

2

GROUP MANAGEMENT REPORT OUR COMPANY

STRATEGY	83
GLOBAL BRANDS	87
GLOBAL SALES	92
GLOBAL OPERATIONS	96
OUR PEOPLE	101
SUSTAINABILITY	113
NON-FINANCIAL STATEMENT	144

STRATEGY

With sport playing an increasingly important role in more and more people's lives, both on and off the field of play, we operate in a highly attractive industry. Based on our deep understanding of our consumer and the authenticity of the adidas brand, we push the boundaries of products, experiences and services. We do so according to our strategy 'Own the Game,' which allows us to fully capitalize on the acceleration of favorable long-term structural trends.

OUR PURPOSE: THROUGH SPORT, WE HAVE THE POWER TO CHANGE LIVES

We will always strive to expand the limits of human possibilities, to include and unite people in sport, and to create a more sustainable world.

OUR MISSION: TO BE THE BEST SPORTS BRAND IN THE WORLD

We are the best when we are the credible, inclusive, sustainable leader with a first or second position regarding market share in each strategic category in the long term.

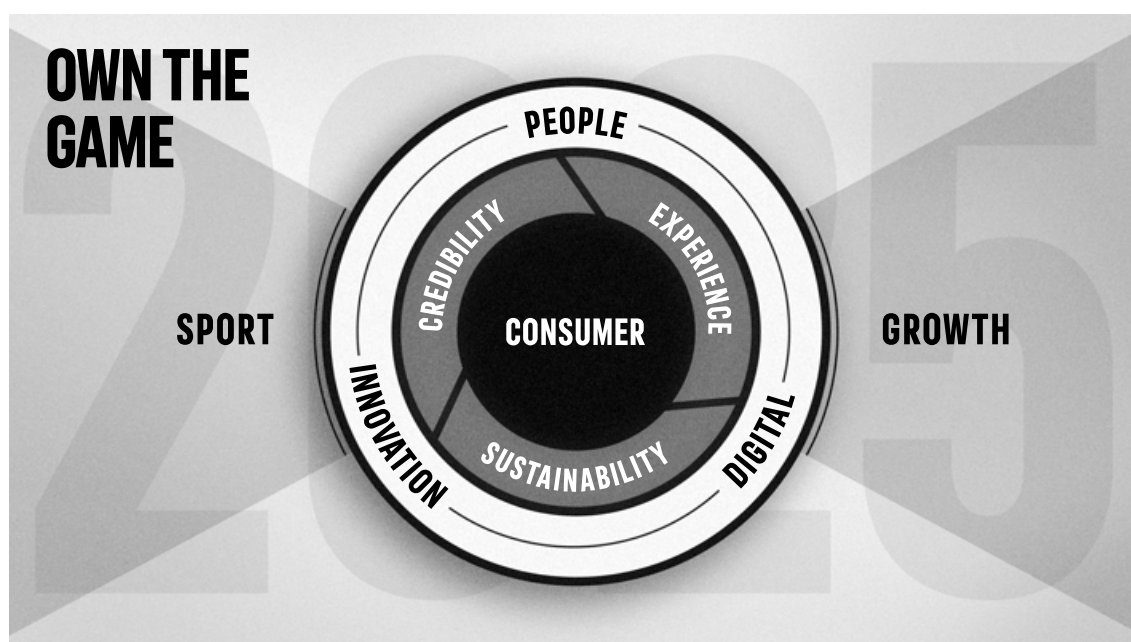
OUR ATTITUDE: IMPOSSIBLE IS NOTHING

We are rebellious optimists driven by action to shape a future together and we see the world with possibilities where others only see the impossible.

NEW STRATEGY 'OWN THE GAME' FOR THE PERIOD UNTIL 2025

'Own the Game' is our strategy that guides us through to 2025 – a plan rooted in sport. Sport is adidas' past, present and future. 'Own the Game' puts the consumer at the heart of everything we do and is brought to life by our people. Our strategic focus is on increasing brand credibility, elevating the experience for our consumers and pushing the boundaries in sustainability. The execution of our strategy is enabled by a mindset of innovation across all dimensions of our business as well as our digital transformation. We own the game and drive significant growth.

'OWN THE GAME' IS OUR STRATEGY FOR THE PERIOD UNTIL 2025



CONSUMER

Our consumers are at the heart of 'Own the Game.' Consumers drive structural trends in our industry through their preferences and behaviors. They strive to live active and healthy lives, they wish to blend sport and lifestyle, and they are digital by default as well as sustainable by conviction. 'Own the Game' captures those consumer-driven opportunities and carves out new ones for their benefit. In 2025, 'Own the Game' will not only have delivered overproportionate growth for adidas, but also deepened relationships with our consumers, as we continue to actively live our purpose 'Through sport, we have the power to change lives.'

PEOPLE

To successfully deliver on our five-year strategy, we empower our people to truly own the game. Our people strategy comprises three key pillars: Leadership, Betterment, and Performance, underpinned by Diversity, Equity, and Inclusion.

- **Leadership:** We grow our people to demonstrate leadership at all levels of the organization, to empower and inspire others, so that everyone can realize their potential in our company. By taking ownership, showing courage and driving innovation our people can own the game.
- **Betterment:** We are committed to building the strategic capabilities required to execute our strategy. We do so by creating an employee experience that attracts talent and provides relevant learning and career-building opportunities to upskill and reskill for the future.
- **Performance:** We evolve our performance management philosophy to clearly articulate our ambition to win, to play by our values, to embed a strong feedback culture, and to recognize both outstanding individual and team results.
- **Diversity, Equity, and Inclusion:** We are committed to providing an equal starting line for all our people, ensuring that everyone has the same career opportunities. One of our commitments is to increase the share of women in management positions (Director level and above) globally to more than 40% by 2025.

CREDIBILITY

We are a leading brand thanks to our credibility in both sport and culture. To continue to excite our consumers with innovative concepts that support our mission, we sharpen our brand, refine our product offering and leverage partnerships to further enhance our credibility with consumers.

- **Sport:** We focus on the most important sport categories: Football, Training, Running, and Outdoor. Football is the biggest sport in terms of viewership, while Running, Training, and Outdoor are the biggest participation sports. Our products in these categories are built for sport and worn for sport.
- **Lifestyle:** To tap into the biggest commercial opportunity for our brand, we sharpen our brand architecture by introducing a new consumer proposition called 'Sportswear'. These products are born from sport and worn for style. At the same time, we extend Originals, which is inspired by sport and worn on the street, into the premium segment through top-quality materials and craftsmanship.
- **Women:** We execute a cross-category plan to achieve product excellence and elevate the women's experience through our membership program to become *her* indispensable sports brand. Our goal is to grow currency-neutral net sales for our Women's business at a mid-teens rate per annum on average between 2021 and 2025, thereby significantly increasing the Women's share of our overall business.

- **Partnerships:** We amplify our credibility through our partnerships by leveraging their power, authenticity, and reach. We expand our portfolio of partners, which already includes Beyoncé, Jerry Lorenzo, Kanye West, Pharrell Williams, Stella McCartney, and Yohji Yamamoto, all of whom continue to play a significant role in wowing our consumers on the lifestyle side. Likewise, we continue to leverage our partnerships with the biggest symbols in sport, be it with teams like Bayern Munich or Real Madrid, athletes like Lionel Messi or Mikaela Shiffrin, or events like the Boston and Berlin Marathons.

EXPERIENCE

To grow long-term relationships with our consumer, we excite and empower them by creating personalized experiences in both digital and physical spaces. With this in mind, we accelerate our transformation into a direct-to-consumer-led ('DTC-led') business built around membership.

- **Membership:** With the launch of our membership program in 2018, we laid the foundation for offering personalized experiences to our most valuable consumers. Through membership, we reward engagement and purchasing activity by offering exclusive hype products, access to launches and special events, and more. We are now ready to take this to the next level with the goal of increasing our member base to around 500 million by 2025. In 2021, we reached 240 million members and are well on track to achieve our 2025 ambition.
- **DTC-led:** E-commerce continues to be our most important store. Both adidas.com and the adidas app are seeing enhancements across the entire consumer journey. By 2025, our e-commerce business is expected to account for between € 8 billion and € 9 billion of our company's net sales. In 2021, we reached a level of € 3.942 billion. While e-commerce is the pinnacle of our DTC strategy, our physical stores continue to play a crucial role in creating a physical and emotional connection with our brand. Retail formats will be digitized with fully fledged omni-channel capabilities. The DTC business, comprising our e-commerce as well as our physical stores, is projected to account for around half of the company's net sales by 2025. In 2021, our DTC business accounted for 38% of the company's net sales. We also continue to leverage our strong relationships with strictly selected wholesale partners and 'win-with-the-winners' to ensure a holistic experience for the consumer no matter the point of sale.
- **Key Cities:** We are building on our 'Key Cities' portfolio of Tokyo, Shanghai, Paris, London, New York and Los Angeles by adding Mexico City, Berlin, Moscow, Dubai, Beijing, and Seoul. These cities represent the beating heart of our global consumer experience and exert influence on the rest of the world, while at the same time offering commercial opportunities as urbanization continues.
- **Strategic markets:** We focus on Greater China, North America and EMEA to bring exciting consumer experiences to life, pursuing a tailored approach that appeals to local trends. Our ambition is to gain market share in all three strategic markets, which are expected to jointly account for around 90% of net sales growth until 2025.

SUSTAINABILITY

Our commitment to sustainability is truly holistic and deeply embedded into how we have done business for over two decades. It's rooted in our purpose 'Through sport, we have the power to change lives.' As we continue to be pioneers in sustainability, we move from strong stand-alone initiatives to a comprehensive consumer-facing program with a sustainability offering at scale.

- **What we offer:** We keep pushing the boundaries of our sustainable offering, so that our consumers are able to choose from a uniquely comprehensive range. By 2025, nine out of ten of our articles will be sustainable. How we do this revolves around how we expand and innovate our 3-loops: made from

recycled materials, made to be remade, or made with natural and renewable materials. We define articles as sustainable when they show environmental benefits versus conventional articles due to the materials used, meaning they are – to a significant degree – made with environmentally preferred materials.

- **What we do:** We are committed to reducing the CO₂e footprint of our product offerings as we work to reach climate neutrality by 2050. We achieve this through initiatives such as driving zero-carbon within our own operations and promoting environmental programs along our entire value chain in close cooperation with our suppliers.
- **What we say:** We are vocal about our efforts that focus on creating low-impact products that are made to be remade. To guide our consumer to make more sustainable choices, we communicate clearly and consistently, with simple measures that make it easy to understand our ambitions and our progress.

INNOVATION AND DIGITAL

Two strategic enablers set us up for success. The first is applying a mindset of deep and broad innovation across all dimensions of our business. The second is using the speed and agility of Digital throughout our entire value chain. These strategic enablers are particularly powerful when it comes to executing on the three strategic focus areas – Credibility, Experience, and Sustainability – that support us in intensifying our focus on the consumer and driving growth.

FINANCIAL AMBITION FOR 2025

‘Own the Game’ is designed to yield growth in terms of revenue, profitability, and cash generation, which in turn creates long-term value for our shareholders. Therefore, we are focused on rigorously driving execution and managing all of the factors under our control, which enables us to:

- **Achieve top-line growth above industry average:** We aim to increase currency-neutral revenue at a rate of between 8% and 10% per annum on average in the period between 2021 and 2025, where 2021 is the base year.
- **Further expand both gross and operating margin:** We expect to expand our gross margin to a level of between 53% and 55% and our operating margin to a level of between 12% and 14% by 2025.
- **Grow our bottom line sustainably:** We plan to grow our net income from continuing operations by an average of between 16% and 18% per annum in the period between 2021 and 2025, where 2021 is the base year.
- **Invest in future organic growth:** We are committed to reinvesting between 3% and 4% of net sales into our business by means of annual capital expenditure.
- **Deliver attractive cash return to shareholders:** Based on the material growth in terms of revenue and profitability, we will generate substantial cumulative free cash flow until 2025. The majority of it – between € 8 billion and € 9 billion – will be made available and distributed to shareholders through a consistent dividend pay-out in a range between 30% and 50% of net income from continuing operations, complemented by share buybacks. In 2021, we bought back shares in an amount of € 1 billion. Including the dividend payment of € 585 million in May, we already returned nearly € 1.6 billion to our shareholders during the first year of ‘Own the Game.’

As a global leader in our industry with a strong strategy in place, we are very well positioned for the years ahead.

GLOBAL BRANDS

THE CONSUMER AT THE HEART OF EVERYTHING WE DO

Global Brands oversees the innovation, design, development and marketing of the company's sports and lifestyle offerings. By constantly developing desirable products and providing inspiring experiences, the function strives to build a strong image as well as trust and loyalty with consumers to capitalize on growth opportunities in the sporting goods industry.

ADIDAS BRAND

The adidas brand has a long history and deep-rooted connection with sport. We believe that through sport, we have the power to change lives. This is our purpose, and we live it every day by expanding the limits of human possibilities, including and uniting people in sport and creating a more sustainable world. For us to continue to transcend cultures and remain one of the most recognized and iconic brands, on and off the field of play, we need to maintain credibility. This means delivering groundbreaking innovations in sports, as well as cutting-edge fashion items that are culturally relevant. As we are continuously sharpening our edges in adidas '[Performance](#)' and '[Lifestyle](#),' we have introduced our new 'Sportswear' proposition as a part of adidas' updated brand architecture.

With the first collection launching in 2022, 'Sportswear' will be the modern product born from sport and worn for style, enabling self-expression and comfort. adidas 'Performance' is built and worn for sport, focusing on providing the athlete with the best product to enable them to perform inside the lines of the playing field. Leading our fashion and luxury segment, adidas Originals is inspired by sport and worn on the streets. The Trefoil will celebrate iconic products that connect to culture, leveraging our exceptional archive, and expanding into new premium segments.

ICONIC PRODUCT FRANCHISES

We are convinced that footwear has the highest influence on brand perception among product categories and is a powerful driver of consumer desire, a proven lever for growing market share. Access to athlete data, cutting-edge technological innovations and an archive that is unrivaled in the industry provide deep insights and ample opportunity to create newness and innovation in footwear, adding new chapters to our brand's rich heritage. At the same time, we have a clear strategy to reduce the number of footwear models, putting a stronger focus on key franchises. Simply put, franchises are our most iconic symbols of sport and culture acting as lighthouses for our brand. Franchises not only shape sport, but also influence culture. They offer the best of adidas to the consumer while creating new trends and building brand equity. They are directly targeted at the consumer through iconic designs, functionality and unique stories, and have the potential to be iterated and expanded over time. Their life cycles are tightly managed to ensure longevity and relevance with the consumer. Key footwear franchises for the adidas brand include, among others, Ultraboost, NMD, and Superstar. In 2021, key footwear franchises of the adidas brand represented more than 35% of its footwear business. On the apparel side, the brand continues to build out franchises such as the MyShelter Jacket, the Tiro Pant, and the Z.N.E. Hoodie.

BRAND DESIRABILITY FUELED BY INNOVATION AND COLLABORATIONS

In addition to leveraging iconic product franchises, creating innovative concepts to meet the needs of athletes and consumers is a prerequisite to strengthening our market position and a premise to being the best sports brand in the world. We remain highly committed to maintaining a full and innovative concept pipeline, bringing new groundbreaking technologies and processes to life, investing in sustainability, and exploring all the possibilities of digitalization. Technologies such as Boost, Lightstrike, Repetitor, 4D, and Strung are proof points for our broader technology and innovation approach.

The modern innovation landscape extends beyond product and increasingly requires innovation teams to consider the development of experiences and services, as well as the provision of greater levels of transparency and direct integration of our consumer through co-creation. In partnership with our 'Trend & Cultural Insights' teams, foresight and trend analyses are shared on an ongoing basis, documenting shifts in society and culture. True to the vision of creative collaboration, our innovation approach is widely based on this open-source mindset, which provides the starting point to build concepts of relevance.

We also collaborate with athletes and consumers, universities and innovative companies, as well as national and international governments and research organizations. We are enhancing our innovative collaboration with both our established partners such as BASF, Carbon, Parley for the Oceans and Allbirds, whilst simultaneously seeking out new ones such as Pond Biomaterials, Spinnova, and Bolt Threads.

COMMERCIALIZATION OF INNOVATIONS

We believe developing industry-leading technologies, materials and consumer experiences is only one aspect of being an innovative leader. Equally important is the successful commercialization of those innovative concepts.

