

**adidas**

# **CHEMICAL MANAGEMENT PROGRESS REPORT**

**SUMMARY 2021-2022**

The information in this report provides an update on adidas' progress against essential chemical management goals and targets that have been set and communicated to the public.

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# COMMITMENT

## PFC Elimination

adidas is fully implementing the precautionary principle, we publicly committed to eliminating:

1. all long-chain (i.e. C7, C8 and longer) PFCs (defined as all poly- and perfluorinated substances and their precursors and metabolites) by no later than 1 January 2015;
2. and any other PFCs in any of the products adidas produces and/or sells across its global supply chain, and to be at least 99% PFC-free by no later than 31 December 2017.

## Public's Right to know on chemical disclosure

Since 2014, we deliver on full transparency of hazardous chemical use in our global supply chain and publicly disclose the discharge of hazardous chemical in our global supply chain, which covers at least 80% of all wet processes via the [IPE Detox platform](#). We ensure full details of all wet processes across our global supply chain are always publicly available on the adidas corporate website.

# 2025 TARGET

## Promotes sustainable chemistry

We aim to have 80% of supplier facilities that manage chemicals in their production process to achieve Level 3 compliance with the Manufacturing Restricted Substances List (MSRL) of the Zero Discharge of Hazardous Chemical (ZDHC) group for their input chemicals by 2025.

## Cleanest supply base

We aim for 80% of applicable supplier facilities that operate on-site effluents plants to achieve a 'ZDHC Wastewater Foundational Level'<sup>1</sup> (direct discharge) by 2025.

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<sup>1</sup> Achievement of foundational level includes the full compliance of both conventional and ZDHC MRS� parameters.

# ACHIEVEMENT & PROGRESS TO DATE

## CHEMICAL INPUT

### PFC Elimination

The elimination of all PFCs used in any of our products we sell is supported by the following steps:

- i. implementation of a rigorous system of control to ensure that no traces of PFCs find their way into our supply chain in line with the above;
- ii. working in partnership with our supply chain and other global industry leaders to accelerate the move to non-PFC technologies.

### 2016- 2018

#### *R&D*

We successfully built in-depth chemical expertise in our teams and strengthened our research capacities for finding PFC alternatives which meet our high performance and quality standards for apparel, footwear and sporting goods providing water repellence. We were constantly and carefully testing alternative concepts to achieve our commitment and provide the best products to our consumers. We worked in close collaboration with leading chemical companies to explore formulations. During the initial R&D phase in 2016, we found performance differences in lab tests vs. wear tests and also detected differences in the performance of the same PFC-free solution from one supplier to another. Therefore, we had adjusted our overall testing procedure, key production process and applied them across the supply chain, these initial application issues have been solved.

Through our research and innovation efforts, we achieved significant progress towards developing PFC-free water-repellent materials which meet our standards, in order to provide consumers with water-repellent equipment, especially in lifestyle and entry-level performance products. In 2016, we approved 48 PFC-free formulas and now have increased to 61 formulas in 2022. Those approved formulas are applied across our global supply chain. At the same time, an extensive training and education efforts have been undertaken internally with our product development teams and with our suppliers to ensure that PFCs are only used as very rare exceptions, when it is absolutely necessary to achieve the highest performance level (less than 1% overall volume).

#### *PFC Policy*

As there was no global standard to define 'PFC-free' in early 2016, we developed and implemented an adidas PFC-free policy to define our product requirement. The methodology developed in this policy was elaborated and identified with universities, leading testing laboratories and many other stakeholders to ensure compliance throughout our supply chain. This policy includes and summarizes:

- the most up-to-date findings of our research work that describes a sophisticated procedure to ensure compliance with our PFC-free programme and eliminates the intentional use of PFCs.
- Covers the full supply chain, end to end monitoring process: from input chemistry to production through to the final product.
- Provides an approved list of formulations to be used by all adidas suppliers as well as an approved list of suppliers who meet our requirements to produce PFC-free products.

In our continuous efforts to create further transparency in our supply chain, we also had detected PFCs in some PU synthetics process of footwear materials where we did not expect them. By working closely with our suppliers, we successfully eliminated the use of PFCs for these applications in 2017. All of these steps and achievements have been crucial to successfully achieving our PFC-free commitment which we gave in 2013. We continue to deliver against our goal of 99% of our products being PFC-free since the end of 2017.

