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STRATEGY

With sport playing an increasingly important role in more and more peoples' 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, which allows us to fully capitalize on the acceleration of favorable long-term structural trends.

Review of strategy: 'Creating the New'

'Creating the New' was our strategy for the period from 2015 to 2020. Our ambition to drive top- and bottom-line growth by significantly increasing brand desirability was at the core of 'Creating the New' – a strategy that proved to be very successful.

We were firmly on track to deliver on our 2020 financial ambition, having raised our targets twice during the strategic cycle. This is reflected by the company's results for the period from 2015 to 2019, prior to the coronavirus pandemic:

- **Net sales:** Currency-neutral net sales increased at a rate of 12% per annum on average between 2015 and 2019, in line with our ambition from March 2018 of between 10% and 12% between 2015 and 2020 (initial ambition from March 2015 was high-single-digit growth).

- **Operating margin:** Reached a level of 11.3% in 2019, in line with our ambition from March 2018 of up to 11.5% by 2020 (initial ambition from March 2015 was around 10%).

- **Net income from continuing operations:** Grew at a rate of 28% per annum on average between 2015 and 2019, ahead of our ambition from March 2018 of between 22% and 24% between 2015 and 2020 (initial ambition from March 2015 was around 15%).

Ultimately, the financial ambitions for 2020 were not met due to the impact of the global coronavirus pandemic. Aside from financials, we executed on the three strategic choices of 'Creating the New' as introduced in March 2015 – Speed, Cities, and Open Source – all the way to the finish line of the strategic cycle. As a result, we not only established new iconic product franchises, such as Ultraboost and NMD, but also built and scaled innovative capabilities, many of which did not previously exist in our industry. These include the groundbreaking partnerships with Parley for the Oceans and Carbon, the creative collaborations with Kanye West, Pharrell Williams and Beyoncé, the shortening of lead times through speed-enabled ranges, and the creation of end-to-end consumer ecosystems in global megacities.

The execution of our Creating the New 'Acceleration Plan', which was introduced in March 2017, yielded the profitability turnaround of Reebok and the divestiture of CCM Hockey, the significant strengthening of adidas' positioning in North America, the relentless standardization of processes under ONE adidas, and the successful digital transformation of our company. The latter resulted in overproportionate growth in the company's e-com business, which generated more than € 4 billion in net sales in 2020 – more than twice the initial ambition from March 2015.

The many achievements resulting from these initiatives form the foundation upon which we have built our new strategy for the period until 2025, grounded in our purpose, mission, and attitude.

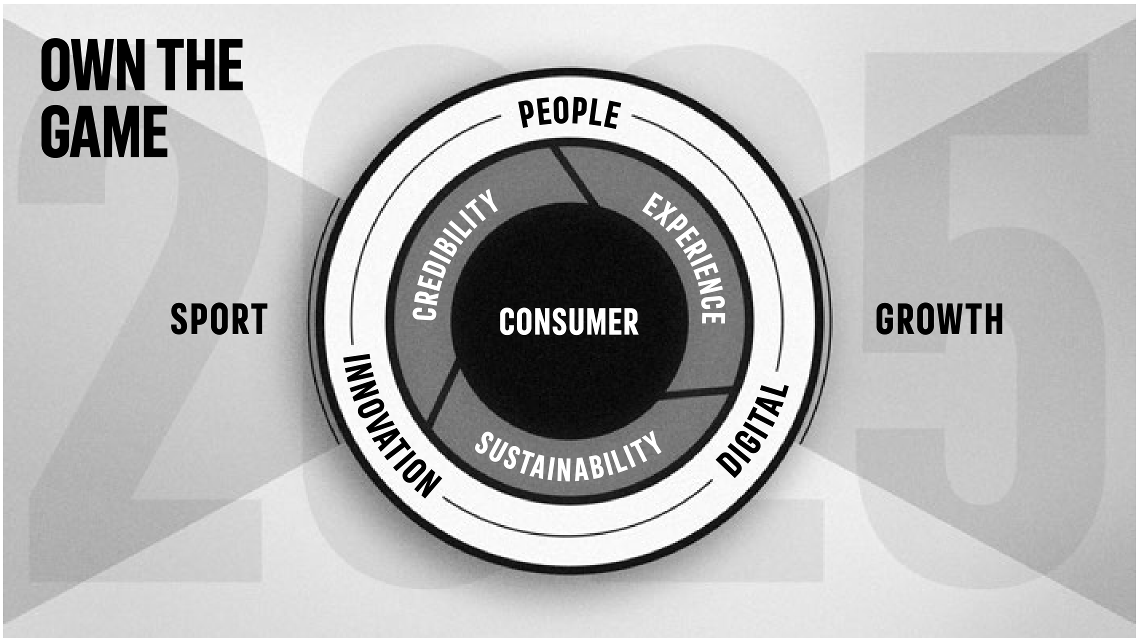
Our purpose: Through sport, we have the power to change lives
We will always strive to expand the limits of human possibilities, to include and unite people in sport and to create a more sustainable world.

Our mission: To be the best sports brand in the world
We are the best when we are the credible, inclusive, and 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, with a desire to shape a better future together. We see the world of sport and culture with possibility 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 consumer 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 will 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' will be ready to capture those consumer-driven opportunities and carve 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 consumer, 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 will support our people to truly own the game. We will make sure we have the relevant capabilities to tackle our business needs and seize opportunities as we attract, grow and retain talent. We will ensure there is a level playing field for all as we continue our diversity and inclusion journey. Furthermore, we will leverage our unique workplace that has the consumer at the heart of everything we do.

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 will sharpen our brand, refine our product offering and leverage partnerships to further enhance our credibility with consumers.

- **Sport:** We will 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 will 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 will extend Originals, which is inspired by sport and worn on the street, into the premium segment through top-quality manufacturing processes and materials.

- **Women:** We will execute on 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 until 2025, thereby significantly increasing the Women's share of our overall business.

- **Partnerships:** We will amplify our credibility through our partnerships by leveraging their power, authenticity, and reach. We will expand our portfolio of partners, which already includes Beyoncé, Kanye West, Stella McCartney and Pharrell Williams, all of whom will continue to play a significant role in wowing our consumer on the lifestyle side. Likewise, we will 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 will 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. 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. Through membership, we reward engagement and purchasing activity by offering exclusive hype products, access to launches and special events, and more.

- **DTC-led:** E-com continues to be our most important store. Both adidas.com and the adidas app will see enhancements across the entire consumer journey. By 2025, our e-com business is expected to account for between € 8 billion and € 9 billion of our company's net sales. While e-com is the pinnacle of our retail strategy, our physical stores will continue to play a crucial role in creating a physical and emotional connection with our brand. Retail formats will be digitized with fully-fledged omnichannel capabilities. The DTC business, comprising our e-com as well as our physical stores, is projected to account for around half of the company's net sales by 2025. We will 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 London, Los Angeles, New York, Paris, Shanghai and Tokyo, 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 will double down 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.

Sustainability

Our commitment to sustainability is truly holistic and deeply embedded into how we have done business for over two decades. Its rooted in our purpose that, through sport, we have the power to change lives. As we continue to pioneer in sustainability, we will move from strong stand-alone initiatives to a scaled and comprehensive sustainability program.

- **What we offer:** We keep pushing the boundaries of our sustainable offering, so that our consumer will be able to choose from a uniquely comprehensive range. By 2025, nine out of ten of our articles will be sustainable. How we will 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 products as sustainable when they show environmental benefits versus conventional products due to the materials used or their respective production technologies.

- **What we do:** We are committed to reducing the CO_2 footprint of our product offerings as we work to reach climate neutrality by 2050. We will 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 will be 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 will also simplify our labelling strategy and scale up our product takeback program.

Innovation and Digital

Two enablers will 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 enablers will be 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 will enable 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 four-year period between 2021 and 2025.

- **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 four-year period between 2021 and 2025.

- **Invest into 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.

Given the prevailing uncertainties related to the further development of the coronavirus pandemic, our financial ambition for 2025 has 2021 – rather than 2020 – as a baseline. However, this does not apply to the strategy as such, which will be executed throughout the entire five-year strategic cycle.

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. Its broad and diverse portfolio in both the Sport Performance and Sport Inspired categories ranges from major global sports to regional heartbeat sports and local sneaker culture. This has enabled the brand to transcend cultures and become one of the most recognized and iconic, on and off the field of play. adidas is positioned as a premium sportswear brand that caters to all, from elite professional athletes and teams to any individual who wants to make sport part of their lives, spanning footwear, apparel, and accessories and gear. Driven by a relentless pursuit of innovation as well as decades spent accumulating sports science expertise, the brand helps athletes of all levels to make a difference – in their game, in their life, in their world. This is anchored in our company's purpose that, through sport, we have the power to change lives. In 2020, the adidas brand accounted for 91% of the company's sales.

Reebok brand

Reebok is an American-inspired global brand with a deep fitness heritage and continues to merge its iconic past with new technologies that revolutionize both sports and lifestyle products. Reebok is positioned at the intersection of fitness and fashion as boundaries continue to blur. Reebok's Sport category combines product divisions focused on specialized fitness activities such as running and training, with functional innovation and a focus on style. These products are at the forefront of fitness and true to the culture and communities that Reebok consumers train, run, and live in. Reebok's second category, Classics, reinforces the brand's deep roots in fitness and pop culture across multiple iconic silhouettes and trend-oriented lifestyle products. In 2020, the Reebok brand accounted for 7% of the company's sales. As part of the development of its new five-year strategy, the company has decided to begin a formal process aimed at divesting Reebok.

Iconic product franchises

We are convinced that footwear has the highest influence on brand perception among product categories and our potential to grow market share. Access to athlete data and an archive that is unrivaled in the industry provide deep insights and ample opportunity to add chapters to our brands' 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. These footwear franchises aim at shaping sport as well as influencing culture and are built to create trends, rather than follow them. Through uncompromised functionality, iconic design, and unique stories, they directly root from and are targeted at the athlete with the potential to be iterated and expanded over time. Their life cycles are tightly managed to ensure longevity and relevance. Key footwear franchises for the adidas brand include, among others, Ultraboost, Predator, and Superstar. On the apparel side, the brand continued to build out franchises such as the MyShelter Jacket, the Tiro Pant, and the Z.N.E. Hoodie. In 2020, key footwear franchises of the adidas brand represented at least 34% of its footwear business.

Brand desirability fueled by innovation and creative 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 in the sporting goods industry 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 ground-breaking technologies and processes to life, investing into sustainability, and exploring all possibilities of digitalization. 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 analysis 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 seek to create value together with high-profile individuals and brands such as Beyoncé, Kanye West, Pharrell Williams, Yohji Yamamoto, Stella McCartney, and Prada. But we also collaborate with athletes and consumers, universities, and innovative companies as well as national and international governments and research organizations. In addition, we have been inspired by the input from knowledgeable partners such as BASF (e.g. Boost), Carbon (e.g. 4D), and Parley for the Oceans (e.g. Primeblue) for many years. In 2020, we set out on a joint mission with San Francisco-based footwear start-up Allbirds to create a high-performance sports shoe with the lowest carbon emissions by exploring innovations that span everything from manufacturing and supply chain to transportation methods.

Commercialize 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.

Analogous to prior years, the majority of sales were generated with products newly introduced in the course of 2020. At the adidas brand, products launched during the year accounted for 68% of brand sales (2019: 77%), while only 2% of sales were generated with products introduced three or more years ago (2019: 3%). At the Reebok brand, 67% of footwear sales were generated by products launched in 2020 (2019: 67%), while 11% of footwear product sales relate to products introduced three or more years ago (2019: 11%).

We have a long heritage of innovation and strive to provide athletes with the best by creating high-performance and competitive products. In 2020, we continued to serve consumers with innovative technologies and sustainable concepts built into our products:

- **adidas 4D:** The adidas 4D concept features midsoles crafted with light and oxygen using Digital Light Synthesis, a unique technology developed by Carbon, to produce high-performance footwear. The midsole pioneers a digital footwear component creation process that eliminates the necessity of traditional prototyping or molding. With the new technology, adidas brings additive manufacturing in the sports industry into a new dimension. In the past three years, adidas 4D has gone from a conceptual innovation to a running shoe made available in large quantities and multiple variations and will be continued to be scaled further.

- **EnergyRODS:** Our latest running technology is designed to mimic the foot's metatarsals, which deliver an anatomically driven transition from heel to toe, limiting energy loss and providing a propulsive feeling. In comparison to carbon plates, EnergyRODS enable the foot to move more naturally and are featured in our pinnacle running product offer, such as the Adizero Adios Pro. Our latest adidas high-performance running franchise is created for elite athletes and combines EnergyRODS, a responsive foam, and a lightweight mesh upper. We celebrated the first success of the franchise when Peres Jepchirchir set a new half marathon world record in a women-only race in September 2020.

- **Futurecraft.Strung:** Strung is an industry-first textile and creation process that allows adidas to input athlete data into the precision placement of each thread on the upper of shoes. Futurecraft.Strung is the first product concept designed to illustrate Strung's capability and was created to provide a new feeling and experience of fast short-distance running specifically.

- **Made to be Remade:** When it comes to dealing with plastic waste, just moving it to another place is the problem, not the solution. Therefore, we started the Futurecraft.Loop journey in 2019, as we drive forward our ambition to end plastic waste. In 2020, we introduced Loop Generation 3 as we took our latest Futurecraft.Loop shoe to consumers during adidas Creators Club Week in October, where we made the shoes available to the public for the first time and invited 1,500 Creators Club members to take part in a beta test of a specially designed digital experience through the adidas app. This was a cornerstone of the full commercial release of the sustainable franchise in 2021.

In the same way, we continued the development of innovative materials to create relevant products for our consumers:

- **Lightstrike:** Lightstrike is a super-light EVA foam cushioning technology that provides extreme comfort and the perfect balance between light weight and responsiveness. It is featured across multiple running franchises and caters to the needs of runners at any level, from beginners to world-class marathoners.

- **Parley Ocean Plastic:** Products made of Parley Ocean Plastic focus both on the needs of our athletes, by living up to their performance promise, and on the needs of the world, by helping to protect our oceans from plastic pollution. We have taken sustainability to the product level and continue to roll it out across our product portfolio. In 2020, we made more than 15 million pairs of shoes containing Parley Ocean Plastic, which means that by the end of 2020 adidas made in total more than 30 million pairs of shoes with Parley Ocean Plastic.

- **Primeblue/Primegreen:** Primeblue is a recycled technical material made in part with Parley Ocean Plastic – upcycled plastic waste, intercepted on remote islands, beaches, coastal communities and shorelines, preventing it from polluting our oceans. It is now included in some of adidas' most iconic and visible performance franchises, like Ultraboost, and in the jerseys of some of the biggest leagues and teams in the world. Primegreen, made from recycled ingredients, is a series of high-performance materials targeted to end the use of virgin plastics. Both materials played a significant role in adidas reaching more than 70% total volume of recycled polyester at the end of 2020.

