

ENVIRONMENTAL IMPACTS

INNOVATION +

SUSTAINABILITY +

SOURCING & SUPPLY CHAIN +

PRODUCTS +

Part of the non-financial statement **i**

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

DECARBONIZATION

Part of the non-financial statement **i**

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

2030 GOAL: GHG EMISSIONS REDUCTION ACROSS ENTIRE VALUE CHAIN BY

30%

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



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Footprint in the future.

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

Environmental footprint¹

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

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



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producing most of our products and materials are enrolled in our environmental program, which means we partner closely with them and provide suitable training to achieve their targets and progressively improve their footprint.

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

- **Increasing adoption of renewable energy:** We have seen progress following our 2025 target to keep emissions flat on 2017 levels through increased adoption of renewable energy. After we had conducted feasibility studies with positive results in 2020, we encouraged suppliers in our environmental program to install rooftop solar panels and successfully increased the rooftop solar power in our supply chain to 93 MWp in 2021. We have also contractually secured additional capacity and aim at achieving coverage of 50% of the total potential in 2022. We will continue to identify and strengthen additional potential in 2022 to gradually include more of our Tier 2 suppliers.
- **Phasing out coal-fired boilers:** Eliminating the use of coal-fired boilers at all direct supplier facilities at Tier 1 and Tier 2 will result in a proportionally high positive environmental impact. We committed to not installing any new coal-fired boilers, heaters, and power generation from 2022 onward, as well as to phasing out existing on-site coal-fired equipment at all direct suppliers at Tier 1 and Tier 2 level by latest 2025. Enforcement methods are in place in case of non-achievement. We are supporting our suppliers with on-site coal-fired equipment for the phase-out by completing feasibility studies, outlining replacement alternatives, and defining a clear roadmap and developing adequate training for 2022.
- **Preparing suppliers to purchase renewable energy in Vietnam:** adidas has continued to work closely with key suppliers in Vietnam, providing the technical guidance and expertise to enroll and access the first off-site renewable project. Once approved, the pilot program will feature direct power purchase agreement ('DPPA') mechanisms between renewable energy developers/power generation companies and private power buyers/consumers. DPPA mechanisms are surging around the world as a new driver and catalyst for renewable energy projects.
- **Continuing to increase energy efficiency:** Further optimizing energy efficiency remains important going forward. We moved to a supplier self-governance model in 2021, which means that suppliers take full responsibility for their efforts and achievements, while adidas keeps tracking and monitoring their energy efficiency performance. We successfully achieved a 3% reduction, comparing to 2019 baseline.



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

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

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

CHEMICAL MANAGEMENT

Part of the non-financial statement

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

- **Ensuring robust input chemical management:** To avoid hazardous chemicals entering into our supply chain we require our suppliers to increase the usage of chemicals that have achieved the highest level of conformance (level 3) of the Zero Discharge of Hazardous Chemicals ('ZDHC') Manufacturing Restricted Substances List ('MRSL'). In 2021, we guided our suppliers to report their chemical inventory and consumption through a ZDHC-approved third-party online platform on a monthly basis. Suppliers were provided with performance reports through which we could enhance overall visibility on chemical inventory management in



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on-site wastewater sampling, we observed a significant improvement with 87% of our suppliers achieving ZDHC Wastewater 'foundational level' in 2021. With that, we have already exceeded our 2025 target of 80% of our suppliers operating on-site effluent plants to achieve ZDHC Wastewater 'foundational level.'

- **Collaborating with the industry to improve chemical management processes:** Together with industry partners, we supported ZDHC on the development of their technical industry guideline. The publication of this guideline further strengthened industry collaboration on driving one standard on chemical management practice for suppliers. We also joined an industry collaboration to better understand and get more visibility on the hazardous chemicals that may exist in recycled materials.

TRANSPORTATION

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

MORE SUSTAINABLE MATERIALS

Part of the non-financial statement

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

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

To qualify as a sustainable article, environmentally preferred materials have to exceed a certain pre-defined percentage of the article weight. The applied criteria for environmentally preferred materials and the percentage of the article weight are defined based on standards reflecting the latest developments in our industry, competitor



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

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

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

CIRCULAR SERVICES

Part of the non-financial statement

In addition to using recycled content or more sustainable material for our products, we steadily expand our circular service offering. Since we introduced Futurecraft.Looped – our first fully recyclable running shoe – as a beta program in 2019, it has developed into a concept within the business that spans multiple categories, and April 2021 saw the



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sportswear apparel and footwear. Under this program that started in October 2021 in the United States, products in any condition and made by any brand can be sent in. Products in good condition are resold through our collaborator, thredUP, with the aim of finding a new owner for as many products as possible. Going forward, we will scale the program and roll it out to more markets.

