COMPENSATION SYSTEM FOR THE MEMBERS OF THE EXECUTIVE BOARD OF ADIDAS AG
IN ACCORDANCE WITH § 87A GERMAN STOCK CORPORATION ACT (AKTIENGESETZ – AKTG)

The Supervisory Board of adidas AG has reviewed and revised the compensation system for the members of the Executive Board. The new compensation system effective as of January 1, 2021 was resolved by the Supervisory Board following an according preparation by the General Committee and was presented for approval to the 2021 Annual General Meeting in accordance with § 120a section 1 AktG.

The material changes to the Executive Board compensation system comprise the

- introduction of a maximum compensation for Executive Board members
- increased weighting of the variable performance-based compensation to the fixed non-performance-related compensation
- extension of the lock-up period for adidas AG shares acquired under the Long-Term Incentive Plan to four years and thus extension of the total term of the Long-Term Incentive Plan to five years
- introduction of a second KPI for the Long-Term Incentive Plan related to environmental, social and governance (ESG) with a weighting of 20%
- increased transparency in accordance with regulatory requirements and stakeholder feedback
- introduction of malus and clawback mechanisms for both the short- and long-term variable performance-related compensation
- introduction of a pension allowance in the form of an annually payable lump-sum amount which replaces the defined contribution pension plan
- introduction of market-standard Share Ownership Guidelines for the Chief Executive Officer (300% of the fixed compensation) and the other Executive Board members (200% of the fixed compensation)
- complete elimination of the possibility to grant a special bonus, a follow-up bonus and a severance payment in connection with a change of control

The principles of the compensation system for the members of the Executive Board are outlined in the following.

PRINCIPLES OF THE COMPENSATION SYSTEM

Consumers are at the very heart of ‘Own the Game’, adidas’ new strategy until 2025. Consumers drive structural trends such as active and healthy lives, they blend sport and lifestyle and are sustainable by conviction. By 2025, ‘Own the Game’ will not only have delivered overproportionate growth for adidas, but also deepened the relationship with its consumers. To successfully deliver on the five-year strategy, adidas will also consistently invest in its employees. Consequently, talents will be attracted, grown and retained. Furthermore, adidas will ensure there is a level playing field for all as we continue our diversity and inclusion journey. In addition, two ‘strategic enablers’ will set up adidas for sustainable success: The application of a mindset of innovation across all dimensions of our business as well as using the speed and agility of Digital throughout the entire value chain. These ‘strategic enablers’ will be instrumental in the implementation of the three strategic focus areas - Credibility, Experience and Sustainability - that are geared to intensifying the focus our consumers and driving growth.

The implementation of the new ‘Own the Game’ strategy, which will apply from the 2021 financial year onward, will be supported by the selection of appropriate performance targets directly derived from the strategy for the variable performance-related compensation. The variable performance-related compensation is therefore directly linked to the externally communicated operating, financial and strategic short-and long-term targets. Thus, the compensation system for the Executive Board members is directly geared toward providing an incentive for successful, sustainable and long-term corporate management and development and is in line with the interests of shareholders, employees, consumers and other stakeholders.
The compensation is structured with an appropriate balance of fixed non-performance-related components and variable performance-related components. The variable performance-related compensation is measured based on the achievement of ambitious, pre-agreed targets; subsequent changes to performance targets or parameters are not permitted. By applying a consistent ‘Pay-for-Performance’ approach, the compensation system aims at appropriately remunerating exceptional performance, while diminishing the variable performance-related compensation when targets are not met. Moreover, the incentive to achieve the long-term targets that determine the multi-year variable performance-related compensation component is higher than the incentive to achieve the targets that determine the one-year variable performance-related compensation component.

In order to achieve a continuous, sustainable increase in company value, the long-term variable compensation also depends on the development of the share price (capital market performance of adidas AG). This results in a targeted harmonization of the interests of the shareholders and the Executive Board.

Another important aspect is the high level of consistency between the Executive Board compensation system and the compensation system of the management level beneath the Executive Board. This ensures that all decision-makers pursue the same targets in order to secure the sustainable long-term success of the Company.

The Executive Board compensation system is clear, easy to understand and uses transparent performance criteria. It meets all requirements of the German Stock Corporation Act and is designed in line with the recommendations of the German Corporate Governance Code.

When designing the compensation system, the Supervisory Board has particularly taken into account the following guidelines:

- Promoting the implementation of the new long-term strategy including the sustainability targets
- Strong Pay-for-Performance approach and long-term orientation
- Strong focus on shareholder and other stakeholder interests
- Intuitive, clearly comprehensible compensation system and transparent disclosure of performance criteria
- High level of consistency with the compensation system of the management levels
- Conformity with applicable regulatory requirements (Stock Corporation Act and German Corporate Governance Code)
- Further development of the market-standard elements of the compensation system for the Executive Board (malus and clawback as well as Share Ownership Guidelines)

**PROCESS FOR THE DETERMINATION, REVIEW AND IMPLEMENTATION OF THE COMPENSATION**

In accordance with § 87 section 1 AktG, the Supervisory Board resolves upon a compensation system for the Executive Board members. The General Committee prepares recommendations on the Executive Board compensation system. The General Committee and Supervisory Board may seek advice from external experts as necessary, ensuring the independence of such experts. In order to avoid potential conflicts of interest, Supervisory Board members are obligated to disclose such conflicts to the Supervisory Board. In the event of a conflict of interest, the respective Supervisory Board or committee member does not participate in the relevant discussions and voting of the Supervisory Board or General Committee.