We have a long heritage of innovation and strive to provide athletes with the best by creating high-performance, competitive products. In 2021, we continued to serve consumers with innovative technologies, materials and sustainable concepts built into our products:

- **4DFWD:** With this, adidas has accelerated 4D's development from a conceptual innovation to a running shoe available in large quantities and multiple variations that will continue to be scaled further. The adidas 4D concept features midsoles 3D-printed with light and oxygen using Digital Light Synthesis, a unique technology developed by Carbon, to produce high-performance footwear. The new adidas 4DFWD lattice midsole was chosen from one of five million possible structures and is made of 40% bio-based material. The FWDcell redirects vertical impact forces forward leading to a 15% reduction of peak braking force experienced by the athlete. The midsole pioneers a digital footwear component creation process that eliminates the necessity of traditional prototyping or molding.
- **Adizero Adios Pro 2:** The new iteration of our record-breaking elite performance shoe represents the pinnacle of our running product offer. The shoe features two layers of re-sculpted Lightstrike Pro midsole and the signature carbon-infused EnergyRODS. These are designed to mimic the foot's metatarsals, delivering an anatomically driven transition from heel to toe, limiting energy loss and providing a propulsive feeling. Beyond this, we were able to reduce the weight of the midsole, alter the upper for a more natural fit, and add a Continental rubber outsole for better grip. The adizero Adios Pro 2 is a high-performance running shoe created for elite athletes and was developed in collaboration with some of the fastest athletes in the world. Since its launch, our athletes were able to break six world records with this franchise.

-
- **Futurenatural:** Foot scans of thousands of basketball athletes worldwide were analyzed to create a new last, or shoe mold that delivers an anatomically correct representation of an athlete's foot. The one-piece shoe mold works with an athlete's natural movement to unlock total freedom of movement and dynamic angles. The first iteration of the technology applied to footwear was featured on James Harden's fifth signature basketball sneaker, the Harden Vol. 5. The textured upper of the shoe is forged using extreme pressure from all directions and then assembled to the outsole creating a seamless design. This offers the athlete a superior stability and full ground contact for a natural feel.
 - **Predator Freak Vegan:** With this, we revealed our first 100% vegan football boot, designed in collaboration with Paul Pogba and Stella McCartney. The limited-edition boot offers the latest performance innovations from the Predator franchise with vegan materials and components that meet the requirements of football players on all levels. adidas Demonskin rubber spikes in signal orange were calibrated by a computer algorithm to afford improved ball control and swerve.
 - **Made To Be Remade (MTBR):** The concept was introduced in 2019 with the Futurecraft.Looped but has come a long way since. In 2021, we have increased our MTBR product line-up and made progress in our efforts toward circularity. Every MTBR product has a QR code attached to it, functioning as a gateway to a digital experience, educating and engaging consumers whilst also enabling them to return the product. We are excited to be scaling MTBR across franchises with the Stan Smith and Terrex Free Hiker having joined the line-up alongside the Ultraboost. Furthermore, our offering was expanded by new MTBR Running and adidas by Stella McCartney apparel. With this, we are offering performance- and lifestyle-focused MTBR footwear and apparel at a greater scale, providing more choice to our consumers.
 - **adidas x Allbirds Futurecraft.Footprint:** Seeing the possibilities of accelerating a carbon-neutral future for sports and style, we teamed up with Allbirds to create a performance running shoe with a carbon footprint of merely 2.94kg (measured against a comparable running shoe: adizero RC3 at 7.86kg CO₂e emission) – a personal best for both brands. It is the result of a collective ambition to make a performance running shoe with no carbon footprint. In under 12 months, we reimagined materials, manufacturing techniques, and even packaging to reach the lowest possible CO₂e impact – whilst chasing the vision for a low-carbon shoe without compromising performance.

Beyond innovative technologies, sustainable concepts, and materials, key products and collaborations of the 2021 business year include:

- **Techfit Period-Proof Tights:** These are part of our commitment to better support the needs of our diverse female community. We set out to create a product that helps athletes stay in sport throughout their cycle by giving them an added layer of protection. After over two years of development and rigorous testing, the Techfit Period-Proof Tights have a set of absorbent layers and a membrane that help protect against leaks thanks to our new Flow Shield technology, giving athletes added confidence whilst training through their period. The Techfit Period-Proof collection was our first step in creating performance wear that supports women during their period, with more to come down the line.
- **Blue Version:** This is the pinnacle of our apparel range as a fashion concept. The collection represents a selection of our most iconic adidas Originals pieces which are authentically premiumized. The products show that Originals – then, now, and in the future – can influence generations through high-quality lifestyle products inspired by sportswear.

- **Forum:** This sneaker shaped basketball culture in the 1980s. Designed to help players improve their game, it dominated the court and later took over the streetwear scene. In 2021, the silhouette was re-introduced to a new generation, supported through many exciting collaborative drops such as the 'Bad Bunny Forum Back to School' sneaker. Here, adidas Originals and rapper Bad Bunny teamed up for a new take on the silhouette.
- **adidas x Marimekko:** In 2021, we unveiled a debut line with Marimekko, marking the first-ever sports apparel collaboration for the iconic Finnish design house. The limited-edition collection featured a lineup of beautiful, bold pieces that blend Marimekko's art of printmaking and functional style with adidas' expertise in sports performance. The collaboration marked a true collision of icons, with a shared history of pushing boundaries of innovation and style for over seven decades. The all-female teams worked side by side to explore Marimekko's vaults to handpick timeless prints for this collection and beyond.

IMPACTFUL AND EFFECTIVE MARKETING INVESTMENTS

An additional important building block of creating brand desirability and winning the consumer are our marketing investments. adidas is focused on creating inspirational and innovative concepts that drive consumer advocacy and build brand equity. The company historically spends almost half of its marketing investment on partners, with the remainder spent on brand marketing activities such as digital, advertising, point-of-sale, and grassroots activations. In addition, the company will further consolidate and focus resources to create powerful brand statements overarching several categories under one narrative. This will be achieved by focusing on two main drivers:

- **Brand drivers:** Brand campaigns are at the pinnacle of our communication strategy. They demonstrate our purpose 'Through sport, we have the power to change lives,' conveying to consumers what adidas stands for, and driving a globally consistent positioning. Furthermore, brand campaigns support adidas' brand priorities of sport and culture credibility, sustainability, and inclusivity by establishing an emotional connection through the brand narrative. adidas also authenticates the brand in using sport moments as platforms to drive sports credibility by enabling athlete and event activations. Lastly, we leverage our partnerships, for example with Beyoncé, Kanye West, and Pharrell Williams, to drive brand heat and freshness in lifestyle through partner activation and special product executions.
- **Commercial drivers:** Product campaigns are created to focus on a specific product franchise (e.g., Ultraboost or Forum). These campaigns are driven by a clear performance or style benefit and are expressed through storytelling around products' unique selling propositions. Additional commercial content is driving conversion at the point of sale (in-store and online) by highlighting a product feature or benefit for key items, volume drivers, and key franchises.
- **Impossible is Nothing:** In 2021, adidas (re-)launched the brand campaign 'Impossible is Nothing' to impactfully demonstrate the brand attitude of rebellious optimism told through the stories of sports marketing partners and entertainment influencers across categories globally. 'Impossible is Nothing' was originally introduced in 2004 (with Muhammad Ali) and is now brought to a new generation of athletes, artists, and consumers. When we relaunched our 'Impossible is Nothing' brand campaign in spring 2021, optimism in the world was in short supply. Yet adidas chose to see possibilities. We partnered with athletes and artists around the globe to share their stories of hope, inclusion, sustainability, and belonging, inspiring all people to see their own possibilities. The 'Impossible is Nothing' brand attitude launched in 50 countries resulting in over one billion social media views, garnering over 18 million engagements. The campaign connected with people who see themselves and their own story in the narrative. In fall/winter 2021, our 'Impossible is Nothing' campaign continued with more stories focused on 'innovation' with the adizero franchise, and 'credibility' with Lionel Messi, Peres Jepchirchir, and Candace Parker.

-
- **Members Week:** To continue the success of 'Members Week 2020,' we held this week-long digital festival twice in 2021 to celebrate the best of adidas, bringing together some of the biggest artists and athletes for consumers. During Members Week in May, an exciting list of raffle opportunities was offered to members to win exclusive products and experiences. Items included digital meet and greets with top athletes such as Dominic Thiem and a giveaway of tickets for the UEFA EURO final and semi-final games. The Members Week in August was kicked off with a celebration of Lionel Messi as well as the Ivy Park Rodeo collection. Synced with Members Week, the celebration was expanded to the Confirmed app for the sneakerheads and streetwear community. Members were eligible to win tickets, which would get them a guaranteed shot at exclusive drops of collaborations with Pharrell Williams, Kerwin Frost, and Jeremy Scott.

In terms of partners and athletes, while being conscious of overall marketing spend, we will continue to bring our products to the biggest stages in the world through:

- **Events with global reach:** FIFA Men's World Cup, UEFA Women's EURO, UEFA Champions League (men's and women's), and the Boston and Berlin Marathons, among others.
- **High-profile teams:** National association football teams of Argentina, Belgium, Colombia, Germany, Japan, Mexico, and Spain, as well as top football clubs such as Arsenal London, Bayern Munich, Flamengo Rio de Janeiro, Juventus Turin, Manchester United and Real Madrid, the New Zealand All Blacks in rugby, national Olympic associations such as the British Olympic Association and German Olympic Sports Confederation as well as American universities such as the University of Miami, Arizona State University, University of Washington, and Texas A&M University.
- **High-profile individuals:** Football stars Lionel Messi, Mo Salah, Paul Pogba, Serge Gnabry, Manuel Neuer, Heung-min Son, Vivianne Miedema, Wendie Renard and Jürgen Klopp; basketball stars Candace Parker, Damian Lillard, Donovan Mitchell, James Harden, Trae Young and Derrick Rose; American football players Patrick Mahomes, Aaron Rodgers, JuJu Smith-Schuster, and Trevor Lawrence as well as tennis stars Garbiñe Muguruza, Alexander Zverev, Dominic Thiem and Stefanos Tsitsipas, alpine skier Mikaela Shiffrin, and outdoor athletes Sasha DiGiulian and Danny MacAskill.

GLOBAL SALES

TRANSFORMING THE MARKETPLACE

Our Global Sales function drives the commercial performance of the company by converting brand desire into profitable and sustained business growth. It is our ambition to deliver the best shopping experience within the sporting goods industry across all consumer touchpoints. We strive to transform the marketplace by actively shaping and accelerating the growth of our profitable and integrated trade network. Our objective is to establish scalable business solutions in order to deliver premium experiences, thereby meeting and surpassing consumer expectations with an integrated brand offering.

While 2021 saw a reduction of distribution points due to market consolidation and the impact of the coronavirus pandemic on retailers, we continue to leverage a consistent global framework with nearly 2,200 own-retail stores and our own e-commerce channel, our single biggest store available to consumers in nearly 60 countries.

IMPACT OF THE CORONAVIRUS PANDEMIC

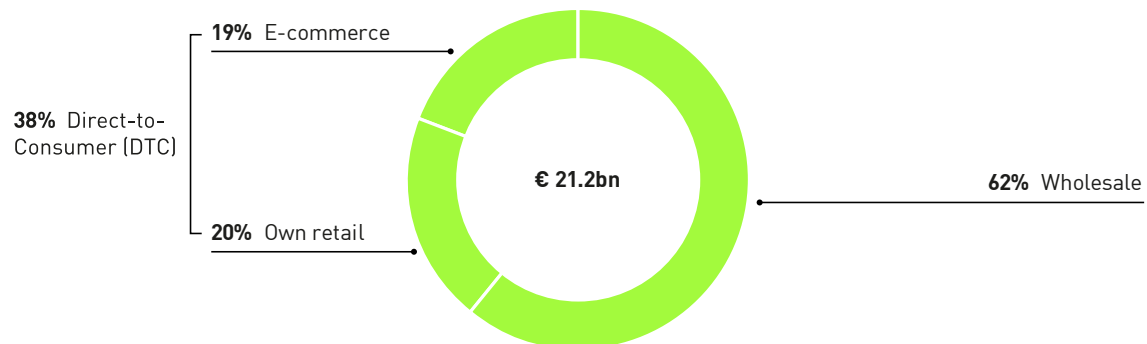
The global outbreak of the coronavirus in 2020 continued to impact our store network in 2021 with a significant number of temporary store closures – both own and partner-operated, with some markets more heavily impacted than others. The pronounced traffic reduction within the store fleet had a negative impact on our sales development.

To meet the challenges we had to face in our business, we continued our focus on e-commerce, as the one fully operational store at all times. Through targeted consumer marketing, exclusive product launches, and prioritized supply chain management we continued our sales efforts to drive continued e-commerce growth even as the overall environment normalized and despite facing significantly higher sales compared to prior year periods. ► [SEE GLOBAL OPERATIONS](#)

In 2021, we continued the rapid acceleration of digital tools and omni-channel services. We also leveraged our digital capabilities to allow for safe and convenient shopping experiences when stores reopened. Health and safety guidelines and processes were a priority to protect our staff and consumers and to ensure our consumers felt safe upon returning to our stores.

2021 CHANNEL MIX

While we continued to drive the shift from Wholesale to DTC channels, we saw a normalization of the channel mix in 2021. 2020 saw exceptional growth in e-commerce as a result of retail store closures, which was counterbalanced in 2021 when stores reopened. In 2021, the share of DTC business, consisting of own-retail and e-commerce sales, decreased to 38% (2020: 41%). Wholesale accounted for 62% of total net sales (2020: 59%). Our 'Creators Club' membership program has reached 240 million members across 26 countries, enabling us to build direct relationships with our consumers.

NET SALES BY CHANNEL ¹

¹ Figures reflect continuing operations as a result of the reclassification of the Reebok business to discontinued operations.

E-COMMERCE

In e-commerce, we showcase our brand differentiators such as exclusive products or engaging member experiences. Through scaling and expanding our e-commerce platform, we create business impact and efficiencies. Our own e-commerce grew 4% in 2021 to € 3.942 billion, as we leveraged strong momentum from major sporting events like the UEFA EURO 2020 and Tokyo 2020 Olympics as well as 'Run for the Oceans' and the launch of new product across our key categories. We continued to focus on digital acceleration by moving available inventory to e-commerce, expanding our digital content studio in Amsterdam, Portland, and Shanghai, as well as focusing our marketing and tech budget toward digital, assuring our day-to-day decisions were data-driven with a clear focus on consumer insights and trends.

We continued the work toward premium, connected, and personalized shopping experiences that enable direct relationships with our consumers. In addition to our adidas e-commerce platform, which is available in 58 countries, our adidas app strategy continued to fuel our mobile and member focus and has reached over 45 countries across all major markets, achieving a significant share of business in the adidas digital ecosystem. The adidas app is where we amplify our key brand territories such as sustainability and innovation. It is our gateway between online and offline and it provides a premium experience with immersive storytelling, personalized content, frictionless checkout, seamless order tracking, and access to our membership program. Members collect points from interactions across all our touchpoints (.com, apps, retail stores), climbing up different levels and unlocking rewards including personalized experiences. One of these experiences is 'Members Week,' a digital week-long activation for members only that we launched in 2020. To continue the success of 'Members Week 2020,' we decided to hold the event twice in 2021. In addition, our sports apps contribute to amplifying our purpose 'Through sport we have the power to change lives,' and sports engagement is proving to drive increased sales and membership. As an example, in 2021, we have set new participation records in engagement activities such as 'Run for the Oceans,' which reached five million participants with our sports apps and connected partners. The success of our membership program is visible in key metrics such as increased consumer satisfaction as well as a consumer lifetime value that is more than twice as high compared to non-members.

As our latest and most premium touchpoint for sneakerheads and style, we expanded the Confirmed app to Europe, Japan, and Canada, continuing its contribution to revenue growth in digital and increased consumer engagement. This app brings our most coveted and premium product to our consumers in the easiest, fairest, and most elevated way.

RETAIL

Our nearly 2,200 own retail stores are a vital part of the consumer journey. They are the best place for our consumers to directly interact with our brand, product, and teams, and to touch and try our products, feel inspired by our stories, and experience what we stand for as a brand. Through premium experiences and the human connection with our teams and communities we aim to build brand loyalty and increase consumer lifetime value. With our fleet of brand flagship stores focusing on premium experiences, concept stores with a more commercial focus and factory outlet stores for the value-seeking consumer, we provide an environment to satisfy all our consumers' needs when shopping for our product and connecting with the essence of our brand.

In 2021, we again increased the number of flagship stores and brand centers with a clear focus on digitalization, personalization, and a seamless premium consumer experience across all touchpoints. Brand flagship stores continue to be our focus in 'Key Cities.' We continue to elevate these Key Cities with additional flagship stores to drive premium experiences and next-level human connection. The new flagship store in Berlin leads with a strong women focus and an enhanced sustainability area that supports our global sustainability focus. The new flagship store in the center of Moscow will, for the first time, provide dedicated space to our members, connecting the physical and digital space. In Shanghai, we opened our first Terrex flagship store, designed as a destination that integrates sustainable design concept and interactive digital technologies to push the limits of connecting the consumer experience with outdoor adventure. Within our concept stores, we landed our latest retail concept, adidas 'Home of Sport.' We opened our new brand beacon store in Hamburg in November, which celebrates our past and embraces the future in retail. At the other end of the scale, we are working on shifting our factory outlet business from a clearance-focused channel to a commercial engine driving profitability. In North America, we piloted our first factory outlet store with 'The Pulse,' our newly developed retail concept for the value channel, designed to elevate brand storytelling, showcasing our products and integrating omni-channel solutions.