- **RDY:** RDY is an apparel performance concept that combines a series of technologies to serve for all weather conditions: insulating, moisture-managing COLD.RDY, breathable, air-cooling HEAT.RDY; wind-resistant, water-repellent WIND.RDY; waterproof, windproof RAIN.RDY; and moisture-absorbing AEROREADY. The concept enables simplified storytelling to the consumer and has been rolled out across multiple categories and products.

Beyond innovative technologies, sustainable concepts and materials, key products and collaborations of the 2020 business year include:

- **aSMC Urban Extreme:** adidas x Stella McCartney represents the combination of eco-consciousness and sustainable fashion with performance sportswear. Urban Extreme ranges across all product categories and is elevated by tactical outerwear pieces combined with RDY innovations.

- **Clean Classics:** Clean Classics is a series of vegan versions of a few of the best-selling adidas sneakers, such as the Stan Smith, Superstar, Supercourt and Continental 80. The series re-emphasizes adidas' commitment to sustainability by including a sustainable compound as well as a new pattern-cutting process to use less material and create less waste.

- **Reebok Forever Floatride Grow:** Forever Floatride Grow is the Reebok brand's first plant-based performance running shoe and latest example of sustainable innovation. The shoe is made with castor beans, algae, eucalyptus trees and natural rubber and thus builds on Reebok's Cotton + Corn lifestyle collection of footwear.

- **Tech Rock:** The Tech Rock jacket is deeply rooted in athletes' insights and features the advanced three-layer waterproof, breathable and durable fabric GORE-TEX Pro. The jacket offers best-in-class protection to consumers adventuring in vertical terrain and potential challenging conditions but looking for modern expression of technical wear.

- **X – Ghosted:** The first football boot available at scale with the integration of a dynamic carbon plate and a vacuum-fit experience that supports players' explosive moves thanks to its proximity to the contours of the foot.

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 priorities:

- **Brand drivers:** Brand campaigns are at the pinnacle of our communication strategy. They demonstrate the brand belief, conveying to consumers what adidas stands for and drive a consistent positioning globally. Furthermore, brand campaigns support brand priorities 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 a technology platform (e.g. RDY or 4D). 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.

In 2020, adidas achieved activations of sports marketing partners and entertainment influencers under single narratives and across categories globally:

- **Creators Club Week:** In October 2020, adidas launched its first seven-day digital festival, the 'Creators Club' Week. During the week, members saw our biggest-ever drop of exclusive and limited-edition shoes with more than 70 new designs making their debut over the course of the event. The week also featured appearances from global celebrities talking about important topics such as ending plastic waste, celebrating culture and innovation. To kick off the week, model Karlie Kloss launched the next chapter of Futurecraft.Loop and members had the chance to earn one of the 1,500 pairs available.

Throughout the week, a series of over 40 surprise raffles took place where members won unique creations, such as a piece of art from designer Paolina Russo or signed adidas Predator boots from FIFA World Cup winner Paul Pogba.

- **#hometeam campaign:** Following the emergence of covid-19, adidas pivoted in real-time to create and launch a brand campaign that offered help, hope and connection to the world during the pandemic. #hometeam was a global movement spearheaded and created by our partners and the content they created. Over 3,000 athletes, artists and influencers supported the moment making it the biggest-ever adidas campaign in terms of partner activation and involvement. #hometeam content was viewed close to 400 million times and is one of the most watched and positively received campaigns in the brand's history.

- **Ready for Sport:** Following the success of #hometeam during the global pandemic in spring 2020, the 'Ready for Sport' campaign was a motivating call and a celebration of sport. The series harnessed adidas' purpose that 'through sport we have the power to change lives' in a co-creative approach seeking to reveal first-person stories of 20 of adidas' leading athletes who shared how sport became their fuel during the covid-19 crisis to stay ready for the comeback of their craft, bringing joy and optimism to all. The campaign was launched on adidas' owned and partner social media channels and was endorsed by over 1,000 adidas athletes. Overall, the 'Ready for Sport' campaign generated more than 500 million video views, becoming adidas' most-watched social campaign to date.

In terms of partners and athletes, while reducing the ratio of marketing spend and the number of partnerships, we will nonetheless continue to bring our products to the biggest stages in the world through:

- **Events with global reach:** FIFA Women's World Cup, Rugby World Cup, the UEFA Champions League, 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, and American universities such as University of Miami, Arizona State University and Texas A&M University.

- **High-profile individuals:** Football stars Lionel Messi, Jürgen Klopp, Mohamed Salah, Paul Pogba, Toni Kroos, Heung-min Son, Vivianne Miedema and Wendie Renard. Basketball stars Candace Parker, Damian Lillard, Donovan Mitchell, James Harden, and Liz Cambage; American football players Aaron Rodgers, JuJu Smith-Schuster, and Patrick Mahomes; baseball athletes Aaron Judge and Carlos Correa, as well as tennis stars Alexander Zverev, Angelique Kerber, Dominic Thiem, Garbiñe Muguruza, Stefanos Tsitsipas, and alpine skier Mikaela Shiffrin.

GLOBAL SALES

TRANSFORMING THE MARKETPLACE

Our Global Sales function drives the commercial performance of the company by converting brand desire into profitable and sustainable 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 2020 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 more than 2,500 own-retail stores and our own e-commerce channel, our single biggest store available to consumers in over 50 countries.

Impact of the coronavirus pandemic

The global outbreak of the coronavirus in 2020 led to a significant number of temporary store closures – both own and partner-operated – and a pronounced traffic reduction within the remaining store fleet, with a corresponding negative impact on our sales development. At the peak of the worldwide lockdown measures in April, more than 70% of our global store fleet were closed. Where and when possible, we began executing our store reopening plan in accordance with the decisions taken by local authorities. While store traffic remained below prior year levels, we registered an increase in conversion rates, as consumers that visited our stores tended to have a clearer buying intent.

To meet the challenges we had to face in our business, we focused on e-commerce, as it was the only fully operational store and our fastest-growing channel. Through targeted consumer marketing, exclusive product launches and prioritized supply chain management we achieved an outstanding global e-commerce sales growth in 2020. In response to this, the supply chain organization adapted capacities at our distribution centers to accommodate more e-commerce inventory. SEE GLOBAL OPERATIONS

Within own-retail, we focused on limiting the direct impact of the crisis on employees and consumers with strong crisis management and a holistic approach to reopening our stores. During store closures, we focused on staff engagement and development through 100% virtual training sessions. Also, we deployed our store staff to support our e-commerce business leveraging their product knowledge to service consumers. With digital being on top of the agenda for 2020, we drove a rapid acceleration of digital tools and omnichannel services. Starting while retail stores were still closed, 'Ship from store' was enhanced to support online order fulfillment. We also leveraged our digital capabilities to allow for safe and convenient shopping experiences when stores began to reopen. 'Wait less, shop more' in our adidas app enabled consumers to book an appointment in store to reduce waiting time. Health and safety guidelines and processes were introduced to protect our staff and consumers and to ensure our consumers feel safe upon returning to our stores. Finally, our factory outlet stores played a critical role in reducing increased inventory levels, while maintaining the brand perception as well as health and safety standards.

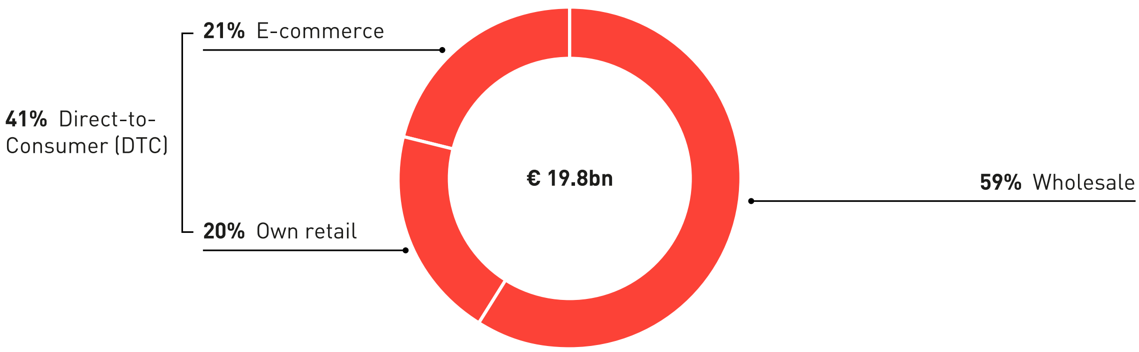
In our wholesale channel, we radically changed the focus toward cash flow management in collaboration with our key accounts. We proactively managed our orderbook to make stock accessible to all channels and customers, in particular pure players and omni-channel accounts. We transferred physical sell-in meetings to remote, virtual sessions leveraging our digital tools and infrastructure. We partnered closely with our key accounts to build virtual sales events to increase demand for our product among consumers. To support our online business, team members from wholesale were temporarily reassigned to digital wholesale.

Overall, the global pandemic accelerated our focus on digital and our own direct-to-consumer (DTC) channels. Our 'Creators Club' membership program more than doubled its size in 2020 and is currently reaching 165 million members across 15 countries, enabling us to build direct relationships with our consumers. Our own-retail stores are the physical touchpoint with our consumers and allow us to offer premium and personalized experiences, acquire new members and intensify relationships with our consumers. Moreover, long-term investments into strategic partnerships with our key accounts enable us to reach even more consumers where they shop, on- and offline.

2020 channel mix

We are actively driving the shift from wholesale to DTC channels. Selling directly to the consumer is beneficial to our top- and bottom lines and delivers deep consumer insights. In 2020, the share of DTC business, consisting of own-retail and e-commerce sales, increased significantly to 41% (2019: 33%). Wholesale accounted for 59% of total net sales (2019: 67%).

Net sales by channel



E-commerce

In e-commerce, we showcase our brand differentiators such as exclusive product or engaging member experiences. Through scaling and expanding our e-commerce platform, we create business impact and efficiencies. Our 2020 ambition for sales through our own e-commerce platforms was increased from up to € 4 billion to more than € 4 billion, as we accelerated our digital transformation while retail stores were closed due to the coronavirus pandemic. We achieved our target through balancing short-, mid- and long-term opportunities. We took radical actions to focus on digital acceleration by moving available inventory to e-commerce, invested into an agile digital content studio, shifted our marketing and tech budget toward digital and made sure our day-to-day decisions are data-driven with clear focus on consumer insights and trends.

We continued the work toward premium, connected and personalized experiences that enable direct relationships with our consumers. In addition to our adidas e-commerce platform, which is available in over 50 countries, our adidas app strategy continued to fuel our mobile and member focus and has reached over 40 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 'Creators Club' 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, such as participation into a trivia around sustainability during our first-ever 'Creators Club' Week to win a pair of Futurecraft.Loop, our first 100% recyclable performance running shoe. As 2020 saw the highest-ever sports engagement with our adidas Running and Training apps, these apps contribute to amplifying our purpose 'through sport we have the power to change lives'. adidas is the only sports brand that rewards both physical and purchasing activity through membership points. The success of our Creators Club program is visible in key metrics such as increased consumer satisfaction as well as more than twice as high consumer lifetime value compared to non-members.

In addition to the growth of existing touchpoints, we launched the Confirmed app in August as our new, most premium channel for sneakerheads and style in the US. We expanded the app to China in October. This app brings the best from the brand to our consumers, our most coveted and premium product in the easiest, fairest and most elevated way.

Retail

Our more than 2,500 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 of our consumers' needs when shopping our product and connecting with the essence of our brand.

In 2020, we focused on ensuring a profitable business through optimizing the store fleet, accelerating digital tools and creating a premium consumer experience. We increased the number of flagship stores and brand centers with a clear focus on digitalization, personalization, and a seamless consumer experience across all touchpoints. At the other end of the scale, we solidified our foundation to shift our factory outlet business from a clearance-focused channel to a commercial engine driving the profitability of the fleet that also showcases our product and brand storytelling.

We made important investments to sharpen the top of the pyramid of our store fleet and strengthen our retail presence in key cities across our markets. In Europe, for example, we extended our flagship fleet by reopening the first-ever adidas Originals flagship store in Berlin and opening a new adidas Originals flagship store on Carnaby Street in London. Our renewed flagship store in Berlin is equipped with a design concept that promotes the store as the go-to destination for sought-after fashion collections and hyperlocal product launches. With the adidas Originals flagship store on Carnaby Street in London, we opened the first-ever gender-neutral store, which will house exclusive product, act as a community space and continue to showcase our strong focus on creating a more sustainable future.

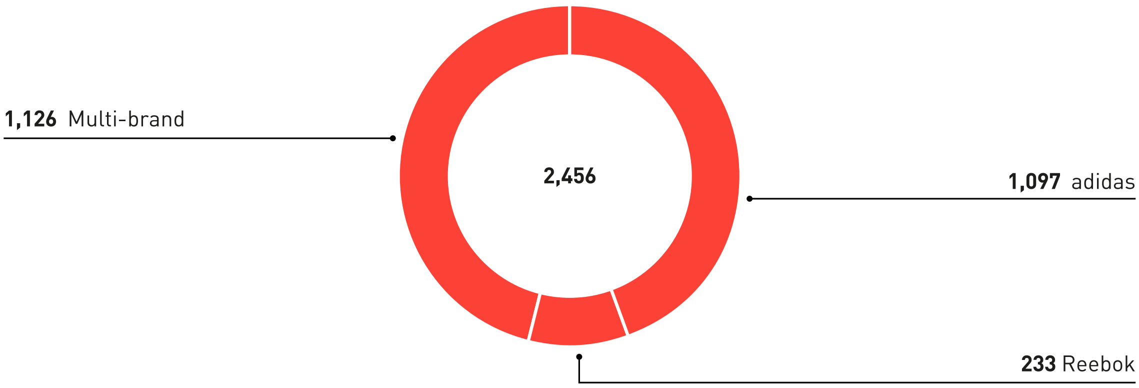
Wholesale

In 2020, the majority of consumers shopped sporting goods in a multi-brand wholesale environment. Wholesale is an important channel for our brand to reach consumers, authenticate and grow key categories for our business. 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. To do so, we identified our most important multi-brand and franchise customers and involved them in range and product development. Through leveraging our strong cross-functional partnerships with key wholesale partners in sales and activation, we see considerable success in landing our products, services, and stories. This is critical to ensure a holistic consumer journey.