Based on the preparation and recommendation of the General Committee, the Supervisory Board regularly reviews the compensation system for the Executive Board. If necessary, the Supervisory Board resolves upon changes. In case of material changes, however no later than every four years, the Executive Board compensation system is presented for approval to the Annual General Meeting. If the Annual General Meeting does not approve the compensation system, a reviewed version of the compensation system is presented no later than at the next Annual General Meeting.

Based on the compensation system, the Supervisory Board determines the specific overall target compensation for the individual Executive Board members in accordance with § 87 section 1 AktG. In doing so, the Supervisory Board takes into account the size and global orientation, the economic situation, the success, and the outlook of the Company. Compared with competitors, the compensation should be attractive, offering incentives to attract qualified members to the Executive Board and retain them on a long-term basis within the Company. In addition, when determining the compensation, the complexity and significance of the tasks of the respective Executive Board member, their experience (especially for new appointments) and their contribution to the Company’s success are taken into consideration.

The Supervisory Board regularly reviews the appropriateness of the Executive Board compensation. For this purpose, it uses a horizontal as well as a vertical comparison.
**Horizontal (external) comparison**

When determining the compensation of the Executive Board, the Supervisory Board takes into account current market compensation levels, especially among the DAX companies as well as comparable other German companies. In addition, the adidas Executive Board compensation is compared with the compensation of selected national and international companies within the sporting goods and textile industry. When selecting these companies, the Supervisory Board also takes into consideration the comparability of the market position and company size. The Supervisory Board conducts regular horizontal comparisons to ascertain the appropriateness and competitiveness of the Executive Board compensation in relation to the economic situation of the Company. The composition of the comparison group used for the horizontal comparison is disclosed in the Compensation Report.

**Vertical (internal) comparison**

The Supervisory Board also takes into account the Company’s internal compensation structure and levels when determining the Executive Board compensation. Every year, the Executive Board compensation is compared to that of senior management and employees overall (both employees covered by collective agreements and employees not covered by collective agreements) in Germany, also with regard to their development over time.

**COMPENSATION COMPONENTS: OVERVIEW AND STRUCTURE**

**Overview of the compensation components**

With effect from January 1, 2021, the Executive Board compensation system contains the following components:
Compensation system for the Executive Board members effective as of January 1, 2021

**Compensation components**

- **Fixed compensation**
  - Payment in twelve equal monthly installments
  - 100%

- **Other benefits**
  - Non-cash benefits granted on a regular and occasion-related basis
  - up to 3% of the target direct compensation

- **Pension benefit**
  - Pension allowance
  - maximum of 50% of the fixed compensation

**Cash**

- **Performance Bonus**
  - Two shared criteria: financial
  - Weighting in total 60% [30% each]
  - Two individual criteria: financial and non-financial
  - Weighting in total 40% [20% each]
  - One-year performance period
  - Two shared criteria are directly linked to the annual guidance externally communicated
  - Two individual criteria allow for a differentiation depending on the specific strategic and operational challenges
  - Overall target achievement capped at 150%
  - If the overall target achievement is ≤ 50%, no payout is made

**Variable components**

- **LTIP 2021/2025**
  - Financial criterion: increase in net income
    - Weighting: 80%
  - ESG criterion: share of sustainable articles
    - Weighting: 20%
  - Five annual tranches, each tranche with a period of five years
    - Criteria and target values for the total duration of LTIP 2021/2025 are determined in advance and transparent and, in case of 100% target achievement, in line with the long-term growth and sustainability targets externally communicated
    - In case of failure to achieve the target values determined for a performance year, the target values are increased accordingly for the following performance years, which ensures that the Executive Board is sufficiently incentivized to achieve the ambitious long-term growth targets
  - Overall target achievement capped at 150%
  - If the overall target achievement is ≤ 50%, no payout is made

**Share Ownership Guidelines**

- Malus/clawback for variable components

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1 Target direct compensation consisting of fixed compensation, the annual Performance Bonus as well as the share-based LTIP Bonus in case of 100% target achievement.
2 Target value for the CEO amounts to 300%, for the ordinary Executive Board members to 200% of the annual fixed compensation taking into account a build-up phase of four years.
Compensation structure

The compensation of the Executive Board members is made up of non-performance related (fixed) and performance-related (variable) compensation components and consists of a fixed compensation, an annual cash bonus (‘Performance Bonus’), a long-term share-based bonus (Long-Term Incentive Plan – ‘LTIP Bonus’) as well as other benefits and pension benefits.

In case of 100% target achievement, the target direct compensation (total annual compensation without other benefits and pension benefits) is composed of

- 30% Fixed Compensation,
- 25% Performance Bonus and
- 45% LTIP Bonus.

