
BIODIVERSITY AND ECOSYSTEMS POLICY

1. Objective Biodiversity and Ecosystems Policy

This Policy addresses adidas' commitment to reduce pressure on biodiversity, specifically on protected and endangered natural ecosystems, including respecting the rights of local communities.

adidas is committed to:

- 1) no deforestation, conversion and degradation in the supply chains which we source from,
- 2) the protection and restoration of biodiversity and ecosystems (including Ancient and Endangered Forests) affected by adidas' business operations.

This Policy uses frameworks such as the Accountability Framework Initiative (AFI), the Science Based Targets initiative and the Science Based Targets Network (SBTi and SBTN), United Nations Declaration on the Rights of Indigenous Peoples and ILO Convention No. 169 (Indigenous and Tribal Peoples Convention), UN Guiding Principles on Business and Human Rights. These frameworks provide a set of guidelines on how to deliver on ethical supply chain commitments, and how to set credible targets and time-bound milestones.

This Policy is also aligned with the post-2020 Global Biodiversity framework as well as the EU Biodiversity Strategy for 2030 and other relevant EU policies and legislation related to biodiversity and ecosystems, targeting the avoidance and mitigation of biodiversity loss by tackling deforestation, conversion and degradation.

Our approach to biodiversity is guided by the action framework proposed by SBTN: We focus on avoiding and preventing impact first, then reducing unavoidable impact and finally restoring biodiversity where possible. This approach also applies to the focus and implementation of this Policy.

The main driver of biodiversity loss is manmade deforestation. Deforestation is caused primarily by land-use change from forest cover to agricultural production. Seven commodities are responsible for the largest part of this development and are considered high-risk commodities for deforestation. adidas prioritizes those high-risk materials that are relevant to the adidas' materials portfolio. Also, implementation of the deforestation- and conversion-free strategy shall follow a risk-based approach, with higher priority being given to locations which face high rates of natural ecosystem loss.

The cut-off date for deforestation and conversion adopted by adidas for this Policy is December 2020. Any deforestation and conversion that occurred after the aforementioned cut-off date linked to the production of the respective commodities used in adidas products will not be accepted.

As a company with a strong commitment to transparency, adidas publicly reports progress towards its targets on an annual basis.

2. Scope

This Policy applies to all brands, markets, and functions of the company worldwide. It is specifically relevant to all employees that define or influence material and product specifications and related purchasing standards.

adidas continuously assesses and monitors the impacts associated with its raw material sourcing and processing, production and other value chain activities. As knowledge and understanding of impacts on natural ecosystems continually evolves, adidas may adjust the scope of this Policy accordingly, adding new focus activities and requirements where necessary, also reinforcing the associated controls and due diligence measures in function-specific Standard Operating Procedures (SOPs).

3. Deforestation- and conversion-free supply chains

adidas aims to have deforestation- and conversion-free supply chains for all high-risk commodities by 2030 and has made specific external commitments on some of these materials. The following commodities, which are associated with a high risk of deforestation, are in scope of this target: bovine leather, natural rubber, manmade cellulosic fibers, paper and paper-based packaging as well as timber.

Sourcing teams must ensure that suppliers do not source materials or products associated with deforestation, conversion and degradation of natural ecosystems. In addition, suppliers should demonstrate that they meet the expectations contained in this Policy and include them in contracts with their suppliers where applicable.

If nevertheless their own production and/or upstream value chain have led to deforestation, conversion or degradation of natural ecosystems, they shall take robust and verifiable measures to restore and/or support restoration and/or compensation. In addition, suppliers are also encouraged to identify opportunities for conservation of natural habitats and biodiversity linked to their operations.

To ensure deforestation-free supply chains, adidas is developing traceability mechanisms that will help prove the absence of deforestation associated with any high-risk materials used in adidas products.

adidas utilizes third-party methodologies, and uses the most up-to-date databases on deforestation, conversion, and degradation, to verify compliance with this policy and monitor progress towards targets. While well-established tools exist to address deforestation, adidas recognizes that tools for assessment and certification of conversion- and degradation-free materials are not yet commonly available in our industry and have not spread throughout our supply base. Once such tools become accessible, adidas will implement them accordingly and update the related guidance documents.

3.1 Sourcing of Materials associated with high risk of deforestation

This chapter details the overall expectations related to materials that are considered high-risk commodities for deforestation. Detailed requirements related to the sourcing of each material are described in the corresponding functional SOPs.

3.1.1 Leather, Natural Rubber and Man-Made Cellulosic Fibers

All functions responsible for defining, sourcing or purchasing materials must ensure that all suppliers of bovine leather, natural rubber and man-made cellulosic fibers are able to demonstrate that materials used

for adidas products have not originated from locations (farms, plantations, forests) where deforestation happened after the established cut-off date of this Policy, nor where conversion or degradation of natural habitats, invasion of indigenous lands and/or protected areas, and/or practice of forced labor occurred.

adidas, in collaboration with suppliers, will map the bovine leather, natural rubber and man-made cellulosic supply chains to identify possible risks related to deforestation every two years. For this mapping, adidas relies on third-party methodologies, and latest databases available related to deforestation, conversion and degradation of land.