**2018 and onwards:**

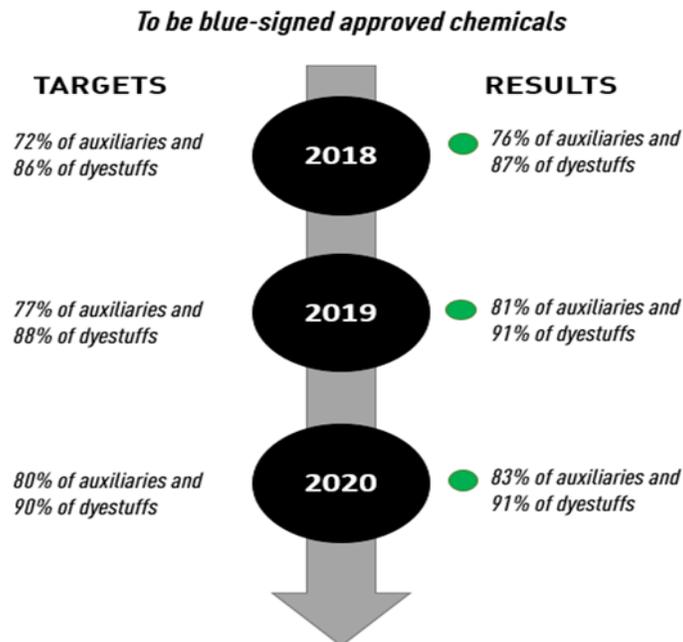
We continue in upholding our previous commitment and related efforts in maintaining our success of more than 99% of our products sold being PFC-free. This includes:

- Continuous improvement of the performance of our PFC-free products.
- Report on the current status of our PFC-free product share on a yearly basis.
- Proactively searching suitable alternatives for high end-performance products with close collaboration with academia and thought leaders with profound technical expertise. This includes our continued work with Gore™.
- Continue to raise our voice as an industry leader and share key findings of our PFC-free approach with the industry through conference presentations and through sharing best practices.

**Bluesign Partnership**

**2016 - 2020**

As part of our partnership with bluesign®, we continued to record the chemical inventory of our strategic apparel material suppliers and started to set targets for the use of bluesign-approved chemicals since 2018. In 2020, our strategic apparel suppliers surpassed target on bluesign chemicals adoption with the use of 83% of auxiliaries volume and 91% of dyestuffs volume.



*Graph 1: 2018 -2020 target and achievement on blue-sign approved chemicals adoption*

Until now, our suppliers are actively using the bluesign® bluefinder positive chemistry database in their day-to-day chemical selection. The ease of use of this simple tool accelerates the use of more sustainable chemistry significantly. The bluesign® bluefinder tool is based on the strict bluesign systems substances list ([BSSL](#)).

### **Beyond 2020**

We have been paying significant effort to improve the chemical input management in our supply chain and promote the adoption of sustainable chemistry standard in collaboration with ZDHC according to ZDHC Conformance guidance level.

### **ZDHC Manufacturing Restricted Substances List (MRSL) and Conformance Guidance**

#### **2011 - 2020**

As one of founding members of Zero Discharge of Hazardous Chemical (ZDHC) group, adidas contributed to the development of first industry-wide Manufacturing Restricted Substances List (MRSL) which was publicly released in 2014. It is an important breakthrough in industry and transform the supply chain to act beyond finished products in harmonized manner.

In 2015, we started to implement the ZDHC-MRSL and have set it as a basic expectation for our suppliers. The communication, supported by adidas internal hands-on guidance documents, was released to all T2 wet process suppliers in July 2016. In 2017, we collected signed ZDHC-MRSL acknowledgement letters from our T2 wet process suppliers (in total more than 290 suppliers). We aimed to build an sophisticated system to monitor and track supplier compliance with ZDHC MRSL. Therefore, adidas works in close collaborate with ZDHC group to develop ZDHC MRSL Conformance Guidance, a guidance that aims to support the implementation of the ZDHC MRSL. The conformance guidance was released in Jun 2017. In 2019, we ran a pilot test with ZDHC approved service solution providers in our selected material suppliers to help us to define an highly advanced MRSL monitoring and tracking system. Based on the pilot result, we established an extensive system to record our chemical inventory information and monitor MRSL conformance level achievement in our supply bases. The full monitoring process was supported by Bureau Veritas' Environmental Emission Evaluator (BV E3). In 2021, we scaled up the monitoring tool to all our global supply bases and set up a 5 years target for driving performance on chemical input management . In the end of 2021, 42% of supplier facilities achieved our 2021 target on adoption of ZDHC MRSL Level 3 chemicals.

