. For the environmental objectives of climate change mitigation and climate change adaptation, as in the prior year, it is necessary to provide information on the degree to which Taxonomy-eligible economic activities are Taxonomy-aligned and to disclose the corresponding financial KPIs. Despite the expansion of the Taxonomy disclosure requirements in 2023, the adidas core business activities, i.e., the manufacturing of textiles and footwear as well as wholesale and retail sale thereof, remain unmentioned in the delegated acts and therefore non-eligible for any of the six environmental objectives. In addition, as per Delegated Regulation (EU) 2022/1214, we are required to provide specific disclosures on economic activities related to the fossil gas and nuclear energy sectors. We carried out related activities in 2023 due to the operation of a district heating plant in Germany, although, similar to 2022, not to a material extent. Thus, the detailed disclosure requirements as per Annex XII of the Delegated Regulation do not apply to adidas. [\[1\]](#)

Description of adidas procedure toward compliant 2023 reporting

As in previous years, a core team within the adidas Corporate Finance area was responsible for the 2023 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, accuracy, and completeness, and
- ensure that all new and updated Taxonomy-relevant publications that have become available throughout the course of the year are adequately reflected in this report.

Determination of Taxonomy-eligible activities

The core team reviewed the new delegated acts to the Taxonomy Regulation as they became available and analyzed the impact on the disclosure requirements compared to 2022 to ensure accuracy and completeness of our reporting. As mentioned above, while the reporting requirement covers all six environmental objectives since the beginning of 2024, the main economic activities of our business model remain out of scope, and we consequently have no turnover-generating Taxonomy-eligible activities to report on. As a result, the following eligible economic activities have been identified for 2023:

- 6.5 Transport by motorbikes, passenger cars, and light commercial vehicles (including company car leases)
- 7.3 Installation, maintenance, and repair of energy-efficient equipment (e.g., LED lighting in retail stores)
- 7.7 Acquisition and ownership of buildings (including building leases) ▶

Assessment of Taxonomy alignment of Taxonomy-eligible activities

For Taxonomy-eligible activities at adidas, the environmental objective of climate change mitigation is applicable, not climate change adaptation, since these activities are intended to positively impact our carbon footprint. Hence, the Taxonomy-eligible activities have been assessed according to the substantial contribution and 'DNSH' criteria as laid out in Annex I to the Delegated Regulation (EU) 2021/2139. 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 the respective third-party suppliers. Due to the expected time and resource investment necessary for assessing all individual projects and items contributing to the eligible activities, we prioritized the assessment of those individual activities that were most material in terms of value and/or were more likely to be Taxonomy-aligned due to the availability of the necessary information.

Eligible building leases relate to warehouses/distribution centers, own retail stores, and corporate offices. The applicable substantial contribution and DNSH criteria as set out in section 7.7 of Annex I of the Delegated Regulation predominantly relate to primary energy demand and climate-related risks and adaptation solutions, respectively, in connection with the leased buildings. The substantial contribution criterion evidence which is most relevant for adidas in this regard is the existence of an Energy Performance Certificate (EPC) class A. Many of the eligible building leases are located outside of the EU, where this EU-centric energy performance certification is not common practice and other standards and frameworks, which are not mentioned in the Regulation, are typically used (e.g., LEED certification). In line with the generally low share of available non-residential buildings meeting these energy performance standards across our markets, only a few eligible leases in 2023 fulfill this criterion, in particular the eligible retail leases for which adidas has very limited ability to influence the design and/or

(re)development, especially for mall-based stores, which is the case for many of our retail locations. In addition, 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 smaller warehouse (Dubai), retail (Poland), and corporate office locations (Sweden and the Netherlands), that fulfill the substantial contribution criterion. This reflects our commitment to decarbonize our own operations as well as our more pronounced ability to influence the design and development of major real estate investments related to our operational infrastructure. ▶ SEE OWN OPERATIONS

The relevant applicable 'DNSH' criterion for building leases relates to the environmental objective of 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. In the assessment, we prioritized the most relevant eligible activities for this DNSH criterion. Thereby, on a case-by-case basis, we approached the landlords requesting the necessary information on the one hand, and, on the other, used existing information on climate risks and corresponding adaptation solutions that is regularly gathered as part of our standard business processes (e.g., for insurance purposes). As a result, for the majority of the assessed building leases, not all information was available for a complete and conclusive assessment exactly as per the methodology and scope prescribed by the Regulation. However, one of the eligible building leases that fulfills the substantial contribution criterion also complies with the DNSH criterion and is therefore reported as Taxonomy-aligned.

Eligible company car leases relate to the car fleet at multiple adidas locations. As per the applicable technical screening criteria mentioned in section 6.5 of Annex I, a vehicle that emits a maximum of 50g of CO₂e/km is considered to make a substantial contribution to climate change mitigation. For adidas, this applies to all leased electric vehicles and most plug-in hybrid vehicles.

Compliance with the DNSH criteria, as laid out in Annex I of the Delegated Regulation, requires the performance of a robust climate risk and vulnerability assessment, adherence of the vehicles to certain recyclability and reusability criteria, and adherence to various product-related EU regulations and directives concerning the limits of certain gaseous emissions and the external rolling noise and resistance characteristics of the vehicle tires. Assessing compliance with all these criteria requires the involvement and input of various suppliers. As a result, not all information was available for a complete and conclusive assessment as required by the Regulation. We therefore assessed the eligible car leases as not Taxonomy-aligned.

