

Our Commitment to Environmental Impact Management: Creating a Sustainable Value Chain

Throughout our value chain, we adopt a comprehensive approach to managing environmental impact, focusing on safer input chemicals and cleaner wastewater output. Through our advanced chemical management program, we are dedicated to minimizing our environmental footprint and preserving the ecosystem, thus contributing to a more sustainable future.

Within our supply chain, addressing environmental impact is of utmost importance. We actively collaborate with our suppliers to optimize energy usage, reduce carbon emissions, conserve water resources, manage wastewater effectively, handle chemicals responsibly, and minimize waste generation. Our environmental program extends to strategic suppliers at both Tier 1 and Tier 2 levels, fostering close partnerships and offering continuous support. Through this program, suppliers receive comprehensive training aimed at enhancing their environmental performance.

Chemicals play a vital role in enabling adidas to deliver high-performance and innovative products. As a result, responsible chemical management is paramount to ensure the safe use of chemicals within our supply chain. Our primary focus is on effectively monitoring the introduction of chemicals into our manufacturing facilities and implementing stringent controls for wastewater management. This approach aims to prevent the release of hazardous substances into the environment.

While we understand that the management of chemicals in multi-tiered supply chains is a complex task that requires collaboration among diverse stakeholders to achieve effective and sustainable solutions. At adidas, we prioritize building strong relationships within the sustainability community such as the [Zero Discharge of Hazardous Chemicals group \(ZDHC\)](#), [the Apparel & Footwear International Restricted Substances Management Working Group \(AFIRM\)](#), [the International Chemical Secretariat \(ChemSec\) Business Group](#), [Better Cotton](#), and the [Leather Working Group \(LWG\)](#). We recognize the significance of collective efforts in promoting responsible chemical management practices within the apparel and footwear industry.

As an active signatory of ZDHC, adidas consistently adheres to its comprehensive guidelines, including the [ZDHC MRSL \(Manufacturing Restricted Substances List\)](#) and [ZDHC Wastewater guidelines](#), etc. In 2023, we successfully integrated these guidelines into our supply chain, demonstrating our strong commitment to upholding the industry standards with a holistic approach to chemical management, emphasizing three fundamental pillars: 'INPUT - PROCESS - OUTPUT'. Through these pillars, we strategically identify and adopt safer chemical alternatives, establish on-site chemical management systems, and employ state-of-the-art technologies for wastewater treatment. These efforts are aimed at eliminating hazardous chemicals from our wastewater and reinforcing the safety and environmental responsibility of our products.

Targets and Progress to Date

Area	2025 Target	2023 Progress
Chemicals (Input)	Promote Sustainable Chemistry 80% of chemical formulations used by our suppliers achieve the highest level of conformance (Level 3) with ZDHC's Manufacturing Restricted Substances List (MRSL)	67% of chemical formulations used by our suppliers achieved ZDHC MRSL Level 3.
Wastewater (Output)	Cleanest Supply Base 90% of suppliers that operate on-site effluents plants achieve ZDHC 'Wastewater Foundational Level.'	84% of suppliers that operate on-site effluents plants with the direct discharge of wastewater achieved the ZDHC 'Wastewater Foundational Level.'

ENGAGEMENT WITH ZDHC

ACTIVELY PARTICIPATED IN ZDHC TASK TEAMS

As part of our ongoing commitment, we have consistently provided substantial support and actively engaged with ZDHC and other key contributors in the development of industry guidelines and standards. Our aim is to drive meaningful progress and establish clear, robust rules for our industry. Through our active participation in ZDHC task teams, we embraced the industry guidelines developed in collaboration with the ZDHC community. These guidelines have been successfully implemented throughout our global supply chain, ensuring consistency and adherence to a unified global standard. In 2023, we actively participated in the following task teams with final deliverables released and implemented:

1. The **"Responsible solvent approach guide"** emphasizes the responsible use of solvents to ensure the well-being of workers and minimize environmental impact. While safer alternatives for certain restricted solvents are still being explored, we are committed to implementing this guide within our supply chain, equipping our suppliers with the knowledge and resources to manage restricted solvents effectively and seek safer alternatives.
2. The **"Commodity chemicals"** task team, an ongoing effort, seeks to establish comprehensive guidelines for managing commonly used chemicals that can have a significant impact on wastewater quality but are typically not covered in the MRSL conformance scope. Through close collaboration with ZDHC and other stakeholders, we will continue to work towards the adoption of these guidelines by our suppliers in 2024 onwards, promoting responsible chemical management practices industry-wide.
3. The **"ZDHC Wastewater Treatment System Operator Qualification Training Course"**. Our involvement in this process encompasses reviewing the training material and collaborating with other signatory brands to co-design examination questions. Moving forward, we will actively encourage facilities to enhance their ETP competence by participating in ZDHC academy courses and embrace collaboration, and education with industry partners to drive solid improvement and awareness in eliminating hazardous chemicals from global supply chains.