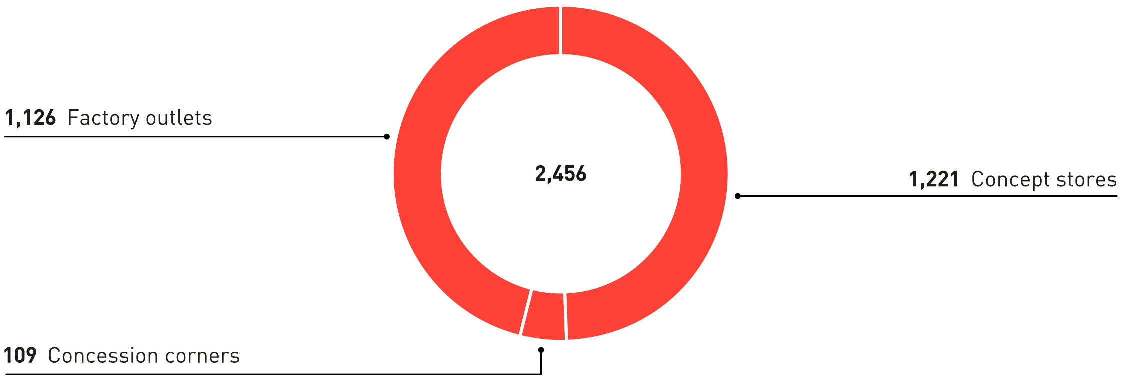
We continued our focus on and investments into digital capabilities to team up with our accounts to win online together. Our Partner Program platform brings us one step closer to where the consumer shops by providing strategic partners with unprecedented access to our products by connecting our systems to their digital platforms so they can gain access to our inventory. 2020 saw Partner Program roll out to new partners and locations, enabling us to fill gaps in their size availability and offer an extended range of products to their consumer. 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 2020, we continued our investments into the development of digital commerce tools, such as 'Click,' our self-service B2B platform 'S.Core,' our sales planning tool, and the 'Digital Showroom'. In 2020, we went from 40% remote, virtual sell-in to over 90% with 'Click' and 'Digital Showroom' being rolled out in Europe, Latin America and Emerging Markets. 'Digital Showroom' allowed us to design our virtual sell-in meetings in a much more engaging way and even helped to improve our orderbook compared to previous years. Starting in 2021, we will continue to roll out our digital commerce tools to North America and Asia-Pacific to harmonize processes and drive efficiencies while offering a complete service model.

Stores by brand



Stores by concept type

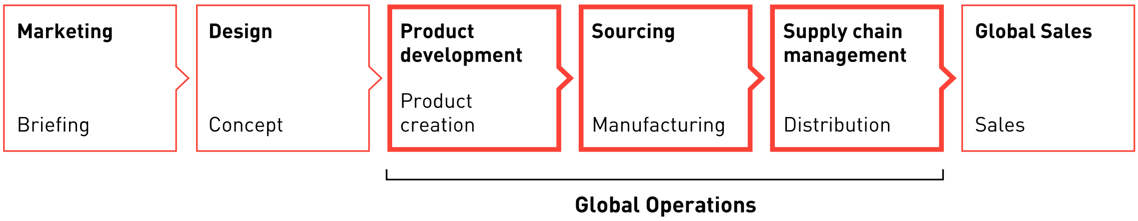


GLOBAL OPERATIONS

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 in a sustainable manner, when and where they are wanted.

Global Operations delivers upon our company's 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 by enabling product availability through an omni-channel approach. Thereby, Global Operations contributes to delivering the best experience to our customers and consumers in a sustainable way.

Global Operations in go-to-market process



In 2020, our Tech and Non-Trade Procurement teams joined Global Operations and are now reporting into the Executive Board Member responsible for Global Operations.

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 2020, we worked with 132 independent manufacturing partners (2019: 138) that were producing in 277 manufacturing facilities (2019: 304)[14]. The majority (68%) of our independent manufacturing partners are located in Asia (2019: 73%).

We value long-term relationships: 61% of our independent manufacturing partners have worked with adidas for at least ten years, and 30% have a tenure of more than 20 years.

14 The 2019 Annual Report quoted 336 manufacturing partners, of which 32 were Tier 1 subcontractors. These subcontractors will not be included in the calculation in the future, and have therefore been removed for reasons of better comparison to the current year.

Relationships with independent manufacturing partners

	Total	Footwear	Apparel	Accessories & Gear
Number of independent manufacturing partners	132	25	70	37
Average years as independent manufacturing partner	13.6	15.3	12.6	14.2
Relationship < 10 years	39%	48%	37%	35%
Relationship 10 – 20 years	31%	20%	33%	38%
Relationship > 20 years	30%	32%	30%	27%

Relationships >20 years

30%

Overall, our independent manufacturing partners produced 943 million pieces of apparel, footwear and accessories and gear in 2020 (2019: 1,103 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 social and environmental performance criteria of our suppliers through the compliance and environmental KPI (C-KPI and E-KPI) tracking system. Adherence to social and environmental standards is promoted throughout our supply chain. The current list of our independent manufacturing partners can be found on our website. ▸ ADIDAS-GROUP.COM/S/SUPPLY-CHAIN-APPROACH ▸ SEE SUSTAINABILITY

Impact of the coronavirus pandemic on our manufacturing partners

Due to the global outbreak of the coronavirus, our independent manufacturing partners had to deal with facility closures, reduced working hours, and changes in operating procedures to implement social distancing and necessary safety measures. We reduced our production volumes to meet the lower global demand. At the same time, to keep the production volume relatively stable, we managed factory fill rates by pulling forward demand and production of 'evergreen' products, such as Adilette slides, that are usually not subject to seasonal or trend-related change. We kept in touch with our manufacturing partners throughout the crisis and did not terminate any relationship due to the pandemic in 2020.

Vietnam remains largest footwear sourcing country

97% of our total 2020 footwear volume was produced in Asia (2019: 98%). Vietnam represents our largest sourcing country with 42% of the total volume (2019: 43%), followed by Indonesia with 29% (2019: 28%), and China with 15% (2019: 16%). In 2020, our footwear manufacturing partners produced approximately 379 million pairs of shoes (2019: 448 million pairs). Our largest footwear factory located in Vietnam produced approximately 8% of the footwear sourcing volume (2019: 8%).

Cambodia remains largest source country for apparel

In 2020, we sourced 93% of the total apparel volume from Asia (2019: 91%). Cambodia is the largest sourcing country, representing 22% of the produced volume (2019: 23%), followed by Vietnam with 21% (2019: 19%), and China with 20% (2019: 19%).

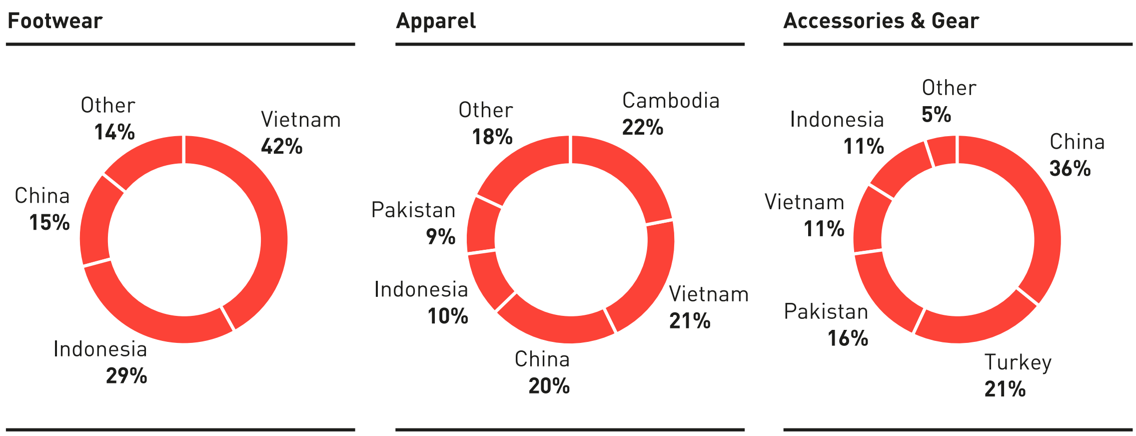
In total, our manufacturing partners produced approximately 465 million units of apparel in 2020 (2019: 528 million units). The largest apparel factory, which is in China, produced approximately 11% of this apparel volume (2019: 9%). Overall, apparel production is more fragmented than footwear.

China remains main source country for accessories and gear

In 2020, 77% of our accessories and gear, such as balls and bags, were produced in Asia (2019: 81%). China remained our largest sourcing country, accounting for 36% of the sourced volume (2019: 37%), followed by Turkey with 21% (2019: 18%) and Pakistan with 16% (2019: 22%).

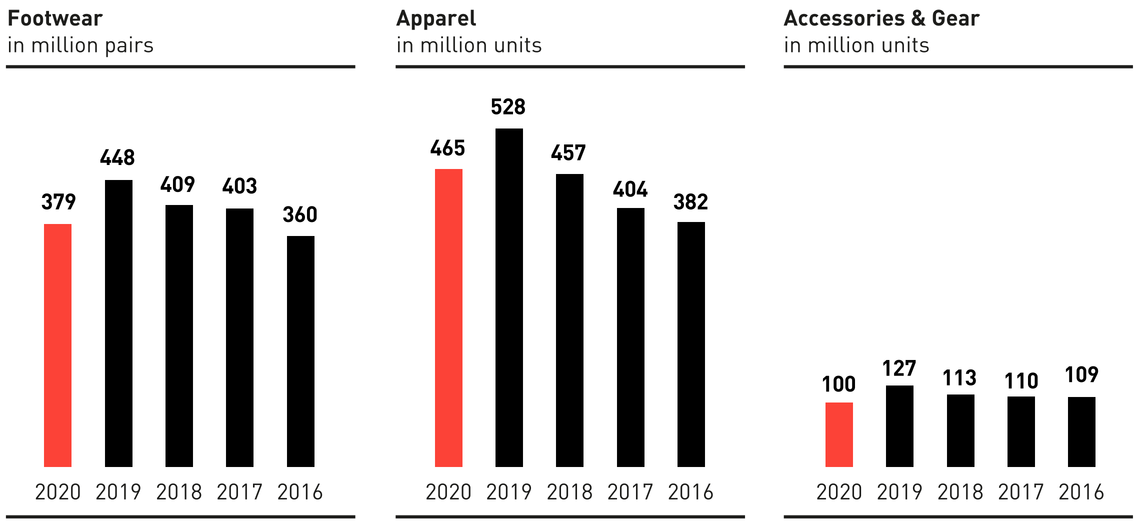
The total accessories and gear sourcing volume was approximately 100 million units (2019: 127 million units), with the largest factory accounting for 21% of production (2019: 16%) located in Turkey.

Worldwide production volumes by country[1]



1 Figures include the adidas and Reebok brands.

Total production volumes by category[1]



1 Figures include the adidas and Reebok brands.

On-time in-full delivery to our customers

Global Operations strives to develop, produce, source, and distribute ordered articles on time and in full. Therefore, a non-financial KPI 'On-Time In-Full' (OTIF) measures on-time and in-full delivery of our products toward the desired customer date for our wholesale and franchise customers as well as own-retail stores.

At the outset of the coronavirus crisis, beginning of 2020, the factory shutdowns in Asia impacted our ability to provide the highest product availability in our distribution centers. For the most part, as of March, the closure of our wholesale customer stores affected our capability to deliver products on time, despite sufficient product availability in our distribution centers. As our wholesale customers could not receive our products, our outflows were reduced, thereby creating congestion in our distribution centers. This negatively impacted our on-time and in-full deliveries from April onward, before recovery began in August, after stores and businesses had reopened for a longer period. At that time our global demand began to increase, and the flow of goods normalized again. In 2020, adidas delivered 76% of its adidas and Reebok brand products on time and in full (2019: 79%), missing its OTIF ambition of 82%.

Agile and efficient distribution center network

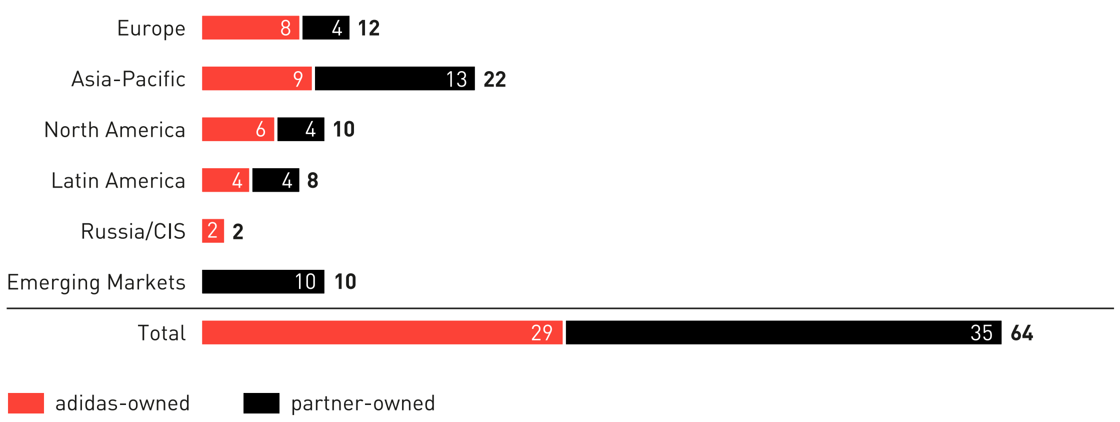
By following a clear strategic framework, we enhanced our distribution center landscape in 2020 through process automation, system upgrades, and distribution center capacity expansion. These enhancements helped enable us to improve e-commerce service levels and provide more delivery choices with an overall broader product availability.

Overall, our global distribution network consists of 64 distribution centers, enabling us to efficiently and effectively service our global demand. We operate distribution centers in all our markets with twelve distribution centers in Europe, 22 in Asia-Pacific including one newly opened this year, ten in North America, eight in Latin America, two in Russia/CIS, and ten in Emerging Markets.

Through own and partnership best-in-class execution, Global Operations ensures that the health and safety of both employees and consumers are maintained equally. Of the 64 distribution centers that make our global network, 29 are owned and operated by adidas, and 35 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 the point of sale, 17 of our distribution centers are set up to serve all our channels, 38 are specialized to serve our retail and wholesale customers, and nine 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 region



Impact of the cornavirus pandemic on our supply chain

Global Operations responded with speed and agility to address the challenges emanating from the outbreak of the coronavirus. Our supply chain organization took several measures to synchronize demand and supply in a cost-conscious manner: We reduced our production volumes to avoid excess supply, while ensuring our suppliers' production capacities were maintained for upcoming seasons. Additionally, we mitigated the impact of further inventory build-up through effectively managing our existing inventory levels across our supply chain. We delayed the flow of in-transit goods and secured temporary overflow storage in our markets for goods that were not immediately needed by our customers. These actions mitigated congestion at our distribution centers allowing us to make in-demand products available at our distribution centers for on-time delivery to our customers and consumers around the globe.