Recycled bovine leather, recycled natural rubber and recycled man-made cellulosic fibers are not subject to the above requirement.

Further details can be found in respective functional SOPs and guidance documents which are made available to all concerned parties.

3.1.2 Paper and paper-based packaging

All functions responsible for purchasing or for setting purchasing standards and specifications for paper and paper-based packaging must ensure that all suppliers of such items are able to demonstrate that the material used has not originated from Ancient and Endangered Forests, nor incurred invasion of indigenous lands and/or protected areas, and/or was harvested or extracted with the use of forced or child labor.

We specifically aim to reduce the use of virgin wood as a feedstock and replace it wherever possible with recycled content or alternative materials. The following guiding principles apply to paper packaging:

- Minimize material consumption within the boundaries of required packaging functionality.
- Maximize the share of recycled content.
- If virgin material must be used, use material that is certified from sustainably managed forests, addressing society's demand for forest products while employing preservation strategies to maintain forest health for future generations.

This Policy applies to all paper (office paper and communication materials) and paper-based packaging (product packaging and transport packaging) used by adidas. It does not apply to the packaging of non-trade products purchased by adidas.

While we work closely with our 3PL (third-party logistics providers) on packaging, we do not have full control over their subcontractors, which may limit our ability to enforce this policy in some cases.

Excluded from this Policy are packaging items requested by customers who have their own packaging policy requirements.

Further details can be found in respective functional SOPs and guidance documents which are made available to all concerned parties.

3.1.3 Timber

All functions responsible for purchasing or for setting purchasing standards and specifications for timber-based products must ensure that all suppliers are able to demonstrate that the timber used in adidas' owned locations and owned retail stores has not originated from Ancient and Endangered Forests, nor where invasion of indigenous lands and/or protected areas, and/or practice of forced labor occurred.

Excluded from this Policy are timber-based items already in place in any leased and managed locations. Franchise stores are excluded from this Policy, however we encourage them to follow this Policy whenever applicable.

Further details can be found in respective functional SOPs and guidance documents which are made available to all concerned parties.

3.2 Human Rights and Indigenous Peoples

adidas is committed to respecting internationally recognized human rights, both in its activities and through its business relationships as defined in our Corporate Human Rights Policy (see [Human Rights Policy](#)). Therefore, Sourcing in collaboration with Global Legal's Social and Environmental Affairs (SEA) department needs to ensure that suppliers adopt and implement sourcing practices that respect human rights and provide for fair, safe and healthy workplace conditions for workers in the supply chain.

In case of risks regarding the conversion of natural forests or other natural ecosystems in their value chains, suppliers must take appropriate due diligence measures to support the long-term protection of these natural ecosystems, including the respect of the rights of local populations and their cultural values. adidas requires their manufacturing partners to obtain free, prior and informed consent from local communities for any greenfield developments that may require land acquisition in proximity to tribal areas, or in locations where land rights have been disputed. adidas has modelled its approach and expectation on the IFC Performance Standard No.7: Indigenous Peoples and associated IFC guidance on land acquisition.

3.2.1. Grievance Mechanism

adidas has implemented a third-party complaints mechanism, to provide adequate access to remedy for affected parties. The Third-Party Complaint Procedure for Human Rights & Environmental Impacts (see [Complaint Procedure for Human Rights & Environmental Impacts](#)), which is managed by Global Legal's SEA department, is a channel for the reporting of any potential, or actual, human rights or environmental harm linked to adidas' operations, products or services, and is open to any individual or organization directly affected by an issue, or any organization which represents individuals or communities directly affected.

4. Biodiversity and ecosystems protection and restoration

We aim to lower our pressure on biodiversity and ecosystems through several measures related to business practices along the entire value chain, from the sourcing of raw materials to the locations of our owned facilities. This encompasses the following steps which are aligned with the approach of Science Based Targets for Nature:

Assess biodiversity impact of owned operations and strategic supplier locations

To provide an indication of potential biodiversity impacts, adidas conducts annually a biodiversity proximity assessment that includes protected areas (PA) and key biodiversity areas (KBA). This is carried out by the Sustainability Team and it is the basis for further action, also in the context of Science Based Targets for Nature.

This assessment is conducted for all owned sites and also for all core supplier locations. It respects the type of activity conducted in each location and distance buffers recommended by different frameworks such as the Taskforce on Nature-related Financial Disclosures (TNFD). Recognized 3rd party methodologies and tools such as the Integrated Biodiversity Assessment Tool (IBAT) are used by adidas to carry out such assessments.

The results of the annual biodiversity proximity assessment will be shared with the respective functions, internal and external partners, and action plans will be developed where needed.

