

Progress Report on Chemical Management – Summary

December 2015

The below information table provides an update on the adidas Group’s progress against essential 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 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>	<p>In 2015, we further expanded our work with wet process suppliers and supported them in the disclosure of their waste water data on the IPE platform. This included uploading data on the PRTR and DETOX section of the IPE platform.</p> <p>Now 50% of our global wet processes by volume across footwear, apparel and accessories & gear are disclosed on the IPE platform. The suppliers disclosed on IPE are located in China, Vietnam, Taiwan, Thailand, Cambodia, Indonesia, India, Pakistan, Korea, Japan and Turkey.</p> <p>Similar to 2014, we encouraged our suppliers to include information of their respective customers when disclosing their waste water data.</p> <p>In the latest report of IPE “Greening the Supply Chain” issued on 22 October 2015, the adidas Group ranked as the leader in the apparel and footwear industry. This shows the recognition of our programme on a global and local level.</p>
<p>PFC elimination As the 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 per-</p>	<p>In 2015, major progress was made on our path to phase out PFCs. By adding additional resources to our team we built in-depth chemical expertise and strengthened our research</p>

fluorinated 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 we sell will be supported by:

- i. the adidas Group commits to being 90% PFC-free as of 15 June 2014;
- ii. the adidas Group commits to eliminate any other PFCs in any of the products the 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.

capacities in finding alternatives which meet our high performance and quality standards. Major alternatives or substitutes existing in the market were tested. In close collaboration with leading chemical companies we also started to explore formulations which are still in an R&D phase.

Testing was not only performed in the lab, but also conducted in multiple wear tests in real sporting environments. In total, more than 8,400 lab tests were conducted by the adidas Group and 43 wear tests were performed in an actual sporting environment.

At the same time, extensive training and education efforts were performed internally and with our suppliers to ensure that PFCs are only used on those materials the consumer expects a water repellent performance.

As there are no global standards to define PFC-free we have been working with various experts and institutes to create a holistic compliance protocol, including testing requirements.

In our continuous efforts to create further transparency in our supply chain, we also detected PFCs in processes which we did not expect before. One area is the manufacturing of some of our PU synthetics which are used in a wide range of our footwear materials. By working closely with our suppliers we have been identifying alternative formulations and processes to eliminate the use of PFCs for these applications in the immediate future.

All these steps and achievements have placed us in a strong position to further replace our key water-repellent materials with non-PFC alternatives.

	<p>Read more here, http://www.adidas-group.com/en/magazine/stories/commitment/sports-gear-the-chemistry-must-be-right/</p>
Communication to suppliers and capacity building	<p>In 2015, we continued and further strengthened our global environmental supplier programme. One of the key elements of this programme are tailored audits conducted at T1 and T2 suppliers. The applied method for our T2 audits is the ZDHC audit protocol, which was developed with a specific focus on chemical management. Overall, we conducted over 130 environmental audits.</p> <p>Alongside our audit programme we developed a new, 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. The workshops were conducted by Huntsman across all strategic apparel suppliers.</p> <p>Additionally, at several public-facing conferences, supplier events and hearings we re-iterated our commitment to phase out PFCs from our global supply chain. As a major player in the sporting goods industry, we truly believe that this commitment will help drive change in the entire footwear and apparel industry.</p>

<p>Chemical input management</p>	<p>In 2015, we further strengthened our focus on chemical input management. As part of our partnership with bluesign, we recorded the chemical inventory of our strategic apparel material suppliers and started to set targets for the use of bluesign approved chemicals. Suppliers actually exceeded this target: now 25% of auxiliaries and 65% of dyestuffs are bluesign approved. We will set an incremental target for 2016.</p> <p>In addition, we further collaborated with the ZDHC organisation and have contributed significantly to the first industry-wide Manufacturing Restricted Substances List (MRSL), an important breakthrough in the industry. In 2015, the MRSL was further extended, now covering leather processes. The MRSL is a strong base for the industry to start managing the chemical input in a harmonised manner.</p>
<p>Contract language and supplementary guidance in regard to hazardous chemical use across their respective global supply chains</p> <p>XXXXXXXXXXXXXXXX</p> <p>Level 1). Contract language banning all hazardous chemical use across their respective global supply chains, regarding each of the initial priority hazardous chemical groups (including APEOs, PFCs, phthalates).</p> <p>Level 2). All products free of hazardous chemical use across</p>	<p>The adidas Group has defined and specified clear 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 adhere to the following:</p> <ul style="list-style-type: none"> 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. <p>Specifications are outlined in the annexes of the</p>

their respective global supply chains, regarding each of the initial priority hazardous chemical groups (including APEOs, PFCs, phthalates).

Level 3). All production free of hazardous chemical use across their respective global supply chains, regarding each of the initial priority hazardous chemical groups (including APEOs, PFCs, phthalates).

manufacturing agreement, specifically referencing the adidas Group policy on monitoring and controlling of hazardous substances; see website: http://www.adidas-group.com/media/filer_public/02/26/0226e6ad-e797-4f56-bf2c-15f4d1308fc1/a-01_sept_1st_2015_handout.pdf

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 make 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 May 2012, the adidas Group reminded business partners to specifically avoid the deliberate use of APEOs in the manufacturing processes.

Under the 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 annexed to the agreement.

With that, the manufacturer agrees to adhere to the adidas Group Health & Safety Guidelines and the Environmental Guidelines.

See: <http://www.adidas-group.com/en/sustainability/supply-chain/standards-and-policies/>