

Status: April 27, 2023

ANNUAL GENERAL MEETING OF ADIDAS AG ON MAY 11, 2023

COUNTERMOTIONS

In the following, please find counter motions on Agenda Item 2, Agenda Item 3 and Agenda Item 6 of the Annual General Meeting 2023 which must be made accessible pursuant to § 126 German Stock Corporation Act (Aktiengesetz - AktG). The counter motions and their statements of reasons reflect the views of the author as submitted to us. Factual claims are also published by us unaltered and unverified, to the extent that they must be made accessible.

Herzogenaurach, April 2023

adidas AG

The Executive Board

Please note: the following English version is only a convenience translation of the German original. In case of any deviations, the German version shall be decisive. The full wording of the German version is disclosed under www.adidas-group.com/hv.

[convenience translation]

Counter motions of the Association of Ethical Shareholders Germany regarding the Annual General Meeting of adidas AG on May 11, 2023

On Item 2: Resolution on the appropriation of retained earnings

The Association of Ethical Shareholders Germany proposes that the appropriation of retained earnings as proposed by the management be rejected.

Statement of reasons:

The dividend proposed is too high. To be able to implement basic labor rights and social standards, a larger portion of the retained earnings should be used for effective measures to solve structural problems within adidas' supply chain rather than for the dividend payment.

Wage theft within the adidas supply chain

This comprises, currently and urgently, putting a permanent stop to industry practice of wage theft, which includes the non-payment of legally prescribed severance payments and social benefits, and discontinuing the infringements of trade union rights, which have increased since the start of the COVID-19 pandemic – also within the adidas supply chains (see our counter motion on Agenda Item 3). Such methods must no longer be a part of the basis of adidas' business model and the resulting profits made. Moreover, if adidas cannot prove that it sufficiently complies with the requirements of the Lieferkettensorgfaltspflichtengesetz (*Act on Corporate Due Diligence Obligations in Supply Chains - Supply Chain Act*), not only reputational risks but also financial risks will increase.

Structural problems require systemic solutions: The binding agreement 'Pay Your Workers – Respect Labour Rights' (PYW-RLR)

The extent of these infringements in the global supply chain calls for a systemic solution. The binding agreement 'Pay Your Workers – Respect Labour Rights' (PYW-RLR)¹, which was set up by trade unions and labor rights organizations, offers such a structural approach for the protection of the fundamental rights of workers.

Under the PYW-RLR agreement, adidas, together with its suppliers, is obligated to ensure that their workers within the supply chain receive the wages and legally prescribed severance payments owed since the pandemic and that the workers' rights

¹ <https://www.payyourworkers.org>

to the freedom of association and collective agreement negotiations are respected. The PYW-RLR agreement and the associated resources are managed by a management board which consists of an equal number of brand representatives and suppliers with voting rights on the one hand and the trade unions on the other hand, as well as an independent Chief Inspector.

The agreement stipulates that a global severance guarantee fund be established to reduce the severance pay theft within adidas' supply chain and that a mechanism for independent assessments and remedial measures in case of infringements of basic labor rights be implemented. The contribution to cover the obligations under the agreement will roughly amount to 0.5 percent of adidas' annual Freight on Board costs (FOB costs).

For instance, part of the retained earnings could be used by adidas to join the agreement. In this way, adidas could make an effective contribution to fighting the COVID-related wage theft and protect the textile workers' right to severance payments and their right to freedom of association and collective agreement negotiations.

To us, this seems far more effective and also, in the mid-term, more cost-effective for adidas and would require less time than adidas' current approach of only reacting to certain individual cases and attempting to resolve them.

Preventative measures as part of the statutory requirements

Naturally, joining the PYW-RLR agreement does not relieve adidas from its responsibility to react itself to issues in this area. However, the Supply Chain Act also stipulates that appropriate preventative and remedial measures be implemented to reduce the risk of human rights violations within the supply chain. Therefore, a mere reactive risk analysis and reactions at a point when it is already too late do not sufficiently comply with the statutory requirements. If non-compliant with these requirements, adidas can possibly face legal consequences, including fines and penalties, exclusion from public contracts and administrative measures. Fines of up to two percent of the average annual turnover may be imposed.

The PYW-RLR agreement could be part of the measures that adidas should take to meet the human-rights-related due diligence obligations. It offers the opportunity to proactively prevent or at least mitigate labor rights infringements within the adidas supply chain. The implementation of the agreement will proactively help adidas recognize and mitigate risks related to severance payments and basic labor rights, including the right to freedom of association and collective agreement negotiations.

For adidas, the PYW-RLR agreement is a cost-effective solution which covers several critical aspects of supply chain management, risk mitigation, and compliance with statutory provisions in a systematic and comprehensive manner.

On Item 3: Resolution on the ratification of the actions of the Executive Board for the 2022 financial year

The Association of Ethical Shareholders Germany proposes that the actions of the members of the Executive Board shall not be ratified.