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

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

BRANDS

PACKAGING

Part of the non-financial statement **i**

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

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

PRODUCT SAFETY AND INTEGRITY

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

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

OWN OPERATIONS

Part of the non-financial statement 

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

2025 GOAL FOR OWN OPERATIONS



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Our efforts are underpinned by clear targets we have set. By 2026, we aim to achieve climate neutrality (0CO₂e) for both own operations and own retail stores. We will also continue to improve the water efficiency at our highest-consuming sites, aiming for a 15% reduction in water consumption per square meter for own operations, measured against 2019, while working to achieve a waste diversion rate of 95% at own operations. We aim to steadily increase our overall environmental performance data coverage and continue to push implementing eco-efficiency standards through a holistic integrated management system (IMS) at key sites. All of these efforts will support us on our way to achieve a 30% reduction of GHG emissions across our entire value chain by 2030, measured against the baseline of 2017.

- **Moving toward decarbonization:** We defined a clear roadmap to achieve our emission reduction targets, including measures such as implementing on-site renewable energy production, improving energy use efficiency, sourcing renewable energy,³ and renewable energy certificates.⁴ In 2021, we kept investing in own operations and offered Green Funds to subsidize local projects to improve energy efficiency as well as on-site renewable energy production. During 2021, we implemented 13 decarbonization initiatives that included, for example, three on-site solar renewable energy projects in Herzogenaurach and Moscow, and energy efficiency projects at distribution centers such as LED retrofit, HVAC (heating, ventilation, and air conditioning) equipment upgrade, and energy monitoring systems. In 2021, for the first time, we collected electricity consumption data for our own retail stores globally. Data coverage with primary data for own operations was 98%, and for own retail 21%. In 2021, total energy consumption across own operations globally was 512,050 MWh, equivalent to a total of 138,411 tCO₂e (12,908 tCO₂e in Scope 1 and 125,502 tCO₂e in Scope 2), equivalent to 0.038 tCO₂e/m² (25,731 tCO₂e for own operations, 112,680 tCO₂e own retail stores (including own showrooms)). We continue our transition toward renewable sources. 100% of our electricity consumption in Europe and North America comes from renewable energy sources in part supported by certificates for renewable energy.
- **Improving water efficiency:** In 2021, we invested in the installation of more efficient sprinkler systems, water submeters, and a wastewater segregation system at our headquarters in Portland. We will keep investing in water efficiency and wastewater projects in the coming years. In 2021, our water consumption at own operations totaled 0.128 m³/m², and we achieved an accumulative water reduction of 34% compared to 2019.
- **Increasing waste diversion rates:** Data collection for waste streams and volumes contributable to adidas remains a challenge, as our offices are mostly located in shared buildings for which we do not have direct control over waste management. As of 2021, 74% of our own operations are monitoring and tracking waste. By the end of 2021, a total of 32,951t waste was generated and we achieved an accumulated diversion rate of 92% for own operations, measured against 2019.
- **Implementing sustainable processes:** The Integrated Management System (IMS) helps us to secure relevant ISO management certifications for key locations, such as environmental management (ISO 14001), health and safety management (ISO 45001), energy management (ISO 50001), and – introduced in 2021 and planned to



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Establishment Environmental Assessment Method') certifications for new construction and renovations for own retail stores as well as corporate facilities. As 'Green Building' certification is used for strategically relevant projects, a set of internal eco-efficiency standards have been implemented for all projects which mirror the priorities of the LEED certification. The ultimate goal is to achieve energy reduction through investment in high energy-efficient equipment and energy monitoring.

- **Tracking occupational health and safety:** Health and safety, especially regarding the workplace and our people, has always been a priority at adidas. We ensure that our infrastructure, assets, and operations are compliant with the ISO standard 45001, by providing a safe, secure, and healthy work environment. Monitoring our performance closely helps us keep track of our progress and identify areas where we need to increase our efforts. We have implemented training and guidelines and scaled these through the entire organization. In 2021, we recorded zero fatal accidents (2020: 0), a Lost Time Incident Rate of 0.40 for employees (2020: 0.53), and 0.97 for external workforce (2020: 0.67), as well as a zero Occupational Illness Frequency Rate ('OIFR').

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- 1 Percentage of sustainable articles (by count) offered at the points-of-sale (average of Fall/Winter season of the current financial year and Spring/Summer season of the following financial year). For the calculation of the article weight, trims are excluded for apparel and accessories and gear. Only articles with verified environmentally preferred material contents are included. Licensed articles are excluded. Without Reebok.
 - 2 For apparel and accessories and gear, the environmentally preferred material content is based on the article weight (at least 25% recycled content or 50% sustainable cotton; excluding trims), for footwear (only upper part) it is based on material components (at least 25% of the components used contain 50% or more recycled content) or article weight (at least 25%). The percentage of sustainable articles (by count) offered at the points-of-sale in Spring/Summer 2021 amounted to 60.6%. Only articles with verified environmentally preferred material contents are included. Licensed articles are excluded. Without Reebok.
 - 3 Renewable energy is accounted for with zero emissions.
 - 4 Decrease in emissions from electricity consumption in part as a result of the purchase of 'Renewable Energy Certificates.'