

The adidas Group **greenENERGY Fund**: KEY FACTS

The adidas Group **greenENERGY Fund** is like a sustainability venture capital fund for energy efficiency and renewable energy projects. It is the first of its kind in the footwear and apparel industry.

Its mission is to accelerate energy and carbon reduction projects – and deliver a net profit. The Fund pools project costs and energy savings across its investments in owned and leased real estate. This portfolio is managed like a profit centre.

adidas Group **greenENERGY Fund History**

The Fund was designed in 2012 with three goals:

- Accelerate carbon reductions
- Capture and verify energy and financial savings
- Track and share best practices across facilities globally

Pilot Phase 1: July – December 2012.

- Capital Pool: Invested \$690k USD (€531k) across 7 projects
- Facilities served: North American corporate properties
- Results (forecast): 37% IRR - Return on Investment

Pilot Phase 2: January – December 2013

- Capital Pool: Currently investing \$2M USD (€1.54M)
- Facilities served: All owned and leased properties globally.
- Results (forecast): 30-40% IRR - Return on Investment projected.

adidas Group **greenENERGY Fund mechanics**

The Fund is not a loan vehicle. Instead, sites retain the energy savings, as well as any depreciation, labor and maintenance obligations or savings. Sites also usually lead the installation and project management. Project applications are submitted to a Steering Committee representing Finance, Engineering and Corporate Real Estate.

The Fund has two key powers that make it a uniquely effective carbon reduction tool:

- Business cases are evaluated based on their impact on a *portfolio* of projects. The Fund targets a 20% Internal Rate of Return (IRR) across the portfolio, but allows flexibility at individual project level. This way, energy efficiency projects with great financial returns can be combined with high impact carbon projects that have a lower IRR.
- If an individual carbon reduction project falls below the 20% return threshold, it competes with other projects on the basis of Metric Tons CO₂-e reduced per dollar invested. The higher the MT CO₂-e/\$, the higher priority it becomes to finance. In this way, the Fund is engineered to maximize Net Present Value *and* carbon reduction.

Monitoring & Verification

Sites agree to a “Monitoring and Verification Plan” to measure savings from the project. This way, successes, failures and new opportunities can be captured and shared with other sites. All funded projects are also catalogued in an internal Sharepoint platform accessible to all employees. These case studies become models and sources of inspiration for other facilities. Case Studies are also updated as impacts change or lessons emerge.

Case Studies

A few examples of successfully implemented projects:

**LED RETROFIT
PORTLAND ADIDAS
VILLAGE GARAGE**
CODE: (G.LR.1)

Upgrading the Portland Parking Garage Lights to LEDs will save ~ 63% of the lighting electricity (\$36,500/year) and:

- reduce lamp, ballast and maintenance costs
- reduce carbon by 162 MT (like taking 29.5 cars off the road!)

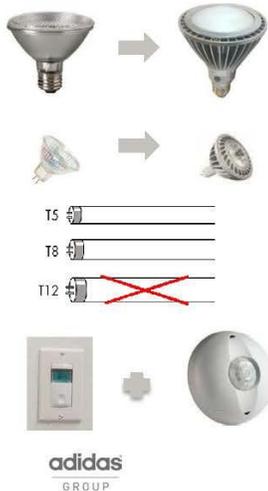
The project is generously supported by Energy Trust of Oregon, who is covering ~ 48% of the project cost.

Update: Project completed as of 2/1/2013. Meter installed to record energy savings.

Bonus: Security loves them. They improve how images render in cameras, and are far less likely to yellow or burn out.

Financial Summary	
Net Investment	\$108,479
NPV	\$167,484
Annual Savings	\$40,530
Payback Period	2.68
IRR	38.1%

ADIDAS STORES – NAM



adidas is retrofitting 118 US & Canada stores with Philips LEDs.

Scope

- Replace halogens & ceramic metal halides with LEDs
- Relamp all 40- and 32-watt T-12 fluorescent tubes to 28-watt T-8s
- Add occupancy sensors and/or timer switches to Back of House, if appropriate

Details

- Rexel/Munroe Distributing is partner for audits and lamp procurement. Generous utility rebates available in many markets
- Installing LEDs in a ratio of 1:1.4 and 1:1.6 when they replace 35-watt and 70-watt CMH, respectively. This is because CMH have more lumens per lamp than the LEDs.

Update: Target relamp/retrofit completion is May 31, 2013.



Financial Summary

Net Investment	\$675,264
NPV	\$591,450
Annual Savings	\$371,298
Payback Period (years)	1.82
IRR	40%

INDIANAPOLIS LIGHTING RETROFIT AND CONTROLS



Upgrade lighting in SLD's 600,000 sf warehouse and manufacturing facility. Improve energy efficiency and light quality.

Scope

- Retrofit all 400-watt Metal Halide lamps for 6-lamp T5 H0 fixtures (285 watts)
- Install occupancy sensors in all high-bay aisles
- Replace all halogen lamps accent and task lamps with LEDs
- Install occupancy sensors in private offices

Update: Project Completed October, 2012. Delivering a higher financial return than anticipated because high-bay lights are OFF more than we estimated. Received an \$82k rebate from local electric utility. Workers speak highly of improved light quality. It is now easier to see flaws in colors and fabric.



Financial Summary

Net Investment	\$242,926
NPV	\$313,731
Annual Savings	\$127,691
Payback Period	1.9 years
IRR	54%