Positive impact on e-commerce volume growth

While the coronavirus pandemic negatively impacted our demand in our retail and wholesale channels, it had a significant positive impact on our e-commerce channel. For example, in Europe, our distribution centers processed daily volumes equivalent to peak e-commerce events such as Cyber Week. To secure this spike in our e-commerce demand and minimize shipping delays to our consumers, we immediately increased our e-commerce distribution center capacities. At the same time, we maintained operations by implementing protocols for security and safety measures during the coronavirus crisis. To further support our future e-commerce growth, we are continuing to invest into our warehouse footprint and improve our omni-channel fulfillment capabilities. ▸ SEE STRATEGY

OUR PEOPLE

At adidas, we believe that our people are the key to the company's success. Their performance, well-being and knowledge have a significant impact on brand desire, consumer satisfaction and, ultimately, our financial performance. Fostering a culture of diversity and inclusion for our people is therefore key to successfully execute our new strategy 'Own the Game'. In the area of people and culture, we focus our efforts on the following fundamentals: the attraction and retention of the right talents, role model leadership, diversity and inclusion, as well as the creation of a unique corporate culture. ► SEE STRATEGY ► ADIDAS-GROUP.COM/S/EMPLOYEES

Measuring the success of our people initiatives

Until 2020, our HR function measured the success and the effectiveness of the company's efforts with regard to its people initiatives through two people KPIs: employee experience as an internal measure and employer rankings as an external measure. With the launch of the new strategic five-year cycle in 2021, we will revise this approach.

Employee engagement

We are convinced that our employees' feedback will play a crucial role in our pursuit of creating a desirable 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 on a regular basis. In support of this thinking, we launched 'People Pulse' – our approach and system platform for measuring the level of employee satisfaction with the experience adidas provides as an employer – for all office employees with an email account.

People Pulse allows for the measurement of the employee Net Promoter Score (eNPS). The calculation logic of the eNPS is identical to that of the brand NPS: Based on the main question 'On a scale of 0 to 10, how likely are you to recommend adidas as a place to work?', the total share of detractors (responses below 7) is deducted from the total share of promoters (responses scoring 9 and 10), producing the eNPS. This approach as well as a focus on collecting open-comment feedback from employees on a regular basis allowed the reduction of the questionnaire to a short pulse check of seven questions maximum, with the aforementioned eNPS question at the center.

In 2020, we saw the People Pulse continue to be leveraged as an important feedback channel from corporate employees to the company. We conducted a survey in September and saw an increase in employee NPS results – especially of favorable ratings – compared to the last survey conducted in 2019. At 63%, the participation rate remained at a stable level. Reports with detailed results and scores were provided to the Executive Board and leaders down to Board –4 level as long as they have at least 15 members on their team. Employees have access to the overall company results via our global intranet. Result recipients continued to review, cascade and openly discuss the results and drive action on identified areas of improvement.

Attraction and retention of talent

Our 'employer of choice' status continues to garner worldwide recognition and helps us to attract, retain and engage industry-leading talent to sustain the company's success and growth. In 2020, adidas locations around the world leveraged our employer value proposition for attraction, retention and engagement strategies. Among professionals, this work contributed to top rankings, including Forbes' 'The World's Best Employers 2020' and Universum's 'World's Most Attractive Employers' rankings among business and IT students worldwide. adidas offices across Europe and Asia qualified for the certification by Top Employers Institute for their efforts to provide an exceptional work environment for our people.

Among other things, the certification recognized the company's Learning and Development Framework, which encourages different kinds of learning and the career management model.

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

- **Apprenticeship 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' for young school graduates offers theoretical and practical experience at adidas, including at least one three- to six-month international rotation. In 2020, we offered programs in several business areas, such as digital e-commerce, digital media, finance, IT, retail, logistics, shoe finishing, textile laboratory or textile and fashion tailoring. At the end of 2020, we employed 49 apprentices in Germany (2019: 50) and 38 Dual Study Program students (2019: 49). As part of our 'Integration Program', we also hired diverse future talents in 2020, for instance students with disabilities.

- **Global Trainee Program:** The 'Functional, Digital and Design Trainee Program' is an 18- to 24-month program providing graduates with an international background and excellent educational credentials the opportunity to start a functional career within adidas. At year-end 2020, we employed 38 participants in our Global Trainee Program (2019: 67).

- **Internships:** Our internship program offers students three to six months of work experience within adidas. In 2020, we employed 114 interns in Germany (2019: 216).

Role model leadership

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

Leadership groups

We have four 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 other two groups focus on developing global, regional and functional succession pipelines.

- The **Core Leadership Group** (CLG) 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** (ELG) 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 and Local High Potential Groups. 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. In 2019, the second GHIPO generation started their development experience, with approximately 40 members and a balanced gender split. They will conclude their development experience in the first quarter of 2021. At the end of 2020, nearly three-quarters made positive career movements through either a promotion to the next level or a lateral, cross-cultural or cross-functional moves.

- The **Local High Potential Group** (LHIPO) was formed in 2019 and 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 first LHIPO generation, consisting of approximately 120 leaders of 30 different nationalities, concluded their development experience in the first quarter of 2020. In the fourth quarter of 2020, the second LHIPO generation started their 12-month development experience with approximately 180 members of 41 different nationalities representing all markets and functions. 55% of the members of this group are female.

Leadership development experiences

To drive clarity and accountability, we worked on further activating our global Leadership Framework in 2020 by embedding it in our leadership groups and development experiences. The Leadership Framework is based on three critical behaviors – Creativity, Collaboration and Confidence (the '3Cs'). The 3Cs define the behaviors that are expected of employees at adidas. The framework provides a global and universal language that is inclusive, reduces the need for local interpretations, and outlines concrete behaviors that serve as a measure of leadership effectiveness. Creativity, Collaboration and Confidence serve as the foundation for the way we hire, promote and evaluate performance.

We offer a portfolio of leadership development experiences designed for every level of management across all markets and functions. These include the 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. In 2020, 1,277 employees activated their MDE or DDE experience, with 933 graduates and of those 768 employees graduating the programs through the virtual experience.

Succession management

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.

Activating our purpose

'Through sport, we have the power to change lives' is our company's purpose. Together with our employees, partners, communities, and consumers, we act on that purpose by fostering a culture of inclusion, impact, and shared opportunity on and off the field of play. We focus our activation efforts on four areas: 'She Breaks Barriers', which is aimed at getting girls to join and stay in sport, 'One Starting Line', which is aimed at increasing inclusivity for all in sport and sports culture, 'End Plastic Waste, which is aimed at protecting the world's oceans for future generations, and 'Diversity and Inclusion'. To maximize impact, we leverage brand moments to raise awareness of these topics and create opportunities to engage and get involved, such as by providing volunteering opportunities for our employees. All of our initiatives and activities in this area are centrally managed by a dedicated 'Global Purpose' team, reporting into the Executive Board Member responsible for Global Human Resources. Since 2020 was a year of unprecedented adversity around the world, many of our actions were in response to these events.

In the wake of the global covid-19 pandemic, we took several actions to help communities worldwide weather the crisis – from fundraising and donations to mask production and employee engagement. In addition, there were numerous activities and measures taken at the local level around the world.

- **Fundraising and donations:** We donated to the World Health Organization's 'Covid-19 Solidarity Response Fund' and to the 'China Youth Development Foundation', and, together with our consumers and employees, raised and donated funds through e-commerce giveback programs and the #hometeamhero challenge – a digital challenge that encouraged physical activity through the 'adidas Running' and 'adidas Training' apps as well as partner apps, with a donation made by the company per every hour of activity.

- **Mask production and donation:** In April 2020, we partnered with Carbon, a 3D-printing technology company, and produced face shields that were donated to hospitals, healthcare organizations, and various medically focused non-profit organizations. In total, 75,000 face shields were made and donated.

- **Employee volunteering:** Using the community impact platform DEED, which we have rolled out to employees in several markets around the world in 2020, we created a country-specific covid-19 fundraiser for the US and Canada, Germany, Peru, Brazil, Argentina, Mexico, Colombia, Chile, Panama, Turkey, Israel, India, and South Africa. In addition, we coordinated volunteering opportunities for our employees across North America, Latin America, and Germany.

In addition to our efforts to help cope with the covid-19 crisis, we supported other disaster-relief actions in 2020. For example, together with contributions from our employees, we donated funds to support wildfire relief in Australia and North America, as well as to help the people of Beirut following the port explosion in August 2020.

Diversity and inclusion

We strongly believe that diversity, inclusion, and equality 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.

United against racism – our 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. The commitments further encompass establishing a global committee to accelerate inclusion and equality, strengthening our global anti-discrimination and non-retaliation policy, reforming our hiring and career development processes, signing the Juneteenth Pledge, and increasing support for BIPoC communities.

We already took action on several of these commitments in the latter half of 2020:

- We funded scholarship programs for Black and LatinX students and made an initial contribution to the National Association for the Advancement of Colored People (NAACP) as part of singer and adidas partner Beyoncé's 'BeyGOOD' fund to support Black-owned small businesses.
- The 'Committee to Accelerate Inclusion & Equality' has been put in operation. Sponsored by adidas CEO Kasper Rorsted, it focuses on the advancement of underrepresented groups and drives companywide change. The committee includes company decision makers as well as representatives from all adidas regions and people from different racial and ethnic backgrounds.
- Our talent acquisition and key talent management processes are currently under review to validate opportunities to further strengthen our inclusive talent processes for hiring, talent management and succession decisions.
- We updated our 'Global Policy on Anti-Harassment and Anti-Discrimination' in September. The framework details how adidas prevents, detects, and responds to all forms of discrimination and harassment with very clear messaging on our zero-tolerance approach.
  ▶ ADIDAS.COM/US/LASTING_CHANGE

Furthermore, we provided our employees with a platform on our intranet to support and promote dialogue around our anti-racism and anti-discrimination work. Throughout the company, we continue to support and grow our 'Employee Resource Groups' – these are specific networks that give employees from various walks of life a voice and serves members by fostering a diverse inclusive workplace. We now have more than 40 of these groups around the globe with different focuses on diversity dimensions such as People of Color, Women, LGBTQ+, Experienced Generation, Faith, and Disability and Mental Health. Participation in the groups is voluntary and open to all employees.

Diversity & Inclusion framework

In 2020, we redefined our framework for diversity and inclusion with a clear definition of what diversity and inclusion mean to us as a company: They mean championing individual uniqueness, and cultivating a culture of belonging so that everyone can create at their best. The framework highlights our approach both internally and externally which is why we defined three strategic focus areas:

- **Workplace:** We want to create a work environment where all employees feel like they belong, are valued and are engaged to produce exceptional results.
- **Workforce:** We want to attract, recruit, promote, and retain the best talent and maintain a diverse workforce at all levels and areas of the business.
- **Marketplace:** We want to represent the diverse communities we serve through our communications, products, partnerships, and investments.

As part of the three focus areas, we have made global internal commitments to promote inclusion and equality at adidas. These commitments are supported by specific actions with clear timelines, and progress is communicated internally. This action plan underpins our stance against discrimination and microaggressions.

One of the commitments we made was the introduction of a global anti-racism and unconscious-bias training – the 'Creating a Culture of Inclusion (CCI) Team Workout'. The training, which was mandatory for all employees, was rolled out globally in the third quarter of 2020 and completed in early 2021. The program consisted of six modules which focused on topics such as diversity dimensions, privilege, and inclusive team behaviors. The content was aimed at educating teams on diversity and inclusion topics that may impact performance and the sense of belonging, both individually and as a team.

In addition, we held a virtual 'Global Day of Inclusion' in September 2020, which offered employees an opportunity to reflect, learn, and celebrate inclusion. The day was about taking the time to embrace the various backgrounds, experiences and perspectives of all our communities by exploring different stories through a business panel, an athlete panel, and more.

Female leadership

We are convinced that mixed leadership teams have a competitive advantage and are drivers of business success. adidas is committed to ensuring equitable representation across all diversity dimensions in leadership positions, which includes enhancing our current focus on gender equality. A prerequisite for increasing the number of women at the highest levels of management is the general promotion of women within the company worldwide at all levels. We have various initiatives in place to guarantee that our succession pipeline is balanced, including mentoring of female talent as well as an equal gender split in our Global and Local High Potential programs.

By the end of 2020, the company had recorded a total of 35% of women globally in management positions (2019: 34%), exceeding the 2020 target of 32%. Our ambition is to further increase the share of women in leadership positions globally from 2021 onward. Pursuant to the German Law on Equal Participation of Women and Men in Leadership Positions in the Private and Public Sector, the adidas AG Supervisory Board determined target figures for the percentage of female representation on the Executive Board, including corresponding deadlines for their achievement.The Executive Board determined such target figures for the first two management levels below the Executive Board, including deadlines for their achievement, for adidas AG. ▸ SEE DECLARATION ON CORPORATE GOVERNANCE

Women in management positions

35%

CULTURE

It is our goal to develop a culture that cherishes creativity, collaboration and confidence as well as high performance, the behaviors we deem to be crucial to the successful delivery of our strategy. In fact, our culture and people are a key to our new strategy 'Own the Game'.

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 usually very popular and offered at various locations across the globe. Due to the coronavirus pandemic, however, we were forced to cancel these and other offers in 2020. Instead, new 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 and digital offerings for kids with focus on movement, nature, and craft.

- **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 10 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 has made significant amendments to improve work-life integration across the market. This includes an extended parental leave approach 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.

- **Flexible work**: Continuing in Germany in 2020, every employee with an adidas AG contract whose working tasks can be carried out independently of campus facilities, campus equipment, and personal interaction on-site is eligible to work 20% of their total working time off-campus. This policy and agreement is based on our belief that results can be achieved in the same quality and quantity, regardless of people's location. Positive feedback motivated us to roll out the approach globally and with Asia having joined in 2020, all markets are now fully on board. With this worldwide off-campus-working approach in place, adidas was well prepared and equipped for the transition to home-office mode during the pandemic.

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. Also, 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, the coronavirus pandemic required us to close gyms, stop programs and focus on alternatives. Thus, digital offers were designed 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, and resilience. We offer Employee Assistance Programs in many countries (for instance in the US, Germany, and the UK). In 2020, Latin America introduced an equivalent program across the market.

Navigating through the coronavirus pandemic

Since the beginning of the covid-19 crisis, 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. These measures include the extension of our hygiene concepts, the continuous monitoring of the development of the situation, transparent communication to our employees, and the establishment of strict rules of conduct. For example, we have increased workplace flexibility and temporarily given our employees theo opportunity to work up to 100% of their time remotely, depending on the development of cases in the respective countries.

- **Crisis management team:** To be able to monitor and assess the impacts and potential spread of the coronavirus globally, we set up a dedicated Steering Committee in February. 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 the response to covid-19. The team also tracks internal covid-19 cases globally, 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 three 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 twice per month.