Statement of reasons:

The Executive Board still fails to fulfill its duties vis-à-vis the workers in its supply chain. Due to the pandemic, pay gaps, severance payment theft, and infringements of basic labor rights are increasing.

Wage theft within the adidas supply chain

Wage theft, including the non-payment of legally prescribed severance payments and social benefits, has become one of the major environmental, social, and governance (ESG) risks in the textile, garment, shoe and leather industry (TGSL). Investigations have revealed that since the start of the COVID-19 pandemic, payments of over USD 11 million² to Cambodian textile workers at eight adidas suppliers are still outstanding. This is only a snapshot of the much larger problem of wage theft within the adidas supply chain since the start of the pandemic. Wage theft and the infringement of basic labor rights have been a problem within the adidas supply chain for a long time. During the pandemic, this situation has deteriorated further for the workers.

Trade union work and demand for fair wages are systematically oppressed

Due to the industry's prevailing business model, it is known to be difficult for the workers in the textile industry to receive the money to which they are legally entitled if there is an infringement. They may be forced to run tedious campaigns over long periods of time, which takes its toll both physically and emotionally. Further serious consequences: Many workers who actively campaigned for their rights are put on a blacklist in other factories and have thus problems to find new work. Wage theft and the undermining of trade union rights keep the workers entrapped in an often unavoidable, cross-generational circle of poverty.

²<https://www.publiceye.ch/en/topics/fashion/fashion-brands-fail-to-address-pandemic-era-wage-theft-in-cambodia-garment-workers-deprived-of-109-million>

The following three examples illustrate human rights violations within adidas' global supply chain which adidas has not yet been willing to address on the required systemic level (see our counter-motion on Item 2).

Cambodia: Brazen cover-up of dismissals

At the start of the COVID-19 pandemic in early March 2020, Hulu Garment, an adidas supplier in Cambodia, suspended all of its 1,020 workers. At the end of April 2020, the management ordered the workers to sign a document with their thumbprint in order to receive the dismissal compensation and the annual vacation leave not taken. However, the company did not tell them that this was actually a letter of dismissal. The factory management made hundreds of workers terminate their work contracts so as to avoid severance payments. One month later, the factory was re-opened but half of the workers were never hired again. 500 workers are still fighting for the money which they are owed and which amounts to more than USD 1 million.³

Dismissal due to formation of a trade union

In April 2020, Trax Apparel⁴, a Cambodian adidas supplier of World Cup apparel, used the pandemic as an excuse to dismiss eight workers as retaliation for the formation of a trade union. Despite pressure from campaigns and labor rights groups, adidas refused to demand that Trax rehire all eight workers for more than two years. As Trax finally rehired four of them, it only paid 50% of the outstanding wage payments owed and the workers were discriminated against after their return. It was only after exerting constant pressure that the company eventually also rehired the other four trade union members and paid the rest of the outstanding wages.

Myanmar: Dismissal after strike and oppression of trade unions

In October 2022, the workers of the long-standing adidas supplier Pou Chen in Myanmar⁵ went on strike to demand compliance with the rights to freedom of association and a wage increase. 26 workers, including 16 trade union members, were dismissed as a retaliation measure. In February 2023, the company rehired 13 workers and 13 received a severance payment. However, the trade unions are still oppressed by the company and wages were not increased. Despite the legally prescribed review of salaries and wages every two years, the military junta stopped this process, which means that the minimum wage today is, in real terms, significantly lower than in 2018, with the workers only earning EUR 2.10 per day in 2023 compared to EUR 3.20 per day

³ <https://www.workersrights.org/factory-investigation/hulu-garment-co-ltd/>

⁴ https://www.workersrights.org/wp-content/uploads/2022/10/WRC-Investigation-Report_Trax-Apparel_102022.pdf

⁵ <https://www.nytimes.com/2022/12/01/business/world-cup-myanmar-adidas-wages.html>

[convenience translation]

in 2018. As the rights to freedom of association are in danger and the national wage formation process has been suspended indefinitely, 40,000 Burmese textile workers have signed a petition in which they request from the brand companies that they support a sectoral wage increase. adidas has not yet responded to this.

[address and bank details of the Association of Ethical Shareholders Germany]

On Item 6: Amendment of §19 of the Articles of Association

The Association of Ethical Shareholders proposes to reject the Supervisory Board's and Executive Board's resolution proposal to authorize the Executive Board to decide to conduct a virtual general meeting.

Statement of reasons:

The format and manner in which the Annual General Meeting is conducted concern fundamental shareholder rights. Therefore, it should be the Annual General Meeting and not the Executive Board that decides under what conditions and in which format future general meetings should be held. Moreover, the Annual General Meeting should also decide whether, as another option, a hybrid format should be implemented which combines the advantages of a general meeting with physical presence with those of a purely virtual event.