

Progress Report on Chemical Management – Summary

03 December 2014

The table below provides an update on the adidas Group’s progress against key chemical management goals and targets that have been set and communicated to the public.

Goal / Target	Progress / Achievement to date
<p>Public’s Right to Know</p> <ul style="list-style-type: none"> • We will deliver on full transparency of our global supply chain hazardous chemical use. • We will deliver public reporting of hazardous chemical use. • Starting with at least 99% of all “wet processes” for China suppliers by no later than 31 December 2014 via the IPE Detox platform (www.ipe.org.cn/en/pollution/discharge_detox.aspx), at least 50% of all wet processes across our global supply chain by no later than 31 December 2015 via the IPE Detox platform and at least 80% of all wet processes across our global supply chain by no later than 01 July 2016 via the IPE Detox platform. • We will ensure full details of our complete wet process global supply chain are always publicly available. 	<p>In 2014, we have been working with all suppliers in scope to train and support them to ensure their waste water records are disclosed via the IPE platform. 99% of apparel wet process suppliers in China are now disclosed via IPE. A further 86 finished goods suppliers have also voluntarily completed the disclosure process. In order to ensure transparency, we encourage suppliers to list their respective customers when disclosing their waste water records. We are continuing to work with our global material supply chain towards complete disclosure into the IPE website in the coming years. In total, over 150 environmental and chemical on-site audits were conducted by our own experts and external auditors to ensure that our suppliers operate sound environmental management systems.</p>
<p>PFC Elimination</p> <p>As adidas Group is fully implementing the precautionary principle, we publicly promised to eliminate 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 01 January 2015 (across all products we produce or sell globally). The elimination of all PFCs used in any of the products</p>	<p>Following our PFC phase-out commitment an in-depth analysis of the use of PFCs in our supply chain and in our products was performed. In 2014, we have concluded our transition from long-chain PFC chemistry to short-chain C6 and below. This has been a tremendous effort, in which we have been working with</p>

<p>we sell will be supported by:</p> <ul style="list-style-type: none"> i. adidas Group commits to being 90% PFC-free as of 15 June 2014; ii. adidas Group commits to eliminate any other PFCs in any of the products adidas Group produces and/or sells across our global supply chain, being at least 99% PFC-free by no later than 31 December 2017; iii. Full public detailed disclosure on our main public website of all PFC use by no later than 31 December 2017; iv. document how PFCs have been substituted by safer alternatives and publish these case studies via the online Subsport.org platform; v. a rigorous system of control to ensure that no traces of PFCs find their way into our supply chain in line with the above; vi. work in partnership with our supply chain and other global industry leaders to accelerate the move to non-PFC technologies. 	<p>multiple material suppliers, as well as with partners from the chemical industry.</p> <p>Read more on our external blog: http://blog.adidas-group.com/2014/11/a-journey-towards-the-phase-out-of-pfc/</p> <p>At the same time, in-depth research has been carried out on PFC alternatives. As part of our overall chemical input management strategy and to ensure all alternatives meet the strict environmental requirements, any potential solution is required to be screened by bluesign technologies®.</p> <p>A wide range of these potential solutions have been piloted with multiple suppliers. Trial material has been thoroughly tested internally and externally. The tests focus on water-repellency performance, but also include all quality testing as per our industry-leading standards.</p> <p>We expect to start implementing PFC-free solutions from 2015 onwards.</p>
<p>Guidance/Direction to Suppliers</p> <p>Contract language and supplementary guidance in regard to hazardous chemical use across their respective global supply chains</p>	<p>The adidas Group has defined and specified high standards and principles in regard to fair, healthy and environmentally sound manufacturing conditions along its supply chain. These standards and specifications are an integral part of the manufacturing agreements the Group holds with its business partners.</p> <p>Under the manufacturing agreement, suppliers are required to ensure that <i>adidas Group products shall be developed for production strictly in accordance with the specifications supplied by or on behalf of the adidas Group to the Manufacturer.</i></p> <p>Specifications are outlined in the annexes of the manufacturing agreement, specifically referencing the <i>adidas Group Policy on monitoring and controlling of hazardous substances</i>; see website: http://www.adidas-group.com/media/filer_public/98/cf/98cf05b1-52f4-44a9-b96a-cbf83dbc7c8/a-01_sept_2014_handout.pdf</p>

This publicly available policy specifically requires business partners to avoid the intentional or deliberate use of those substances which are listed in the A-01 requirements and to comply with best practice standards (see 'Prologue', page 2 of the policy). The policy also covers but is not limited to chemical substances such as APEOs, PFCs and phthalates.

The policy further states that business partners are asked to take a proactive stance in improving the environmental impact of the materials they supply. Improving the environmental impact means to:

- Ensure that materials and components supplied are non-toxic in use and disposal and using them in manufacturing products does not involve toxic releases or damage to ecosystems.
- Strive to use materials which come from renewable and organic resources that are recyclable or biodegradable.
- Manufacture product components and materials under the best possible environmental conditions and use the best available technology.

In a supplementary formal notification that was issued in March 2012 business partners were reminded to specifically avoid the deliberate use of APEOs in the manufacturing processes. The letter is publicly available on our corporate website, http://www.adidas-group.com/media/filer_public/75/73/75734e62-6a4d-4d41-a26f-e8ed5fb1c14c/communication_to_suppliers_on_apeo_npe-free_preparations.pdf.

Under the adidas Group manufacturing agreement, the manufacturer represents and warrants that all adidas Group products supplied pursuant to this agreement shall be produced in accordance with the Workplace Standards

	<p>annexed to the agreement.</p> <p>With that, the manufacturer agrees to adhere to the adidas Group Health & Safety Guidelines and the Environmental Guidelines that contain specific guidance in regard to sound chemical management practices.</p> <p>See: http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/</p>
--	---