Total annual compensation and maximum compensation

The notional maximum total annual compensation of the individual Executive Board member can be derived from the fixed compensation, the capped variable performance-related compensation components, the other benefits and the pension benefits. The percentage of the fixed compensation (fixed compensation, other benefits1 and pension benefits) amounts to approximately 41% of the target total annual compensation. Based on a 100% target achievement, the percentage of the Performance Bonus amounts to approximately 21% and the percentage of the LTIP Bonus amounts to approximately 38% of the target total annual compensation.

In addition, in accordance with § 87a section 2 no. 1 AktG, the Supervisory Board has determined an absolute amount (in euros) for the annual maximum compensation. The annual maximum compensation amounts to € 11,500,000 for the Chief Executive Officer and € 5,150,000 for each of the ordinary Executive Board members per financial year. The maximum compensation includes all fixed and variable compensation components.

Composition of Target Direct Compensation and Annual Total Target Compensation

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<thead>
<tr>
<th>Target Direct Compensation</th>
<th>Annual Total Target Compensation</th>
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<tbody>
<tr>
<td>30%</td>
<td>Fixed compensation</td>
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<tr>
<td>25%</td>
<td>Performance-related compensation components</td>
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<tr>
<td>45%</td>
<td>Pension benefit</td>
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<tr>
<td>Performance Bonus</td>
<td>LTIP Bonus</td>
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<td>Other benefits</td>
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</table>

COMPENSATION COMPONENTS: DETAILED DESCRIPTION

Fixed non-performance-related components

The fixed non-performance-related compensation consists of the fixed compensation, the other benefits and pension benefits.

Fixed compensation

The fixed compensation consists of an annual fixed salary, which is based on the responsibilities and the experience of the individual Executive Board member as well as on market conditions. It ensures an adequate income for the Executive Board members and thus avoids the assumption of inadequate risks for the Company. In principle, the fixed compensation is paid in twelve equal monthly installments and generally remains unchanged during the term of the service contract. The fixed compensation constitutes 30% of the target direct compensation of the respective Executive Board member.

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1 The amounts of other benefits may vary in the individual financial years. In general, a target amount of up to 3% of the target direct compensation is considered. The actual amount may be higher or lower.
Other benefits

The regularly granted other benefits for the Executive Board members serve to offset the costs and economical disadvantages directly connected with the Executive Board mandate. They include payment for, or providing the monetary value of, non-cash benefits such as e.g. premiums or contributions to insurance schemes in line with market practice, the provision of a company car or the payment of a car allowance, reimbursement of costs for a regular health check, reimbursement of work-related moving costs, necessary security installations and services and the costs for a tax consultant selected by adidas.

Pension benefits

Pension benefits serve to provide contributions for adequate private retirement pensions. Executive Board members appointed after January 1, 2021 are not granted benefits under a company pension scheme. Instead, they receive a so-called pension allowance in the form of an adequate lump-sum amount which is directly paid out to the Executive Board members annually. The pension allowance equals a maximum amount of 50% of the individual fixed compensation. For the Company, this avoids any interest-rate-related and other biometric risks involved in financing defined contribution pension plans. It also eliminates the associated complex actuarial calculations and administrative procedures. The responsibility for financing their retirement pensions lies with the Executive Board members.

The current members of the Executive Board have defined contribution pension plans. Each year as part of the pension commitments, the virtual pension account of each Executive Board member is credited with an amount which equals a percentage determined by the Supervisory Board and which is related to the Executive Board member’s annual fixed compensation. The appropriateness of the percentage is regularly assessed by the Supervisory Board. The percentage most recently determined by the Supervisory Board amounts to 50%. The pension assets on the virtual pension account at the beginning of the respective calendar year yield a fixed interest rate of 3% p.a., however for no longer than until the pension benefits first become due. Entitlements to the pension benefits becomes vested immediately. Entitlements to pension benefits comprise pensions to be received upon reaching the age of 65, or, on application, early retirement pensions to be received upon reaching the age of 62 or disability and survivors’ benefits. Executive Board members appointed prior to January 1, 2021 are offered to change to the aforementioned pension allowance.

Variable performance-related components

The variable performance-related compensation is designed to provide the right incentives for the Executive Board to act in the interest of the corporate strategy, the shareholders and other stakeholders, as well as to ensure a successful, sustainable, and long-term corporate management and development. The level of the variable performance-related compensation is primarily determined by the economic development of adidas and takes into account the performance of the Executive Board members. In this respect, the Supervisory Board follows a consistent ‘Pay for Performance’ approach. In selecting the performance criteria, the Supervisory Board ensures that they are transparent, clearly measurable and directly promote the implementation of the corporate strategy, also in terms of sustainability. The variable performance-related compensation is therefore directly linked to the externally communicated operating, financial and strategic short- and long-term targets. This brings the compensation of the Executive Board members directly in line with the interests of shareholders, employees, consumers and other stakeholders.

The variable performance-related compensation consists of the Performance Bonus and the share-based LTIP Bonus.

