

Of significant importance is our Group's Risk Management Manual, which is available to all Group employees online. The manual outlines the principles, processes, tools, risk areas and key responsibilities within our Group. It also defines reporting requirements and communication timelines. Our Group supplements this top-down, bottom-up approach to risk and opportunity management by employing our Global Internal Audit department to independently assess and appraise operational and internal controls throughout the Group.

The main components of our risk and opportunity management process are:

⇒ *Risk and opportunity identification:* The adidas Group continuously monitors the macroeconomic environment, developments in the sporting goods industry, as well as internal processes to identify risks and opportunities as early as possible. Local and regional business units have primary responsibility for the identification and management of risk and opportunities. Central risk management has defined a catalog of potential risks and opportunities for our Group to assist in the identification process. In addition to the potential financial impacts from changes in the overall macroeconomic, political and social landscape, each business unit actively monitors brand, distribution channel and price point developments in our core sport, leisure lifestyle and sport fusion markets. A key element of the identification process is primary qualitative and quantitative research such as trend scouting, consumer surveys and feedback from our business partners and controlled space network. These efforts are supported by global market research and competitor analysis. Here, secondary material such as NPD Sports Tracking Europe or SportsScan-Info market research data is analyzed and global relationships with independent trend and media agencies such as QRC, ICON Added Value and Trendwatching.com are maintained. Through this process we seek to identify the markets, categories, consumer target groups and product styles which show most potential for future growth at a local, regional and global level. Equally, our analysis focuses on those areas that are at risk of saturation, increased competition or changing consumer tastes.

⇒ *Risk and opportunity assessment:* Identified risks and opportunities are assessed with respect to (1) occurrence probability, and (2) the potential contribution loss or profit, with contribution being defined as operating profit before intra-Group royalties. The occurrence probability of individual risks and opportunities is evaluated on a scale of 0 to 100% likelihood. In this report, we summarize these findings by utilizing "high", "medium" or "low" classifications to represent an aggregate likelihood for various risk and opportunity categories. As risks and opportunities have different characteristics, we have defined separate methodologies for assessing the potential financial impact. With respect to risks, the extent of potential loss is measured on a case-by-case basis as the contribution deviation from the most recent forecast under the assumption that the risk fully materializes. This calculation also reflects the effects from risk-compensating measures. In assessing the potential contribution from opportunities, each opportunity is appraised with respect to viability, commerciality, potential risks and the expected profit contribution. This approach is applied to both longer-term strategic prospects but also shorter-term tactical and opportunistic initiatives at both the Group and, more extensively, the brand level.

⇒ *Risk and opportunity treatment:* Risks and opportunities are treated in accordance with the Group's risk and opportunity management principles and the Risk Management Manual. Line management in cooperation with central risk management and, in exceptional cases, the Executive Board and/or Supervisory Board, decides which individual risks we accept or avoid and those opportunities to pursue or forgo. As part of this process, we also decide on which risk-compensating or transfer measures will be implemented. Similarly, to maximize opportunities, it may be necessary to reduce or limit distribution to protect prices and margins or prolong product life-cycles. In some cases, we also seek to transfer the responsibility or execution for certain risks and opportunities to third parties (e.g. insurance, outsourcing, distribution agreements or brand sub-licensing).

⇒ *Risk and opportunity monitoring and controlling:* A primary objective of our integrated risk and opportunity management system is to increase the transparency of Group risks and opportunities. In addition, we also seek to measure the success of our risk-compensating initiatives. The Group centrally monitors each of these efforts on a frequent basis. In particular, central risk management regularly examines the results of actions taken by operational management to accept, avoid, reduce or transfer risks over time. With respect to opportunities, we regularly monitor the objectives and key performance indicators established during the initial identification and evaluation process. This not only facilitates the validation of opportunities but also allows us to adapt and refine our products, communication and distribution strategy to ongoing developments in our rapidly changing marketplace. In particular, we collaborate with our manufacturing partners and retail customers to evaluate the impact of our growth and efficiency initiatives. Feedback is relayed in a timely manner to product, marketing and controlling functions.

⇒ *Risk and opportunity aggregation and reporting:* Central risk management aggregates Group-wide risks and reports them to the Executive Board on a regular basis. Individual risks are aggregated based on the sum of all assessed risks (sum of occurrence likelihood x potential net loss), taking correlations between individual risks into account. Risks with a likely impact of at least € 1 million on the forecasted full-year contribution are reported to central risk management on a monthly basis. In addition, risks with a likely financial impact of € 5 million or more are required to be reported immediately upon identification to central risk management. Opportunities are aggregated separately as part of the strategic business planning, budgeting and forecasting processes. The realization of risks and opportunities can have a critical impact on our ability to achieve our strategic objectives. Therefore, Management is updated in regular business reviews, but also through ad hoc discussions as appropriate.