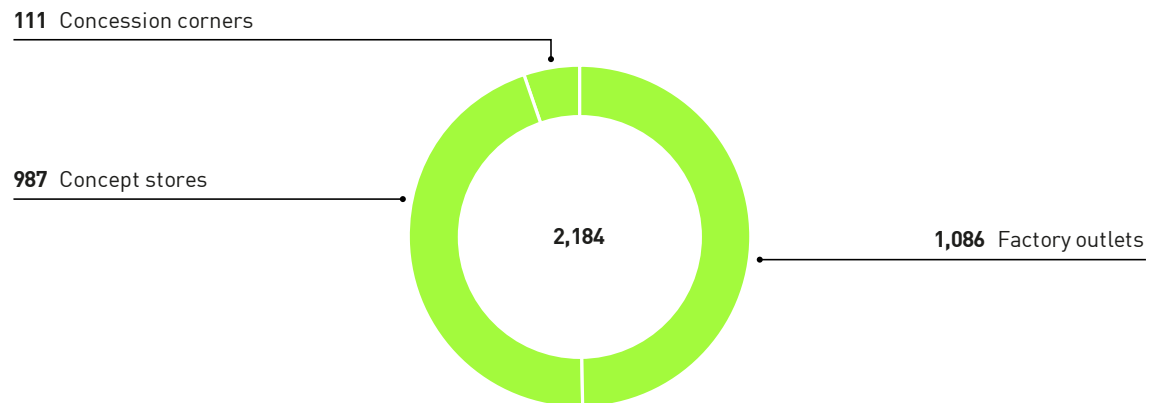
WHOLESALE

In 2021, customers returned to an environment of digitally enabled physical multi-brand stores which led to strong growth in wholesale. Our main objective in wholesale is to win market share in critical consumer touchpoints on- and offline, especially in key trade zones and high streets. We continued to proactively manage our orderbook to make stock accessible to all channels and customers, both online and offline. We invested in further digitalizing our sales processes, leveraging our digital tools and infrastructure to facilitate remote sell-in meetings, and we increased profitability by reducing the number of undifferentiated accounts. We have identified our 80 most important multi-brand and franchise customers. These 'Alliance Accounts' consist of 40 key accounts to deliver consumer reach and 40 influencers to authenticate the brand. Our top Alliance Accounts in North America, EMEA, and Latin America drove the 2021 wholesale growth, and as part of our wholesale transformation, we will elevate our service level towards the accounts to drive even further growth. Through leveraging our strong cross-functional partnerships with the Alliance Accounts in sales and activation, we see considerable success in landing our products, services, and stories. This is critical to ensure a holistic consumer journey.

We continued our focus on and invested into digital capabilities to team up with our accounts to win online together. Our 'Partner Program' platform brings us one step closer to where the consumer shops by providing strategic partners with access to our products by connecting our systems to their digital platforms so they can gain access to our inventory. 2021 saw the roll-out of our 'Partner Program' to new partners, markets, and locations, enabling us to fill gaps in their size availability and offer an extended range of products to their consumers. Furthermore, our investments into digital capabilities have allowed us to deliver an enhanced and consistent shopping experience in digital wholesale by making our product images and descriptions flow seamlessly into their systems to power their website and app experiences.

We have additionally invested into digitalizing our sales processes. In 2021, we have progressed well in making our teams, tools, and processes future-proof to further scale in 2022. We continued to invest into digitalization in wholesale through roll-outs and improvements of tools in new markets like North America and China. There are now five out of six digital tools live and ready to scale: 'Click' – our B2B online shop, 'S.Core' – our one-stop-shop for sales, 'Assist' – our one-stop-shop for customer service, 'Marketing Cloud' – our customer engagement and communication tool and lastly the 'Digital Showroom,' which has allowed us to design our remote sell-in meetings in a much more engaging way using 3D digital samples and even improve our orderbook compared to previous seasons.

STORES BY CONCEPT TYPE¹



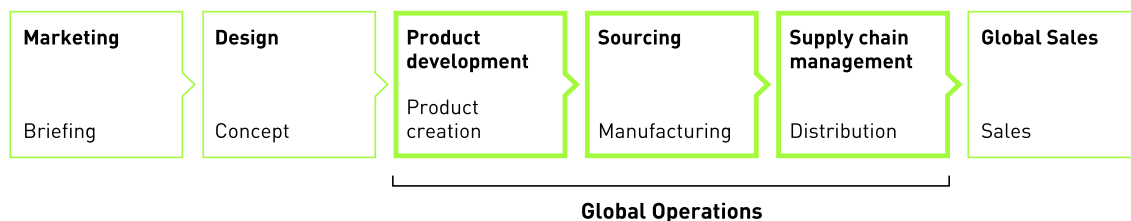
¹ Figures reflect the expected divestiture of the Reebok business.

GLOBAL OPERATIONS

Global Operations manages the development, production planning, sourcing, and distribution of our company's products. The function strives to increase efficiency throughout the company's supply chain and ensures the highest standards in product quality, availability, and delivery. With the consumer in mind, we deliver competitively priced products that drive our sustainability ambitions and are available when and where the consumer wants them.

Global Operations delivers upon our mission to be the best sports brand in the world. The function creates the best products by establishing state-of-the-art infrastructure, processes, and systems that enable us to focus on innovative and sustainable materials and manufacturing capabilities. Moreover, Global Operations is focused on delivering the best services through flexible and agile distribution capabilities, enabling product availability through an omni-channel approach. Thereby, Global Operations contributes to delivering the best experience to our customers and consumers.

GLOBAL OPERATIONS IN GO-TO-MARKET PROCESS



IMPACT OF GLOBAL CRISES ON OUR OPERATIONS

Global Operations continued to respond with speed and agility in addressing challenges emanating from the ongoing coronavirus pandemic and inbound supply challenges.

Our manufacturing partners continued to deal with facility closures and reduced working hours due to spikes in coronavirus cases and resulting government-administered lockdowns. The highest impact was seen from closures in Vietnam. We took several measures to secure additional capacity, expedited transit modes to avoid delays and moved production to our other source countries, leveraging the agility of our global supply base. All measures taken maintained our suppliers' production capacities for upcoming seasons and were managed with a cost-conscious view.

We also faced inbound challenges related to availability of shipping containers and port congestions. We acted swiftly, securing air freight and rail capacities, managing ocean freight carriers and adjusting planning processes for early shipments.

Taken together, these actions have limited the negative impact on product availability and consumer delivery time.

PRODUCTION THROUGH INDEPENDENT MANUFACTURING PARTNERS

To keep our production costs competitive, we outsource almost 100% of our production to independent manufacturing partners. While we provide our manufacturing partners with detailed specifications for production and delivery, they possess excellent expertise in cost-efficient, high-volume production of footwear, apparel, and accessories and gear.

■ In 2021, we worked with 114 independent manufacturing partners (2020: 132) that were producing in 234 manufacturing facilities (2020: 277). The majority (71%) of our independent manufacturing partners are located in Asia (2020: 68%).

We value long-term relationships: 65% of our independent manufacturing partners have worked with adidas for at least ten years and 35% have a tenure of more than 20 years. ■

RELATIONSHIPS WITH INDEPENDENT MANUFACTURING PARTNERS¹

	Total	Footwear	Apparel	Accessories and Gear
Number of independent manufacturing partners ²	114	21	61	33
Average years as independent manufacturing partner	19.6	22.7	18.7	19.2
Relationship < 10 years	35%	38%	29%	43%
Relationship 10 – 20 years	30%	29%	38%	18%
Relationship > 20 years	35%	33%	33%	39%

¹ Figures reflect the expected divestiture of the Reebok business.

² Includes one manufacturing partner who produces both footwear and apparel.

Relationships >20 years

35%

■ Overall, our independent manufacturing partners produced 938 million pieces of apparel, footwear, and accessories and gear in 2021 (2020: 943 million pieces).

All our manufacturing partners are subject to specific performance criteria which are regularly measured and reviewed by Global Operations. To ensure the high quality that consumers expect from our products, we enforce strict control and inspection procedures of our manufacturing partners and in our own factories. Effectiveness of product-related standards is constantly measured through quality and material claim procedures. In addition, we track the delivery and efficiency performance of our partners. Adherence to social and environmental standards is also promoted throughout our supply chain. The current list of our independent manufacturing partners can be found on our website. ■ ► [SEE SUSTAINABILITY](#)

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

INDONESIA BECOMES LARGEST FOOTWEAR SOURCING COUNTRY

■ 96% of our total 2021 footwear volume was produced in Asia (2020: 97%). Production volumes in Vietnam declined due to government-mandated covid-19 lockdowns. For that reason, Vietnam was not our largest footwear sourcing country last year. In 2021, Indonesia represented our largest sourcing country with 36% of the total volume (2020: 29%), followed by Vietnam with 30% (2020: 42%) and China with 15% (2020: 15%). In 2021, our footwear manufacturing partners produced approximately 340 million pairs of shoes (2020: 379 million pairs). Our largest footwear factory produced approximately 8% of the footwear sourcing volume (2020: 8%). ■

CAMBODIA REMAINS LARGEST SOURCE COUNTRY FOR APPAREL

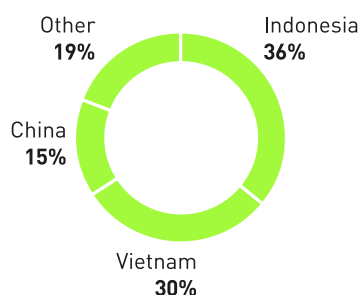
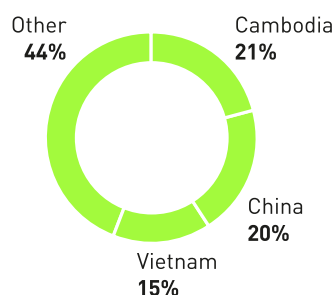
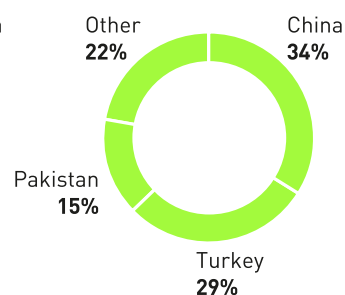
In 2021, we sourced 91% of the total apparel volume from Asia (2020: 93%). Cambodia is the largest sourcing country, representing 21% of the produced volume (2020: 22%), followed by China with 20% (2020: 20%) and Vietnam with 15% (2020: 21%).

In total, our manufacturing partners produced approximately 482 million units of apparel in 2021 (2020: 465 million units). The largest apparel factory produced approximately 11% of this apparel volume (2020: 11%). Overall, apparel production is more fragmented than footwear.

CHINA REMAINS MAIN SOURCE COUNTRY FOR ACCESSORIES AND GEAR

In 2021, 69% of our accessories and gear, such as balls and bags, were produced in Asia (2020: 77%). China remained our largest sourcing country, accounting for 34% of the sourced volume (2020: 36%), followed by Turkey with 29% (2020: 21%) and Pakistan with 15% (2020: 16%).

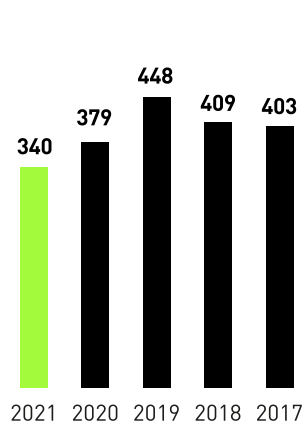
The total accessories and gear sourcing volume was approximately 116 million units (2020: 100 million units), with the largest factory accounting for 21% of production (2020: 21%).

WORLDWIDE PRODUCTION VOLUMES BY COUNTRY¹**Footwear****Apparel****Accessories and Gear**

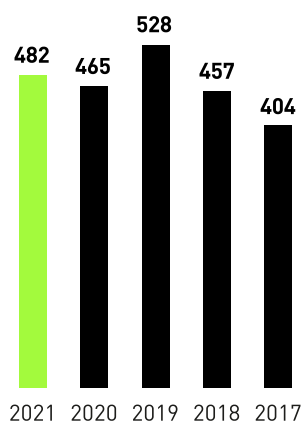
¹ Figures reflect the expected divestiture of the Reebok business.

TOTAL PRODUCTION VOLUMES BY CATEGORY¹**Footwear**

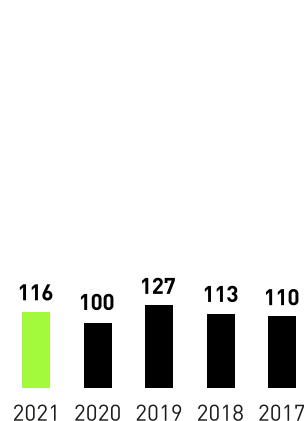
in million pairs

**Apparel**

in million units

**Accessories and Gear**

in million units



¹ 2021 figures reflect the expected divestiture of the Reebok business.

AGILE AND EFFICIENT DISTRIBUTION CENTER NETWORK

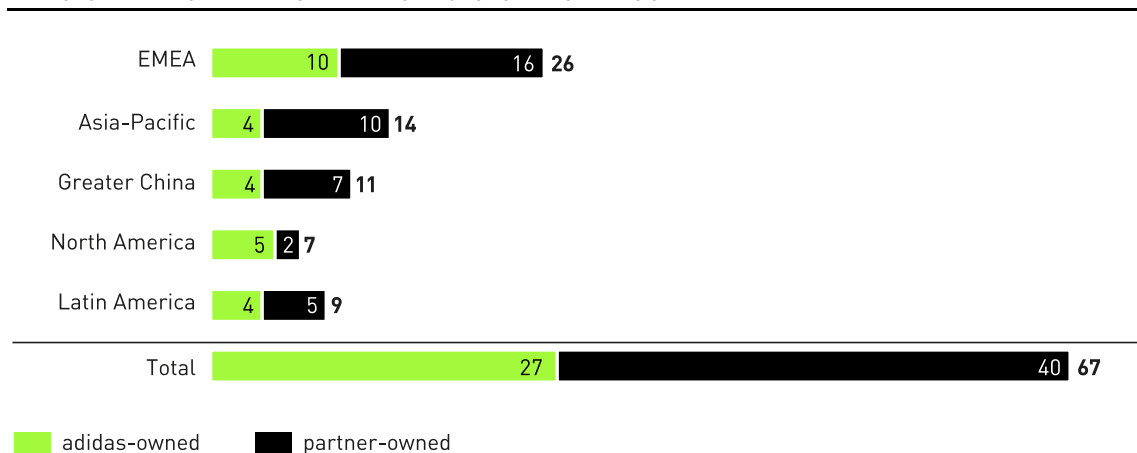
By following a clear strategic framework, we enhanced our distribution center landscape in 2021 through process automation, system upgrades, and distribution center capacity expansion. These enhancements helped us to improve e-commerce service levels and provide more delivery choices with an overall broader product availability.

Overall, our global distribution network consists of 67 distribution centers, enabling us to service our global demand efficiently and effectively. We operate distribution centers in all our markets, with 26 distribution centers in EMEA, eleven in Greater China, 14 in Asia-Pacific, seven in North America, and nine in Latin America.

Through own and partnership best-in-class execution, Global Operations ensures that the health and safety of both employees and consumers is maintained equally. Of the 67 distribution centers that make our global network, 27 are owned and operated by adidas, and 40 are owned and operated by logistics partners, allowing for the operational flexibility and agility to best service our customers and consumers.

To enable a broader range of products to be available at point of sale, 21 of our distribution centers are set up to serve all our channels, 37 are specialized to serve our retail and wholesale customers, and nine distribution centers are solely dedicated to servicing our e-commerce consumers. This diverse combination of distribution centers allows us to be agile and efficient in distributing our products to our customers and consumers across the globe.

ADIDAS VS. PARTNER-OWNED AND -OPERATED DISTRIBUTION CENTERS PER REGION¹



¹ Figures reflect continuing and discontinued operations.

ON-TIME IN-FULL DELIVERY TO OUR CONSUMERS

Global Operations strives to develop, produce, source, and distribute ordered articles on time and in full. Therefore, we track two KPIs: 'On-Time-Available' ('OTA') and 'On-Time In-Full' ('OTIF'). OTA measures on-time-available product for both our wholesale customers and own-retail stores. OTIF represents the in-full delivery of our products by the request date of our own-retail stores only, as part of our DTC-led strategy. With the introduction of OTA in 2021, we have changed the scope of OTIF compared to prior years where wholesale and franchise customers were still included.