#### **2021 and beyond**

We have been striving to drive sustainable chemistry by:

- Developing a transparent and credible MRSL update process in collaboration with ZDHC
- Maintaining more than 90% of auxiliaries and dyes in our production are bluesign-approved
- Working closely with key industry players to drive adoption of higher standard in ZDHC conformance level

## **DISCLOSURE**

### **IPE DETOX DISCLOSURE**

From 2014 onwards, all major China-based wet process suppliers (who account for approx. 99% of the total material volume sourced in China) disclosed their wastewater data on the IPE Detox platform. The disclosure is not limited to wastewater data information from facilities, we also encourage our suppliers to include information on their respective customers during their disclosure.

In 2015 and 2016, we expanded our disclosure work and supported our suppliers in the disclosure of their wastewater data on the IPE platform. Since the end of 2015, 50% of our global wet processes by volume across footwear, apparel and accessories & gear have been disclosed on the IPE platform. We were able to have 80% of the suppliers' wastewater data disclosed by September 2016. Since the end of 2017, suppliers accounting for at least 80% of our global wet processes by volume across footwear, apparel and accessories & gear have been disclosed on the IPE platform on an annual basis. To date suppliers disclosed on IPE are located in China, Vietnam, Taiwan, Thailand, Cambodia, Indonesia, India, Pakistan, Korea, Japan and Turkey.

### **Beyond DETOX - Disclosure on IPE PRTR (Pollutant release and transfer registers)**

Since 2011, we have screened our China-based factories on the IPE environmental violation record database. If suppliers are listed, we take action and support them in their remediation plan with the ultimate goal to get them removed from the blacklist.

We see that full transparency on the environmental performance in our supply chain is a fundamental step to reduce our environmental footprint. We encourage our suppliers that disclosure should not be limited to wastewater (e.g. air emission data on the IPE PRTR platform as well). Since 2015 onwards, all our strategic suppliers based in China have disclosed their environmental data on the IPE PRTR platform. From 2018 to 2021 IPE Green supply chain report, adidas ranked as Top 10 in the Corporate Information Transparency Index (CITI) in the apparel and footwear industry. It gives us external recognition for our global environmental program and our disclosure work on transparency.

To further strengthen our leadership role in supply chain transparency and environmental management, we have made our China suppliers' list publicly-available on IPE's Green Supply Chain map ([GreenSupplyChainMap](#)). This application monitors the real-time environmental emissions of our China-based facilities.

### **GLOBAL SUPPLIER LIST**

In order to further enhance transparency for all our stakeholders, we have expanded our publicly available supplier list with the strategic T2 wet process suppliers since 2014. It is shared on our website ([T2 wet process supplier list](#)). Our global supplier list is regularly updated in every 6 months to provide the latest information of our supply base.

## **CHEMICAL OUTPUT -WASTEWATER**

### **2016 – 2020**

#### ***Adoption of ZDHC Wastewater Guideline and going beyond legal requirement***

In 2016, we contributed to the development of the ZDHC (Zero Discharge of Hazardous Chemicals) Wastewater Guidelines, which were officially released in November 2016. This document provides an international wastewater standard with the goal to harmonise the process, sampling, test methods and threshold limit values TLVs ([ZDHC Wastewater Guidelines](#)).

To continue with the elimination of hazardous chemicals from the production processes, we strengthened our wastewater monitoring approach in our supply chain by adopting the ZDHC Wastewater Guidelines. In 2017, all our strategic suppliers have been required to test their