- **HR training and alignment:** To enable our HR Business Partners to report on cases, conduct contact tracing and manage any employee-related crisis issues, we introduced global trainings for our HR Business Partners. These trainings are repeated as often as necessary to ensure our 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. In this meeting, any employee- and covid-19-related issues are discussed and decisions are made on necessary actions.

- **Retail:** In our own-retail stores, hygiene concepts encompass distancing rules and the installation of plexiglass screens. Our retail staff was trained on hygiene 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.

Learning

We are convinced that employee development enables a high-performance culture. To achieve this, we offer employees 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.

In 2020, we saw a sharp increase in the use of our digitally enabled learning tools with an increase in utilization of 162% of our LinkedIn Learning offerings and 158% for our Leadership Library offerings compared to last year. In response to the changes in the workplace, we transformed our in-person development trainings into interactive virtual learning experiences. As a result, we increased the number of virtual offerings by 258% which tripled the participation in virtual offerings compared to 2019.

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[15], and development is the focus of every monthly 'Touch Base' conversation. The voice of employees is critical in the evolution of #MYBEST. In 2019, the global #MYBEST survey was run for the second year in a row. The results confirmed the positive impact of the previous year's enhancements and were also used to inform decisions about interventions supporting the full utilization of the #MYBEST approach. In 2020, we ensured that the organization has clarity regarding meaningful performance conversations while navigating the constantly changing environment. We also launched a series of global virtual events to provide practical tips and company best practice examples to all employees on impactful feedback and development conversations. To reduce the risk of potential bias in performance evaluations, we provided tools and guidance for all line managers to use when preparing for their regular Performance Standard conversations.

Rewards

We are committed to rewarding our employees with compensation, benefit and incentive programs that are inclusive, competitive in the marketplace and aligned with our culture of 'rewarding for performance'. Remuneration throughout the company comprises fixed and variable monetary compensation, non-monetary rewards, and other intangible benefits. Important cornerstones of our rewards program are our Job Architecture and our Global Salary Management System which are used as a basis for establishing and evaluating the value of employees' positions and salaries in a market-driven and performance-oriented way.

The various variable compensation and benefits components we offer our employees include:

- Bonus program – Short-Term Incentive (STI) program
- Profit participation program – 'Champions Bonus' (Germany)
- Long-Term Incentive (LTI) Plan for senior management
- 401-K Retirement Plan (US), Long-Term Working Time Account and adidas Company Pension Plan (Germany)
- adidas Stock Purchase Plan

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

We are continuously improving our remuneration approach and have therefore been investing in a number of projects and initiatives to increase the significance of our remuneration programs and to ensure we balance our investment in our employees with regard to performance, potential and market-oriented compensation. One of the improvements we made was an overhaul of our compensation management approach in Germany and the US throughout the last three years, which is designed to enable educated compensation decisions based on external market reference and internal equity. It is based on a higher level of detail for external market data and addresses internal pay gaps. We developed a monitoring approach to identify potential pay gaps and work continuously to improve and close these gaps on a country-by-country basis. To further enhance our efforts and transparency on this topic we support initiatives such as 'Lean In'. The latest internal report from 2019 regarding the Equal Pay Gap shows an overall balanced picture on pay between female and male employees, based on a weighted average calculation between the salary grade levels.

In addition, we further improved transparency and governance for senior management remuneration and created higher transparency about remuneration as well as internal and external positioning of compensation and benefits packages. The aim was to ensure objective decision-making for management remuneration, and to continue standardizing our pay structures.

We rolled out a global Long-Term Incentive Plan for senior management over the past few years, which is in place for all employees down to director level globally. This program provides Restricted Stock Units (RSUs), linked to our earnings per share (EPS) targets and our share price performance. It closely links the goals of our senior management with those of our shareholders – sustainable success and long-term growth – and fosters a company ownership mentality.

Our subsidiaries also grant a variety of benefits to employees, depending upon locally defined practices and country-specific regulations and norms.

Stock Purchase Plan

Participation in the Stock Purchase Plan is provided to employees in China, Hong Kong, Taiwan, the Netherlands, the US and Germany, offering almost half of our employees globally (excluding retail) the opportunity to participate. Around 5,400 employees participated in the program in 2020 (2019: 5,000).

Global employee population

On December 31, 2020, the company had 62,285 employees (2019: 65,194). Thereof, 7,694 were employed at adidas AG (2019: 7,978). On a full-time equivalent basis, our company had 54,722 employees on December 31, 2020 (2019: 55,819), thereof 6,963 at adidas AG (2019: 7,238). The 2019 employee figures on a headcount as well as full-time equivalent basis were restated due to the inclusion of temporary contracts of up to six months. In 2020, personnel expenses decreased slightly to € 2.483 billion (2019: € 2.720 billion), representing 13% of sales (2019: 12%). ▸ SEE TEN-YEAR OVERVIEW ▸ SEE NOTE 42

Employees worldwide

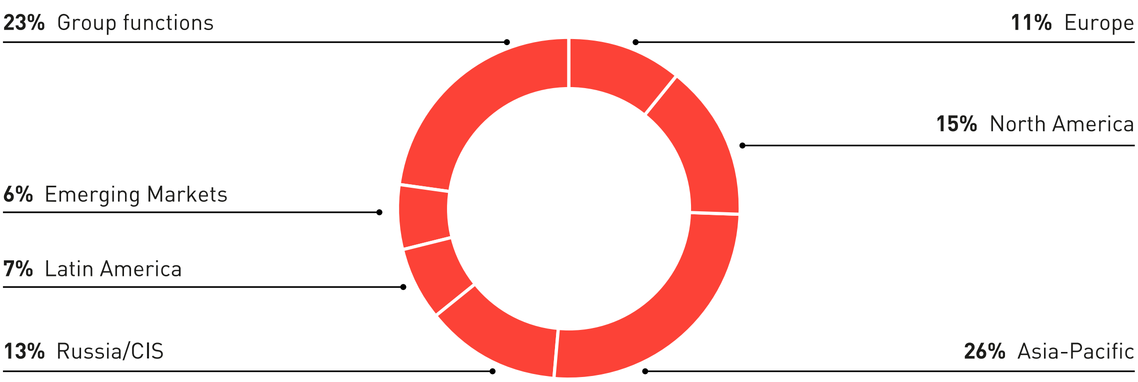
62,285

Employee statistics[1]

	2020	2019
Total number of employees[2]	62,285	65,194
Total employees		
Male	45%	48%
Female	55%	52%
Management positions[3]		
Male	65%	66%
Female	35%	34%
Average age of employees (in years)	31	31
Average length of service (in years)	4	4

1 At year-end. Number of employees on a headcount basis.
2 2019 figure restated due to inclusion of temporary contracts of up to six months (2019 headcounts excluding temporary contracts of up to six months: 59,333).
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.

Employee split[1]



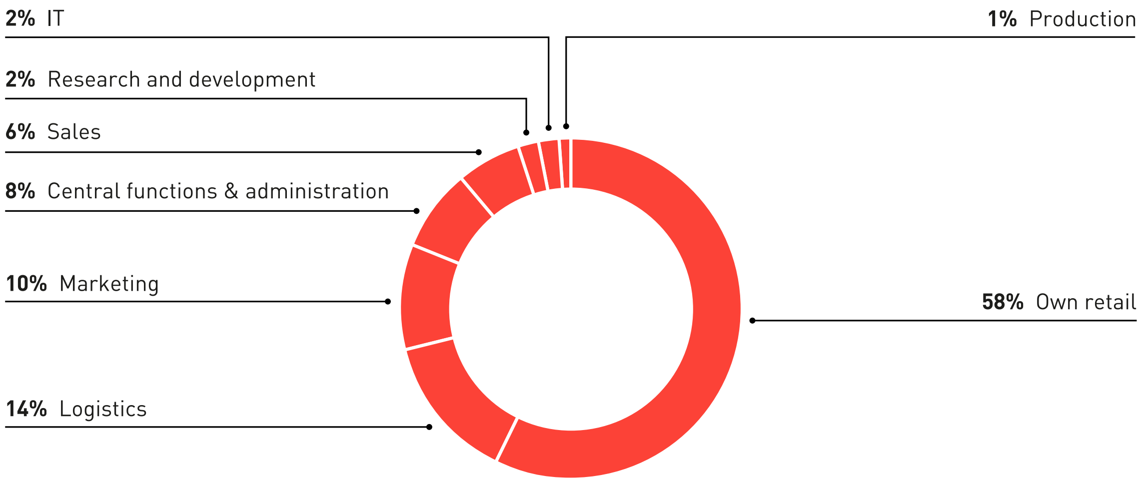
1 At year-end.

Number of employees by function[1]

	Employees[2,3]		Full-time equivalents[3]	
	2020	2019	2020	2019
Own retail	35,910	38,023	29,384	29,711
Sales	3,709	3,740	3,617	3,640
Logistics	8,548	8,366	8,225	8,059
Marketing	6,028	6,119	5,766	5,901
Central administration	5,143	5,733	4,909	5,421
Production	521	621	499	608
Research and development	973	1,033	903	964
IT	1,453	1,559	1,417	1,516
Total	**62,285**	**65,194**	**54,722**	**55,819**

1 At year-end.
2 Number of employees on a headcount basis.
3 2019 figure restated due to inclusion of temporary contracts of up to six months.

Employees by function[1]



1 At year-end.

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.

OUR APPROACH

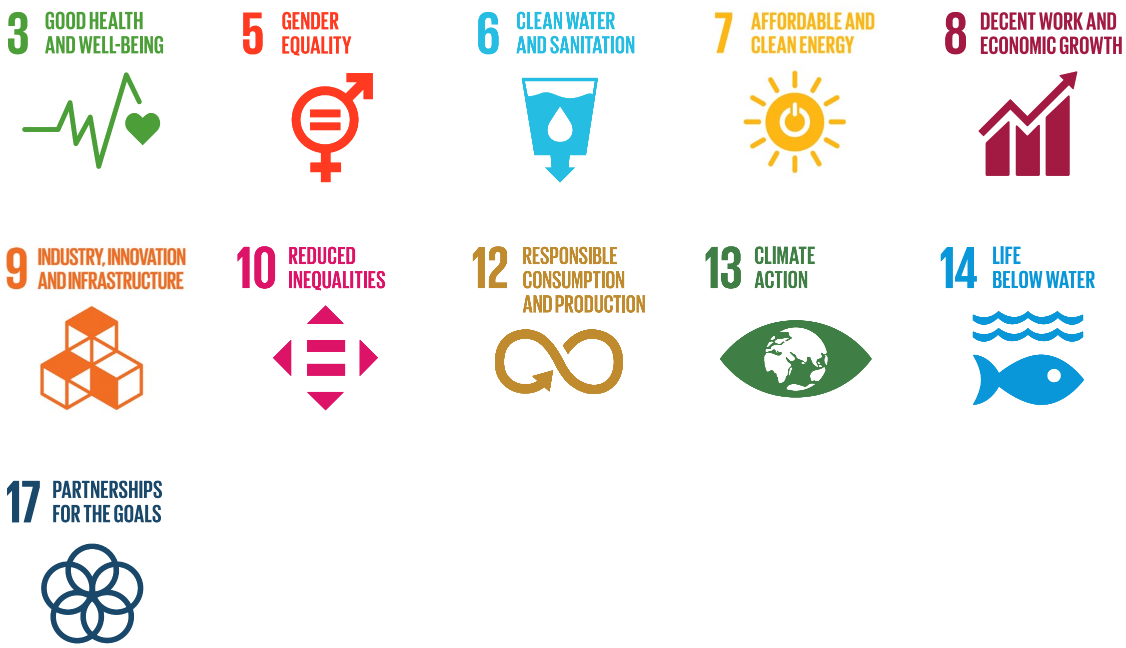
Our holistic approach to sustainability responds to the challenges that endanger our planet and people. Consequently, sustainability is an integral component of our strategy 'Own the Game' and we have a clear roadmap for 2025 and beyond. It tackles the topics that are most material to our business and our stakeholders, and translates our overall sustainability efforts into tangible goals. ► ADIDAS-GROUP.COM/SUSTAINABILITY ► SEE STRATEGY

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 conduct formal materiality exercises to confirm the selection of our material topics. We use insights gained from past assessments, categorize potential new topics and seek to validate these through in-depth 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. As a result of this ongoing exercise, tax has emerged as an addition to this list of topics in 2020.

We also make use of external frameworks to help support our selection of material topics. One of these frameworks is the UN Sustainable Development Goals (SDGs) which represents a global call to action to promote prosperity for all while protecting the planet. We see a clear correlation between the SDGs and our own commitment to sustainable development and human rights. Consequently, we have been able to link prioritized SDGs with both the environmental priorities related to the selection of materials, manufacturing, use and disposal of our products, and the needs and concerns of people in the adidas value chain. ► SEE NON-FINANCIAL STATEMENT

Correlation between UN Sustainable Development Goals and our sustainability roadmap



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 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 Factories Cambodia program, as well as with the United Nation's International Organization for Migration with the objective to ensure that the labor rights of foreign and migrant workers are upheld in the adidas supply chain. ▸ ADIDAS-GROUP.COM/S/PARTNERSHIPS

Key memberships:

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

We believe transparent communication with our stakeholders is critical. For that reason, we regularly disclose 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 lists 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.

Governance structure

A robust governance structure ensures timely and direct execution of programs that drive the achievement of our set goals for 2020 as well as of our new set of targets for 2025. 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. He or she also leads the sustainability Sponsor Board, which is composed of senior representatives from Global Brands, Global Operations, Digital, Sales, Finance, Corporate Communication, and other relevant functions across the company. The Sponsor Board ensures cross-functional alignment, transparent end-to-end management and execution of agreed-upon sustainability goals within their functions. This includes rewiewing and signing-off on policies as required. We also maintain a separate compliance function which is operated as the Social & Environmental Affairs Team (SEA) to evaluate supplier-facing social and environmental compliance performance and human rights impacts, reporting, through the General Counsel, to the CEO.

External recognition

adidas continuously receives positive recognition from international institutions, rating agencies, NGOs and socially responsible investment analysts for its sustainability initiatives. In 2020, the company was again represented in high-profile sustainability indices and subject to comprehensive corporate sustainability assessments. ► SEE OUR SHARE

In the annual assessment of the Carbon Disclosure Project (CDP), adidas was again awarded with a B score for its climate change approach (2019: B), and for its approach to water management (2019: B) and an A- score for its supplier engagement approach related to climate change (assessed through the Supplier Engagement Rating). In the annual Green Supply Chain Corporate Information Transparency Index (CITI), which assesses brands on the environmental management of their supply chains in China, adidas ranked number four in the textile industry with its green supply chain program in China, and achieved first place in the newly added Supply Chain Climate Action Index (SCTI), sharing the position with another company. adidas further maintained its leadership position in the Corporate Human Rights Benchmark (CHRB) evaluation in 2020, coming in first in our industry and fourth overall across all industries assessed. ► ADIDAS-GROUP.COM/S/RECOGNITION

OUR PROGRESS

Following our ambition to be transparent toward stakeholders for years, adidas has regularly reported on our sustainability performance by measuring and disclosing the progress made toward our targets. The following presents the list of material topics within our programs and details the progress made and challenges faced. Although 2020 was a difficult year due to the coronavirus pandemic, making it necessary to adhere to local regulations such as store closures and travel bans, we were, overall, able to advance our initiatives and deliver against our targets.