ACHIEVING ZDHC BRAND TO ZERO ASPIRATIONAL LEVEL

In 2023, our brand proudly achieved the highest level of Aspirational in the Brand to Zero assessment, recognizing our increased implementation and expanded efforts in our supply chain. This distinction fills us with pride as one of the few sportswear brands to attain such recognition. We acknowledge that our accomplishment would not have been possible without the invaluable support of our industry partners. We greatly value our partnerships with suppliers, chemical formulators, certifiers, and the academic sector, as they play a crucial role in helping us develop and achieve our sustainability goals. Together with our industry partners, we remain committed to identifying challenges and pursuing innovative and scalable solutions.

1. INPUT CHEMICAL MANAGEMENT

Since 2020, we have defined our five-year strategic plan, which centers around our ambitious target of adopting chemicals that meet the highest ZDHC MRSL conformance (Level 3) in our production. In 2023, we made considerable progress in achieving our 2025 target of having 80% of chemical formulations to reach ZDHC MRSL Level 3 conformance.

In 2021, we focused on establishing a robust measurement framework and implementing a data capturing system to collect accurate chemical inventory information from our suppliers via BVE³. This laid the foundation for effective monitoring and tracking of chemical usage throughout our supply chain.

In 2022, we engaged in capacity-building programs with our key suppliers and chemical manufacturers. These programs were designed to enhance their awareness and understanding of the importance of driving sustainable chemistry. Concurrently, we conducted a

thorough chemical cleansing exercise in our supply chain. This exercise involved identifying and removing non-compliant, unused, or rarely used chemicals from our warehouses to streamline our inventory and reduce waste.

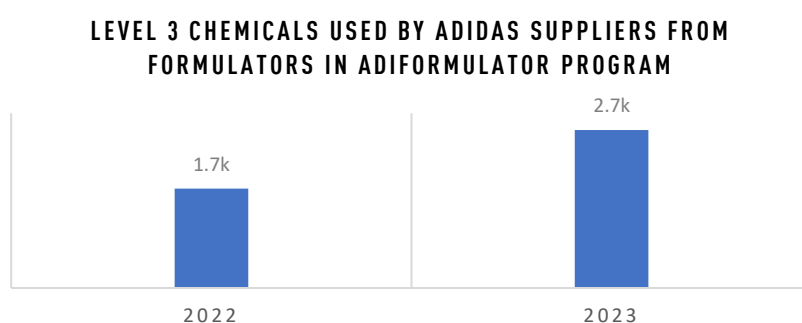
However, we identified a significant gap in reaching our yearly targets. To address this, we developed and launched the adiFormulator program last year. This program strategically targeted 40 chemical formulators, aiming to accelerate the adoption of ZDHC MRSL Level 3 chemicals in our supply chain. The adiFormulator program served as a catalyst for progress, driving us closer to achieving our 2025 goals. Besides, we partnered with [bluesign](#) to accelerate the use of bluesign approved chemicals, which align with ZDHC MRSL Level 3 requirements, to speed up the overall Level 3 chemical adoption.

To ensure accurate chemical inventory data, we integrated the [ZDHC Verified InCheck-level 1 Guideline](#) into our verification criteria and implemented it across our supply chain. Over 80% of our suppliers successfully completed the onsite CIL verification, with an impressive 99% receiving outstanding performance scores of 80% or higher. This achievement underscores the high level of data accuracy regarding chemical information in our supply chain. These initiatives demonstrate our commitment to sustainable chemistry and the continuous improvement of our supply chain practices.