Performance Bonus

As the annual variable performance-related component, the Performance Bonus serves as compensation for the Executive Board’s performance in the past financial year in line with the short-term development of the Company. It incentivizes operational success accompanied by profitable growth within the established strategic framework. At the beginning of the financial year, the Supervisory Board establishes the respective weighted performance criteria. In case of 100% target achievement, the target amount of the Performance Bonus corresponds to 25% of the target direct compensation of the respective Executive Board member.

Criteria, weighting and cap

The amount of the Performance Bonus is determined based on the achievement of, generally, four weighted criteria. Two of these criteria are the same for all Executive Board members and are overall weighted at 60% (‘shared criteria’). In line with the strategic focus on sustainable growth and profitability, the Supervisory Board has generally established the following financial performance criteria for the two shared criteria:

- Currency-neutral sales growth (weighting: 30%)
- Increase in the operating margin (weighting: 30%)
Both criteria are directly linked to the annual guidance externally communicated and, at the same time, follow directly from the – also externally communicated – long-term growth targets of adidas. In order to ensure continuity of target setting, the Supervisory Board will only deviate from these criteria in well-founded exceptional cases. The Supervisory Board may also decide on an adjustment of the performance criteria before the respective financial year.

The other two criteria are defined individually for the respective Executive Board member and are overall weighted at 40% (‘individual criteria’). These individual criteria allow for a further differentiation depending on the specific operating and strategic challenges of each individual Executive Board function. For the two individual targets, financial as well as non-financial performance criteria may be applied. These are directly related to the corporate strategy and its financial goals of sustainable growth, profitability and cash flow generation, which are based on the strategic focus on credibility, consumer experience and sustainability. Furthermore, these criteria are directly related to the defined success factors for the implementation of the strategy: the employees of the Company, a mindset of innovation across all dimensions of our business as well as using the speed and agility of Digital throughout the entire value chain. Examples of possible individual criteria deriving thereof are:

<table>
<thead>
<tr>
<th>Sales growth in business segments/sales channels</th>
<th>Business development</th>
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<tbody>
<tr>
<td>Product development and innovation</td>
<td>Gaining market shares</td>
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<tr>
<td>Success of strategic projects</td>
<td>Attracting new members</td>
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<td>Increase in efficiency</td>
<td>Generating cash flow</td>
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<tr>
<td>Consumer satisfaction</td>
<td>Employee satisfaction</td>
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<tr>
<td>Diversity and inclusion</td>
<td>Digitalization</td>
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<tr>
<td>Sustainability</td>
<td>Succession planning</td>
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The Compensation Report of each financial year will include an outlook on the application of the compensation system for the following financial year. This outlook will transparently disclose ex-ante which shared criteria and targets were selected. The individual criteria and targets will be disclosed ex-post in the annual Compensation Report in order to avoid communicating competition-relevant operating and strategic considerations in advance.

The overall degree of target achievement (sum of all degrees of target achievement) for the Performance Bonus is capped at a maximum of 150% of the individual Performance Bonus target amount. All criteria are designed in such a way that individual target achievement may also be zero. If the overall degree of target achievement lies at or below 50%, the Executive Board member is not entitled to the Performance Bonus. Therefore, the Performance Bonus may be omitted entirely if targets are clearly not met.

Determination of target achievement and bonus amount
At the end of the financial year, the actual target achievement of each Executive Board member, which is based on a comparison of the predefined target values with the values achieved in the year under review, is assessed by the Supervisory Board (‘target/actual comparison’). Taking into account the predefined weightings, the Supervisory Board determines the factor by which the Performance Bonus target amount is multiplied by adding up these degrees of target achievement (‘overall degree of target achievement’). The result is the individual amount of the Performance Bonus to be paid (‘Performance Bonus Amount’).
The performance criteria and targets and the individual target achievements as well as the concrete calculation of the Performance Bonus Amount are explained transparently and set out comprehensively in the annual Compensation Report.

When determining the degrees of target achievement and thus when determining the Performance Bonus Amount, the Supervisory Board may, at its equitable discretion in justified special cases, take into account extraordinary positive and negative developments which are not related to the performance of the Executive Board. This can lead to either an increase or a decrease of the Performance Bonus Amount. Extraordinary developments only comprise major business changes which were not taken into account in operative planning, such as company divestitures or acquisitions, restructurings or changes of tax or accounting standards, or far-reaching, unforeseeable changes in the economic situation (for example, due to severe economic crises) the effects of which are not sufficiently covered in the target achievement. Generally unfavourable market developments are expressly not deemed extraordinary developments. If there are extraordinary developments that necessitate an adjustment, these developments will be explained in detail and transparently in the annual Compensation Report.