As a ripple effect of coronavirus restrictions, the factory shutdowns in Asia, container shortages, and port congestions impacted our ability to provide the highest product availability in our distribution centers. This heavily impacted our OTA KPI in the second half of the year as further lockdowns came into force. The effects of these lockdowns could not be entirely mitigated despite diligent management and prioritization in the first half of the year. In 2021, adidas deliveries were 87% on time for adidas brand products (2020: 89%).

Despite availability challenges, OTIF exceeded its ambition through prioritization of product and an aligned planning process. This resulted in stable delivery performance throughout the year of our own-retail stores against the request dates. In 2021, adidas delivered 83% of its adidas brand products on time and in full (2020: 68%), laying a strong foundation for the 2025 OTIF ambition of 90%.

OUR PEOPLE

At adidas, we believe that our people are the key to the company's success. Their performance, well-being, and personal development have a significant impact on brand desire, consumer satisfaction, and, ultimately, our financial performance. To support the execution of our new strategy 'Own the Game,' the people strategy comprises three key pillars: Leadership, Betterment, and Performance, all underpinned by 'Diversity, Equity, and Inclusion' ('DEI').

These pillars seek to focus our efforts on people and culture through:

- attracting and engaging key talent,
- building role model leaders that empower people,
- creating a premier employee experience,
- instilling a mindset of continuous learning,
- recognizing and rewarding both individual and team performance,
- embedding 'DEI' even further into our culture.

▶ SEE STRATEGY ▶ [ADIDAS-GROUP.COM/S/EMPLOYEES](https://adidas-group.com/s/employees)

MEASURING THE SUCCESS OF OUR PEOPLE INITIATIVES

With the launch of our new people strategy, we have defined primary KPIs by which we will measure its success. These include our progress in relation to women in management positions, top talent turnover, and employee sentiment, among others. Through regular tracking of our KPIs, we are able to remain agile in our approach to initiatives, ensuring that we are responding to the needs of our employees, as well as our business.

EXPERIENCE AND ENGAGEMENT

We are convinced that listening to employees plays a crucial role in our pursuit of creating a best-in-class employee experience and continuing to attract and retain top talent. We can only tell if we are successful by asking our people, hence we empower them to share their feedback. In support of this thinking, we launched the 'Employee Listening Survey' – our new approach to measure the level of employee engagement and experience that adidas provides as an employer – for all employees in retail and corporate globally, with distribution center employees being integrated in 2022.

Out of the employees asked to participate, 72% completed the survey, with the rate for corporate employees at 75% and retail at 70%. The overall engagement score was 70% favorable and our results showed a high 'intent to stay' of employees, exceeding our external benchmark. Within the survey analysis we were able to examine how experience moments and engagement drivers influence engagement, well-being, inclusion, and intent to stay for our employees. This analysis showed our employees have strong satisfaction with important topics such as the ability to perform their daily role and learning within adidas. At the same time, it also highlighted several areas of opportunity based on which our HR department will build action plans to focus on during 2022. It is our intention to run an annual Employee Listening Survey moving forward.

ATTRACTION AND RETENTION OF TALENT

2021 brought global social and economic changes which also impacted business landscapes and candidate markets. Talent attraction in 2021 intensified with hyper-competitive market conditions. To remain competitive, adidas focused on what makes our company a top place to work, while simultaneously striving to meet the ambitious growth targets set forth by our 2025 'Own the Game' strategy.

Our 'employer of choice' status continues to garner worldwide recognition as we were named in Forbes' 'The World's Best Employers 2021' as top in our category and 14th overall. Additionally, we remain on Universum's 'World's Most Attractive Employers 2021' rankings for Business, IT, and Engineering students worldwide.

Throughout 2021, we focused on embedding 'DEI' into our recruitment processes, through various specialized programs that aim to:


- eliminate hiring bias,
- create employment pathways for retail employees to access corporate career opportunities,
- partner with other organizations and our internal Employee Resource Groups ('ERGs') to drive key messages around inclusive hiring, and
- continue the education of our stakeholders on an inclusive hiring mindset.

We also offer entry-level programs to ensure new joiners can have the best possible start, choose between a wide variety of learning opportunities, build on their strengths, and improve their professional skills.

- **Apprenticeship Program and Dual Study Program:** The adidas 'Apprenticeship Program' offers pupils who want to join our company directly out of school the opportunity to gain business experience in a two- to three-year rotation program. In cooperation with various universities, the 'Dual Study Program' offers students theoretical and practical experience at adidas. It consists of a three- to three-and-a-half-year rotation program, including at least one three- to six-month international rotation.

In 2021, we offered programs in several business areas, such as digital, e-commerce, digital media, visual marketing, finance, IT, retail, logistics, or shoe finishing. At the end of 2021, we employed 47 apprentices in Germany (2020: 49) and 46 dual students (2020: 38). Of these apprentices and dual students, ten were hired as a part of our 'Integration Program,' which provides opportunities for those from underrepresented backgrounds to achieve equal and equitable opportunities in the workplace.

- **Internships:** Our internship programs provide students with a three- to six-month work and developmental opportunity within adidas, accompanied by robust internship programming elements including professional development, mentorship and networking events. Our goal is to ensure we retain top-performing interns and convert them into full-time employees. In 2021, we employed 70 interns based in Germany (2020: 114).

adidas saw multiple markets and functions expand in 2021, resulting in a 136% increase in hires from 2020. We have welcomed 73 executives for senior positions, coming from both internal movements and a variety of companies including Nike, Lululemon, Nestlé, Starbucks, Amazon, Tapestry, Zalando, and BCG. 

LEADERSHIP DEVELOPMENT EXPERIENCES

Our learning and development offerings focus on developing the leadership behaviors and essential skills needed to ensure our continued success and the execution of our 'Own the Game' strategy. Our ambition is to inspire and nurture talented and diverse leaders who exemplify our leadership behaviors.

We offer a portfolio of leadership development experiences designed for every level of management across all markets and functions. These include the 'People Leader Experience' ('PLE'), 'Manager Development Experience' ('MDE'), 'Director Development Experience' ('DDE'), and 'Executive Development Experience' ('EDE'). These interactive learning experiences support the development of leadership skills that are directly linked to the participants' current roles and responsibilities, as well as being aligned to our values. In 2021, 1,885 employees enrolled in 'MDE' or 'DDE,' and of those 1,444 employees graduated the programs through a virtual experience. Additionally, 1,705 people leaders and/or those who aspire to lead people enrolled in 'PLE,' with 1,437 completing the program through a virtual, collaborative experience.


SUCCESSION MANAGEMENT AND LEADERSHIP GROUPS

Our succession management approach aims to ensure stability and certainty in business continuity through the development of strong internal pipelines of talent for critical leadership positions. We achieve this through a globally consistent succession process that identifies these critical leadership positions within the organization and matches top talent as successors for these roles. Furthermore, we drive the translation of succession planning into realizable development plans to prepare successors for their next steps. The leadership groups we have established serve as succession pools for the executive roles of our organization.


We have five standing groups to ensure leadership excellence and develop future leaders. The first two groups, the 'Core Leadership Group' ('CLG') and the 'Extended Leadership Group' ('ELG'), focus on excellence in execution of our strategy and ensuring global consistency. The remaining three groups focus on developing global, regional, local, and functional succession pipelines at different levels.

- The **'Core Leadership Group'** is made up of approximately 20 members of our senior leadership population. Members of this group jointly represent critical positions and roles across our company worldwide. This group partners with the Executive Board in leading the execution of our business strategy. The 'CLG' is also responsible for developing and inspiring the next generation of leaders. In addition, selected members of this group are potential successors for the Executive Board.
- The **'Extended Leadership Group'** has approximately 110 members. The 'ELG' collaborates across markets and functions to lead the execution of our strategic initiatives and to drive continuous improvement and consistency throughout the organization. The 'ELG' also mentors and sponsors the 'Global High Potential Group' and 'Local High Potential Group.' In addition, selected members are potential successors for the 'CLG.'
- The **'Global High Potential Group'** ('GHIPO') enables us to identify and develop global high-potential leaders who have the ability to take on more complex, demanding, and higher-level responsibilities at an executive level. The second 'GHIPO' generation with approximately 40 members and a balanced gender split completed their development experience in the first quarter of 2021. At the end of 2021, 85% of the active and alumni 'GHIPO' participants made positive career movements through either a promotion to the next level or lateral, cross-cultural, or cross-functional moves.
- The **'Local High Potential Group'** ('LHIPO') enables us to identify and develop local high-potential leaders who have the ability to take on more complex, demanding, and higher-level responsibilities at a global or regional leadership level. The program is designed to build peer relationships and to give

participants cross-functional and cross-cultural exposure. The second 'LHIPO' generation, made up of approximately 170 members of 41 different nationalities, representing all markets and functions, concluded their development journey in the fourth quarter of 2021. 55% of the members of this group are female. By the end of 2021, nearly half of the active and alumni 'LHIPO' participants made positive career movements through either a promotion to the next level or a lateral, cross-cultural, or cross-functional move.


- The **'Future High Potential Group'** ('FHIPO') was formed in the fourth quarter of 2021 and enables us to identify and develop selected employees at an early career stage who show high potential. The twelve-month program is designed to build on participants' skills, further evolve their capabilities, strengthen their behaviors, and expand their business perspective. The first 'FHIPO' generation with approximately 50 members, 60% of whom are female, from all functions is locally driven in Portland. 

COMMITMENT TO IMPACT


 Together with our employees, partners, communities, and consumers, we act on our company purpose by fostering a culture of inclusion, impact, and shared opportunity. To maximize impact, we leverage brand moments to raise awareness and create opportunities for our people to engage and get involved, such as by providing volunteering and donation opportunities.


Volunteering: In 2021, our 'Community Impact Team' organized global volunteering opportunities programmed around key cultural moments such as International Women's Day and 'Pride Month.' Different virtual volunteering activations allowed employees around the world to take collective ownership in fostering 'DEI,' role modelling our values and bringing our purpose to life. Throughout the volunteering programs organized by the Community Impact Team, we achieved the following:

- adidas employees collectively delivered 1,084 volunteering hours.¹²
- 14 non-profit organizations or social ventures received support through volunteering.

Employee donations: Using the community impact platform 'DEED,' whose reach we continued to extend to our global employees in 2021, the Community Impact Team launches and executes fundraising campaigns allowing employee contributions to selected non-profits aligned to key cultural moments. This further demonstrates our collective support as one adidas family. 

DIVERSITY, EQUITY, AND INCLUSION

 'Equity' has been newly added to our diversity and inclusion commitment in 2021. At adidas, we recognize that, historically, we live in a society that has generated an unequal playing field, which we do not want to replicate or sustain. We want to give each of our employees, irrespective of their diversity and intersectionality, the opportunity to be able to perform at their best, be consistently and fairly developed, recognized, and rewarded for their efforts.

We strongly believe that 'Diversity, Equity, and Inclusion' ('DEI') are key to the success of our company. To be the best sports brand in the world, we need the best diverse talent that reflects the diversity of our customers and consumers. We celebrate this diversity as it helps us better serve the communities we work in, while also providing a competitive business advantage. Through embedding 'DEI' across all pillars of our people strategy, we aim to create the most inclusive workplace and ensure that everyone has the same career opportunities by helping to eliminate barriers. 

¹² This does not include local, 'ERG' or individual volunteering hours.

ADIDAS 'DEI COUNCIL'

■ In the fourth quarter of 2021, adidas launched the 'Global DEI Council.' The Council drives the increase of representation, retention, and advancement of diverse talents within our global workforce. It is responsible for business ownership and accountability on global 'DEI' initiatives and leads, advocates, and drives the strategic implementation of adidas' 'DEI' mission.

The Council members will drive 'DEI' change initiatives within their functions and markets and identify, escalate, and remove cross-functional and market-based barriers, while providing the necessary resources for successful 'DEI' strategy implementation. The Council is made up of a diverse group across the organization, including all of the Management Board members and strategic 'DEI' representatives across functions and regions; employee representatives will also actively participate through elected representatives of the 'Global ERG Council' and representatives of the 'Works Council' taking a rotating seat on the 'DEI Council.' ■

UNITED AGAINST RACISM AND OUR GLOBAL DEI COMMITMENTS


■ We have always been and will always be against discrimination in all forms and stand united against racism. To emphasize this principle, we shared a list of global commitments in June 2020. They describe how we aim to contribute to creating lasting change. The commitments include, among others, investing \$ 120 million in the US toward ending racism and supporting Black communities through to 2025, and funding 50 university scholarships in the US each year for Black and LatinX students. We also set new targets for increased representation of Black and LatinX people within our US workforce. Our aim is to fill at least 30% of all new positions in the US with Black and LatinX people.

In 2021, we have made further strides in strengthening our inclusive culture with an increased ownership across our global business functions. This has included:


- Company-wide completion of the nearly 30 hours per employee, team-led 'Creating a Culture of Inclusivity' development program, including expanding it to our Retail and DC employees. This created a level set in our organization to ensure a consistent understanding of 'DEI' terms, concepts, and principles, and the impact they have on workplace culture and individual employee experiences.
- Creation of key learning programs and e-learning modules for new and existing employees. These encompassed, among others, training on what 'DEI' means at adidas, and on our anti-harassment and anti-discrimination policy.
- Formation of the 'United Against Racism Accountability Council' in North America to implement and inform our targets and policy, that hold us accountable and adhere to our financial commitments, and fast-track programs aimed at increasing representation and support of Black and LatinX communities, who represent the consumers we serve.
- Formation of our 'Global DEI Council' to provide strategic 'DEI' direction and ensure Board, functional, and market-level accountability to strengthen our inclusive culture.
- Expansion upon our 2020 Global Day of Inclusion with a Global Week of Inclusion in 2021 that was complemented through the year by other diversity moments, to celebrate and educate our employees on diversity. This included recognizing and supporting employees through Ramadan and Eid al-Fitr, managing mental health and well-being, LGBTQ+ Pride Month activations, International Day of People with Disabilities, Black History Month (US and UK), and International Women's Day.
- Analysis of our overarching strategic approach to supplier diversity including setting targets for diverse supplier representation.

- Establishing at our headquarters in Herzogenaurach a Refugee Employment Program to provide employment pathways for political and war-affected refugees.
- Increasing our focus on delivering 'DEI' change through market-led initiatives. Local 'DEI' market leads are charged with the responsibility of understanding, adapting, and implementing global initiatives into their regional areas, along with supporting the local implementation of DEI activations.
- Implementation of global and local Cultural Review Teams with an adidas Cultural Guidance Playbook for all branded content creation to ensure we live our values through our partnerships, product, imagery, and messaging.

Throughout the company, we continue to support and grow our Employee Resource Groups (ERGs) – these are specific networks that give employees from various walks of life a voice and serve members by fostering a diverse and inclusive workplace. We now have more than 40 ERGs around the globe, as well as Diversity Ambassador teams, with different focuses on diversity dimensions such as Ethnicity, Gender, LGBTQ+, Experienced Generation, Faith, and Disability and Mental Health. Participation in the groups is voluntary and open to all employees. This year we launched our ERG Framework. Through these guidelines, we assist our ERGs and business leads to understand the important role ERGs play in creating an inclusive culture.



To assist with global coordination and sponsorship of ERGs and to optimize potential for cross-market communication and education, adidas will introduce the ERG Global Council in early 2022. 

FEMALE LEADERSHIP AND DIVERSITY OF TALENT

 As part of our people strategy, adidas has established a concrete and measurable goal to assist in realizing our DEI ambitions. We have committed to increase the share of women in management positions (Director level and above) globally to more than 40% by 2025. At the end of 2021, that number was 37% for adidas. This new goal also reflects our consumer focus, where women are a priority.

Women in management positions

37%

While we have a clear target for female representation in management positions, we commit to supporting inclusivity across all diversity dimensions and across different intersectionalities, both in our brand offerings and internally. We also plan to significantly increase the diversity of our leadership groups, such as our CLG and ELG. To assist us in understanding the demographics and diversity of our talent across our organization, we will launch a 'Diversity Dimension Data Collection' project in 2022. For adidas AG, we also have legally required target figures for the percentage of female representation on the Executive Board, including corresponding deadlines for their achievement, as well as for the first two management levels below the Executive Board.   **SEE DECLARATION ON CORPORATE GOVERNANCE**

CULTURE

It is our goal to develop a culture that values the experience, well-being, and performance of our employees. Our people and our culture are key to delivering our 'Own the Game' strategy; and one of the ways we are supporting our people is by introducing six new values that will guide our behaviors. Our new values are: Ownership, Courage, and Innovation, as well as Team Play, Respect, and Integrity. In 2022, we will focus on implementing and embedding these values across our people policies and processes, including the way we hire, promote and evaluate performance.