Enhance supply chain transparency to material origin

Pressures and impacts on biodiversity and ecosystems need to be assessed in a local context. Therefore, understanding the origin of the materials used in adidas products is important to manage potential risks and address negative impacts. At the same time, not all geographies require the same level of attention regarding biodiversity impacts. Therefore, we aim to ultimately have full transparency to country level for our nature-derived commodities in our supply chain. In areas of higher risk, we will require information on regional and even local level where there is a need for granular information in order to understand impacts. In line with this, adidas is committed to further develop its traceability and due diligence systems to ensure robust documentation of material origin information.

Reduce the use of virgin materials

Analyzing the direct and indirect effects of adidas' business activities on natural capital showed that biodiversity impacts and dependencies are more prevalent in the upstream value chain and will become more relevant for adidas in the medium and long term. Thus, to reduce pressure on nature, as well as contribute to our decarbonization strategy, adidas aims to reduce the use of virgin materials across its value chain. Our goal is to maximize recycled content in all materials where this is technically possible. Where virgin content is needed, certifications and additional due diligence measures will be used to mitigate adverse impacts on ecosystems.

At the same time, adidas is committed to continuously researching and scaling materials with a lower environmental impact which may replace current materials in the future.

Protect biodiversity and prevent over-exploitation of natural resources

The production of agricultural commodities can have a negative impact on nature, specifically on biodiversity, soil health and water resources and can lead to habitat degradation and species loss. The severity of such impacts depends on the farming practices and the local ecosystem sensitivity.

To this end, adidas is committed to sourcing nature-derived commodities through 3rd party certified programs that contribute to reducing negative impacts by promoting better agricultural practices and improving farmer livelihoods. Additionally, suitable programs and initiatives that focus on the protection of natural resources will be evaluated on a case-by-case basis. Such initiatives can for example include regenerative agriculture practices, agroforestry, etc.

As a principle, adidas rules out the sourcing of materials from any endangered or threatened species, as defined by the International Union for Conservation of Nature and Natural Resources (IUCN) in its Red List). The IUCN Red List measures the pressures acting on species, which guides and informs conservation actions to help prevent extinction.

Support restoration of natural ecosystems

adidas aims to support the restoration of natural ecosystems in locations where our business operations have a material impact. This includes initiatives towards reversing deforestation, conversion and ecosystem degradation and other nature-based solutions. With such engagements, we can also contribute to climate mitigation and adaptation efforts and help build resilient communities. This approach highlights the deep connection between nature and climate, which forms the foundation of our sustainability strategy.

Restoration of biodiversity and ecosystems is highly complex. adidas believes that such endeavors can only be successful in collaboration with relevant stakeholders and within a holistic landscape approach. Therefore, adidas aims to support programs with a strong focus on and record in stakeholder engagement, as we believe that long-term success of such interventions is only secured when respecting the rights of local communities, including Indigenous Peoples.

The selection of such programs will be guided by recognized frameworks, such as SBTN Land Technical Guidance and the Accountability Framework, as well as adidas' materiality assessment.

Transform the industry through collaboration and innovation

adidas works collaboratively with different types of stakeholders in adidas' value chain, with the aim of making continuous progress in avoiding and reducing negative impacts and protecting and restoring natural ecosystems. To this end, adidas supports pilots, capacity building, best practices dissemination and supplier engagement initiatives that are targeted towards reducing environmental impact while protecting nature and improving community livelihoods.

At the same time, adidas is committed to advancing the transformation of the fashion industry by promoting dialogue and sharing knowledge within the industry, joining biodiversity-related initiatives and industry calls for the protection and restoration of natural ecosystems. We also believe in the importance of creating synergies with neighboring industries throughout the landscapes we operate in. This includes also actively advocating for transformation and progress in different platforms and organizations towards external stakeholders.

Overall, adidas aims to promote a better understanding of the fashion sector's impacts and dependencies on ecosystems, including opportunities and solutions to address them. This includes promoting the value and recognition of ecosystems services and incorporating nature-related risk into adidas' enterprise risk assessments.

In addition, adidas continuously supports scientific research and innovation, which we understand is a crucial driver for change. This means also promoting the development and implementation of technological and process innovations that result in an overall decrease in the environmental impact of materials, products and other areas of our value chain.

5. Roles and Responsibilities

Responsibility for implementing adidas' commitments, as outlined in this Policy, is assumed at both a strategic and an operational level. The adidas Executive Board, overseen by the Supervisory Board, is responsible for the overall strategic direction of the business, and ultimately decides on adidas' approach to biodiversity, including the allocation of resources to support the implementation of this Policy.

Operationally, the adidas Executive Board has assigned responsibility for the implementation of the Biodiversity and Ecosystems Policy to the SVP Sustainability and ESG, who is supported in particular by Sourcing and Product Operations, Legal and Compliance, as well as Social & Environmental Affairs.

Every adidas employee is obliged to follow the company's policies as well as comply with the applicable laws and regulations. All employees have access to relevant global policies via the company's Global Policy Manual (GPM) platform.

This Policy is in effect in all adidas locations and applies to the company's business operations worldwide.

Our policies are subject to regular reviews and updates.

We expect our suppliers and business partners to adhere to this same commitment in their operations and to appropriately address biodiversity and deforestation risks in their supply chains.