The payout of the Performance Bonus Amount is due following approval of the consolidated financial statements of the past financial year.
Performance Bonus

**Performance criteria**
- Consideration of both financial and non-financial targets, which are linked to the strategy
- Two shared criteria [weighting: 60%] are directly linked to the annual guidance externally communicated and, at the same time, follow directly from the – also externally communicated – long-term growth targets of adidas
- The two shared criteria generally are the currency-neutral sales growth [weighting: 30%] and the increase in the operating margin [weighting: 30%]
- Two individual criteria: related to the respective Executive Board function [weighting: 40%] allow for a differentiation depending on the specific operational and strategic challenges

**Transparency of the performance criteria**
- Two shared criteria are transparent ex ante and, in case of 100% target achievement, are in line with the guidance externally communicated at the beginning of the financial year
- Two individual criteria will be explained ex post in the annual Compensation Report in order not to disclose competition-relevant operating and strategic projects ex ante

**Determining overall target achievement**
- Target/actual comparison; comparison of the target values with the values achieved in the performance year
- Total target achievement for all individual criteria incorporating predefined weightings
- The individual target achievement as well as the concrete calculation of the Performance Bonus Amount are explained transparently and set out comprehensively in the annual Compensation Report

**Cap**
- Overall target achievement capped at 150%
- If the overall target achievement is 50% or less, no payout is made

**Malus/Clawback**
- In the event of misstatements in financial reporting or gross misconduct [compliance violation], the Performance Bonus can be withheld partially or completely

**Consistency of the compensation systems**
- Performance Bonus of Executive Board members and senior management generally harmonized

**Long-Term-Incentive-Plan 2021/2025 (LTIP 2021/2025)**

The LTIP 2021/2025 aims to link the long-term performance-related variable compensation of the Executive Board to the Company’s performance and thus to the interests of the shareholders. Therefore, the LTIP 2021/2025 is share-based. It consists of five annual tranches (2021 to 2025), each with a term of five years. Each of the five annual LTIP tranches consists of a performance year and a subsequent lock-up period of four years.
In case of 100% target achievement, the LTIP target amount for the respective LTIP tranche corresponds to 45% of the target direct compensation of the respective Executive Board member. The amount of the LTIP Bonus is determined based on the achievement of two uniform criteria for all Executive Board members, which are directly linked to the long-term strategy of adidas.

**Criteria, weighting and cap**

For the LTIP 2021/2025, the Supervisory Board has defined the following financial or ESG-related performance criteria linked to the strategic objectives for each of the five performance years (2021 to 2025):

- **Financial criterion**: Increase in net income from continuing operations compared to the previous year (weighting: 80%)
- **ESG criterion**: Share of sustainable articles offered (weighting: 20%)

On the one hand, this reflects the strategic target of sustainably increasing net income from continuing operations and thus creating the basis for an attractive return for our shareholders. On the other hand, the key strategic focus for adidas to further drive change in the field of sustainability and to move from stand-alone initiatives to a scaled and comprehensive sustainability program will be integrated into the Executive Board compensation.

The target values for the annual LTIP tranches follow directly from the externally published long-term net income growth targets of the Company and from the sustainability target for the share of sustainable articles offered.

**Increase in net income from continuing operations compared to the previous year**

Due to the continuing uncertainties regarding the further development of the coronavirus pandemic in 2021, the financial targets of the new strategy until 2025 will be determined based on the results for the 2021 financial year (and not based on the results for the 2020 financial year). In this connection, we are currently aiming to increase net income from continuing operations by an average of 16% to 18% per annum in the four-year period between 2021 and 2025. For the LTIP 2021/2025, this specifically means that for the Performance Year 2021, a target is set based on the externally communicated annual guidance for the increase in net income from continuing operations compared to the previous year of € 831 million (100% target achievement).

Based on the actual results for the 2021 financial year, the Supervisory Board will, at the beginning of the 2022 financial year, set a target value corridor for the increase in net income from continuing operations by 2025 for each of the performance years of the four-year period 2022 to 2025, based on the growth target for the increase in net income from continuing operations (currently an average of 16% to 18% per year). These target value corridors will be published transparently at the beginning of 2022 as part of the reporting in the Compensation Report for the 2021 financial year.
At the beginning of each financial year from 2022 onward, the Supervisory Board then sets a target value for a 100% target achievement within the framework of the predetermined target value corridors, taking into account the circumstances of the respective financial year. In this way, it can be ensured that the Executive Board is appropriately incentivized to achieve the ambitious financial target of increasing net income from continuing operations by 2025. The annual Compensation Report of each financial year will include a transparent outlook on the concrete target value determination for the following financial year.

For illustration purposes, the following graph shows the target value for 2021 and, purely illustratively, the target value corridors for the period from 2022 to 2025 based on the assumption that a real increase in net income from continuing operations of €831 million will be achieved in 2021 (100% target achievement) and a growth target for net income from continuing operations in the years 2022 to 2025 amounting to an average between 16% and 18% per year:

In case the targets set by the Supervisory Board for increasing net income from continuing operations are not met in one of the performance years 2022 to 2025, both the lower and upper limit of the target value corridor will automatically increase by 50% of the amount of the shortfall of the specified target value proportionally over the term of the remaining, subsequent performance years of the LTIP 2021/2025. If the increase in net income from continuing operations in a performance year is above the set target value, both the lower and upper limit of the target value corridor will automatically decrease proportionally by 50% of the amount exceeding the set target value for the term of the remaining following performance years of the LTIP 2021/2025.