ENVIRONMENTAL IMPACTS

Managing the environmental impacts at our own sites and along the value chain is a key focus of our work. We have developed an approach to address water efficiency and quality and are committed to steadily increasing the use of more sustainable materials in our production, products and stores while driving toward circular business solutions. We are committed to reducing our absolute energy consumption and CO_2 emissions, transitioning to clean energy and looking into energy-harvesting opportunities.

To be able to quantify our environmental impact along the value chain, we developed an internal Environmental Footprint Tool (EFT). This tool uses data from various IT systems and departmental sources to calculate a monetized environmental footprint that accounts for the complete value chain from raw material production to product use and disposal. Currently, the EFT is primarily used for measurement as well as internal and external reporting. As such, it provided key insights for the development process of our new strategy 'Own the Game'. A future objective is to directly interface the adidas systems with the EFT to enable real-time simulations to support business decision-making and further sustainability reporting.

Measuring and optimally managing our environmental footprint in our own operations and across our supply chain is only one way to respond to climate change. In addition, we are proactively addressing the impacts of climate change by supporting global initiatives that aim to drive change for our industry. For example, in the past two years, we signed the Fashion Pact presented at the 2019 G7 Summit and the UN Fashion Industry Charter for Climate Action. In addition, we committed to the Science Based Targets initiative in 2020 and are preparing to have our targets approved. adidas has been a member of the UN Climate Neutral Now Initiative since 2015 and is committed to the continued estimation and reduction of our emissions. It is our goal to reduce emissions across our entire value chain by 30% by 2030 (baseline 2017), thus paving the way for climate neutrality by 2050.

Mitigating climate change: Targets for 2025 and beyond

Target year	Area	Target	Baseline
2025	Own operations	Achievement of carbon neutrality	
	External supply chain		
	Energy	Adoption of renewable energy at strategic Tier 1 and Tier 2 supplier facilities to keep emissions flat	(baseline 2017)
	Chemicals	80% of supplier facilities that manage chemicals in their production process to achieve Level 3 compliance with 'Manufacturing Restricted Substances List' from ZDHC	
	Water	40% reduction in water consumption at Tier 2 supplier facilities	(baseline 2017)
	Wastewater	80% of applicable suppliers that operate on-site effluents plants to achieve 'ZDHC Wastewater Foundational Level'	
	Decarbonization	15% reduction of CO_2 emissions per product	(baseline 2017)
2030	Value chain (from raw material production to own operations)	30% reduction of CO_2 emissions	(baseline 2017)
2050		Achievement of climate neutrality	

2030 goal: Reduction of CO_2 emissions by

30%

Own operations

Back in 2008, adidas introduced a program called 'Green Company' to drive continuous improvement and savings in energy, water and waste at its own sites globally. The program covers administrative offices, production facilities and distribution centers, equaling more than 97% of our global employee base in 2020 (excluding own retail). In 2015, we presented targets to be achieved by 2020 that centered around carbon emissions and water use reduction. These were calculated considering a scientific and context-based methodology.

One essential driver to achieve these targets is the implementation of environmental standards at our highest-consuming locations. adidas has successfully applied an Integrated Management System (IMS) which helps us to gain certification for key locations for their environmental management (ISO 14001), health and safety management (ISO 45001) and energy management (ISO 50001). Building on an overarching corporate IMS policy, adidas aims to further expand these certifications to more key sites every year and have them verified through both external and internal audits. By the end of 2020, 42 sites globally held an ISO 14001 certification, 39 sites held an ISO 45001 certification, and 53 sites held an ISO 50001 certification. Due to the coronavirus pandemic, the IMS implementation, as well as internal and external audits were mostly done remotely for the first time.

In 2020, we were able to cumulatively reduce our combined net emissions by 55% compared to 2015. This is a result of our energy saving initiatives, the use of Energy Attribute Certificates (EACs) at central sites, a company-wide energy monitoring systems, and the installation of photovoltaic systems at various locations. On top we offset the carbon footprint of our gas consumption for all our facilities in Germany. To calculate the overall footprint of all other sites, globally, we take the location-based emission factor provided by the Greenhouse Gas Protocol. In 2020, the lockdown due to the coronavirus pandemic also had a positive impact on the energy and water consumption at our sites. As a result, in 2020 our accumulated water savings amounted to 48% per employee compared to 2008. With these results, we have overachieved our targets of the last strategic cycle.

By 2025, we aim to achhieve carbon neutrality for our corporate and own-retail sites through implementing on-site energy production, improving energy use efficiency, sourcing renewable energy, and balancing our emissions through various partnership methods. We will also continue to monitor and improve the water efficiencies at our biggest consuming sites. We will further strengthen our sustainability foundation by increasing the environmental performance data coverage. Furthermore, we will continue to push implementing eco-efficiency standards through the IMS at key sites.

The progress toward all Green Company targets is tracked through an environmental data reporting system and is disclosed in detail in our annual Green Company Report, available on our corporate website as of spring 2021. ▸ ADIDAS-GROUP.COM/S/ENVIRONMENTAL-APPROACH

Own operations: Progress toward 2020 targets

2020 Targets		2020	2019	2018	2017
Emissions	3% absolute annual reduction in CO_2 Scope 1 and Scope 2 net emissions[1] (baseline 2015)	(55%)	(52%)	(24%)	(29%)
Water	35% reduction in water consumption per employee (baseline 2008)	(48%)	(37%)	(31%)	(27%)

1 Scope 1: Emissions that arise directly from sources that are owned or controlled by adidas entities, such as fuels used in our boilers; Scope 2: Emissions generated by purchased electricity consumed by adidas entities.

Supply chain

As our production is fully outsourced, a substantial portion of our environmental impact occurs, at different intensities, throughout the supply chain. Therefore, for adidas, sourcing is not only about ensuring high product quality and timely delivery, it also means working with our suppliers to ensure they are continuously reducing their environmental footprint by measuring their monthly progress toward yearly reduction targets for energy, water and waste. One way we provide support is to develop comprehensive policies and guidelines such as the newly added 'Rooftop Solar Guideline' and 'Waste Co-processing Due Diligence'.

Already in 2019, we started to support our suppliers in scaling the adoption of on-site renewable energy in our supply chain. adidas funded and provided technical expertise for solar rooftop feasibility studies in key sourcing countries such as Vietnam, Cambodia, China, Indonesia and Myanmar, covering approximately 80% of our strategic suppliers. Even though 2020 was a challenging year due to the pandemic, we were able to intensify our efforts and have already seen the first positive results. In 2020, we confirmed that additional 27 MWp rooftop solar systems had been installed by our strategic suppliers.

We want to ensure that our suppliers are a part of our low-carbon journey and have therefore actively supported our global suppliers by engaging experts, providing hands-on training and developing multiple tools and guidelines over the past years. The 'adidas Environmental Good Practice Guide & Toolkit' covers over 60 efficiency measures and provides good practices for identifying environmental impacts and carbon reduction opportunities within the factory's operations.

Furthermore, adidas is working closely with key suppliers in Vietnam, providing the technical guidance and expertise to enrol and access the first off-site renewable energy pilot. The pilot program features 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.

We are co-developing an online climate action training program with Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) which will be made available to all of the UNFCCC signatory brands and their supply chain. The aim is to upskill the fashion supply chain on greenhouse gas emissions, and how to set targets and identify reduction measures such as adopting renewable energy and improving energy efficiency.

Through our collective measures and technical support, our suppliers were able to exceed our five-year environmental targets on energy, water and waste.

Supply chain: Progress toward 2020 targets

2020 Targets[1]		2020	2019	2018	2017
Water	20% reduction in water consumption at strategic Tier 1 supplier facilities	(36%)	(29%)	(24%)	(15%)
	35% reduction in water consumption at strategic Tier 2 apparel material supplier facilities	(43%)	(34%)	(27%)	(24%)
Energy	20% reduction in energy consumption at strategic Tier 1 supplier facilities and strategic Tier 2 apparel material supplier facilities	(23%)	(22%)	(15%)	(7%)
Waste	20% reduction in waste volume at strategic Tier 1 supplier facilities and strategic Tier 2 apparel material supplier facilities	(30%)	(30%)	(22%)	(10%)

1 Table shows aggregated reduction results for all categories (apparel, footwear and accessories and gear). Baseline year 2014. Results show externally verified data for the previous year.

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. In 2020, for example, 98% of our footwear sourcing volume was produced in factories that have been certified in accordance with the International Environmental Standards ISO 14001 and/or the Workplace Health and Safety Management Standards OHSAS 18001 (2019: 98%).

In 2021, we will transition to a set of environmental targets that are in line with our public commitment of reducing absolute CO_2 emissions by 30% by 2030 and our broader sustainability strategy. For the supply chain, we will focus on transitioning from energy efficiency to end-to-end carbon management, expanding on Tier 2 water savings, and driving further adoption of ZDHC-qualified chemicals and the delivery of cleaner effluent.

Supply chain targets for 2025

- **Water:** We have met and exceeded our previous five-year target on water savings for strategic Tier 1 and Tier 2 suppliers. We are expanding our water reduction efforts to include additional Tier 2 suppliers. Through the application of new technologies, our aim is to achieve a 40% reduction in water consumption against the 2017 baseline year by 2025.

- **Chemicals:** Building on our long-standing collaboration with ZDHC, which promotes sustainable chemistry, we aim to have 80% of supplier facilities that manage chemicals in their production process to achieve Level 3 compliance with the Manufacturing Restricted Substances List (MSRL) from ZDHC for their input chemicals by 2025.

- **Wastewater:** Pollution abatement is critically important for the textile industry and a basic compliance expectation. We aim for 80% of applicable suppliers that operate on-site effluents plants to achieve a 'ZDHC Wastewater Foundational Level' (direct discharge) by 2025.

- **Energy:** As part of our 2021 carbon priorities and goals, adidas aims to accelerate initiatives that drive low-carbon manufacturing within its supply chain. That is why, in 2021, we will focus on scaling the adoption of renewable energy at existing Tier 1 and Tier 2 facilities. Through the adoption and scalability of renewable energy and coal replacement, our aim is to keep our emissions flat against the 2017 baseline year by 2025.

Chemical management

Contributing to a better environment and a safer living space, adidas has been building and implementing a leading 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. ► ADIDAS-GROUP.COM/S/CHEMICAL-FOOTPRINT

Driving effective and sustainable solutions, it requires a strong collaboration with different stakeholders, including industry federations and chemical experts. Together with all industry partners, we continued to contribute to the development and updating of both the ZDHC Manufacturing Restricted Substances List (MRSL) and the ZDHC Chemical Management Guidance Framework (CMS). The publication of ZDHC CMS provides a critical link between controlling chemical input and monitoring output. It supports our supply chain chemical management program and helps to avoid hazardous chemicals entering the production processes.

We further improved our chemical input management, recording 83% of auxiliaries volume and 91% of dyestuffs volume from our strategic apparel suppliers as bluesign-approved in 2020. We also continued to be 99% free of poly- and perfluorinated substances (PFCs) in our products for the fall/winter 2021 season.

We believe establishing a sustainable chemical management in our supply chain has a material impact and requires strong competence and skilled personnel retained in production facilities. This year, we partnered with SGS Group to co-develop and roll out the adidas Chemical Management Academy (aCMA) to upskill our business partners on evaluating chemical hazards, and identifying the qualified chemicals to secure the foundation of chemical management systems in the facilities.

Even though 2020 was a challenging year due to the pandemic, our supply chain partners continued to regularly disclose chemical data and accept independent testing of their waste discharges. According to the latest results, the majority of our suppliers' facilities meet national permitting requirements and 52% of the direct discharge facilities meet the ZDHC foundational level, an industry wastewater standard.

Transportation

We regularly track the environmental impact related to the transport of our goods. Compared to the previous year, performance remained relatively stable. As in previous years, the vast majority of our transportation takes place via sea freight.

Freight types used to ship adidas and Reebok products[1] in % of products shipped

Apparel	**2020**	**2019**
Truck	**6**	8
Sea freight	**91**	84
Air freight	**3**	8
Footwear	**2020**	**2019**
Truck	**1**	1
Sea freight	**98**	92
Air freight	**1**	6
Accessoires & Gear	**2020**	**2019**
Truck	**19**	18
Sea freight	**80**	80
Air freight	**0**	2

2020 2019

1 Figures are expressed as a percentage of the total number of products transported. Data covers products sourced through Global Operations, excluding local sourcing.

Sustainable materials and processes

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.

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 their use phase and acknowledge microfiber pollution as a complex challenge for our industry – one we are proactively addressing. We have established a cross-functional working group and closely collaborate with our suppliers and research institutes to raise awareness of the issue and drive joint solutions toward a global testing standard. adidas is co-founder of The Microfibre Consortium (TMC), which is operational as of 2019, and among others develops tools to minimize shedding and the release of microfibers into the environment, for example via a testing method that enables us to obtain results about the shedding potential of our materials. ► ADIDAS-GROUP.COM/S/PRODUCT-MATERIALS

Sustainable cotton

adidas has steadily increased the sourcing of cotton according to the Better Cotton Initiative throughout the last several years and already managed to source 100% sustainable cotton by the end of 2018. In 2020, we continued to source all cotton globally as more sustainable cotton. The Better Cotton Initiative aims to reduce the use of pesticides, promotes efficient water use, crop rotation and fair working conditions, and strives to transform cotton production worldwide by developing Better Cotton as a sustainable mainstream commodity.

Sourcing of sustainable cotton

100%

Recycled polyester

Using more recycled polyester is yet another way we seek to improve our environmental footprint while still making high-performance products for the athlete. 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 great progress throughout the last several seasons. In 2020, 71% of all polyester used for our apparel and footwear ranges was already recycled polyester. With that, we are ahead of our plan to use only recycled polyester from 2024 onward. The ‘Primeblue’ and ‘Primegreen’ labels, which were introduced in 2020, mark products made with recycled materials. While offering full functionality and durability in sports, they avoid waste and preserve natural resources.

Share of recycled polyester

71%

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 plastic. We continued to roll out Parley Ocean Plastic across key categories and introduced our own label in 2020 for products that contain a certain amount of Parley Ocean Plastic: Primeblue. In 2020, we produced more than 15 million pairs of shoes containing Parley Ocean Plastic. Our target for 2021 is to produce 17 million pairs of such shoes.