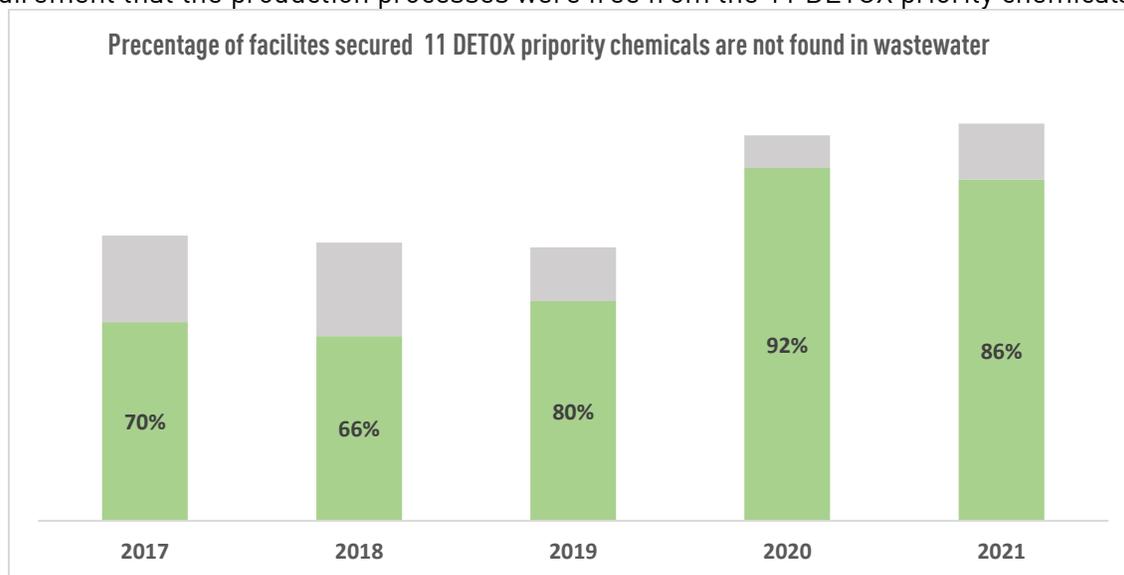
wastewater according to the ZDHC Wastewater Guidelines twice a year. All wastewater test results have to be disclosed on the IPE DETOX platform and the ZDHC Gateway platform.

Majority of our facilities meet the local legislation or the requirements of the industrial effluent treatment plant. It shows that the vast majority of Detox priority chemicals (see table 1) have either been used in production processes unintentionally (as part of auxiliaries and dyestuffs) or have been effectively removed in wastewater treatment processes. Some heavy metals have been detected at levels significantly lower than the applicable national standards in treated wastewater, including cadmium, antimony, arsenic, chromium (total), cobalt, copper, nickel, zinc and manganese. Not all heavy metals have come from production materials. Some of the heavy metals, such as manganese and zinc, have probably been introduced from incoming water. Antimony is used as a catalyst in the polyester polymerisation process, and, as reported, an economically viable alternative is not yet available.

**TABLE 1: List of DETOX priority chemicals:**

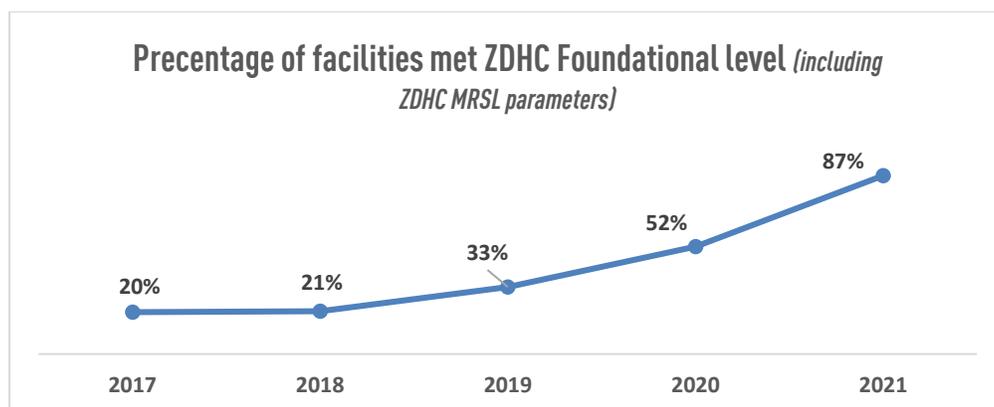
- |                   |                         |  |
|-------------------|-------------------------|--|
| 1. Phthalates     | 2. Organotin compounds  | 3. Brominated and Chlorinated flame retardants |
| 4. Azo dyes       | 5. Chlorinated solvents | 6. Heavy metals                                |
| 7. SCCPs          | 8. Chlorophenols        | 9. APEOs/NPEs                                  |
| 10. Disperse Dyes | 11. PFCs                |  |

According to the waste water testing data in 2021, 86 % of our supply chain fulfilled the requirement that the production processes were free from the 11 DETOX priority chemicals.