LEARNING

We are convinced that employee development enables a high-performance culture. To achieve this, we offer a wide range of learning and development opportunities. These include online learning resources and interactive learning experiences that are designed to increase the personal and professional effectiveness of our employees.

This year, we have premiered a platform for employees that provides access to all learning initiatives within adidas. It contains curated content based on employee development needs.

Our investments in learning and development opportunities have focused on access to digital learning content such as LinkedIn Learning, Udemy, Circus Street, and Arizona State University. To pursue our effort of equitable access to career development, we have also invested in a self-directed language platform.

In 2021, we made increasing use of virtual capabilities not only in the delivery of learning content, but also in its development. We have developed and launched a new virtual learning creation that allows rapid design, quick implementation, and delivery of content at scale within a short period of time. With this approach, we were for example able to launch our 'Essentials – Think and Act Sustainably' program, resulting in a registration of more than 4,000 employees in 2021.

Going virtual has not only enabled access to a wider audience across the organization, but also allowed for even more diversity of thought, experience, and knowledge in the learning groups, bringing the learning exchange to all different levels. Consequently, we saw an extended use of our digitally enabled learning tools, but also of other learning offers across adidas, with a significant increase in learning hours.

INFORMAL LEARNING AND MENTORING

Another investment has been in networking and informal learning. For example, we have partnered with 'Ten Thousand Coffees' on an adidas virtual café to enable connection and peer-to-peer learning.

At the beginning of the year, we also relaunched our internal adidas Mentoring Program (aMP) to answer the development needs of our employees. aMP is a self-driven program open to all adidas employees to connect with mentors and mentees outside of their location and/or function, learn from each other, and grow together.

In addition, in 2021 the CEO Mentoring Circle that originally started in 2017 was expanded to become the Board Mentoring Circle. With this program, the adidas Executive Board members are investing their time to support the development of selected and upcoming leaders in our organization.

In 2021, we have also partnered with former track and field athlete Edwin C. Moses to pilot a mentoring experience to help selected employees elevate their ability to reinforce our cultural aspirations. Participants comprised a small and diverse cohort of high-potential leaders across North America. This initiative will be extended to a larger group across the organization in 2022.

PERFORMANCE MANAGEMENT


■ #MYBEST is the global performance development approach at adidas and is a key enabler of a high-performance culture. The four elements of #MYBEST encourage regular high-quality conversations between the employee and the line manager, provide a framework for regular upward and peer feedback exchange, and ensure goals are set and reviewed quarterly. A formal performance evaluation takes place twice a year,¹³ and development is the focus of every monthly 'Touch Base' conversation. The voice of employees is critical in the evolution of #MYBEST. In 2021, we introduced new tools to make the performance evaluation and potential assessment processes more equitable and continued to build our line managers' capabilities to engage in meaningful performance standard conversations. In August, our new people strategy was launched, with a key focus on performance. During the fourth quarter of 2021, we initiated a review of our performance development approach to include our new values. This review will continue in 2022 and will focus on the future of performance at adidas. ■

WORK-LIFE INTEGRATION


■ We aim to harmonize the commercial interests of the company with the professional, private, and family needs of our employees. Our work-life integration initiatives and programs include the provision of flexible working times and locations, personal development, and leadership competence related to work-life integration, as well as family-oriented services:


- **Childcare:** In addition to providing flexible working opportunities such as work from home and sabbaticals, we cater for a family-friendly environment and infrastructure. At our headquarters in Herzogenaurach, we offer parent-child offices, and provide for a childcare facility, the 'World of Kids.' It offers space for 270 children and includes an outdoor group and ad-hoc childcare to support parents in emergency situations or during transition phases and short-term assignments. During school holidays, kids' camps are very popular and offered at various locations across the globe. Due to the ongoing coronavirus pandemic throughout 2021, we were forced to adjust well-established offers in many locations. Different solutions were implemented to assist parents working from home in challenging times while catering for childcare and home-schooling. These included coronavirus hotlines for parents and caregivers, interactive online sessions, and presentations from experts, as well as tutoring for pupils.
- **Parental leave:** For parental leave and re-entry, programs are in place to provide employees with advice early on and options for their return to work, also taking into consideration flexible working hours and work locations. In Germany, we guarantee our employees on parental leave their positions, which are only filled temporarily. In the US, in addition to regular parental leave for new parents (up to ten weeks at home, 70% of their salary), adidas offers an extra two weeks of paid parental leave for parents. Furthermore, adidas' special parental bonding leave provides parents with the opportunity to stay home for up to six months within the first twelve months after the child's birth or placement. While unpaid, it offers parents the opportunity to stay home longer and take care of their new arrival and new life together. Latin America provides for an extended parental leave approach across the market where mothers will be provided 24 paid weeks in total to spend with their children, and fathers/partners will be provided 20 paid days in total. On top of this, mothers are allowed to work fewer hours one month before and after their maternity leave period.

¹³ Employees in Germany continue to have four evaluations based on the current company agreement.


- **Flexible work:** Based on the good experience we have made with our worldwide off-campus-working approach, which allows our employees to work up to 40% of their working hours remotely, adidas has been well prepared and equipped for the transition to full home-office mode during the pandemic. At the same time, we experienced the importance of social and personal interaction first-hand during the pandemic. As we think about the future, we want to provide flexibility to support employees' unique needs and experiences. 

HEALTH MANAGEMENT


 We support our employees by aiming to provide the best possible conditions to ensure that they feel good and stay healthy. Our holistic approach includes people's physical, mental, and social well-being, and focuses on four pillars: mindset, nutrition, movement, and medical services. We provide employees access to various sports activities and facilities, and lockers and showers in many office buildings allow people to run or cycle to work. Employees in Herzogenaurach, Portland, Boston, Moscow, Gurgaon, and Manchester, and at other locations across the globe, have access to a corporate gym. However, with the ongoing coronavirus pandemic throughout 2021, we continued to follow a cautious approach and keep programs stopped and gyms closed where necessary. Our focus remained on digital offers for employees to support a healthy lifestyle at home. This included an online sports program as well as broad virtual offerings on nutrition, mental health, remote work, and resilience. In addition, our Employee Assistance Programs were extended over the past months; the offering now fully covers nearly every market, including North and Latin America, Emerging Markets, Asia Pacific, and various countries in Europe.

Mental Health Week 2021: As part of our focus on holistic well-being and an inclusive culture, following World Mental Health Day, we provided employees worldwide with support, tools, and information to proactively recognize and manage their own mental health and that of those around them. 'Mental Health Week 2021' had – based on the motto 'Mind your mind' – a focus on creating productive conversations, showing support, and giving a call to action for prevention and positivity with regard to mental health. 


NAVIGATING THROUGH THE CORONAVIRUS PANDEMIC

 Since the beginning of the covid-19 pandemic, the safety and well-being of our employees, consumers, and partners has been our top priority. In our offices, stores, and warehouses around the globe, we have installed a variety of measures to ensure the ongoing safety of our people and limit the risk of infections at the workplace or while traveling.

- **Crisis management team:** To monitor and assess the impacts and potential spread of the coronavirus globally, we have continued to work with a dedicated Steering Committee since February 2020. The task of this HR-led, cross-functional team is to provide guidance to our markets on emerging issues, standards, and company policies to ensure alignment in our response to covid-19. The team also tracks internal covid-19 cases globally on an anonymous basis, and reports these to the Executive Board. This measure enables us to determine any actions needed at all locations globally. The Steering Committee meets up to two times per week to review employee case numbers, impacts to the business, emerging issues, and review current policies, guidelines, and direction to the business and our workforce. Updates are provided to the Executive Board on a regular basis, at least once a month.
- **Return to the office:** In 2021, we slowly started to re-open some locations, with limited capacity according to local regulations, and attendance on site is on a voluntary basis. All regulations regarding safety protocols were extended, such as wearing masks, social distancing, and meeting room limitations. Additionally, we are continuously monitoring the development of the situation by market and keep transparent communication to our employees every week, as well as reinforcing the strict rules of conduct in place in our workplaces to ensure maximum safety levels.

- **Vaccination:** We encouraged all employees who can to get vaccinated to protect themselves, our colleagues, families and friends. In Germany, we were able to have our own vaccination centers on site (available for corporate, retail, and distribution center employees) to accelerate the vaccination progress, as well as extending the flu shot campaign in some countries. When governments around the world asked for companies to facilitate and/or fund the vaccination of their employees, we readily did this and funded vaccination for our employees in the United States, Colombia, Russia, Ukraine, and India.
- **HR training and alignment:** To enable our HR Business Partners to report on covid-19 cases, conduct contact tracing, and manage any employee-related crisis issues, we introduced global trainings for them. These trainings are repeated as often as necessary to ensure our HR Business Partners are able to act upon the most recent developments at any time. To create alignment and awareness of new processes or emerging situations in the markets, we have also set up a weekly call for market HR leaders, where any employee- or covid-19-related issues are discussed and decisions are made on necessary actions.
- **Retail:** In our own-retail stores, safety protocols include social distancing rules and the installation of plexiglass screens. Our retail staff have been trained on these safety measures, contact tracing, and case reporting to guarantee sufficient response actions to ensure the safety of all employees and customers. In addition, we created so called 'Retail Response Teams' to ensure the implementation of regulations and standards in our stores in a timely manner. 

REWARDS

 **Principles of our rewards and recognition strategy:** The key focus of the adidas 'Total Rewards and Recognition Strategy' is to attract, retain, and motivate individuals through remuneration, benefits, and recognition programs that are inclusive, fit for purpose, and competitive in the marketplace, enabling the achievement of adidas' strategic objectives. In order to further enhance the rewards and recognition approach at adidas, a comprehensive review will be undertaken in 2022.

Remuneration: Remuneration at adidas has a dual focus of ensuring employees are remunerated fairly and equitably for the role they perform, while also creating a culture of 'rewarding for performance.' This is supported by the adidas Total Compensation Management philosophy, together with the development of an internal Job Architecture, both of which have been designed to enable educated compensation decisions based on external market reference and internal equity, while also taking into account the skills, experience, and responsibility of individuals.

In order to motivate and engage our employees, while also driving performance, adidas offers the following variable compensation plans:

- Short-Term Incentive (STI) programs,
- Profit participation program – 'Champions Bonus' (Germany),
- Long-Term Incentive (LTI) Plan for senior management.

Benefits: At adidas, most benefits are offered on a location-specific basis, driven by local practices or needs, and statutory requirements. This includes a 401-K Retirement Plan (US), Long-Term Working Time Account and the adidas Company Pension Plan (Germany). As a global company, our benefits reflect our cultural diversity. Programs may vary from country to country, but follow a defined global standard to enable a comparable benefits experience, which is enabled through flexibility and technology.

Cross-border employment: adidas is investing in international relocations to fill local skill gaps, enable knowledge transfer, develop talent to build a more diverse workforce, enable location strategy, and to enforce our learning company culture. Our cross-border employment ambition is to enable 'Own the Game' through desired movement of talent that both enhance employee experience and align to business purpose and impact. To support this ambition, in June 2021, adidas launched a new global policy for cross-border employment.

Stock Purchase Plan: Participation in the Stock Purchase Plan is open to employees in Germany, the US, the Netherlands, and Greater China (China mainland, Taiwan, and Hong Kong), offering almost half of our employees globally (excluding retail) the possibility to participate. 5,230 employees participated in the program in 2021 (2020: 5,400). [➔](#)

GLOBAL EMPLOYEE POPULATION

On December 31, 2021, the company had 61,401 employees (2020: 62,285).¹⁴ Thereof, 8,096 were employed at adidas AG (2020: 7,694). On a full-time equivalent basis, our company had 53,870 employees on December 31, 2021 (2020: 54,722), thereof 7,241 at adidas AG (2020: 6,963). In 2021, personnel expenses decreased slightly to € 2.451 billion (2020: € 2.483 billion), representing 12% of sales (2020: 13%). In 2022, adidas plans to hire more than 2,800 new employees. [➔](#) [▶ SEE TEN-YEAR OVERVIEW](#) [▶ SEE NOTE 40](#)

Employees worldwide

61,401

EMPLOYEE STATISTICS¹

	2021	2020
Total number of employees ²	61,401	62,285
Total employees		
Male	47%	45%
Female	53%	55%
Management positions ³		
Male	63%	65%
Female	37%	35%
Average age of employees (in years)	32	31
Average length of service (in years)	5	4

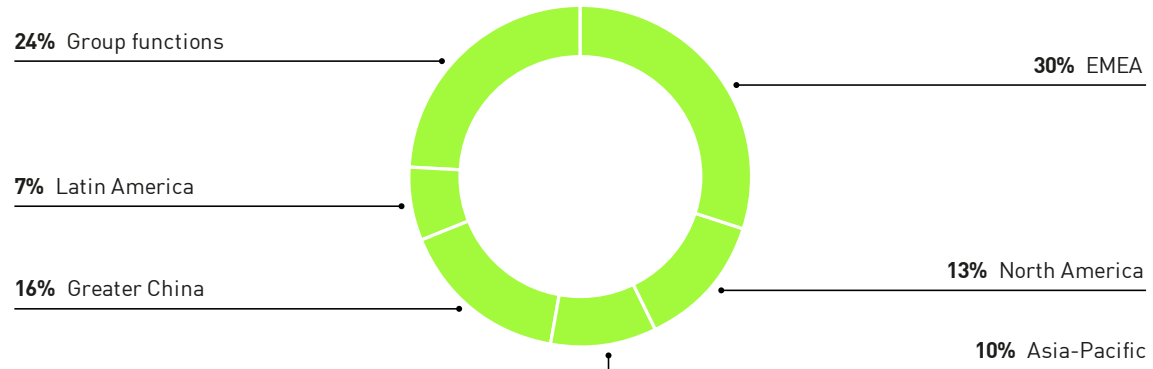
¹ At year-end. 2021 figures reflect expected divestiture of the Reebok business.

² Number of employees on a headcount basis.

³ Calculated in accordance with German Act on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector in Germany.

¹⁴ The decline in employees is solely related to the expected divestiture of the Reebok business.

EMPLOYEE SPLIT¹



¹ At year-end.

NUMBER OF EMPLOYEES BY FUNCTION¹

	Employees ²			Full-time equivalents	
	2021	in %	2020	2021	2020
Own retail	34,163	56	35,910	28,061	29,384
Sales	3,281	5	3,709	3,180	3,617
Logistics	8,733	14	8,548	8,359	8,225
Marketing	4,633	8	6,028	4,382	5,766
Central administration	5,096	8	5,143	4,871	4,909
Production	464	1	521	447	499
Research and development	1,028	2	973	956	903
IT	4,003	7	1,453	3,614	1,417
Total	61,401	100%	62,285	53,870	54,722

¹ At year-end. 2021 figures reflect expected divestiture of the Reebok business.

² Number of employees on a headcount basis.

SUSTAINABILITY

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

SUSTAINABILITY AS STRATEGIC FOCUS AREA

Our commitment to sustainability is embedded into how we have done business for over two decades. It is rooted in our purpose 'Through sport, we have the power to change lives.' In 2021, sustainability was defined as a strategic focus area of our strategy 'Own the Game.'

Consequently, we have doubled down on our commitment to sustainability and defined a roadmap for 2025 and beyond that allows us to create a positive impact across relevant areas, always focusing on the most material topics – for us and our stakeholders. We will move to a comprehensive, consumer-facing sustainable article offering at scale, expand our circular services, and work toward achieving climate neutrality (CO₂e) across our entire value chain. We will empower our employees to become sustainability ambassadors, just as we invite consumers globally to engage and connect with us on the topic of sustainability. Lastly, we aim to uphold the highest social compliance standards in our supply chain.