1.1 ACCELERATING MRSL LEVEL 3 CHEMICAL ADOPTION

LAUNCHED ADIFORMULATOR PROGRAM

In 2023, we developed and launched the adiFormulator program to accelerate sustainable chemistry by directly engaging with 40 critical chemical formulators. This program provided formulators with clear expectations and guidance; quarterly releases of individual chemical profile reports further facilitated their progress in meeting the required standards. Outstanding formulators were recognized and awarded in a public online event attended by our suppliers. Through this initiative, approximately 1000 new Level 3 certified formulations were introduced into our supply base, predominantly for footwear production and printing processes. The program resulted in a significant 60% increase in the utilization of Level 3 chemicals by our suppliers, with 69% of our supplier facilities now using at least 60% ZDHC MRSL Level 3 chemicals in their production. The adiFormulator program has been instrumental in expanding our range of sustainable formulations and driving sustainable chemistry in our supply chain. Moving forward, we remain dedicated to further enhancing this program to drive exceptional performance in the upcoming year. We will expand the formulator coverage to create bigger impact, and accelerate the level 3 chemical usage in our supply chain.



COLLABORATION WITH BLUESIGN

adidas has collaborated with bluesign since 2014 to enhance the adoption of bluesign approved chemicals in our supply chain. As a ZDHC approved certifier of MRSL 3.1 Level 3, bluesign has a strong 20-year partnership with the textile industry. In 2023, adidas and bluesign piloted a project, identified that 10% of our formulators were bluesign approved formulators. We selected four formulators to expand the use of bluesign approved chemicals by an impressive 20%. Moving forward, we plan to scale up the project to include all bluesign approved formulators, potentially increasing the usage of bluesign approved chemicals to 10% of our total chemical consumption in the supply chain.

1.2 ELIMINATING NON-COMPLIANT CHEMICALS FROM SUPPLY CHAIN

To reduce the use of non-compliant chemicals in our supply chain, adidas has taken steps to align with ZDHC MRSL 3.1 requirements, which replaced MRSL 2.0 in November 2023. Clear guidance was provided to suppliers regarding the new restricted substances, and proactive measures were taken to ensure their safer replacement. N,N-dimethylformamide (DMFA), a commonly used solvent in the textile and footwear industries, has been restricted by adidas due to its negative health effects. Despite the absence of a perfect alternative that balances product performance and safety, adidas participated in the ZDHC Accelerating DMFA phase-out exchange meeting in China to support the industry phase-out initiative. An internal working group has been established, and plans are underway to develop an internal DMFA phase-out roadmap, including pilot projects with critical suppliers in the coming year.

2. STRENGTHENING CHEMICAL PROCESS MANAGEMENT VIA aCMA & STZ

To optimize chemical and wastewater management across our supply chain, it is crucial to assist suppliers in establishing efficient and standardized internal chemical management systems. adidas has actively contributed to the development of the [ZDHC CMS TIG Industry Guide](#), offering suppliers clear guidelines for implementing effective chemical management frameworks and best practices. Our program requirements align with the ZDHC CMS TIG, offering capacity building through the adidas Chemical Management Academy (aCMA) training program and [Supplier to Zero assessment](#).

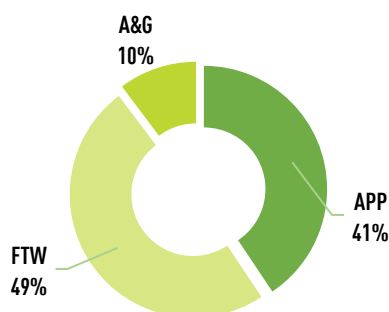
aCMA TRAINING

In 2023, we globally implemented the aCMA training program with external service partner [SGS](#). 41% of our suppliers completed it with a remarkable 100% success rate in obtaining aCMA certificates. Additionally, 98% of participants also achieved certificates issued by ZDHC Academy validating our suppliers passing the ZDHC CMS TIG assessment, highlighting their commitment to best practices in chemical management. These achievements demonstrate the effectiveness of our training initiatives in promoting responsible chemical management throughout our supplier network.

SUPPLIER TO ZERO

Since 2022, adidas has successfully implemented the ZDHC [Supplier to Zero \(StZ\) program](#) in our supply chain, allowing suppliers to improve their sustainable chemical management practices and reduce associated risks and costs. In 2023, Supplier to Zero program was included as a core element in our facility assessment criteria, enabling us to evaluate the integrity of management systems across various areas. By the end of 2023, 93% adidas supplier facilities had completed Supplier to Zero assessments, with 82% achieving the Foundational Level while three facilities reaching the Progressive Level. Going forward, we will continue to leverage the Supplier to Zero program to enhance chemical processes and encourage suppliers to surpass the Foundational Level.