However, suppliers face challenges in fulfilling the foundational level of the ZDHC Wastewater Guidelines. To support our supply chain partners in achieving the foundational level of the ZDHC wastewater guidelines, we partnered with Sustainable Textile Solution (STS) to conduct feasibility studies for 20 strategic suppliers located in 4 key production countries in 2018. The major purpose of this scheme is to support our suppliers to improve their input chemical management, waste water treatment technology and management by understanding their area of improvement and by developing potential solutions.

In 2019, we developed the adidas Effluent Treatment Plant (ETP) Evaluation tool as a part of our inhouse capacity building tools. In 2020, this evaluation tool began to execute across our suppliers, aiming to improve wastewater treatment plant in achieving foundational levels or above. With close collaboration with our suppliers, the majority of our suppliers fulfilled national permitting requirements and 87% of the direct discharge facilities met the ZDHC foundational level<sup>2</sup> according to 2021 wastewater results.



### 2021 and beyond

In the coming 5 years, we will continue to work towards our goal to reduce our chemical footprint along the whole value chain by:

- Setting clear targets to improve wastewater management in supply chains
- Providing guidance to suppliers on improvement plans
- Enhancing the involvement of chemical management requirements into our business plan
- Collaborating with ZDHC and Service providers to improve industry practice

### CAPACITY BUILDING

#### 2014-2020

We see the need for pragmatic and implementable chemical management tools for our suppliers that can be used to efficiently reduce the environmental footprint in our supply chain. As one of the committed brands to eliminate the discharge of hazardous chemicals, we work closely with our supply chain partners to make sure that best practices and the existing chemical management tools are truly implemented.

In 2014, we developed an innovative capacity-building programme for suppliers, called the Chemical Management Guideline (CMG). The guideline was developed in close collaboration with the chemical company Huntsman Textile Effects, who contributed their extensive expertise in chemical management at textile mills. Workshops were conducted by Huntsman across all strategic apparel material suppliers in order to train them on this new tool and approach. To assist suppliers to continuously enhance their chemical management programme, in 2016, we refined our training on the Chemical Management Guideline (CMG) e. g. by including previous audit findings & best practices. Additionally, together with our suppliers, we have re-iterated our commitment to phase out PFCs and to further improve our global chemical footprint and

<sup>2</sup> Achievement of foundational level includes the full compliance of both conventional and ZDHC MRSL parameters.

transparency at several public-facing conferences and supplier events around the world. As a major player in the sporting goods industry, we truly believe that our commitments and holistic chemical management programme will lead to changes in the entire footwear and apparel industry. See [2016 Sustainability Progress Report](#) and [ECHA Real – life cases](#). In 2018, we reviewed our chemical management training programs and collected lots of valuable feedbacks from various stakeholders on how to strengthen our capacity-building programs. One particularly important task is to further strengthen the practical elements in our training programs, which can create direct impact on supply chain. In 2020, we partnered with 'SGS Societe Generale de Surveillance SA' to complete the refinement of our chemical management training programs and becomes more comprehensive programs, adidas Chemical Management Academy (Acme). The aims of aCMA is to establish a sustainable chemical management and retained strong competence and skilled personnel in production facilities.

### **2021 and beyond**

Sustainability of apparel and footwear industry has increased in momentum in past 10 years. The chemical management in industry transitioned from reactive end of pipe management to proactive approach and expanded management to the beginning of pipe. As frontrunner brands,

- We continue to act as key drivers for innovation and the implementation of industry standards from chemical input to output,
- We are striving to continuously improve our chemical inputs (MRSL compliance) as well as the closely related processes (supplier performance) and outputs (wastewater)
- We continue to drive the alignment between the industry federations with their programmes and tools, such as ZDHC, AFIRM and SAC. We truly believe that collaboration is key success for the whole textile, apparel and footwear industry.

At adidas we have set our priorities for the next five years as follows:

- 1) **Drive implementation of Sustainable Chemistry:** We set a clear chemical input target for supply chain to increase the adoption of safer and more sustainable chemicals, and create greater transparency on chemicals usage in supply chain.
- 2) **Continuous improvement to achieve the cleanest Supply base:** We will maintain our leading role in continuously improving existing tools and developing additional tools to fill remaining gaps in a collaborative approach.
- 3) **Innovate:** We will continuously innovate in new disruptive technologies, which will change the way materials are made, chemicals are used and wastewater are treated.