We believe that moving toward achieving the targets we have defined for 2025 will set us up for future success. Yet we know that we cannot achieve these alone. We will leverage our long-term relationships with suppliers to ensure they can continue moving with us in alignment with our decarbonization efforts, and work closely with partners to scale innovative materials and recycling technologies. The table below provides an overview of the targets we have set for 2025, supporting our drive for positive environmental and social impact.  [SEE STRATEGY](#)  [ADIDAS-GROUP.COM/S/SUSTAINABILITY](https://adidas-group.com/s/sustainability)

TARGETS FOR 2025 AND BEYOND: ENVIRONMENTAL IMPACTS

Target year	Area	Target	Baseline
2025	Own operations		
	Emissions	Achievement of climate neutrality (CO ₂ e)	
	Water	15% consumption reduction [m ³ /m ²]	2019
	Waste	95% diversion rate	2019
	Supply chain		
	Energy	Adoption of renewable energy at strategic Tier 1 and Tier 2 supplier facilities to keep emissions flat	2017
	Water	40% intensity reduction at Tier 2 supplier facilities	2017
	Chemicals (Input)	80% of supplier facilities to achieve the highest level of compliance (level 3) with ZDHC 'Manufacturing Restricted Substances List' for 80% of the chemicals used for production	
	Wastewater (Output)	80% of suppliers that operate on-site effluents plants to achieve ZDHC 'Wastewater Foundational Level'	
	Product		
	Sustainable article offering	9 out of 10 articles will be sustainable, meaning that they are – to a significant degree – made with environmentally preferred materials	2020
	Decarbonization	15% reduction of GHG emissions per product	2017
2030	Entire value chain (from raw material production to own operations)	30% reduction of GHG emissions	2017
2050		Achievement of climate neutrality (CO ₂ e)	

TARGETS FOR 2025 AND BEYOND: SOCIAL IMPACTS

Target year	Impact area	Target
2025	Own operations	
	Health and Safety	Lost-Time Incident Rate ('LTIR') below industry average ¹ ; Zero fatal accidents; Occupational Illness Frequency Rate ('OIFR'): Zero
	Supply Chain	
	Social impact ('S-KPI')	70% of Tier 1 strategic suppliers achieve at minimum '4S'; 100% of Tier 1 strategic suppliers achieve '3S' or better ²
	Fair wages	Progressive improvement in compensation, measured by fair wage benchmarks across our strategic Tier 1 suppliers ³
	Gender	Achieve gender wage parity for workers and their supervisors in our strategic Tier 1 suppliers ⁴
	Entire value chain (from raw material production to own operations)	
	Human Rights and Environmental Due Diligence ('HREDD')	System in place to identify and manage high-risk human rights issues in 100% of value chain ⁵

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

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

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

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

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

MATERIAL TOPICS

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

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

CORRELATION BETWEEN UN SUSTAINABLE DEVELOPMENT GOALS AND OUR SUSTAINABILITY ROADMAP

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

STAKEHOLDER DIALOGUE AND TRANSPARENCY

Engaging openly with stakeholders and establishing ways to increase transparency and disclosure has long been central to our approach. Our stakeholders are those people or organizations who affect or are affected by our operations, including our employees, consumers, suppliers and their workers, customers, investors, media, governments, and NGOs. The adidas 'Stakeholder Relations Guideline' specifies key principles for the development of stakeholder relations and details the different forms of stakeholder engagement.

adidas participates in a variety of industry associations, multi-stakeholder organizations, and non-profit initiatives. Through these memberships, we work closely with leading companies from different sectors to develop sustainable business approaches and to debate social and environmental topics on a global and local level. We use collaborations and partnerships to build leverage for systemic change in our industry, such as for efforts to mitigate the carbon footprint in our industry's supply chain, strengthening chemical management practices, and raising standards in the cotton supply chain. In addition, we build awareness, capacity, and knowledge of laws and rights among factory management and workers by partnering with leading providers such as the International Labour Organization's ('ILO') 'Better Work' program, as well as with the United Nations International Organization for Migration ('IOM') with the objective to ensure that the labor rights of foreign and migrant workers are upheld in the adidas supply chain.

Key memberships:

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

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

We acknowledge the value of climate-related reporting and for many years have been reporting into well-established frameworks. Based on its international accreditation, we are aiming to stepwise include the 'Task Force on Climate-related Financial Disclosures' ('TCFD') recommendations that enable companies to improve reporting of climate-related financial information, especially climate-related risks and opportunities. The TCFD is structured around four thematic areas that represent core elements of how organizations operate: governance, strategy, risk management as well as metrics and targets.

We believe that with our long-standing commitment to and strategic focus on sustainability we are already covering elements of the four thematic areas in various sections of our Annual Report. adidas has chosen sustainability as a focus area in its company strategy 'Own the Game' and therefore a comprehensive roadmap with clear targets is in place. The Sustainability Sponsor Board ensures end-to-end management of this strategy. As part of our risk identification process, we monitor physical risks related to climate change as well as risks and opportunities resulting from the transition to a low-carbon economy. To further refine and develop the core reporting elements in line with the TCFD recommendations, a cross-functional project team was set up in 2021. This team will proceed with establishing solid governance processes around the TCFD and will particularly focus on establishing climate-related scenario analyses. Given the complex nature of the topic, further preparation will be needed to build more granularity and to ensure high quality for more extensive external reporting.  **SEE RISK AND OPPORTUNITY REPORT**

GOVERNANCE STRUCTURE

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

We have set up regular sustainability networking calls for all employees involved in sustainability projects and programs in the organization to ensure company-wide alignment on all levels. On top of this, adidas developed a company-wide sustainability training program available to all employees, educating them on how to think and act sustainably, enabling them to become sustainability ambassadors and encouraging everyone to make personal and professional commitments to contribute to a cleaner planet. Thousands of colleagues have gone through the training in 2021. We also initiated sustainability training for our retail colleagues, with the objective of informing, engaging, and inspiring our entire team and all consumers we interact with on a daily basis, around the globe. [▶ SEE OUR PEOPLE](#)

EXTERNAL RECOGNITION

adidas continuously receives positive recognition from international institutions, rating agencies, NGOs, and socially responsible investment analysts for its holistic approach to managing sustainability. In 2021, adidas was again subject to comprehensive corporate environmental, social, and governance ('ESG') assessments, and took part in focused thematic disclosure benchmarks for environmental or social performance. As a result, adidas was represented in a number of high-profile sustainability indices, ratings, and disclosure benchmark evaluations.

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

EXTERNAL RECOGNITION 2021

Environmental, Social, Governance Performance (ESG)	Environmental Performance	Social Performance
MSCI ESG Rating (AAA, upper score: AAA)	CDP Climate Change (B score, upper score: A)	Corporate Human Rights Benchmark (first in our industry)
S&P Global ESG Evaluation (85/100, upper score: 100)	CDP Water (B score, upper score: A)	KnowTheChain Benchmark (among top 3 in our industry)
Sustainalytics ESG Risk Rating (13.3/100, upper score: 0)	Corporate Information Transparency Index (among top 10 in our industry)	World Benchmarking Alliance Gender Benchmark (among top 3 in our industry)

ENVIRONMENTAL IMPACTS

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

DECARBONIZATION

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

2030 Goal: GHG emissions reduction across entire value chain by















30%

Moving toward achieving our ambitious target requires reliable data. We developed an 'Environmental Footprint Tool' that enables us to quantify, monitor, and be transparent about our environmental impacts not only across our own operations, but along our entire value chain. This covers all stages from extraction, production and processing of materials, product assembly, own operations, and logistics, to the disposal of our products at the end of their lifetime.

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

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

ENVIRONMENTAL FOOTPRINT¹

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

¹ Values reported cover production seasons SS21 and FW21. Raw materials production and processing (Tier 4+, Tier 3, Tier 2): Impacts are estimated based on quantities of materials and life cycle analysis data. All key production processes are considered. Primary, secondary, and tertiary packaging material quantities are included. The quantities are estimated based on sales volumes, using composition and weight assumptions from the 'Product Environmental Footprint Category Rules' ('PEFCR'). Assembling (Tier 1): Impacts are estimated by applying emission factors to reported energy consumption from Tier 1 strategic suppliers. Sourcing volume data is used to estimate the impact of non-strategic suppliers (<20%). Logistics: Quantities of goods for specified distribution routes are combined with transport emissions factors. Own Operations: Impacts are estimated based on reported environmental quantities in the workplace governance data system and business travel data system. End of Life: Emissions caused by disposal of our products by consumers are estimated based on sales volumes and typical waste disposal routes (e.g., landfill and incineration).

SUPPLY CHAIN

As a substantial portion of environmental impact occurs, at different intensities, throughout the supply chain, sourcing at adidas is not only about ensuring high product quality and timely delivery. It also means working with our suppliers to ensure they are continuously optimizing their environmental footprint in the area of energy use and carbon emissions, water, wastewater, chemicals, and waste. Strategic suppliers at Tier 1 and Tier 2 level producing most of our products and materials are enrolled in our environmental program, which means we partner closely with them and provide suitable training to achieve their targets and progressively improve their footprint.


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

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

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

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

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

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

CHEMICAL MANAGEMENT

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

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

TRANSPORTATION

We regularly track the environmental impact related to the transport of our goods. Compared to the previous year, performance remained relatively stable. While the use of air freight increased in 2021 as part of our efforts to counterbalance covid-19-related supply chain challenges, the vast majority of our transportation continued to take place via sea freight, with 97% of footwear, 93% of apparel and 72% of accessories and gear being shipped via sea freight in 2021.

MORE SUSTAINABLE MATERIALS


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

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


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

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

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

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

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

Synthetic fibers are widely used in our industry due to their unique performance properties such as elasticity, light weight, and high durability. We are aware that products made out of synthetic fibers can have a negative environmental impact during the production of materials and their use phase, and acknowledge fiber fragmentation as a complex challenge for our industry – one we are proactively addressing. adidas is co-founder of 'The Microfibre Consortium' ('TMC'), which has developed a test method and in future aims to give guidance to the textile industry to mitigate the impact of fiber fragmentation. 

¹⁵ Percentage of sustainable articles (by count) offered at the points-of-sale (average of Fall/Winter season of the current financial year and Spring/Summer season of the following financial year). For the calculation of the article weight, trims are excluded for apparel and accessories and gear. Only articles with verified environmentally preferred material contents are included. Licensed articles are excluded. Without Reebok.

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

CIRCULAR SERVICES

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

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

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

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

PACKAGING

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

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

PRODUCT SAFETY AND INTEGRITY

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

The creation of respective adidas standards and policies is a collaborative, cross-functional approach involving experts from the Corporate Legal and Global Operations departments to ensure all aspects of a specific product are covered. This includes subsequent updates and training activities. Application and monitoring are ensured through our Global Operations function.

One of these policies is the Restricted Substances Policy ('A-01' Policy) that we pioneered in 1998. It covers the strictest applicable local requirements and includes best-practice standards as recommended by consumer organizations. The policy is updated and published internally and externally at least once a year based on findings in our ongoing dialogue with scientific organizations, and it is mandatory for all business partners. To ensure successful application of the policy across the business, we have integrated a 'Product Safety and Compliance' workspace into the Global Legal Sharepoint on our intranet which serves as a platform for all employees involved in product creation by providing them with the necessary information and guidance to develop, produce, and distribute products according to international regulations and best-practice standards. Both our own quality laboratories and external institutes are used to constantly monitor material samples for compliance with our requirements. Materials that do not meet our standards and specifications are rejected. As a result of our ongoing efforts, we did not record any product recalls in 2021.

Over the last several years, we have substantially contributed to the AFIRM 'Restricted Substances List,' which constitutes a harmonized restricted substances list across the industry. While the uptake of the list as an industry best practice matured further, a pilot for an assessment tool was launched in cooperation with international third-party laboratories in 2021, to evaluate the testing performance and accreditation level of the laboratories we work with. This approach will ultimately also be made available to other customers of the laboratories, such as companies from the textile and sporting goods industry and their suppliers. We also continued our participation in several major public stakeholder consultation processes initiated by the European Commission (e.g., European Chemicals Agency) and US state legislative initiatives to inform governmental entities on implications and opportunities of drafted legislation.

OWN OPERATIONS

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

2025 Goal for Own Operations


Climate Neutrality (CO₂e)

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

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

¹⁷ Renewable energy is accounted for with zero emissions.

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

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

SUSTAINABLE FINANCE

The challenges posed by the impact of climate change and social developments in our societies and supply chains are huge. Responding to these will require dedicated funding of sustainability initiatives. In this section of the report we provide an overview on our sustainability bond as well as on our approach to comply with the requirements of the EU Taxonomy that has the objective to channel investments in the right direction.

SUSTAINABILITY BOND

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

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

SUSTAINABILITY BOND: IMPACTS

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

¹ Percentage share of recycled polyester in 2021 excluding Reebok.

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

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

⁴ At year-end.

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

EU TAXONOMY

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

The Delegated Regulation on Article 8 of the taxonomy specifies the content, methodology, and presentation of information to be disclosed by financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments, or lending activities.


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

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

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

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

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

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

²⁰ By 'other expenditure,' we mean expenditure for facility management services, i.e., expenditure relating to the day-to-day servicing of property, plant, and equipment.

SOCIAL IMPACTS

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

Another aspect that we consider to be material in this context is our responsibility regarding tax. Through taxes, governments have the monetary ability to pursue their objectives and take on the responsibility of further developing their countries.

HUMAN RIGHTS


Since its inception in 1997, our human and labor rights program has been built on the back of intense stakeholder outreach and engagement, seeking to understand and define the most salient issues to address as a company. We have fully embraced the need to undertake effective Human Rights and Environmental Due Diligence ('HREDD') across the entire value chain and have defined those areas and assessment processes that need to be evaluated and strengthened in preparation for the implementation of the 'German Act on Corporate Due Diligence Obligations in Supply Chains,' which takes effect in 2023.

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


As a sponsor, we have intensified our engagement with FIFA in 2021 over the hosting of the upcoming 2022 FIFA World Cup in Qatar, paying particular attention to stakeholder concerns over human rights and offering our support for the establishment of a Migrant Workers Information Centre. Separately, we have undertaken due diligence of our planned on-ground activation in Qatar and have mapped our supply chain linked to World Cup 2022 production. In the lead-up to the World Cup we have also consulted with FIFA over effective grievance mechanisms.


For the past five years adidas has partnered with the International Organization for Migration (IOM) through its 'Corporate Responsibility in Eliminating Slavery and Trafficking' ('CREST') initiative to implement responsible recruitment practices in the supply chain. Having identified Indonesia, the Philippines, Thailand, and Vietnam as the key sending countries for foreign migrant workers, in 2021 we provided targeted trainings for private recruitment agencies from these countries to raise their awareness on international standards on responsible recruitment and available certifications. The training was conducted in partnership with IOM, as part of our drive to increase overall awareness of ethical recruitment, improve recruitment fee transparency, and build capability and understanding of the 'International Recruitment Integrity System' ('IRIS'), the global standard for ethical recruitment. We commissioned the IOM in 2021.

Through our annual Modern Slavery Statements, annual progress updates, and other public disclosures, we have shared the actions we have taken to address forced labor in our global supply chain, documenting risks and remedies. 2021 also saw us partnering with the Responsible Sourcing Network for their 'Yarn Ethically and Sustainably Sourced' ('YESS') initiative helping to enable spinners and textile mills to implement effective due diligence to prevent cotton produced with forced labor. This initiative has been piloted in India and Pakistan.


We continued to receive external recognition for our approach to managing Human Rights. We maintained our leadership position on the 2021 'KnowTheChain' forced labor benchmark as the highest-scoring European company in the benchmark, and in the first ever 2021 Gender Benchmark developed by the World Benchmarking Alliance, we ranked in the top three international apparel companies. 

OUR APPROACH TO TAX

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

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


TAX MANAGEMENT AND GOVERNANCE

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

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

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

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

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

INTERACTIONS WITH TAX AUTHORITIES

■ We seek a cooperative relationship with tax authorities. We respond to information requests, whether formal or informal, and, on a case-by-case basis, decide whether to take the initiative in communicating business developments of particular significance to the local tax authorities. During 2021 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. ■

WORKING CONDITIONS IN OUR SUPPLY CHAIN

MANAGING THE IMPACT OF COVID-19

■ From the very outset, adidas has sought to mitigate the impact of the coronavirus pandemic on the workers in its global supply chain, providing guidance on infectious disease control, occupational safety, and improvement of workers' welfare. We continued to uphold our standard manufacturing terms, including worker rights protection, and assisted key manufacturing partners in securing bank financing to help them weather the covid-19 crisis.

In 2021, covid-19 continued to impact all segments of society, including our manufacturing partners and especially workers in key sourcing countries in Asia: Cambodia, Indonesia, and Vietnam, all of whose governments, at various points in time, imposed government-mandated lockdowns to prevent the spread of covid-19. The longest lockdown occurred in Vietnam, where many stores and businesses were closed for three months by government order. In response to these challenges, we worked closely with our manufacturing partners to implement covid-19 safety measures and supported them in their vaccination drives, which resulted in high levels of protection for the workers. In Vietnam, we assisted with the supply of covid-19 testing kits and worked with the Vietnamese government, providing input to their guidelines and protocols for the safe reopening of the supplier factories, once the lockdown was lifted.


