



Global Policy Manual
Responsible Sourcing & Purchasing Policy

Group Function

date effective: 01/07/2017

approved by: Martin Shankland

Executive Board Member Global Operations

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1. Objective

adidas is routinely cited as a leader in sustainability and we are committed to operating responsibly in all areas of our business. Our leadership has been built around a clear set of Workplace Standards that set out expectations for our suppliers in relation human and labour rights, occupational safety and the environment. However, supplier compliance is just one element of a shared responsibility to source ethically.

This policy defines adidas' approach to responsible sourcing and purchasing practices. We are committed to working with our business partners, across our global and multi-layered supply chain, to ensure that sourcing and purchasing decisions, and other supporting processes, do not impede or conflict with the fulfilment of the adidas Workplace Standards.

2. Scope

This policy applies to business units of adidas engaged in sourcing and purchasing of trade products across all brands and product categories.

3. Policy

Responsible sourcing and purchasing practices are to be embedded in all relevant sourcing and purchasing policies and procedures. These shall support decision making and processes that are aligned with:

- Contractual and financial terms that do not adversely impact compliance with the adidas Workplace Standards, including the safeguarding of legally mandated wages, benefits & compensation;
- Product development, order placement/purchasing, and production lead times that reduce the risk of excessive overtime, unauthorized subcontracting, or other negative supply chain impacts; and
- A commitment to long term partnerships with suppliers, which recognise those suppliers delivering sustainable compliance, in accordance with the Workplace Standards, a track record in reducing environmental impacts and maintaining and achieving product safety standards.

As a guide to our implementation of responsible sourcing and purchasing practices in our organisation, we have translated these policy objectives into **10 Buyer Commitments** we make to our suppliers:

- 1) **Pay suppliers on-time:** Agreeing fair terms of payment, including making on-time payment in line with agreed timeframes.
- 2) **Minimize occurrence of quality failure or late delivery:** Applying financial penalties for non-performance only as defined under the Manufacturing Agreement and developing systems that help suppliers minimize quality or late delivery issues.
- 3) **Secure legally compliant & competitive provision for wage & benefit:** Implementing costing frameworks that account for and protect labour costs, including statutory and collectively negotiated wages and benefits, as well as competitive wages that support the long-term retention of a skilled and stable workforce. And when negotiating with suppliers, to do so in a constructive and collaborative manner.
- 4) **Minimize order cancellations as that will impact our suppliers' production/ efficiency:** Applying forecasting, demand and supply planning processes that minimise late order changes or cancellations.
- 5) **Place orders to suppliers with advance notice:** Providing suppliers with the necessary advance notice of production orders to allow for effective production planning and supporting them in balancing volumes, to better manage peaks and troughs.
- 6) **Drive the creation of our products digitally to improve efficiency:** Creating clear, transparent, and mutually productive lines of communication with suppliers, including embedding digital processes to help improve efficiencies.
- 7) **Build long-term partnerships with suppliers:** Building long term partnerships with supply chain partners who share our values and commitment, including to adidas' Workplace Standards.
- 8) **Work together with suppliers in improving their business performance:** Partnering with suppliers to improve their overall business performance and long-term financial stability.
- 9) **Provide a minimum of six months formal notice when terminating the service of a supplier:** Where supplier relationships are to be concluded, providing early notice and

committing to work with suppliers to develop responsible exit plans that seek to mitigate adverse impacts on the supplier and its workforce.

- 10) **Keep internal employees aware of Responsible Purchasing Practices (RPP):** Training relevant adidas personnel on our commitments to responsible purchasing practices.

3.1 Roles & responsibilities

All relevant employees engaged in development, planning, costing, sourcing, and purchasing activities are expected to conduct their work consistently with the principles of this policy. Owners of development, planning, costing, sourcing, and purchasing policies, and related procedures, are expected to ensure these are aligned with and support these principles.

adidas senior management will regularly review this policy and related procedures to ensure they remain relevant and effective. Wherever existing sourcing and/or purchasing practices are identified as having a potential negative impacts on our suppliers' compliance with the Workplace Standards, prompt action shall be taken for remediation and realignment. adidas continues to refine its processes in line with its commitment to Responsible Sourcing and Purchasing.

3.2 Definitions

N/A

3.3 Further Information

N/A

3.4 Change History

Describe the changes to previous versions / modifications in table form

<i>Document number*</i>	<i>Document date</i>	<i>Effective date</i>	<i>Changes</i>
1.0	01/07/2017	01/07/2017	Initial version of the policy
1.1	31/03/2021	31/03/2021	Integration of 10 Buyer Commitments

3.5 Terms & Abbreviations

N/A

4. Referenced policies

The following policies should be read in conjunction with respective this policy:

- adidas Workplace Standards

5. Exception handling

Any exception to this policy must be at the prior direction of the policy owner and the main contacts mentioned in section 6.

6. Policy contact

For any questions or further information please contact Martin Shankland as the policy owner and William Anderson VP Global, Social & Environmental Affairs.