► SEE GLOBAL BRANDS ► ADIDAS-GROUP.COM/S/SUSTAINABILITY-INNOVATION

Pairs of shoes containing Parley Ocean Plastic

> 15m

Waste and packaging

We are committed to reducing our plastic footprint globally and are proud of the success we have seen in recent years, such as the phase-out of plastic bags in our own retail stores globally in 2016 and the elimination of single-use plastics across the majority of adidas locations worldwide as of 2018. 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 is exploring 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 aims to reduce its use of virgin plastic and is well on track to meet its goal to transition to the use of 100% recycled LDPE polybags by 2021.

Circular business solutions

adidas takes responsibility for the entire life cycle of a product and follows a clear game plan for moving toward a circular business model. Already in 2019, we successfully showcased proof-of-concept products against circular and regenerative loops by presenting our first fully recyclable and biofabricated products. Futurecraft.Loop is our first 100% recyclable performance shoe made entirely from one material (TPU), using no glue or solvent. To continue this journey, in 2020 we launched the Ultraboost DNA Loop as an evolution of the Futurecaft.Loop model and allocated 1,500 pairs to Creators Club members to help us develop the shoe further. The gained insights will help us refine the commercial launch of our first 'made to be remade' products in 2021. In addition, adidas is exploring infrastructure for product take-backs and recycling with partners and governmental bodies. ► SEE GLOBAL BRANDS ► ADIDAS-GROUP.COM/S/ PRODUCT-END-OF-LIFE

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. ► ADIDAS-GROUP.COM/S/PRODUCT-SAFETY

The creation of respective adidas standards and policies is mostly 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 established a Product Safety and Compliance workspace that 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 2020.

Over the last several years, we have substantially contributed to the AFIRM Restricted Substances List, which harmonizes restricted substances lists across the industry. While the uptake of the list as an industry best practice matured further, an assessment approach was initiated in cooperation with international third-party labs in 2020, to evaluate the testing performance and accreditation level of the labs we work with. This approach will ultimately also be made available to other customers of the labs. These are for instance companies from the textile and sporting goods industry and their suppliers. We also continued our participation in several major public stakeholder consultation processes initiated by the European Commission (e.g. European Chemicals Agency) and US state legislative initiatives to inform governmental entities on implications and opportunities of drafted legislation.

SOCIAL IMPACTS

Through economic activities related to our business model, we create value that we need to balance with our environmental impact. However, being a company of our scale and global presence, we also have a social impact on our 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. ► SEE OUR PEOPLE

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 for our supply chain 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 continue to support improvements in the ongoing and independent accreditation of our own social compliance program by the Fair Labor Association (FLA). We have also maintained our commitment to the 'Sporting Chance Principles' and our place on the Advisory Council for the Centre for Sports and Human Rights. In 2020 we continued to hold a seat on FIFA's Independent Advisory Board on Human Rights, providing input and recommendations to FIFA on the hosting of the 2022 FIFA World Cup in Qatar.

Over the past year, increased attention has been given to potential forced labor risks linked to China's Xinjiang Uyghur Autonomous Region (XUAR). Several Western governments held hearings targeting business entities operating in the XUAR; the United States even imposed sanctions. Through its Modern Slavery Statement and other public disclosures, adidas shared the actions it has taken to address forced labor in its global supply chain. With respect to Xinjiang, adidas confirmed that it has never manufactured products in that region. As early as spring 2019, the company had already called on all Tier 2 material suppliers to stop sourcing cotton yarn from the XUAR. Furthermore, adidas supported the Better Cotton Initiative (BCI), which is the primary source of adidas' cotton, in its decision to no longer certify cotton that comes from Xinjiang.

Five years after the launch of the modern slavery outreach program, we have reached an increased understanding of the potential risks associated with modern slavery in our upstream supply chain. In this time, we have engaged extensively on human rights and forced labor industry benchmarks and have identified and filled gaps in our policies and practices, which has led us to secure the highest ratings in those benchmarks. Through 2020, we strengthened engagement with our Tier 2 suppliers, employing foreign migrant workers as part of our Responsible Recruitment partnership with the International Organization for Migration and led joint remediation efforts at shared supplier sites with leading apparel and footwear brands. adidas was part of a twelve-member expert task force on forced labor and Decent Work, set up to provide recommendations to improve the Better Cotton Initiative's effectiveness in identifying, preventing, mitigating, and remediating forced labor risks at the cotton farm level. In a multi-stakeholder initiative from 2019 to 2020, we, along with other international brands, supported the FLA and International Organization for Migration in undertaking a supply chain mapping and labor rights assessment of the natural rubber sector in Vietnam. ► ADIDAS-GROUP.COM/S/HUMAN-RIGHTS

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. Enquiries 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. ► ADIDAS-GROUP.COM/S/CODE-OF-CONDUCT

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 2020, we were not involved in the public policy regarding tax law or tax law changes in any of the jurisdictions we operate in.

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 workers' welfare. The company continued to uphold its standard manufacturing terms, including worker rights protection, and assisted key suppliers in securing bank financing to help them weather the covid-19 crisis. Ensuring business continuity and a functioning supply chain has kept workers in jobs, with the vast majority of our supplier factories having retained their workforce, albeit with reduced working hours due to lockdowns or suspensions. adidas continued to be committed to ensuring legal compliance in terms of pay and benefits for all workers and tracked the working conditions in each and every factory. Where we have seen factory downsizing, we ensured that laid-off workers received their legal severance and other entitlements in full.

We recognized that these actions alone would not be enough and endorsed the International Labour Organization's (ILO) Call to Action to address the impact of coronavirus pandemic on the garment industry. The ILO convened a global working group, charged with securing funding to ensure business continuity, payment of wages, income support and job retention initiatives sufficient to protect garment workers' income, health, and employment. The effort included a commitment to support the development and expansion of social protection systems for workers and employers in the garment industry, consistent with recommendation ILO 202.

adidas' covid-19 response was assessed by the labor rights advocacy community, which includes the Worker Rights Consortium and duly recognized in Baptist World Aid Australia's '2020 Covid Fashion Report' which surveyed close to 100 brands on their commitment to address the covid-19 crisis in their supply chain.

Our approach to working conditions in our supply chain

Our commitment to ensuring fair labor practices and safe working conditions in factories 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. The standards form a contractual obligation under the manufacturing agreements we sign with our suppliers to ensure workers' health and safety and environmentally sound factory operations by following 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 product creation. 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 & 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 will transition from our compliance benchmark (C-KPI), which is focused on management systems and supplier self-governance, to a new set of social indicators (S-KPI) that measure outcomes such as reduced accident rates, higher retention levels, or improved worker satisfaction. Through our new S-KPI tool, we will report annually on workplace conditions, including the effectiveness of our worker empowerment initiatives. The targets for 2025 will be defined in 2021.

- **Transparency:** As part of our broader risk management processes, we will increase the scope and application of Human Rights Due Diligence (HRDD) efforts. Our 2025 ambition is to achieve a 100% coverage of all 'at risk' activities, ensuring HRDD compliance is embedded across the organization. 'At risk' activities are those activities identified in our annual human rights risk mapping and flagged as having potential adverse human rights impacts that require prevention or mitigation.

- **Fairness:** The focus lies on gender equality, pay equity and responsible sourcing practices that support fair compensation for workers. Our ambition is to see progressive improvement across all fair compensation benchmarks and achieve gender wage parity for workers and their supervisors in each of our strategic Tier 1 suppliers by 2025.

Factory performance

We regularly assess factories 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. We use a KPI rating system for social compliance (C-KPI) and attach scores between '1' and '5', with '1' being the worst and '5' being the best. According to the results, our 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 their program.

Any cases of non-compliance identified during audits are given a certain time frame for remediation. Potential new factories are assessed in a similar way and orders can only be placed if approval by the 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 are reviewed and investigated, and the outcome is reported on our corporate website. Factory 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 and unannounced factory inspections and external verification of our programs. Since then, our program has been accredited three times by the FLA.

At the end of 2020, adidas worked with 520 independent supplier facilities[116] (2019: 631) that manufacture products for our company in 49 countries (2019: 52). The decrease is due to our overall ambition to further consolidate our supply chain, mostly in South Korea in 2020. Our intention is to work with fewer factories, forming long-term partnerships and provide them with more orders. 66% of our suppliers' factories (2019: 69%) are located in the Asia-Pacific region. The number of licensees we worked with declined slightly compared to 2019, with 56 licensees (2019: 62) that manufactured products in 375 factories (2019: 372) across 37 countries (2019: 38).

Onboarding

In 2020, our primary focus has been on maintaining partnerships with our existing suppliers rather than onboarding new ones. We conducted 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, in 112 factories (2019: 143). Of these, 31 factories (2019: 49 factories) 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 (94%) of all initial assessments were undertaken in Asia (2019: 84%), with China accounting for 50% (2019: 38%).

Worldwide rejections after initial assessment due to compliance problems

	2020	2019
Total number of first-time rejections[1]	31	49
First-time rejection rate	28%	34%
Total number of final rejections[2]	2	6
Final rejection rate	2%	4%

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

Overall, at the end of 2020, the 'first-time rejection rate' of 28% of all new factories visited was slightly lower than in the previous year (2019: 34%). Onboarding fewer factories, and providing focused support to those we have onboarded, has aided us in also lowering the 'final rejection rate', to below 2% in 2020. The remediation of factory issues 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. Suppliers that have threshold issues are normally given three months to remediate those issues before being re-audited for final acceptance.

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, factory-based digital grievance channel for workers. We have progressively improved and expanded the use of this operational grievance mechanism and in 2020 almost 450,000 workers employed in 111 factories across twelve countries had access to this system. Due to the covid-19 pandemic, two strategic suppliers had to postpone the implementation of the platform, which is why we missed our 2020 target of having the 'Workers Voice' platform implemented at 100% of our strategic suppliers.

16 Independent supplier facilities refer to individual Tier 1 facilities (factories) of our manufacturing partners (suppliers) 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.

A robust grievance mechanism is the fulcrum on which workers can raise their concerns and secure remedies. Access to a digital complaint mechanism proved invaluable during covid-19, with a 128% increase in worker grievances being reported. Close to 46,000 human and labor rights complaints were filed in 2020. The top three types of complaints were related to concerns over benefits, general facilities and communication. 98% of these complaints were successfully resolved by the factory management.

Responses received through the 'Workers Voice' platform are carefully 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 factory and track how the factory management and their HR teams resolve cases and communicate their findings. Our evaluation contributes to the factory's overall social compliance score. adidas provides ongoing capacity building to enhance the factory 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.

Grievance application

2020 Target	2020	2019	2018
Implementation of 'Workers' Voice' grievance platform at strategic suppliers: 100%	98%	98%	97%

Complementing the various grievance channels, we rolled out the 'Worker Pulse' project in 2020, a digitalized short survey to capture workers' perception and awareness of their labor rights on focused areas such as communication, harassment and abuse and grievance systems. We undertook these digital surveys in 63 factories across nine countries, with more than 22,000 workers voluntarily participating. The survey was conveyed to the workers through a mobile-phone-based application.

Of the participating workers, 78.6% reported their willingness to recommend their workplaces to their friends and relatives as a favorable place to work, and 77% believed that complaints raised through the grievance mechanisms are taken seriously by factory management. Factories are required to develop and track workplace improvement plans, based on the feedback received from the 'Worker Pulse'.

The 'Worker Pulse' builds on our existing Worker Satisfaction Survey (WSS) process, which was first launched in 2016. WSS is a comprehensive survey consisting of around 60 questions that helps suppliers gain insights into the workplace environment, from both a worker's and a supervisor's perspective, and target those areas requiring improvement. For example, workers are asked for their feedback on the effectiveness and performance of their factory grievance mechanisms, which in turn helps inform ways to improve and further refine those systems.

Alongside factory-led training, we have also offered tailored training under our Women Leadership Program (WLP), first launched in 2016. As of the end of 2019, more than 1,300 workers had participated in this program. The WLP provides training and skill-sharing sessions, managed through a Women Supervisor Forum (WSF): a platform for female supervisors to upgrade their knowledge, learn best practices, and gain support, information and guidance on a range of topics to improve their abilities as a supervisor. With the arrival of the global pandemic, opportunities for face-to-face training in the factories were severely constrained. As a result, only 195 supervisors were able to take part in the WLP skills training program in 2020, and the expanded rollout of the WSF had to be paused.

2020 also saw the successful launch of our mobile-phone-based 'Digital Training' project, which was successfully rolled out in 43 factories across Cambodia, China, Indonesia, and Vietnam. 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 11,000 workers who took part in 2020, 83% secured a 75% pass rate in the post-test questions.

Factory engagements and training sessions

In 2020, just as our ability to conduct onsite audits was restricted by the pandemic, so was our capacity to engage in onsite visits and training sessions at our suppliers. We addressed this by increasing our levels of remote, or virtual engagements throughout the year, increasing from 426 individual factory engagements in 2019, to 644 in 2020. In addition to our continuous tracking of covid-19 impacts on suppliers' operations, these engagements covered monitoring of remediation activity, KPI improvement plans, grievance investigations and worker satisfaction surveys, as well as our regular supplier training programs, where it was practical to do so. Nevertheless, some of our programs could not continue at the same levels, in the absence of face-to-face training workshops. In total, through our fundamental, performance, and sustainability training sessions, we conducted 61 training sessions and workshops for suppliers, licensees, workers and adidas employees (2019: 123). Where virtual training sessions could be held, we were able to attract larger audiences, reaching a total of 1,497 people, only slightly down from the 2019 figure of 1,697.

Number of training sessions by region and type[1]

Region	Type and number of training sessions							
	Fundamental[2]		Performance[3]		Sustainability[4]		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Asia	13	33	18	16	12	17	43	66
Americas	12	37	2	3	1	7	15	47
EMEA	–	9	2	–	1	1	3	10
Total	**25**	**79**	**22**	**19**	**14**	**25**	**61**	**123**
In %	41	64	36	15	23	20	100	100

1 Training sessions conducted for factory management, workers, licensees, agents and adidas employees.
2 Fundamental training covers Workplace Standards and SEA introduction, FFC training as well as SEA policies and standard operating procedures.
3 Performance training covers specific labor, health, safety and environmental issues.
4 Sustainability training covers management systems and KPI improvements as well as factories' internal monitoring programs.

As part of our forced labor risk assessment and trainings for Tier 2 material suppliers that employ foreign migrant labor, we engaged remotely with many suppliers covered under the umbrella of our partnership on responsible recruitment with the International Organisation for Migration. These engagements and trainings ranged from desktop reviews to online supplier trainings on labor recruiter due-diligence via the International Organization for Migration's e-campus foundation course on ethical recruitment.