Ensuring business continuity and a functioning supply chain kept jobs, albeit sometimes with reduced working hours due to government-mandated lockdowns or temporary suspensions. We continued to be committed to ensuring legal compliance in terms of pay and benefits for all workers affected by operational changes due to covid-19 and tracked the working conditions in every manufacturing facility closely. Where we have seen downsizing, we ensured that laid-off workers received their legal severance and other entitlements in full. In 2020, we endorsed the International Labor Organization's ('ILO') 'Call to Action' to address the impact of the coronavirus pandemic on the garment industry, and throughout 2021 we worked closely with the International Organisation of Employers and the ILO Better Work program on the ILO-driven 'Call to Action' plans, with a special focus on social protection mechanisms. ■

OUR APPROACH TO WORKING CONDITIONS IN OUR SUPPLY CHAIN



■ 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, our supply chain code of conduct that is aligned with the Fair Labor Association's 'Workplace Code of Conduct' and the 'Principles of Fair Labor and Responsible Sourcing.' The standards form a contractual obligation under the manufacturing agreements we sign with our manufacturing partners to ensure workers are employed in fair, safe, and

healthy workplaces which are environmentally sound. Our standards follow ILO and United Nations conventions relating to human rights and employment practices, as well as the model code of conduct of the World Federation of the Sporting Goods Industry ('WFSGI'). We also seek to extend our reach by cascading responsibilities to our 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 Sourcing and Social and Environmental Affairs ('SEA') senior management reviews and approves all policies and implementation processes of the labor rights program.

Our social compliance program continues to evolve, and is built around three core concepts:

- **Performance:** In 2021, we began a transition from our compliance benchmark ('C-KPI'), which is focused on management systems and supplier self-governance, to a new social impact KPI ('S-KPI'). The S-KPI measures a set of social indicators, such as accident rates, worker satisfaction, and worker empowerment. By 2025, we aim for having 70% of Tier 1 strategic suppliers achieve at minimum '4S,' and 100% of Tier 1 strategic suppliers achieve '3S' or better.
- **Transparency:** As part of our broader risk management processes, we will increase the scope and application of 'Human Rights and Environmental Due Diligence' ('HREDD') efforts. By 2025, we aim to have a system in place to identify and manage high risk human rights issues in 100% of our value chain. In conducting due diligence we seek to identify, prevent or mitigate potential adverse human rights or environmental impacts, with priority given to addressing the most severe impacts. In 2021, we have taken steps towards this ambition by working in partnership with our sourcing organization to enhance our mapping of Tier 1 manufacturing partners' sub-contractors. In 2022, we will build on these actions by assigning accountability to our key Tier 1 manufacturing partners for implementing their own due diligence efforts and will track their implementation via our S-KPI tool. This will include requiring them to commission social compliance audits in their sub-contractor facilities.
- **Fairness:** This concept focuses on responsible sourcing practices, gender equality, and pay equity, that support fair compensation for workers. By 2025, we aim for progressive improvement in compensation, measured by fair wage benchmarks across our strategic Tier 1 suppliers.²¹ We also strive to achieve gender wage parity for workers and their supervisors in our strategic Tier 1 suppliers.²² 

RESPONSIBLE SOURCING PRACTICES

 In addition to regularly monitoring our supply chain to ensure compliance with the 'adidas Workplace Standards,' we invested time in 2021 to review our own purchasing practices. This was done to ensure that such practices were not negatively impacting our manufacturing partners' ability to comply with our standards, in accordance with adidas' 'Responsible Sourcing Policy.' Specifically, in 2021 we published adidas' 'Ten Buyer Commitments' and integrated them into our 'Responsible Sourcing Policy.' We trained more than a hundred senior leaders within our Global Operations department on this policy and our 'Buyer Commitments.' As a subscriber to the Better Buying Institute, we reviewed our 2021 'Better Buying Report' in detail and started internal discussions to further improve our program based on the report's feedback. Finally, we began working with the Better Buying Institute to develop an e-learning training on responsible purchasing practices, which will be deployed to a broader section of adidas' workforce in 2022. 

²¹ The fair wage benchmarks include industry wages, minimum wages, and living wages. These benchmarks are set and tracked through a 'Fair Labor Association Fair Compensation Tool,' which has broad industry adoption and is being rolled out progressively to strategic Tier 1 supplier partners.

²² The measurement of wage parity for production line workers and their immediate supervisors (i.e., line leaders) forms part of a broader gender strategy rollout to applicable Tier 1 strategic partners who complete self-assessments to identify and then close gender gaps in operating practices and procedures.

GENDER EQUALITY

■ We aim to bring a gender lens to our key manufacturing partners' operations ensuring that all workers enjoy the same opportunities, rights, and obligations.

In 2021, we developed a guidance document for our manufacturing partners, 'Gender Strategy for Business Partners,' which will officially be launched in 2022, to help them develop and implement their own gender strategy within their operations. The guidance document not only references various laws and regulations related to gender equality and non-discrimination, it also highlights six focus areas for action: 'Respectful Workplace,' 'Compensation and Benefits,' 'Gender Based Violence and Harassment,' 'Voice and Representation,' 'Leadership and Skills Development' and 'Health, Safety and Well-being.' To complement our guidance, we selected six manufacturing partners, two from each region, to pilot the International Center for Research on Women's 'Self-Diagnostic Tool' that we plan to rollout across all suppliers in 2022 and 2023. This self-assessment tool helps suppliers identify the gender-based gaps in their operating practices and procedures, and creates the building blocks for the development of their own gender strategy, with supporting improvement plans. Once submitted, we will track each improvement plan to see that gaps are being effectively closed and policies and procedures updated to address the six priority areas for action. ■

FAIR COMPENSATION

■ In 2021, we reviewed and updated our 'Fair Compensation Strategy' identifying five key levers that influence wages: legal obligations; responsible sourcing and purchasing practices; worker productivity; government involvement, and industrial relations.

Going forward, we will prioritize these five levers to influence wage improvements across our supply chain. To support that strategy, we are prioritizing increased tracking of wages and benefits-related findings and their accompanying remediation. As of June 2021, 96% of wages and benefits related threshold issues identified since the beginning of 2018 had been verified as having been remedied in full. Given the complex nature of many wages and benefits-related findings, it can take many months to address open issues in full. We do not characterize issues as 'closed' until the remedy has been verified as having been implemented completely and in a sustainable manner to avoid reoccurrence. As a result, these issues may take a longer period of time to be reflected as 'closed' in our compliance data management systems. In addition, we collected wage data from 50% of our key manufacturing partners in Southeast Asia (Cambodia, Indonesia, and Vietnam), which enable us to review/assess wage progression against credible and publicly available wage benchmarks. The three primary benchmarks considered are the World Bank's published poverty line, government-mandated minimum wages and living wages as defined by the Global Living Wage Coalition. ■


MANUFACTURING FACILITY 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 through our own team and 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 approval by the Social and Environmental Affairs ('SEA') team has been granted. We operate several grievance channels allowing workers or third parties to submit complaints about violations of the Workplace Standards and human rights generally. All third-party complaints received through our grievance channels are reviewed and investigated, and the outcome is reported on our corporate website. Manufacturing facilities' conditions are also inspected by independent auditors through our participation in the Fair Labor Association ('FLA'), which we joined as a founding member in 1999, demonstrating our


commitment to independent manufacturing facility inspections and external verification of our programs. Since then, our program has been accredited three times by the FLA.

According to the results of our assessments, Sourcing and SEA teams jointly decide the course of action, ranging from trainings to enforcement actions, such as sending warning letters or hiring external consultants to help improve workplace systems or practices.

At the end of 2021, adidas worked with 509 independent supplier facilities²³ (2020: 520) that manufacture products for our company in 46 countries (2020: 49). These numbers reflect the stability of our supply chain and our strategy to form long-term partnerships with our manufacturing partners. 67% of our manufacturing partners' facilities (2020: 66%) are located in the Asia-Pacific region. The number of licensees we worked with increased slightly compared to 2020, with 60 licensees (2020: 56) that manufactured products in 418 factories (2020: 375) across 39 countries (2020: 37). 

ONBOARDING

 In 2021, our primary focus has been on maintaining partnerships with our existing manufacturing partners rather than onboarding new ones. At the same time, several existing licensees have expanded their supply chains, to add to those of four newly onboarded licensees. Consequently, 2021 saw initial assessments, the first approval stage for a new entry into our supply chain, or, in the case of existing sites, where there is the construction of new facilities, conducted in 142 factories (2020: 112). Of these, 48 factories (2020: 31) 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 (86%) of all initial assessments were undertaken in Asia (2020: 94%), with China accounting for 42% (2020: 50%).

Overall, at the end of 2021, the first-time rejection rate of 34% of all new factories visited was slightly higher than in the previous year (2020: 28%). Providing focused support to those factories that we have onboarded, has aided us in maintaining a 'final rejection rate' of under 2% in 2021. The remediation of manufacturing facility issues prior to their onboarding is beneficial for workers as it raises the bar in terms of better and timelier pay, improved benefits, reduced hours, and the legal protection of formal employment contracts, and it results in significant improvements in basic health and safety within the workplace. Manufacturing partners that have threshold issues are normally given three months to remediate those issues before being re-audited for final acceptance. 

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

	2021	2020
Onboarding: Worldwide rejections after initial assessment¹ for compliance reasons		
Total number of first-time rejections ²	48	31
First-time rejection rate	34%	28%
Total number of final rejections	2	2
Final rejection rate ³	1%	2%
Worker satisfaction		
Implementation of 'Workers Voice' grievance platform at strategic manufacturing partners ⁴	99%	98%
Satisfaction rate from workers who raised a grievance through 'Workers Voice'	71%	58%
Trainings		
Number of training sessions (fundamental, performance, advanced)	149	61
Monitoring		
Total number of audits (initial assessment, performance audits, environmental assessments) ⁵	1,176	921
Enforcement⁶		
Number of warning letters (first warning)	11	19
Number of warning letters (second warning)	2	3
Number of warning letters (third and final warning)	0	0
Number of business relationship terminations for compliance reasons	1	0

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 includes both initial assessments and initial assessment follow-ups, and from 2021, includes on-site and desktop assessments.

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 initial assessments but which were given a chance for a second visit.

3 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.

4 Strategic manufacturing partners are responsible for around 90% of our global production volume.

5 Total number of audits includes audits done in licensee factories. Performance audits conducted in approved factories that have passed the initial assessment (from 2021 onward, this includes on-site and desktop assessments). Environmental assessments include ZDHC wastewater test assessments according to the 'ZDHC Wastewater Guidelines.'

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


WORKER ENGAGEMENT AND EMPOWERMENT

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 2021 more than 600,000 workers employed in 123 manufacturing facilities across 18 countries had access to this system, reflecting a 99% coverage of strategic manufacturing partners.

A robust grievance mechanism is the fulcrum on which workers can raise their concerns and secure remedies. Access to a digital complaint mechanism has proven invaluable during covid-19. Close to 52,000 human and labor rights complaints (2020: around 46,000) were filed with the facility management teams in 2021, with 99% of these complaints being closed by the end of 2021. The top complaints were related to concerns over general facilities, benefits, health and safety issues associated with covid-19, and communication.

Responses received through the 'Workers Voice' platform are tracked by adidas, using KPIs and dashboard reviews, case satisfaction ratings, and on-site worker interviews. This allows us to evaluate the efficacy of the grievance channels, see major cases in real time, and undertake timely interventions,


where necessary. It also helps us understand the main challenges and labor rights issues in a manufacturing facility and track how the facility's management and their HR teams resolve cases and communicate their findings. Our evaluation contributes to the facility's overall social compliance score ('C-KPI'/'S-KPI'). adidas provides ongoing capacity building to enhance the facility teams' capability to improve the effectiveness of the grievance mechanism. It is notable that the case satisfaction rate, which allows workers to input their level of satisfaction with the resolution of complaints, has risen steadily from 39% in 2019 to 58% in 2020 to 71% in 2021. The increase in satisfaction is partly related to a significant improvement in the response time that it took the factory management to address workers' grievances, which decreased from 49 hours in 2020 to less than 16 hours in 2021 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 e-newsletters and broadcast messages, which improved the workers' engagement and the overall company culture.

Complementing the various grievance channels, we expanded the 'Worker Pulse' project that was launched in 2020, which is 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 2021, we undertook these digital surveys in 123 manufacturing facilities (2020: 63) across 16 countries (2020: 9), with more than 66,000 workers participating (2020: 22,000). The survey was conveyed to the workers through a mobile-phone-based application. 


WORKER PULSE SURVEY QUESTIONS: AVERAGE RESPONSES¹

	2021	2020
If my friends or relatives are looking for a new job, I would recommend this factory.	85%	79%
If I have a complaint or suggestion, I am willing to speak up.	84%	78%
If I raise a complaint or suggestion, I think it will be treated seriously by management.	82%	77%
I feel comfortable talking to my direct supervisor.	84%	78%
My workplace is free from abuse and harassment cases.	84%	78%
I know what to do if I experience any abuse or harassment.	81%	75%

¹ The percentage figures indicate the average response on a five-point Likert type scale where 100% represents 'strong agreement' and 0% 'strong disagreement.'

 Significant increases in the workers' positive response rates were identified in all six of the survey's questions across all surveyed workers. This increase in the workers' general satisfaction rates is also a factor in the increase in the average C-KPI score for our manufacturing partners' facilities in 2021. 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 the feedback received from the 'Worker Pulse.'

Alongside facility-led training, we have also offered tailored training under our 'Women Leadership Program,' first launched in 2016. However, due to the constraints imposed by covid-19, this training was initiated only in three countries (China, Indonesia and the Philippines) in 2021.

2021 also saw an expansion of our mobile-phone-based 'Digital Training' project, which was successfully rolled out in 43 manufacturing facilities across Cambodia, China, Indonesia, and Vietnam in 2020. The digital tool assesses workers' awareness of their labor rights and remedies, e.g., harassment and abuse, fire safety and use of grievance channels. Of the more than 62,000 workers who took part in 2021 (2020: 11,000), they averaged a score of 92 out of 100 in the post-test questions. 

MANUFACTURING FACILITY ENGAGEMENTS AND TRAINING SESSIONS

■ In 2021, while our ability to physically visit our manufacturing partners continued to be constrained in some locations by the pandemic, in other areas during the year our ability to do so was restored. We used these opportunities to maximize the impact of our facility engagements and training sessions. Through a combination of on-site and remote, or virtual interactions throughout the year, we completed 373 individual facility engagements in 2021 (2020: 644), and 149 training sessions for manufacturing partners, licensees, workers, and adidas employees (2020: 61). Training sessions covered a broad range of topics, from our Workplace Standards, guidelines, and supporting policies, through to targeted training on specific labor, health and safety, and environmental topics. The number of trainings delivered also reflected our focused efforts this year to educate our manufacturing partners on Worker Empowerment projects and the launch of our new 'S-KPI tool.' Where virtual training sessions could be held, we continued to utilize this format to attract larger audiences, reaching a total of 5,321 people, up significantly from the 2020 figure of 1,497.

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

We continued to work with our licensee partners in 2021 to ensure that they were implementing adidas Workplace Standards into their manufacturing partners' operations in a consistent manner. As in past years, we co-hosted, along with five other brands, a joint 'Licensee Summit' in 2021, providing a forum for discussion on supply chain sustainability challenges and best practice sharing. In addition, we also enabled our licensees to access the Fair Labor Association's ('FLA') e-learning material, offering trainings devoted to Human Rights, Forced Labor, Responsible Manufacturing, and Worker Engagement, among other topic areas. Our team also continued to work within the FLA's Responsible Licensing Principles Working Group that is charged with developing standards that the FLA will use to evaluate its members' licensing and monitoring activities.

Since 2018 we have partnered with the International Organization for Migration ('IOM') to promote fair recruitment practices for foreign migrant labor employed by our Tier 2 materials manufacturing partners. In 2021, this engagement with 'IOM' resulted in a series of virtual trainings that were held with labor recruitment agencies in Indonesia, Thailand, Vietnam, and the Philippines – the main sending countries supplying most migrant workers to Taiwan. Taiwan has been a key focus country for our program. The online training sessions provided an overview of international standards and regulations related to recruitment fees and conveyed to the attendees adidas' zero tolerance policy with regards to human trafficking and forced labor. In addition, the trainings provided a framework for the recruitment agencies, to ensure that they are undertaking a framework implementing the required due diligence, to comply with both adidas' and international standards. ■

MONITORING

■ We audit our manufacturing partners regularly against our Workplace Standards. In 2021, in addition to our own audits, we have expanded our use of assessments under the 'Social & Labor Convergence Program' ('SLCP'). As a signatory to the SLCP, we share its vision of industry collaboration and support its efforts to establish a robust methodology for the efficient collection, verification, and sharing of manufacturing facility compliance data. By using the SLCP's Converged Assessment Framework, manufacturing partners are able to share their verified assessments with buyers, thereby helping to reduce duplicative audit activity and facilitate collaboration among stakeholders. In 2021, we have accepted 142 SLCP assessments in lieu of our own Performance Audits. The SLCP, as an industry assessment tool, will continue to evolve as it is adopted more widely across the sector, and its methodology is strengthened. We are pleased to contribute to this evergreening and will continue to test

the tool in different supplier settings in 2022. As part of our ongoing evaluation, we will continue to provide this feedback to the SLCP and collaborate with like-minded industry partners in the pursuit of effective and impactful industry solutions.