For illustration: If, for example, the increase in net income in the performance year 2022 is €90 million below the set target for a 100% target achievement, the existing lower and upper limits of the target value corridors for the remaining three performance years will be increased by €15 million each (50% of the €90 million shortfall, proportionally allocated over three years). If the increase in net income in the performance year 2023, for example, exceeds the set target for a 100% target achievement by €40 million, the existing lower and upper limits of the target value corridors for the remaining two performance years will be reduced by €10 million each (50% of the €40 million excess, proportionally allocated over two years).

This mechanism ensures that in each performance year the Executive Board is adequately incentivized to achieve the ambitious long-term 2025 earnings target.

**Share of sustainable articles offered**
As part of our sustainability strategy, our ambition is to produce 90% of our articles in a sustainable way by 2025. This means that the articles offered will either be made of recycled materials, processed in a circular way (Made to be Remade) or contain regenerative materials. For the 2021 financial year, the Supervisory Board has set a target value for the increase of the share of sustainable articles offered of 8 percentage points (100% target achievement). Due to the continuing uncertainties regarding the further development of the coronavirus pandemic in 2021 and in line with the approach for the financial target of increasing net income from continuing operations, the Supervisory Board will set the target values for each of the perfor-

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**LTIP 2021/2025: Financial criterion**

<table>
<thead>
<tr>
<th>Performance year</th>
<th>Increase in net income from continuing operations</th>
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<tbody>
<tr>
<td>2021 (compared to 2020)</td>
<td>+ €831 million</td>
</tr>
<tr>
<td>2022 (compared to 2021)</td>
<td>+ €230 million to + €330 million¹</td>
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<tr>
<td>2023 (compared to 2022)</td>
<td>+ €230 million to + €330 million¹</td>
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<td>2024 (compared to 2023)</td>
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<tr>
<td>2025 (compared to 2024)</td>
<td>+ €230 million to + €330 million¹</td>
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¹ Corresponds to the current target of an average increase of 16% to 18% per year
In order to ensure continuity when setting the targets, the Supervisory Board will only deviate from these performance criteria in well-founded exceptional cases. The Supervisory Board may also decide on an adjustment of the performance criteria before the respective financial year. In case of an adjustment, a transparent disclosure will be made at the beginning of the respective financial year.

The overall degree of target achievement (sum of all degrees of target achievement) for the LTIP Bonus is capped at a maximum of 150% of the individual LTIP Bonus target amount. Both criteria are designed in such a way that the degree of target achievement may also be zero. If the overall degree of target achievement lies at or below 50%, the Executive Board member is not entitled to the LTIP Bonus. Consequently, the Bonus for the annual LTIP tranche may be omitted entirely if targets are clearly not met.

Determination of target achievement and bonus amount
At the end of the performance year, the actual target achievement of each Executive Board member, which is based on a comparison of the predefined target values with the values achieved in the performance year, is assessed by the Supervisory Board (‘target/actual comparison’).

For the 2021 financial year, the following threshold values are determined for the target achievement of the increase in net income from continuing operations or the share of sustainable articles offered:
At the beginning of the 2022 financial year, as part of the definition of the target corridors or target values for the four-year period 2022 to 2025, the Supervisory Board will set the specific threshold values for achieving the target for increasing net income from continuing operations or the share of sustainable articles offered. These threshold values will be published transparently at the beginning of 2022 as part of the reporting in the Compensation Report for the 2021 financial year.

If the actual increase in net income from continuing operations compared to the previous year or the share of sustainable articles offered lies between the predefined threshold values, the degree of target achievement is determined based on a sliding scale.

Taking into account the predefined weightings, the Supervisory Board determines the factor by which the LTIP target amount is multiplied by adding up these degrees of target achievement (‘overall degree of target achievement’). In this way, the bonus amount of the annual LTIP tranche (‘Grant Amount’) is determined, which is paid out to the Executive Board member for the respective annual LTIP tranche for the performance year following the approval of the consolidated financial statements of adidas. The Executive Board members have to invest the full Grant Amount after deducting applicable taxes and social security contributions (‘LTIP Payout Amount’) into the acquisition of adidas AG shares. The shares purchased are subject to a lock-up period. This lock-up period expires at the end of the fourth financial year following the performance year. The Executive Board members may only dispose of the shares after expiry of the lock-up period.
Due to this mechanism, the compensation which the Executive Board members eventually receive from each of the LTIP 2021/2025 tranches is also directly dependent on the share price performance during the respective four-year lock-up period and is thus dependent on the long-term performance of the Company. The Executive Board members are entitled to any dividends distributed in connection with these shares during the lock-up period.

The performance criteria and targets and the individual target achievements as well as the concrete calculation of the Grant Amount are disclosed in the annual Compensation Report.