DISTRIBUTION OF SUPPLIERS COMPLETED STZ ASSESSMENT IN 2023



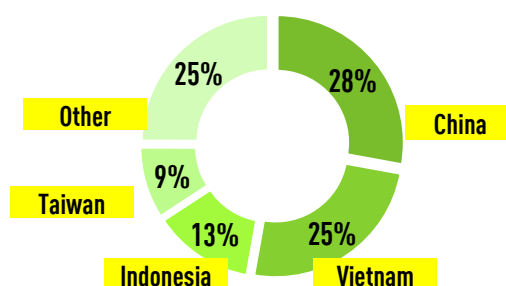
3. OUTPUT WASTEWATER MANAGEMENT

adidas is deeply committed to preserving and conserving our planet's limited water resources. To minimize its impact on water, adidas takes proactive measures to manage water consumption and ensure proper wastewater treatment. As part of this commitment, adidas has made a public pledge to eliminate hazardous chemicals from wastewater across its entire supply chain.

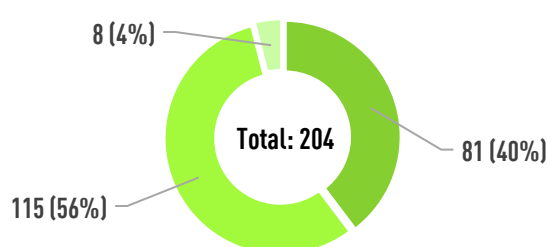
As part of our commitment, we actively endorse and contribute to the advancement and implementation of the ZDHC Wastewater Guidelines. This industry harmonized guideline serves as a universally recognized framework for testing wastewater and evaluate facilities' performance within the industry. It empowers facilities to demonstrate their adherence to regulatory standards and facilitate the implementation of necessary corrective measures, enabling facilities to improve their wastewater management practices and reduce their environmental impact.

adidas has set ambitious goals to improve wastewater management within its global supply chain. By 2025, we aim for at least 80% of our facilities involved in wet processing to adopt the ZDHC Wastewater Guideline and undergo biannual testing. Transparent reporting of the wastewater test results is made available on platforms like the [IPE DETOX](#) and the [ZDHC Gateway](#).

DISTRIBUTION OF WET PROCESSING FACILITIES IN WASTEWATER TESTING SCOPE, 2023



AN OVERVIEW OF FACILITY DISCHARGE TYPES



- Direct Discharge - Discharge to the environment with on-site Effluent Treatment Plant (ETP)
- Indirect discharge - Discharge to Industrial/ Centralized Effluent Treatment Plant (ETP)
- ZLD - Zero Liquid Discharge

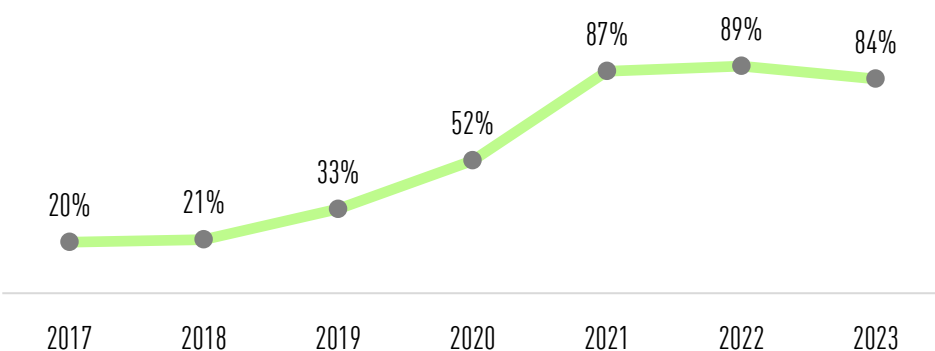
SURPASSING GOALS FOR 3 CONSECUTIVE YEARS WITH REMARKABLE WASTEWATER PERFORMANCE

As of 2023, adidas has made significant progress, with **91%** of its wet process facilities generating [ClearStream Reports](#) on the ZDHC Gateway. A total of 204 facilities with wet processes participated in wastewater testing, in which 81 facilities involved in direct discharge, 84% of facilities (68 out of 81) met at least the ZDHC Wastewater Foundational Level. This indicates that these facilities have demonstrated full compliance with both conventional and ZDHC MRSL (Manufacturing Restricted Substance List) parameters. Significantly, 21% of direct discharged facilities successfully attained the ZDHC Wastewater Progressive Level, with 3 facilities even

achieving the highest Aspirational Level. These achievements highlight our facilities' exceptional effluent wastewater treatment capabilities and their fulfillment of the ZDHC MRSL requirements.