For the remaining eligible activities under section 7.3, an assessment of the Taxonomy alignment against the respective criteria laid out in Annex I of the Delegated Regulation was conducted in a structured manner as far as this was possible with reasonable effort. While the eligible activities fulfill the substantial contribution criterion, none of them are considered to be Taxonomy-aligned as a result of the non-compliance with the DNSH assessment. ▶

Minimum safeguards

■ The minimum safeguards form part of the Taxonomy alignment criteria. Their purpose is to clarify that eligible economic activities can only be environmentally sustainable when performed in circumstances which are compliant with social norms and certain minimum governance standards. In this context, companies must implement appropriate processes and procedures to avoid negative influences on or violations of the following four specific topics: human rights (incl. labor rights), taxation, corruption/bribery, and fair competition. In order to assess adidas' adherence to the minimum safeguards, we reviewed the Platform on Sustainable Finance's final report to the European Commission on this matter as well as the European Commission's clarifying FAQ document of June 2023. In summary, these documents outline the following conditions of non-compliance with minimum safeguards:

Human rights and labor rights:

- Lack of an adequate human rights due diligence (HRDD) process as outlined in the United Nations Guiding Principles on Business and Human Rights (UNGPs) and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct, 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 for corruption.

Fair competition:

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

In 2023, similar to the previous year, our subject-matter experts from the Social and Environmental Affairs, Tax, and Legal areas assessed the details of the respective criteria. The key objective of this assessment was to determine the extent to which the mentioned governance standards and policy frameworks are already embedded in adidas' existing policies (e.g., adidas Human Rights Policy), standard operating procedures (e.g., adidas Fair Play Code of Conduct), as well as in its Compliance Management System.

As in 2022, our assessment for the fiscal year 2023 confirmed that the Taxonomy-eligible activities were performed in a manner that is fully compliant with the minimum safeguards. We maintain rigorous internal policies and oversight mechanisms to ensure ongoing adherence to these standards.

More information on our compliance with the respective criteria can be found in this Annual 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](#)

Determination and reporting of Taxonomy KPIs

- **Turnover KPI:** Turnover as per the Taxonomy (denominator of the turnover KPI) is equivalent to our net sales disclosed in the consolidated financial statements in this report. In 2023, the turnover amounts to € 21,427 million (2022: € 22,511 million). The identified eligible activities at adidas were not turnover generating, resulting in a numerator value of '0' and, accordingly, a turnover KPI of 0% eligible and 100% non-eligible turnover. ▶ [SEE INCOME STATEMENT](#)
- **CapEx KPI:** In comparison to the disclosed CapEx value of € 504 million in this report, the Taxonomy definition of CapEx results in a total value of € 838 million (denominator of the CapEx KPI) at adidas (2022: € 1,587 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 remeasurements. To calculate 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 and reconciliations, to avoid double-counting of additions. In total, the corresponding numerator of the eligible CapEx KPI amounts to € 344 million (2022: € 867 million), resulting in a CapEx KPI of 41% eligible and 59% non-eligible CapEx. Most of the eligible CapEx in 2023 (89%) relates to building leases (section 7.7), which amount to € 307 million, with € 22 million eligible CapEx relating to the installation of energy efficiency equipment (section 7.3), and the remaining € 16 million eligible CapEx relating to car leases (section 6.5). While a total of € 44 million of eligible CapEx complies with the substantial contribution criteria, € 7 million of eligible CapEx are Taxonomy-aligned. In summary, the corresponding numerator of the aligned CapEx KPI amounts to € 7 million, resulting in a CapEx KPI of 1% aligned and 40% non-aligned CapEx (2022: 0% aligned and 55% non-aligned CapEx). ▶ SEE STATEMENT OF FINANCIAL POSITION AND STATEMENT OF CASH FLOWS

- **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 expenditure. In 2023, this amounts to € 969 million (denominator of the OpEx KPI) at adidas (2022: € 862 million), which compares to € 21,427 million of net sales and € 10,087 million of OpEx as per the consolidated financial statements for adidas disclosed in this report. In the context of our business model, which is the design, development, production, and marketing of a broad range of performance and sports lifestyle products, we consider the Taxonomy OpEx KPI denominator value to be insignificant. Consequently, and in line with Annex I of the Delegated Regulation (EU) 2021/2178, we report the numerator value of our Taxonomy-eligible OpEx KPI as € 0 (2022: € 0). As a result, no further information on the alignment of eligible OpEx can be provided in this Annual Report.

Full information on the Taxonomy KPIs according to Annex II of the Delegated Regulation can be found in this Annual Report. ▶ SEE EU TAXONOMY TABLES

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, assuming our core business activities become eligible to contribute to the Taxonomy's environmental objectives and a common interpretation of all aspects relevant to adidas is established. At the time of the publication of this report, it remains unclear if and by when this will be the case. ▶

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 advisers. 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 in the Consolidated Financial Statement.

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 2023 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. [\[1\]](#)

Non-financial statement

In accordance with § 315c HGB in conjunction with §§ 289c 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 combined Management Report, with relevant parts being indicated accordingly. This content was subject either to a separate reasonable assurance engagement, marked with [], or to a limited assurance engagement, marked with [] of PricewaterhouseCoopers GmbH 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 INDEPENDENT PRACTITIONER'S REPORT ON A LIMITED AND REASONABLE ASSURANCE ENGAGEMENT ON NON-FINANCIAL REPORTING**

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**