When determining the degrees of target achievement and thus when determining the Grant Amount, the Supervisory Board may, at its equitable discretion in justified, special cases, take into account extraordinary positive and negative developments which are not related to the performance of the Executive Board. This could lead to either an increase or a decrease of the Grant Amount. Extraordinary developments only comprise of major business changes which were not taken into account in operative planning, such as company divestitures or acquisitions, restructurings or changes of tax or accounting standards, or far-reaching, unforeseeable changes in the economic situation (for example, due to severe economic crises) the effects of which are not sufficiently covered in the target achievement. Generally unfavourable market developments are expressly not deemed extraordinary developments. If there are extraordinary developments that necessitate an adjustment, these developments will be explained in detail and transparently in the annual Compensation Report.

**Determination of target achievement and bonus amount within the framework of LTIP Bonus**

<table>
<thead>
<tr>
<th>At the beginning of the financial year</th>
<th>At the end of the financial year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Determination of criteria and targets</strong></td>
<td><strong>Determination of degrees of target achievement</strong></td>
</tr>
<tr>
<td>Criterion</td>
<td>Weighting</td>
</tr>
<tr>
<td>Increase in net income</td>
<td>80%</td>
</tr>
<tr>
<td>Share of sustainable articles</td>
<td>20%</td>
</tr>
</tbody>
</table>

1 Comparison of target values determined at the beginning of the financial year with values achieved in the financial year.
2 The individual target amount in case of 100% target achievement is determined in accordance with the applicable compensation structure for each Executive Board member. The overall degree of target achievement is the sum of all degrees of target achievement.

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**LTIP 2021/2025**

**Performance criteria**
- Consideration of a financial and an ESG-related target
- Financial target: absolute increase in net income from continuing operations (weighting: 80%)
- ESG target: share of sustainable articles (weighting: 20%)

**Transparency of the performance criteria**
- The criteria for the entire period of the LTIP 2021/2025 are transparent ex ante and derive directly from the published corporate strategy
- In case of a 100% target achievement, the predefined and transparent target values of the annual LTIP tranches are in line with the externally communicated long-term growth targets for the Company’s net income and the ESG target for the share of sustainable articles
MALUS AND CLAWBACK PROVISIONS

In order to ensure sustainable management and development of the Company, the terms and conditions of the Performance Bonus and of the LTIP 2021/2025 contain malus and clawback provisions which allow the Supervisory Board at its equitable discretion, under certain circumstances, to partially or completely reduce the variable compensation or partially or completely reclaim variable compensation already paid. Such circumstances are material misstatements in the financial reports, serious compliance violations and violations of duty as well as breaches of the company-internal rules of conduct by the Executive Board member which would lead to an unjustified bonus payment in the context of the Performance Bonus or the LTIP 2021/2025. Moreover, in the event of violations of duty by Executive Board members, claims for damages arise under stock corporation law.

SHARE OWNERSHIP GUIDELINES

In order to further align the interests of the Executive Board with those of the shareholders, Share Ownership Guidelines are in place which require the Executive Board members to build substantial positions in adidas AG shares during their appointment and after a four years build-up phase. The target for the Chief Executive Officer is a total value of 300% and for the other Executive Board members a total value of 200% of the individually granted annual fixed compensation. The Share Ownership target can particularly be fulfilled by the purchase of shares in connection with the LTIP Bonus for the Executive Board members.

CONTRACT TERMS AND COMMITMENTS UPON COMMENCEMENT OR TERMINATION OF THE EXECUTIVE BOARD MANDATE

Contract term

Executive Board service contracts are concluded for the duration of the Executive Board member’s appointment and are extended for the duration of the reappointment. Executive Board members are generally appointed for an initial term of three years under a three-year service contract. Reappointments are generally made for a term of five years under a five-year service contract.
Commencement of Executive Board mandate

The Supervisory Board is entitled to make compensation payments (in cash or in the form of an additional one-off commitment of a variable compensation which can be subject to a lock-up period if shares are granted) to newly appointed Executive Board members in order to compensate them for lost salaries from a previous employment or to cover the costs of relocating, whereby any such payments are limited to the compensation of actually incurred salary losses or costs for relocation. Any such compensation payments granted are disclosed transparently and in detail in the annual Compensation Report.

Termination of Executive Board mandate

Unless otherwise agreed in the individual case, if the service contract ends upon the Executive Board member reaching the age of 65 or upon non-renewal of the service contract, the Executive Board member is entitled to receive an annual fixed compensation on a pro rata basis as well as a potential prorated Performance Bonus and a potential prorated LTIP Bonus.

In case of premature termination of tenure in the absence of good cause, the Executive Board service contracts cap potential severance payments at a maximum of twice the total annual compensation, not exceeding payment claims for the remaining period of the service contract (‘Severance Payment Cap’). The Executive Board member does not receive a severance payment if they terminate tenure prematurely at their own request or if there is good cause for the Company to terminate the employment relationship.

Commitments to Executive Board members upon premature termination of tenure due to a change of control or follow-up bonuses are not agreed.