As part of our efforts to scale the adoption of renewable energy within our supply chain, we conducted an extensive training on 'How to perform a solar PV rooftop feasibility study and installation' (also known as 'Rooftop Solar Guideline') which was translated into four languages. The training provided a comprehensive overview for suppliers to facilitate the transition to renewable energy, reducing scope 1 and 2 emissions, and eventually supporting commitments to the UNFCCC targets. The objectives of the training were to ensure consistency across the entire adidas supply chain, provide guidance on how to select a vendor, or conduct feasibility studies, among others. It covered two main sections: the feasibility study and the installation process.

Also in 2020, adidas launched the adidas Chemical Management (aCM) training, conducting 15 training sessions in China and Taiwan with 141 participants. Through this chemical management academy our aim is to:

- ensure facilities have the right competence and responsibility on site to manage the facilities' operation
- enable facilities to implement a chemical management system in the production process on a long-term basis
- share best practice/available technology among industry peers, and
- drive continuous improvement

Monitoring

We audit our suppliers regularly against our Workplace Standards. In 2020, however, we had to adjust our monitoring approach to accommodate covid-19 lockdowns and travel restrictions. Where possible, we continued to follow our regular onsite assessments, including wastewater testing, while also piloting the use of remote 'Desktop Assessments'. Of the total 921 social compliance audits and environmental assessments conducted in 2020 (2019: 1,191), 128 were conducted remotely. Despite the constraints imposed by covid-19, we successfully completed 256 test assessments according to the ZDHC Wastewater Guidelines (2019: 234), which also count toward our environmental assessments.

In 2020, 88 self-governance audits and collaboration audits (2019:102) were conducted. When a factory 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 decreased slightly from 317 in 2019 to 278 in 2020.

Our audits help us rate our suppliers according to their social and environmental compliance performance with a C-KPI and E-KPI rating tool, respectively. 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 251 in 2020 (2019: 299). Similarly, audits conducted by third-party monitors also decreased to 612 at the end of 2020 (2019: 658).

- **Audit coverage:** A total of 48% (2019: 49%) of all direct and licensee facilities were audited in 2020. 'High-risk' locations in Asia, which is the most significant sourcing region for adidas, were the subject of extensive monitoring in 2020, with an audit coverage close to 64% (2019: 75%). As a general principle, factories 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 2020, 91% of our strategic factories achieved a rating of 4C or better, compared to 54% of all direct factories. This exceeded our 2020 target, which called for 80% of our strategic suppliers to reach 4C or above. As such, these higher ratings show that our strategic suppliers have continued to strengthen their compliance performance, despite the headwinds created by covid-19. Some 12% of our strategic suppliers' factories have progressed even further, achieving a 5C rating, which shows that they have mature social compliance governance systems and practices in place.

Number of audits by region and type

Region	Initial assessment[1]		Performance audit[2]		Environmental assessment[3]		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Asia	120	159	311	511	420	384	851	1,054
Americas	5	20	12	38	18	19	35	77
EMEA	2	10	20	35	13	15	35	60
Total[4]	**127**	**189**	**343**	**584**	**451**	**418**	**921**	**1,191**

1 Every new factory has to pass an initial assessment to prove compliance with the Workplace Standards before an order is placed. The data includes both initial assessments and initial assessment follow-ups.
2 Audits conducted in approved factories that have passed the initial assessment.
3 Includes environmental assessments, SAC HIGG data verification and wastewater test assessments according to the ZDHC Wastewater Guidelines.
4 Includes audits done in licensee factories.

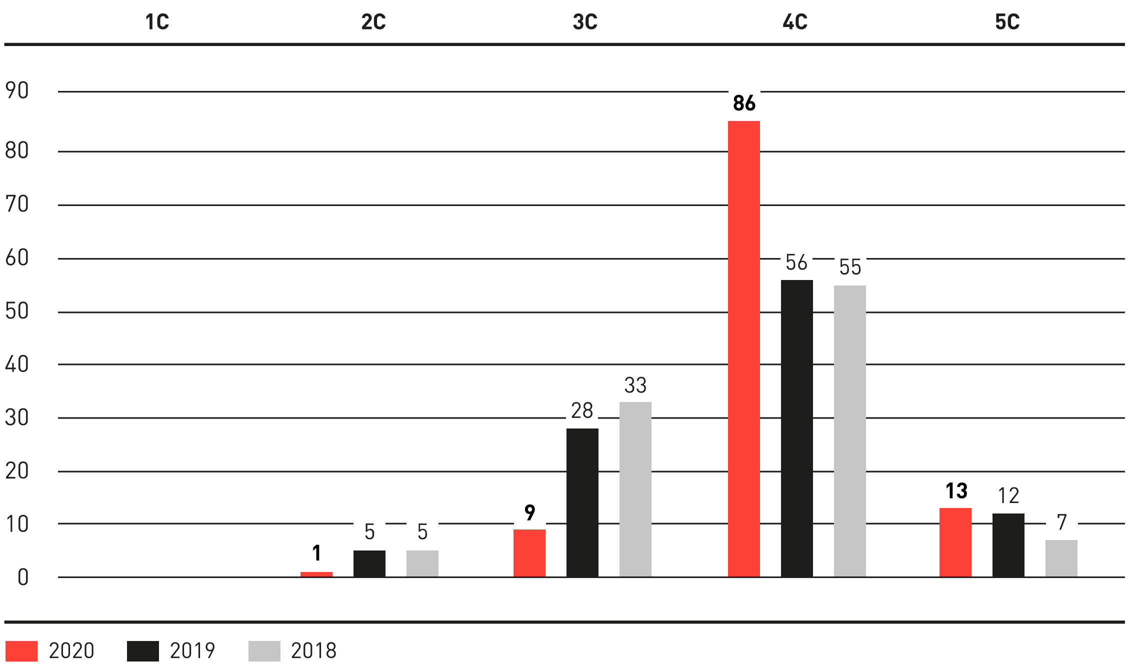
Supply chain: Progress toward 2020 targets

2020 Targets		2020	2019	2018
Strategic Tier 1 suppliers[1]	80% to reach at least 4C rating	91%	68%	62%
	10% to reach 5C rating	12%	12%	7%
Strategic licensees	80% to achieve 80% or above in Score Card reports	82%	86%	80%
	10% to achieve Sustainability Leadership	14%	14%	20%

1 Strategic factories are responsible for around 90% of our global production volume.

Of our strategic licensees, 82% successfully embedded effective governance systems, supply chain management, purchasing practices and product safety compliance requirements into their business practices. 14% achieved a 'Sustainability Leadership' level, signaling that, in addition to achieving high scores in other sections, they also scored above 80% in the sustainability section of their annual report card, which measures the existence of policies and implementation, stakeholder engagement, public reporting and communication.

Social compliance performance rating of strategic supplier factories by C-KPI rating

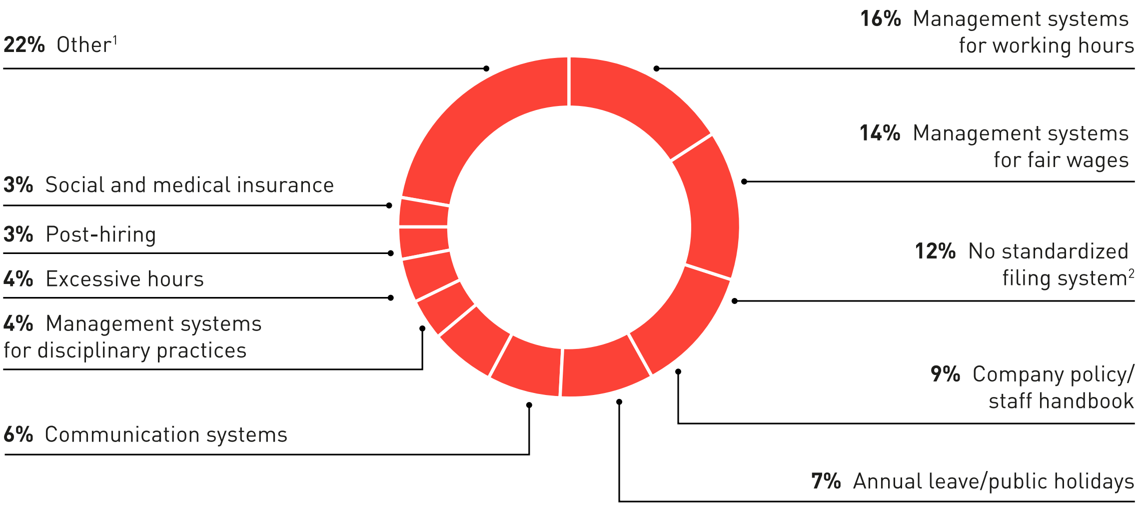


Non-compliances identified in active factories

Our suppliers' factories 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 and 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 suppliers' performance audits, collaboration audits, self-governance assessments and, as of 2020, Social & Labor Convergence Program (SLCP) assessments. We follow up on all cases of non-compliance and require our suppliers to remediate open issues within a specified timeframe. As can be seen below, the identified issues in 2020 remained largely the same as those reported in 2019.

- **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 factories' 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 factories, rather than the confirmed presence of a specific case of non-compliance.

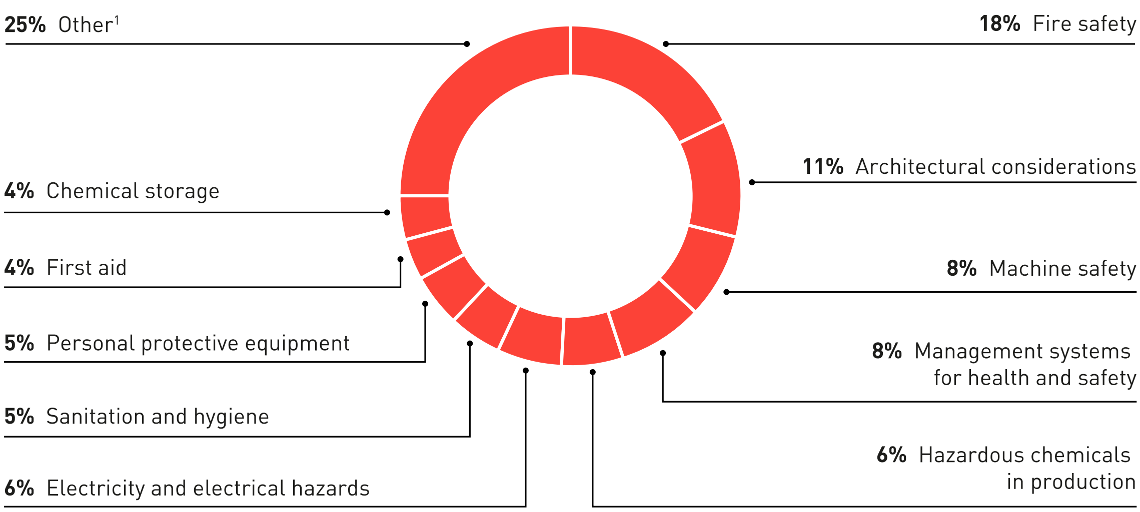
Top 10 shortcomings in the area of labor identified during audits in 2020



1 'Other' includes, for example, freedom of association issues.
2 'No standardized filing system' 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 factories and together accounted for 32% of the non-compliances identified in 2020. The way chemicals were stored and used, including the handling of hazardous chemicals, accounted for 10% 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.

Top 10 shortcomings in the area of health and safety identified during audits in 2020



1 'Other' includes, for example, housekeeping, occupational hazard risk assessment, and ergonomics.

Independent FLA audits

Due to covid-19 related restrictions, unannounced and independent assessments by the Fair Labor Association (FLA) were heavily limited resulting in one Sustainable Compliance assessment for the year for adidas. Nevertheless, FLA focused its efforts on:

- supporting company affiliates' ability to manage covid-19-related risks by issuing various guidance notes to address labor and health- and safety-related risks resulting from the pandemic,
- continuing capacity building on responsible recruitment and forced labor,
- issuing guidance to prevent forced labor risks and issuing statements on sourcing in Xinjiang, and
- completing a comprehensive review and update to the FLA Compliance Benchmarks.

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 suppliers' factories. We work closely with our suppliers to help them improve their performance. However, where we face situations of severe or repeated non-compliance, we do terminate business relationships with factories.

- **Warning letters:** In 2020, our close engagement with our supplier' factories has helped reduce the number of active warning letters to 22 (2019: 41) across ten countries. Compared to the previous year, the overall number of active first-warning letters decreased significantly, from 34 in 2019 to 19 in 2020; the total number of second warnings also decreased to 3 in 2020 (2019: 6). Factories 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 SEA team. No third-warning letters (which result in factory terminations) were issued to our suppliers in 2020 (2019: 1).
- **Terminations:** In 2020, we had no terminations of supplier agreements for social or environmental compliance reasons (2019: 2).

Number of warning letters by region[1]

Region	1st warning		2nd warning		3rd and final warning		Total warning letters	
	2020	2019	2020	2019	2020	2019	2020	2019
Asia	16	27	2	5	–	1	18	33
Americas	2	4	–	–	–	–	2	4
EMEA	1	3	1	1	–	–	2	4
Total	**19**	**34**	**3**	**6**	**–**	**1**	**22**	**41**

1 Includes warning letters issued by licensees and agents, but excluding warnings to factories 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.

Number of business relationship terminations due to compliance problems

Region	2020	2019
Asia	0	2
Americas	0	0
EMEA	0	0
Global	0	2

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 Con-solidated 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 Standard 'Core' option. The GRI content index can be found online. ▸ REPORT.ADIDAS-GROUP.COM

Description of business model

▸ SEE GLOBAL SALES
▸ SEE GLOBAL OPERATIONS

Environmental approach

– Sustainable materials and processes
▸ SEE SUSTAINABILITY

– Water consumption (supply chain)
▸ SEE SUSTAINABILITY

– Carbon footprint (supply chain)
▸ SEE SUSTAINABILITY

– Waste volume (supply chain)
▸ SEE SUSTAINABILITY

Product responsibility

– Product safety and integrity
▸ SEE SUSTAINABILITY

Human Rights

– Fair labor conditions
▸ SEE SUSTAINABILITY

– Fair labor conditions (supply chain)
▸ SEE SUSTAINABILITY

– Supplier relationships
▸ SEE GLOBAL OPERATIONS

Employee matters

– Wages and benefits
▸ SEE OUR PEOPLE

– Development and training
▸ SEE OUR PEOPLE

– Employee engagement
▸ SEE OUR PEOPLE
▸ SEE INTERNAL MANAGEMENT SYSTEM
▸ SEE MANAGEMENT ASSESSMENT OF PERFORMANCE, RISKS AND OPPORTUNITIES, AND OUTLOOK

– Diversity
▸ SEE OUR PEOPLE

Consumer matters

– Consumer satisfaction
▸ SEE INTERNAL MANAGEMENT SYSTEM

Anti-bribery and corruption

– Ethical business practices
▸ SEE RISK AND OPPORTUNITY REPORT

Tax

– Our approach to tax
▸ SEE SUSTAINABILITY