With covid-19 continuing to place restrictions in some parts of the world on our ability to conduct our own on-site assessments in 2021, our monitoring approach had to remain agile to accommodate lockdowns and travel restrictions. Where possible, we continued to follow our regular on-site assessments, while also continuing the use of remote desktop assessments first piloted in 2020.

NUMBER OF AUDITS BY REGION AND TYPE

Region	Initial assessment ¹		Performance audit ²		Environmental assessment ³		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Asia	145	120	387	311	511	420	1,043	851
Americas	15	5	33	12	15	18	63	35
EMEA	8	2	40	20	22	13	70	35
Total⁴	168	127	460	343	548	451	1,176	921

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 from 2021, 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 2021).

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

4 Includes audits done in licensee factories.

A total of 770 social compliance audits (initial assessments, performance audits, and SLCPs) were conducted in 2021 (2020: 624), 67 of which were conducted remotely. Of the 405 on-site Performance Audits conducted, 78% were carried out on an unannounced basis whereby the manufacturing facility is not informed in advance of the exact date of assessment. Our team continued to prioritize not only assessing our manufacturing partners' labor, health and safety, but also their environmental compliance. We established a new Environmental Assurance team in 2021 along with a dedicated set of environmental Zero Tolerance and Threshold Issues pertaining to a manufacturing facility's energy, water, and waste impact and environmental management systems (e.g., chemical, environmental, and wastewater management). Existing manufacturing partners are also being assessed against these environmental standards. In 2021, 204 facilities in 19 countries were assessed and evaluated to these environmental standards, which represented 181 of our key Tier 1 and Tier 2 manufacturing partners, and selected Tier 3 suppliers.

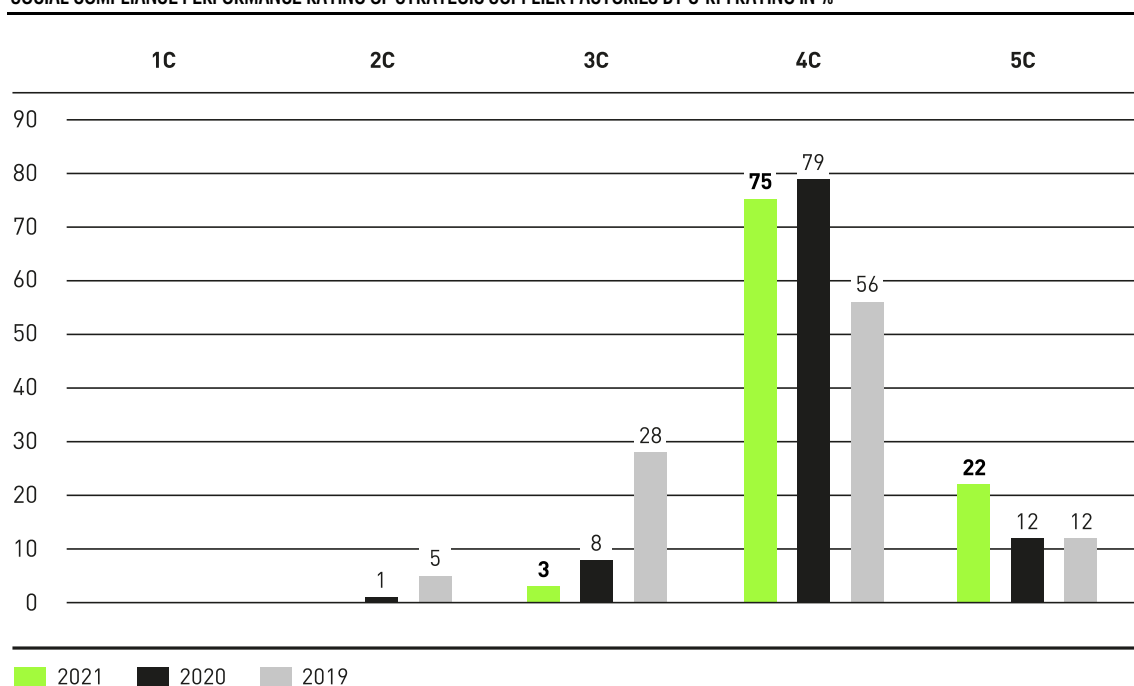
On top of these, in 2021, 78 self-governance audits and collaboration audits (2020: 88) were conducted. Under the C-KPI program, when a manufacturing facility reaches a compliance maturity level of '4C' or above, we empower the supplier to conduct their own self-governance audits and develop appropriate remediation plans, which we periodically review. Collaboration audits are conducted in partnership with other brands, or as part of joint remediation exercises. The number of audits in factories manufacturing goods for licensees increased from 278 in 2020 to 395 in 2021. This reflects the expanded supply base of some of our licensee partners, as well as the sharing of SLCP assessments with us.


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 audits conducted by our own in-house team has decreased to 233 in 2021 (2020: 251), with 741 assessments performed by third-party monitors (2020: 569).²⁴

²⁴ Including social and environmental assessments, excluding ZDHC wastewater assessments.


- **Audit coverage:** A total of 54% (2020: 49%) of all direct and licensee facilities were audited in 2021. 'High-risk' locations in Asia, which is the most significant sourcing region for adidas, were the subject of extensive monitoring in 2021, with an audit coverage of 70% (2020: 64%). As a general principle, manufacturing facilities located in high-risk countries are 100% covered in our auditing scope, which means they receive audits annually (unless they are rated as 'self-governing,' in which case they are subject to audits every two years), while low-risk countries with strong government enforcement and inspectorate systems, such as Germany, are considered out of scope for our audit coverage.
- **Audit results:** In 2021, 97% of our key manufacturing facilities achieved a rating of '4C' or better (on a rating scale of 1-5 with 5 being the best). These ratings show that our key manufacturing partners have continued to strengthen their compliance performance, despite the headwinds created by covid-19. Some 22% of our key manufacturing partners' facilities have progressed even further, achieving a '5C' rating, which shows that they have mature social compliance governance systems and practices in place. At the end of 2021, we retired our C-KPI rating system for assessing social compliance in our key manufacturing partners. In its final year of use, and despite the pandemic, the C-KPI scores in 2021 were higher than in 2020. We believe our work on Worker Empowerment projects, and close engagements with our manufacturing partners in preparing them for the new impact-oriented S-KPI tool to be launched in 2022, has helped improve the C-KPI results in this final year. 

SOCIAL COMPLIANCE PERFORMANCE RATING OF STRATEGIC SUPPLIER FACTORIES BY C-KPI RATING IN %




 In 2022, we intend to strengthen our due-diligence practices and coverage by introducing new requirements to ensure that all key Tier 1 manufacturing partners take accountability in conducting annual social compliance audits at their sub-contractor facilities using adidas' authorized external monitors.

Of our key licensees, 100% achieved a Licensee Compliance Rating ('LCR') of at least 4 (on a rating scale of 1-5 with 5 being the best), and of these, 29% received a rating of 5. This rating mechanism mirrors that of our C-KPI applied to manufacturing partners and reflects that these licensees have successfully demonstrated that they have embedded strong governance systems, supply chain management, and

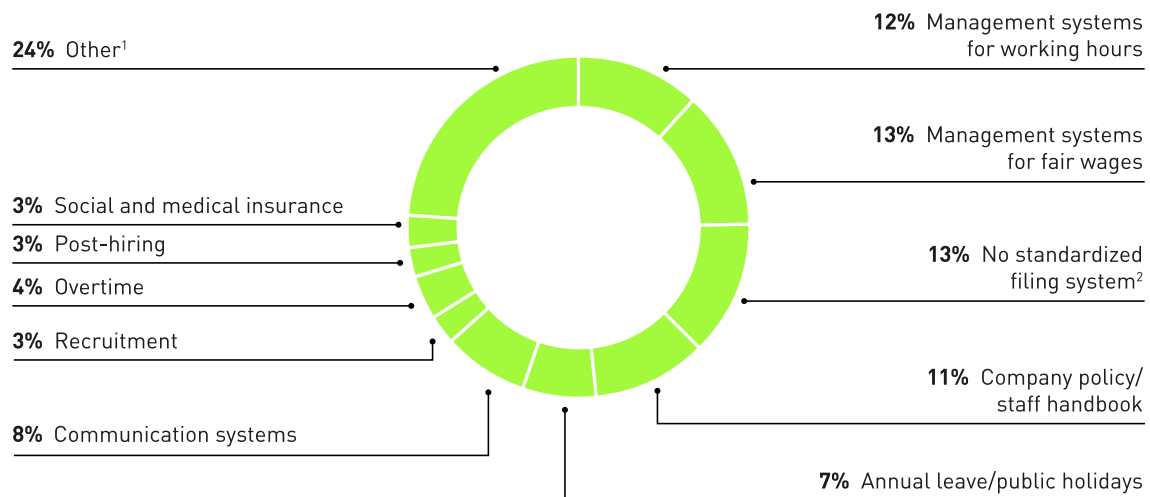
purchasing practices compliance requirements into their business practices. Licensees are also assessed on the existence of policies and systems to address stakeholder engagement, as well as levels of public reporting and communication. 

NON-COMPLIANCES IDENTIFIED IN ACTIVE FACTORIES

 Our manufacturing partners' facilities are evaluated against a number of critical compliance issues. While threshold issues are considered serious but correctable non-compliances that can be addressed in a specified timeframe through remedial action, 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. Over the course of each year, we continuously track the non-compliance findings identified through manufacturing partners' performance audits, collaboration audits, self-governance assessments, and, since 2020, SLCP assessments. We follow up on all cases of non-compliance and require our manufacturing partners to remediate open issues within a specified timeframe. The identified issues in 2021 remained largely the same as those reported in 2020.


- **Non-compliances in the area of labor:** Besides identifying non-compliances with the Workplace Standards, our 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, rather than the confirmed presence of a specific case of non-compliance.

SHORTCOMINGS IN THE AREA OF LABOR IDENTIFIED DURING AUDITS IN 2021

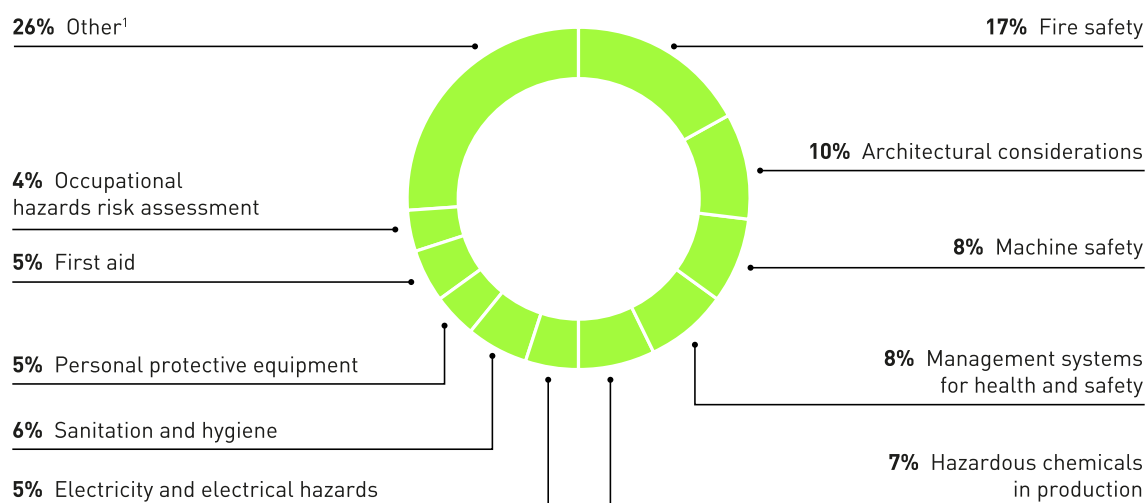


¹ 'Other' includes, for example, overtime/holiday rate and other benefits/allowances.

² 'No standardized filing' indicates a factory does not keep relevant information/documents and records which demonstrate compliance with laws and regulations.



- **Non-compliances in the area of health and safety:** Fire, electrical, and machine safety are critical areas for existing manufacturing facilities and together accounted for 30% of the non-compliances identified in 2021. The way chemicals were stored and used, including the handling of hazardous chemicals, accounted for 7% of non-compliance findings reported. A further 8% of the findings related to management systems, policies, and procedures, and specifically a lack of compliance with our Workplace Standards and expectation for effective 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 2021





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

REMEDIATION


 We follow up on all cases of non-compliance and require our manufacturing partners to remediate open issues within a specified timeframe. As an illustration of our efforts to support this remedy, in the period 2018 to June 2021, 95% of the threshold issues identified during our monitoring assessments have been verified as being remedied in full. A small percentage of issues identified over this period remain open, the majority of which were found during assessments conducted in 2020 and in the first half of 2021. While in many cases the actual issues will have been resolved, our approach is to only 'close' these in our systems when we have verified evidence of completion and established that corrective actions taken are sustainable and sufficient to avoid reoccurrence. 

INDEPENDENT FLA AUDITS



 The Fair Labor Association ('FLA') was able to resume monitoring coverage in 2021 by utilizing a variety of monitoring models (e.g., in-person, virtual, or a hybrid approach of both in-person/virtual), despite the ongoing challenges posed by covid-19. This resulted in adidas receiving four 'Sustainable Compliance Initiative' ('SCI') Assessments from the FLA in 2021. In addition to manufacturing facility monitoring, the FLA focused its efforts on enhancing virtual monitoring methodology; issuing specific country/topical guidance, supply chain mapping, grievance mechanisms; supporting company affiliates with their Fair Compensation Strategy; launching a new e-learning program for business affiliates' manufacturing partners; revising its third-party complaint mechanism; developing responsible termination guidelines; and continuing its work to measure and mitigate impacts of covid-19 on the industry's supply chain. 

ENFORCEMENT

Warning letters are an essential part of our enforcement efforts and are triggered when we find ongoing serious non-compliance issues that need to be addressed by our manufacturing partners' facilities. We work closely with our manufacturing partners to help them improve their performance. However, where we face situations of severe or repeated non-compliance, we do terminate business relationships with facilities.

- **Warning letters:** In 2021, our close engagement with our manufacturing partners' facilities has helped reduce the number of active warning letters to 13 (2020: 22) across six countries. Compared to the previous year, the overall number of active first-warning letters decreased significantly, from 19 in 2020 to 11 in 2021; the total number of second warnings also decreased to 2 in 2021 (2020: 3). Manufacturing facilities that receive second-warning letters are only one step away from being notified of possible termination of the manufacturing agreement and are subject to focused monitoring by our team. No third-warning letters (which result in manufacturing facility terminations) were issued to our manufacturing partners in 2021(2020: 0).
- **Terminations:** In 2021, there was one instance of a termination of a supplier agreement for social compliance reasons (2020: 0). 

NON-FINANCIAL STATEMENT

In accordance with §§ 315b, 315c HGB in combination with §§ 289b to 289e HGB, adidas publishes a combined non-financial statement for adidas AG and the Group in this combined Management Report. The content of the non-financial statement can be found throughout the entire combined Management Report, with relevant parts being indicated by this symbol:  . These parts are not covered by the Audit of the Consolidated Financial Statements and of the Group Management Report, as they were subject to a separate limited assurance engagement of KPMG AG Wirtschaftsprüfungsgesellschaft. Links and references are not part of the non-financial statement and have not been assessed. ► **SEE LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR**

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

DESCRIPTION OF BUSINESS MODEL

- **SEE GLOBAL SALES**
- **SEE GLOBAL OPERATIONS**

ENVIRONMENTAL APPROACH

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

PRODUCT RESPONSIBILITY

- Product safety and integrity
► **SEE SUSTAINABILITY**

EMPLOYEE MATTERS

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

CONSUMER MATTERS

- Membership
► **SEE GLOBAL SALES**
- **SEE INTERNAL MANAGEMENT SYSTEM**
- **SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISK AND OPPORTUNITIES, AND OUTLOOK**

1
TO OUR SHAREHOLDERS

2
GROUP MANAGEMENT REPORT -
OUR COMPANY

3
GROUP MANAGEMENT REPORT -
FINANCIAL REVIEW

4
CONSOLIDATED FINANCIAL
STATEMENTS

5
ADDITIONAL INFORMATION

HUMAN RIGHTS

- Fair labor conditions

▶ SEE SUSTAINABILITY

- Fair labor conditions (supply chain)

▶ SEE SUSTAINABILITY

- Supplier relationships

▶ SEE GLOBAL OPERATIONS

ANTI-BRIBERY AND CORRUPTION

- Ethical business practices

▶ SEE RISK AND OPPORTUNITY REPORT

TAX

- Our approach to tax

▶ SEE SUSTAINABILITY

SUSTAINABLE FINANCE

- EU Taxonomy

▶ SEE SUSTAINABILITY