Post-contractual competition prohibition

In principle, Executive Board members are subject to a post-contractual competition prohibition of two years. As consideration, for the duration of the competition prohibition, the Executive Board members generally receive a monthly compensation amount totalling 50% of the monthly fixed compensation last received, subject to offsetting (e.g. of income from other occupations). If the departed Executive Board member receives pension payments from the Company (based on existing old commitments), this compensation is offset against any pension benefits owed by the Company during the period of the competition prohibition. The compensation for periods of competition prohibition possibly paid on a monthly basis to departing Executive Board members is offset against any severance payments potentially paid by adidas.

SIDELINE ACTIVITIES OF EXECUTIVE BOARD MEMBERS

Executive Board members may only take on sideline activities with or without remuneration, in particular supervisory board mandates in group-external companies, with the prior approval of the Supervisory Board. Group-internal mandates are deemed covered by the contractually agreed Executive Board compensation. The Supervisory Board decides whether or not compensation for group-external mandates is credited to the Executive Board compensation.

TEMPORARY DEVIATIONS FROM THE COMPENSATION SYSTEM

In accordance with § 87a section 2 sentence 2 AktG, individual components of the described compensation system may temporarily be deviated from in exceptional cases if this is necessary for the long-term well-being of the Company. Such situations may be based on both macroeconomic and business-related exceptional circumstances. Deviations are permitted in particular in the case of a significantly changed corporate strategy and in economic crises in which the compensation of the members of the Executive Board based on the compensation system and the resulting incentive structure does not appear adequate in the interest of the Company. The components of the compensation system from which deviations may be made in exceptional cases are fixed compensation (in particular the amount and date of payment) and other benefits (amount, nature and timing of granting or payout), the variable compensation components (in particular the assessment parameters, the provisions for target setting, the determination of the target achievement and the determination of the payout amounts, and the timing of granting or payout) including the relation between the compensation components and the maximum compensation. Deviations from the compensation system can only be made by a resolution of the Supervisory Board based on the recommendation of the General Committee. Any such deviations are disclosed transparently and in detail in the Compensation Report.

SCOPE OF THE COMPENSATION SYSTEM

The current compensation system for the Executive Board applies to all Executive Board service contracts concluded on or after January 1, 2021. It furthermore generally applies to all previously concluded Executive Board service contracts. In case of individual deviations based on existing old commitments, such deviations are transparently disclosed in the Compensation Report.
Overview of the material changes of the compensation system for the Executive Board members, effective from January 1, 2021

<table>
<thead>
<tr>
<th>Target Direct Compensation¹</th>
<th>Previous compensation system</th>
<th>New compensation system effective from January 1, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criteria and weighting</td>
<td>Fixed Compensation 30%</td>
<td>Performance Bonus 25%</td>
</tr>
<tr>
<td>Two shared criteria</td>
<td>Two shared criteria 45% (30% each)</td>
<td>Two individual criteria 40% (22% each)</td>
</tr>
<tr>
<td>Performance criteria</td>
<td>Financial criteria in line with guidance</td>
<td>Financial and non-financial criteria derived from strategy</td>
</tr>
<tr>
<td>Two individual criteria</td>
<td>Overall target achievement limited to 150%, no payout if total target achievement is &lt; 50%</td>
<td>Two shared criteria transparent at the beginning of the financial year, detailed transparency of target achievement in the compensation report</td>
</tr>
<tr>
<td>Transparency</td>
<td>Two shared criteria transparent at the beginning of the financial year, target achievement published in the compensation report</td>
<td>Two individual criteria not transparent at the beginning of the financial year, only examples published ex-post in the compensation report</td>
</tr>
<tr>
<td>Criteria and weighting</td>
<td>Financial criterion: Net income growth (absolute) 100%</td>
<td>Financial criterion: Net income growth (absolute) 80%</td>
</tr>
<tr>
<td>LTIP Bonus</td>
<td>No change</td>
<td></td>
</tr>
<tr>
<td>System</td>
<td>If target values are not achieved in a performance year, increased target values in the following years ensure that the Executive Board is appropriately incentivized to achieve the long-term targets</td>
<td>No change</td>
</tr>
<tr>
<td>Cap</td>
<td>Overall target achievement limited to 150%, no payout if total target achievement is &lt; 50%</td>
<td>No change</td>
</tr>
<tr>
<td>Lock-up period</td>
<td>3.5 years (+ 1 performance year)</td>
<td>4 years (+ 1 performance year)</td>
</tr>
<tr>
<td>Transparency</td>
<td>Fully transparent ex-ante and ex-post and in line with long-term strategy</td>
<td>No change</td>
</tr>
<tr>
<td>Pension benefit</td>
<td>System</td>
<td>Defined contribution pension plan max, 50% of individual annual fixed compensation</td>
</tr>
<tr>
<td>Malus/Clawback</td>
<td>Applicability</td>
<td>LTP Bonus only</td>
</tr>
<tr>
<td>Share Ownership Guidelines</td>
<td>Target value</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Special Bonus</td>
<td>Applicability</td>
<td>Possibility of granting a special bonus amounting to up to 100% of fixed compensation</td>
</tr>
</tbody>
</table>

¹ Target Direct Compensation consisting of fixed compensation, the annual Performance Bonus as well as the share-based LTIP Bonus (in case of 100% target achievement).