Due to the implementation of the new ZDHC Wastewater Guideline V2.1 and its inclusion of new MRSL, such as Boron-related compounds adopted in 2023, our wastewater performance witnessed a decline of 5% of facilities to meet the ZDHC foundational level. It requires dedicated time and effort from the supply chain to thoroughly investigate and understand the impact of this new parameter on our wastewater performance. We proactively guided our suppliers to work with industry experts in identifying the underlying cause and working towards improvement.

PERCENTAGE OF WET PROCESSING FACILITIES ACHIEVING ZDHC FOUNDATIONAL LEVEL (INCLUDING ZDHC MRSL PARAMETERS)



ENHANCING WASTEWATER PERFORMANCE WITH ETP EVALUATION TOOL

As part of our ongoing improvement efforts, we conduct ETP (Effluent Treatment Plant) evaluations on facilities that have failed wastewater testing. Developed in 2020, our ETP Evaluation Tool empowers these facilities to proactively identify the root causes within their own operations. By collaborating with approved third-party service providers, we assess and identify the underlying reasons for non-compliance, enabling the facility to implement effective corrective action plans. In 2023, a total of 15 facilities underwent ETP evaluations. Out of these, 4 facilities successfully completed the evaluation process, while the remaining 11 facilities are currently undergoing evaluation. We observed notable improvements in the wastewater performance rankings. Specifically, 4 facilities experienced positive changes in their rankings, with 1 facility moving up by 1 level and another facility moving up by 2 levels from a state of legal non-compliance to a foundational level of compliance. These positive outcomes demonstrated the effectiveness of the ETP evaluation process in driving improvements in wastewater performance.

SETTING AMBITIOUS WASTEWATER TARGETS FOR 2025 TO PUSH OUR LIMITS

We have achieved remarkable performance thus far, surpassing our 2025 target three years ahead of schedule. Despite the upcoming challenge of meeting the stricter requirements of the New ZDHC Wastewater Guideline V3.0, which includes updated test methods and limit values, we remain steadfast in our commitment to eliminating hazardous chemical discharge and achieving zero discharge. Building on our success, we have set a more ambitious goal for ourselves: by 2025, we aim for 90% of direct discharged facilities to achieve the ZDHC Wastewater Foundational Level or above.

GOING FORWARD

We actively pursue sustainability and promote a clean supply base through various actions, including:

1. Expanding the chemical formulator scope in adiFormulator program to accelerate the adoption of L3 chemicals.
2. Identifying additional high-risk substances and developing a phase-out roadmap to eliminate the usage of substances with significant environmental or health risks.
3. Launching responsible solvent guidelines to ensure safe usage of solvents throughout our supply chain, minimizing potential negative impacts.
4. Collaborating with suppliers and chemical formulators to transition to water-based solutions as a more sustainable alternative, exploring opportunities for switching chemicals from one application to another within our value chain.
5. Capacity building to get suppliers familiar with the new requirements in ZDHC Wastewater Guideline V3.0 when it is effective, collaborating with ZDHC for smooth and successful implementation.

Through all the mentioned collaboration initiatives, we are driving the transition towards safer alternatives and further enhancing the sustainability of our supply base.

ACRONYMS

1. ZDHC – Zero Discharge of Hazardous Chemicals
2. MRSL – Manufacturing Restricted Substances List
3. SGS – Société Générale de Surveillance SA
4. ETP – Effluent Treatment Plant
5. BV – Bureau Veritas
6. BVE3 – Bureau Veritas Environmental Emission Evaluator
7. SDS – Safety Data Sheet
8. aCMA – adidas Chemical Management Academy
9. ZDHC CMS-TIG – ZDHC Chemical Management System Technical Industry Guide
10. IPE – Institute of Public & Environmental Affairs